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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number 001-37384

GALAPAGOS NV
(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

Belgium
(Jurisdiction of incorporation or organization)

Generaal De Wittelaan L11 A3
2800 Mechelen, Belgium
(Address of principal executive offices)

Onno van de Stolpe
Chief Executive Officer
Galapagos NV
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2800 Mechelen, Belgium
Tel: +32 15 342 900 Fax: +32 15 342 901
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, no par value per share	**GLPG**	**The Nasdaq Stock Market LLC**
Ordinary shares, no par value per share*		**The Nasdaq Stock Market LLC***

* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, no par value per share: 64,666,802 as of December 31, 2019

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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INTRODUCTION

Unless otherwise indicated or unless the context requires otherwise, “GLPG,” “the company,” “our company,” “we,” “us,” and “our” refer to Galapagos NV and its consolidated subsidiaries.

We own various trademark registrations and applications, and unregistered trademarks, including GALAPAGOS, FIDELTA, and our corporate logo. All other trade names, trademarks and service marks referred to in this annual report on Form 20-F, or this annual report, are the property of their respective owners. Trade names, trademarks and service marks of other companies appearing in this annual report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this annual report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Our audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our consolidated financial statements are presented in euros. All references in this annual report to “$,” “US$,” “U.S.$,” “U.S. dollars,” “dollars,” and “USD” mean U.S. dollars and all references to “€” and “euros” mean euros, unless otherwise noted. Throughout this annual report, references to “ADSs” mean American Depositary Shares or ordinary shares represented by American Depositary Shares, as the case may be.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management’s beliefs and assumptions and on information currently available to our management. All statements other than present and historical facts and conditions contained in this annual report, including statements regarding our future results of operations and financial positions, business strategy, plans and our objectives for future operations, are forward-looking statements. When used in this annual report, the words “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “is designed to,” “may,” “might,” “plan,” “potential,” “predict,” “objective,” “should,” or the negative of these and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- our reliance on the success of our product candidate filgotinib and certain other product candidates;
- the timing or likelihood of regulatory filings and approvals;
- our ability to develop sales and marketing capabilities;
- the commercialization of our product candidates, if approved;
- the pricing and reimbursement of our product candidates, if approved;
- the implementation of our business model, strategic plans for our business, product candidates and technology;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property rights and proprietary technology of third parties;

- cost associated with enforcing or defending intellectual property infringement, misappropriation or violation; product liability; and other claims;
- regulatory development in the United States, Europe, and other jurisdictions;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- the potential benefits of strategic collaboration agreements and our ability to enter into strategic arrangements;
- our ability to maintain and establish collaborations or obtain additional grant funding;
- the rate and degree of market acceptance of our product candidates if approved by regulatory authorities;
- our financial performance;
- developments relating to our competitors and our industry, including competing therapies;
- our ability to effectively manage and anticipate growth;
- our ability to attract and retain qualified employees and key personnel;
- statements regarding future revenue, hiring plans, expenses, capital expenditures, capital requirements and share performance; and
- other risks and uncertainties, including those listed in the section of this annual report titled “Item 3.D.—Risk Factors.”

You should refer to the section of this annual report titled “Item 3.D.—Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this annual report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

You should read this annual report and the documents that we reference in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We discuss many of these risks in greater detail in this annual report. For all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

This annual report contains market data and industry forecasts that were obtained from third parties and industry publications. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this annual report is generally reliable, such information is inherently imprecise.

Please see the Glossary of Terms at the end of Item 4 for definitions of scientific and other terms used in this annual report.

PART I

Item 1 Identity of directors, senior management and advisers

Not applicable.

Item 2 Offer statistics and expected timetable

Not applicable.

Item 3 Key information

A. Selected financial data

Our audited consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB. We derived the selected statements of consolidated operations data, selected statements of consolidated financial position and selected statements of consolidated cash flows, each as of December 31, 2019, 2018 and 2017 from the audited consolidated financial statements, which are included herein. We derived the selected statements of consolidated operations data, selected statements of consolidated financial position and selected statements of consolidated cash flows, each as of 2016 and 2015 from our audited consolidated financial statements, which are not included herein.

This data should be read together with, and is qualified in its entirety by reference to, "Item 5—Operating and financial review and prospects" as well as our financial statements and notes thereto appearing elsewhere in this annual report. Our historical results are not necessarily indicative of the results to be expected in the future.

Consolidated statement of operations:

	Year ended December 31,				
	2019	**2018**	**2017**	**2016**	**2015**
	(Euro, in thousands, except share and per share data)				
Revenues	€ 844,985	€ 288,836	€ 127,087	€ 129,519	€ 39,563
Other income	50,905	29,009	28,830	22,093	21,017
Total revenues and other income	**895,890**	**317,845**	**155,918**	**151,612**	**60,579**
Research and development expenses	(427,320)	(322,875)	(218,502)	(139,573)	(129,714)
General and administrative expenses	(73,701)	(35,631)	(24,415)	(21,744)	(19,127)
Sales and marketing expenses	(24,577)	(4,146)	(2,803)	(1,785)	(1,182)
Total operating expenses	**(525,597)**	**(362,652)**	**(245,720)**	**(163,103)**	**(150,023)**
Operating income/loss (-)	**370,292**	**(44,807)**	**(89,802)**	**(11,491)**	**(89,444)**
Fair value re-measurement of share subscription agreement and warrants	(181,644)	—	—	57,479	(30,632)
Other financial income	21,482	18,335	4,877	9,950	1,987
Other financial expenses	(60,071)	(2,737)	(30,582)	(1,692)	(1,539)
Income/loss (-) before tax	**150,060**	**(29,209)**	**(115,507)**	**54,246**	**(119,627)**
Income taxes	(214)	(50)	(198)	(235)	1,218
Net income/loss (-)	**€ 149,845**	**€ (29,259)**	**€ (115,704)**	**€ 54,012**	**€ (118,410)**
Net income/loss (-) attributable to:					
Owners of the parent	149,845	(29,259)	(115,704)	54,012	(118,410)
Basic income/loss (-) per share	**€ 2.60**	**€ (0.56)**	**€ (2.34)**	**€ 1.18**	**€ (3.32)**
Diluted income/loss (-) per share	**€ 2.49**	**€ (0.56)**	**€ (2.34)**	**€ 1.14**	**€ (3.32)**
Weighted average number of shares - Basic (in '000 shares)	57,614	52,113	49,479	45,696	35,700
Weighted average number of shares - Diluted (in '000 shares)	60,113	52,113	49,479	47,308	35,700

Condensed consolidated statement of financial position:

	December 31,				
	2019	2018	2017	2016	2015
	(Euro, in thousands)				
Current financial investments	€ 3,919,216	€ —	€ —	€ —	€ —
Cash and cash equivalents	1,861,616	1,290,796	1,151,211	973,241	340,314
Total assets	**6,068,609**	**1,439,496**	**1,286,274**	**1,083,338**	**442,514**
Share capital	287,282	236,540	233,414	223,928	185,399
Share premium account	2,703,583	1,277,780	993,025	649,135	357,402
Total equity	**2,875,658**	**1,214,249**	**1,011,983**	**758,701**	**364,999**
Total non-current liabilities	2,621,158	5,342	102,592	220,846	5,103
Total current liabilities	571,793	219,905	171,699	103,791	72,412
Total liabilities	**3,192,951**	**225,247**	**274,291**	**324,637**	**77,515**
Total liabilities and equity	**€ 6,068,609**	**€ 1,439,496**	**€ 1,286,274**	**€ 1,083,338**	**€ 442,514**

Condensed consolidated statement of cash flows:

	2019	2018	2017	2016	2015
	(Euro, in thousands)				
Cash and cash equivalents at beginning of the period	**€ 1,290,796**	**€ 1,151,211**	**€ 973,241**	**€340,314**	**€ 187,712**
Net cash flows generated/used (-) in operating activities	3,208,617	(142,466)	(147,030)	239,403	(114,590)
Net cash flows used in investing activities	(3,764,660)	(15,914)	(549)	(7,287)	(4,297)
Net cash flows generated in financing activities	1,335,751	287,876	353,357	395,996	271,370
Transfer to current financial investments	(198,922)	—	—	—	—
Effect of exchange rate differences on cash and cash equivalents	(9,966)	10,089	(27,808)	4,816	118
Cash and cash equivalents at end of the period	**€ 1,861,616**	**€ 1,290,796**	**€1,151,211**	**€973,241**	**€ 340,314**

	December 31,				
	2019	2018	2017	2016	2015
	(Euro, in thousands)				
Current financial investments	€3,919,216	€ —	€ —	€ —	€ —
Cash and cash equivalents	1,861,616	1,290,796	1,151,211	973,241	340,314
Current financial investments and cash and cash equivalents	**€5,780,832**	**€ 1,290,796**	**€1,151,211**	**€973,241**	**€340,314**

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Our business is subject to significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the U.S. Securities and Exchange Commission, or the SEC, including the following risk factors which we face, and which are faced by our industry. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this annual report and our other SEC filings. See "Special Note Regarding Forward-Looking Statements" above.

Risks related to product development, regulatory approval and commercialization

We are heavily dependent on the success of our lead product candidate filgotinib, which is under regulatory review in the United States, Europe, and Japan. We are also dependent on the success of our other clinical-stage product candidates, such as our idiopathic pulmonary fibrosis candidates (GLPG1690 and GLPG1205), GLPG1972, GLPG3312, GLPG3970,* GLPG3667, GLPG555 and GLPG2737. *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.

Filgotinib is currently undergoing regulatory review in the United States, Europe and Japan in rheumatoid arthritis (RA). Filgotinib is in Phase 3 trials in Crohn's disease, or CD, ulcerative colitis, or UC, psoriatic arthritis, or PsA, and in preparation for Phase 3 in ankylosing spondylitis, or AS, as well as in a number of Phase 2 Proof of Concept trials, all being conducted by our collaboration partner Gilead. Our business and future success is substantially dependent on our ability to develop, obtain regulatory approval for, and then successfully commercialize our product candidate filgotinib. Our business and future success also depend on our ability to develop successfully, obtain regulatory approval for, and then successfully commercialize our other clinical-stage product candidates GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737.

In March 2019, we and our collaboration partner Gilead reported favorable results from the global RA FINCH Phase 3 clinical trial for our lead product candidate, filgotinib, suggesting that filgotinib is a promising candidate for the treatment of RA and potentially other inflammatory diseases. In addition, the filgotinib Phase 3 programs in inflammation patients (i.e. RA, UC, CD, and PsA) also include dedicated male semen analysis trials, called MANTA and MANTA-RAy. We and our collaboration partner Gilead announced acceptance of a Marketing Authorization Application, or MAA, by the European Medicines Agency, or EMA in August 2019, submission of a New Drug Application, or NDA, to the Japanese Ministry of Health, Labor and Welfare, or MHLW, in October 2019, and acceptance of submission of an NDA with priority review by the United States Food & Drug Administration, or FDA, in December 2019.

In 2019, Gilead initiated the PENGUIN 1 and PENGUIN 2 Phase 3 trials with filgotinib in PsA; we expanded our clinical study program with GLPG1690 in systemic sclerosis, or SSc, with the initiated and completed recruitment of the NOVESA Phase 2a trial; we initiated Phase 1 trials with GLPG3312 and GLPG3970; we and our collaboration partner Servier completed recruitment of the ROCELLA Phase 2b trial with GLPG1972 in osteoarthritis, or OA. Also in 2019, we and our collaboration partners Morphosys and Novartis discontinued clinical development of MOR106, a human monoclonal antibody, in patients with atopic dermatitis.

Our product candidates will require additional clinical development, management of clinical and manufacturing activities, regulatory approval in multiple jurisdictions (if regulatory approval can be obtained at all), securing sources of commercial manufacturing supply, building of, or partnering with, a commercial organization, substantial investment and significant marketing, sales and distribution efforts before any revenues can be generated from product sales. 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 such as the Japanese MHLW, and we may never receive such regulatory approval for any of our product candidates. We cannot assure you that our clinical trials for filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737 will be completed in a timely manner, or at all, or that we will be able to obtain approval from the FDA, the EMA, the MHLW, or any other comparable regulatory authority for any of these product candidates. We cannot be certain that we will advance any other product candidates into clinical trials. If any of filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 or GLPG2737 or any future product candidate is not approved and

commercialized, we will not be able to generate any product revenues for that product candidate. Moreover, any delay or setback in the development of any product candidate could adversely affect our business and cause the price of the American Depositary Shares, or ADSs, or our ordinary shares to fall.

Due to our limited resources and access to capital in the past, we have decided to prioritize development of certain product candidates and may have forgone the opportunity to capitalize on product candidates or indications that may ultimately have been more profitable or for which there was a greater likelihood of success.

Because we had limited resources in the past, we had to decide which product candidates to pursue and the amount of resources to allocate to each. Consequently, we are currently primarily focused on the development of filgotinib and scale-up of our commercial organization to prepare for the anticipated market launch of filgotinib in RA in the Benelux, France, Italy, and Spain, as well as on advancing our clinical-stage pipeline, including filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737. Our decisions concerning the allocation of research, collaboration, management, commercial and financial resources toward particular compounds, product candidates or therapeutic areas may not lead to the development of viable commercial products, we may forgo or delay pursuit of opportunities with other product candidates, or for other indications that may prove to have greater commercial potential. Similarly, our potential decisions to delay, terminate or collaborate with third parties in respect of certain product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the pharmaceutical industry, our business, financial condition and results of operations could be materially adversely affected.

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

The time required to obtain approval by the FDA, the EMA, the MHLW and other comparable regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Filgotinib is currently under regulatory review in the United States (priority review), Europe and Japan for the treatment of RA, and we have not yet obtained regulatory approval for filgotinib or any other product candidate, and it is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA, the EMA, the MHLW or other comparable regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA, the EMA, the MHLW or other comparable regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA, the EMA, the MHLW or other comparable regulatory authorities for approval;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- filgotinib and our other product candidates (except for GLPG1972 developed by us under our collaboration agreement with Servier) are developed to act against targets discovered by us, and because our product candidates are novel mode of action products, they can carry an additional risk regarding the desired level of efficacy and safety profile;
- the FDA, the EMA, the MHLW or other comparable regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;

- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of an NDA, supplemental NDA, biologics license application, or BLA, or other submission or to obtain regulatory approval in the United States, Europe or elsewhere;

- the FDA, the EMA, the MHLW or other comparable regulatory authorities may find deficiencies with or fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies or such processes or facilities may not pass a pre-approval inspection; and

  the approval policies or regulations of the FDA, the EMA, the MHLW or other comparable regulatory authorities may change or differ from one another significantly in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our or our collaboration partners' failure to obtain regulatory approval to market filgotinib, the CF compounds licensed to AbbVie, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737 and/or other product candidates, which would harm our business, results of operations and prospects significantly. In addition, even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. In certain jurisdictions, regulatory authorities may not approve the price we intend to charge for our products. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

We cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to market one or more of our product candidates, our revenues will be dependent, to a significant extent, upon the size of the markets in the territories for which we gain regulatory approval and have commercial rights or share in revenues from the exercise of such rights. If the markets for patient subsets that we are targeting (such as RA, CD, UC, PsA, AS, IPF, SSc, and OA) are not as significant as we estimate, we may not generate significant revenues from sales of such products, if approved.

In connection with our global clinical trials, local regulatory authorities may have differing perspectives on clinical protocols and safety parameters, which impacts the manner in which we conduct these global clinical trials and could negatively impact our chances for obtaining regulatory approvals or marketing authorization in these jurisdictions, or for obtaining the requested label or dosage for our product candidates, if regulatory approvals or marketing authorizations are obtained.

In connection with our global clinical trials, we are obliged to comply with the requirements of local regulatory authorities in each jurisdiction where we execute and locate a clinical trial. Local regulatory authorities can request specific changes to the clinical protocol or specific safety measures that differ from the positions taken in other jurisdictions. For example, in our DARWIN Phase 2 clinical trials for filgotinib in subjects with RA, we agreed with the FDA to exclude the 200 mg filgotinib daily dose for male subjects enrolled in the United States pending further data to demonstrate a wider exposure margin in patients versus the safe exposure in animal studies, while there is no such restriction by health authorities outside the United States. We cannot assure you that this view will not be adopted by other regulatory authorities in later stage trials or at the marketing authorization stage, now that filgotinib completed registrational Phase 3 trials. Even if filgotinib does receive regulatory approval or marketing authorization, the FDA or other regulatory authorities may approve different labels, including for whom the drug is indicated or require different warnings or precautions, or impose dosing restrictions that differ from the approved dosing regimen in other jurisdictions, and these differences could have a material adverse effect on our ability to commercialize our products in these jurisdictions.

Even if we receive regulatory approval for any of our product candidates, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Any regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate, and we may be required to include labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings.

If the FDA, EMA, the MHLW, or any other comparable regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration requirements and continued compliance with current good manufacturing practices, or cGMPs, and good clinical practices, or GCPs, for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters or holds on clinical trials;
- refusal by the FDA, the EMA, the MHLW, or any other comparable regulatory authority to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product approvals or licenses;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

The policies of the FDA, the EMA, the MHLW, and other comparable regulatory authorities may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

Filgotinib, if approved, may be subject to box warnings, labeling restrictions or dose limitations in certain jurisdictions, which could have a material adverse impact on our ability to market filgotinib in these jurisdictions.

Based on preclinical findings, we expect that filgotinib, if approved, may have a labeling statement warning female patients of child-bearing age to take precautionary measures of birth control to protect against pregnancy, similar to warnings included with other frequently used medications in RA, such as methotrexate, or MTX.

Filgotinib, if approved, may have a labeling statement warning for male patients. In both rat and dog toxicology 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.

Clinical development is a lengthy and expensive process with an uncertain outcome, and 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 or approved label for clinical use. Clinical failure can occur at any stage of clinical development.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Although product candidates may demonstrate promising results in early clinical (human) trials and preclinical (animal) studies, they may not prove to be effective in subsequent clinical trials. For example, testing on animals may occur under different conditions than testing in humans and therefore the results of animal studies may not accurately predict human experience. Likewise, early clinical studies may not be predictive of eventual safety or effectiveness results in larger-scale pivotal clinical trials. The results of preclinical studies and previous clinical trials as well as data from any interim analysis of ongoing clinical trials of our product candidates, as well as studies and trials of other products with similar mechanisms of action to our product candidates, may not be predictive of the results of ongoing or future clinical trials. For example, the positive results generated to date in preclinical studies and Phase 1, Phase 2 and Phase 3 clinical trials for filgotinib in RA and in the Phase 2 clinical trials for CD, PsA, and AS, do not ensure that later clinical trials will continue to demonstrate similar results or observations, including the Phase 3 studies in UC, CD, and PsA currently ongoing, and potential other inflammatory diseases. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and earlier clinical trials. In addition to the safety and efficacy traits of any product candidate, clinical trial failures may result from a multitude of factors including flaws in trial design, dose selection, placebo effect and patient enrollment criteria. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials, and it is possible that we will as well. Based upon negative or inconclusive results, we or our collaboration partners may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval.

We may experience delays in our ongoing clinical trials and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including delays related to:

- obtaining regulatory approval to commence a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining Institutional Review Board, or IRB, or ethics committee approval at each site;
- obtaining regulatory concurrence on the design and parameters for the trial;
- obtaining approval for the designs of our clinical development programs for each country targeted for trial enrollment;
- recruiting suitable patients to participate in a trial, which may be impacted by the number of competing trials that are enrolling patients;
- having patients complete a trial or return for post-treatment follow-up;
- clinical sites deviating from trial protocol or dropping out of a trial;
- adding new clinical trial sites;

- manufacturing sufficient quantities of product candidate or obtaining sufficient quantities of comparator drug for use in clinical trials; or

- the availability of adequate financing and other resources.

We could encounter delays if a clinical trial is suspended or terminated by us, our collaboration partners, by the IRBs or ethics committees of the institutions in which such trials are being conducted, or by the FDA, the EMA, MHLW, or other comparable regulatory authorities, or recommended for suspension or termination by the Data Monitoring Committee, or the DMC, for such trial. A suspension or termination may be imposed due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA, the EMA, MHLW, or other comparable regulatory authorities resulting in the imposition of a clinical hold, safety issues or adverse side effects, including those seen in the class to which our product candidates belong, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions, manufacturing issues or lack of adequate funding to continue the clinical trial. For example, it is possible that safety issues or adverse side effects could be observed in trials for filgotinib in CD, UC, PsA and AS and other current and potential indications in which we investigate it; for GLPG1690 in IPF and SSc and for GLPG1205 in IPF; for GLPG1972 in OA; for GLPG3312, GLPG3970, GLPG3667 or GLPG555 in inflammation; for GLPG2737 in kidney disease, which could result in a delay, suspension or termination of the ongoing trials of filgotinib (in one or more indications), GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 or GLPG2737. 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. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

If filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555, GLPG2737 or any other product candidate is found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for it and our business would be materially harmed. For example, if the results of ongoing or future trials for filgotinib do not achieve the primary efficacy endpoints or demonstrate unexpected safety findings, the prospects for approval of filgotinib, as well as the price of the ADSs or our ordinary shares and our ability to create shareholder value could be materially and adversely affected.

In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in composition of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropouts among clinical trial participants. We do not know whether any Phase 2, Phase 3, or other clinical trials we or any of our collaboration partners may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates. If we are unable to bring any of our current or future product candidates to market, our ability to create long-term shareholder value will be limited.

We initiated our first clinical study in 2009, and for 12 of our compounds with novel modes of action, Phase 2 studies were initiated. Phase 3 studies in RA, UC, CD, and PsA were initiated by our collaboration partner Gilead for filgotinib and we initiated the ISABELA Phase 3 trials with GLPG1690 in IPF.

The rates at which we complete our scientific studies and clinical trials depend on many factors, including, but not limited to, patient enrollment.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating. For example, since IPF is a competitive market with a number of product candidates in development, patients may have other choices with respect to potential clinical trial participation, and we may have difficulty in reaching our enrollment targets. In addition, the relatively limited number of IPF patients worldwide may make enrollment more challenging. Any of these occurrences may harm our clinical trials and by extension, our business, financial condition and prospects.

We may not be successful in our efforts to use and expand our novel, proprietary target discovery platform to build a pipeline of product candidates.

A key element of our strategy is to use and expand our novel, proprietary target discovery platform to build a pipeline of product candidates and progress these product candidates through clinical development for the treatment of a variety of diseases. Although our research and development efforts to date have resulted in a pipeline of product candidates directed at various diseases, we may not be able to develop product candidates that are safe and effective. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not continue to develop successfully and to commercialize product candidates, we will face difficulty in obtaining product revenues in future periods, which could result in significant harm to our financial position and adversely affect the price of the ADSs or our ordinary shares.

We have limited experience as a commercial company and the marketing and sale of filgotinib and any future products, if approved, may be unsuccessful or less successful than anticipated. Our commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, healthcare payers, patients and the medical community.

Even if we obtain regulatory approval for one or more of our product candidates, the product may not gain market acceptance among physicians, healthcare payers, patients and the medical community, which is critical to commercial success. Market acceptance of any product candidate for which we receive approval depends on a number of factors, including:

- the efficacy and safety as demonstrated in clinical trials;
- the timing of market introduction of the product candidate as well as competitive products;
- the clinical indications for which the product candidate is approved;
- acceptance by physicians, the medical community and patients of the product candidate as a safe and effective treatment;
- the convenience of prescribing and initiating patients on the product candidate;
- the potential and perceived advantages of such product candidate over alternative treatments;
- the cost of treatment in relation to alternative treatments, including any similar generic treatments;
- the availability of coverage and adequate reimbursement and pricing by third-party payers and government authorities;
- relative convenience and ease of administration;

- the prevalence and severity of adverse side effects; and
- the effectiveness of sales and marketing efforts.

If our product candidates are approved but fail to achieve an adequate level of acceptance by physicians, healthcare payers, patients and the medical community, we will not be able to generate significant revenues, and we may not become profitable.

If we lose orphan product designation for GLPG1690, or obtain such status for other or 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.

Regulatory authorities in some jurisdictions, including the United States and the European Union, may designate drugs for relatively small patient populations as orphan drugs. Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of market exclusivity. This exclusivity precludes the EMA or the FDA, as applicable, from approving another marketing application for the same or, in the EU, a similar drug for the same indication for that time period, unless, among other things, the later product is clinically superior. The applicable period is seven years in the United States and ten years in the European Union following marketing approval. The EU exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation, for example, if the drug is sufficiently profitable so that market exclusivity is no longer justified.

Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective, or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition or if the incidence and prevalence of patients who are eligible to receive the drug in these markets materially increase. Although we have obtained orphan designation for GLPG1690 for IPF in the European Union in September 2016 and the United States in June 2017, and for SSc in the European Union and the United States in January 2020, even after an orphan drug is approved, a similar drug can subsequently be approved for the same condition if the competent regulatory agency concludes that the later drug is safer, more effective or otherwise clinically superior.

If we lose orphan drug exclusivity or if our competitors obtain orphan drug exclusivity for other rare diseases or conditions we are targeting before we do, we may be precluded from obtaining marketing authorization or we may lose out on the potential benefits of market exclusivity.

We may also seek orphan drug designation for other product candidates, but we may not obtain such designation.

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.

We currently are building a marketing and sales organization for the marketing, sales and distribution of pharmaceutical products. In order to commercialize independently any product candidates that receive marketing approval and for which we maintain commercial rights, we would have to build marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. In the event of successful development of filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555, GLPG2737 or any other product candidates for which we maintain commercial rights, we may elect to build a targeted specialty sales force which will be expensive and time consuming. Any failure or delay in the development of our internal market access, sales, marketing and distribution capabilities would adversely impact the commercialization of these products. With respect to any proprietary product candidates we may have in the future, we may choose to partner with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. In the instance of filgotinib, under our collaboration agreement with Gilead, we will commercialize filgotinib, if approved, in Belgium, The Netherlands, Luxembourg, France, Germany, Italy, Spain and

The United Kingdom and retain the 50/50 profit split in these countries. If we are unable to continue to develop and scale our own sales, marketing and distribution capabilities for filgotinib and any future products which we choose to self-commercialize, we will not be able to successfully commercialize such products without reliance on third parties. And if we are unable to enter into collaborations with third parties for the commercialization of approved products, if any, on acceptable terms or at all, or if any such partner does not devote sufficient resources to the commercialization of our product or otherwise fails in commercialization efforts, we may not be able to successfully commercialize any of our product candidates that receive regulatory approval. If we are not successful in commercializing our product candidates, either on our own or through collaborations with one or more third parties, our future revenue will be materially and adversely impacted.

Coverage and reimbursement decisions by third-party payers may have an adverse effect on pricing and market acceptance.

There is significant uncertainty related to the third-party coverage and reimbursement of newly approved drugs. To the extent that we retain commercial rights following clinical development, we would seek approval to market our product candidates in the United States, the European Union and other selected jurisdictions. Market acceptance and sales of our product candidates, if approved, in both domestic and international markets will depend significantly on the availability of adequate coverage and reimbursement from third-party payers for any of our product candidates and may be affected by existing and future healthcare reform measures. Third-party payers, such as government authorities, private health insurers and health maintenance organizations, decide which drugs they will cover and establish payment levels. We cannot be certain that coverage and adequate reimbursement will be available for any of our product candidates, if approved. Also, we cannot be certain that reimbursement policies will not reduce the demand for, or the price paid for, any of our product candidates, if approved. If reimbursement is not available or is available on a limited basis for any of our product candidates, if approved, we may not be able to commercialize successfully any such product candidate. Reimbursement by a third-party payer may depend upon a number of factors, including, without limitation, the third-party payer's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payer is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to the payer. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement or to have pricing set at a satisfactory level. If reimbursement of our future products, if any, is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels such as may result where alternative or generic treatments are available, we may be unable to achieve or sustain profitability.

In certain countries, particularly in the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product candidate. To obtain reimbursement or pricing approval in some countries, we may be required to conduct additional clinical trials that compare the cost-effectiveness of our product candidates to other available therapies. If reimbursement of any of our product candidates, if approved, is unavailable or limited in scope or amount in a particular country, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability of our products in such country.

The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most EU member states have resulted in restrictions on the pricing and reimbursement of medicines by

relevant health service providers. Coupled with ever-increasing EU and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize any products for which we obtain marketing approval.

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.

The United States and several other jurisdictions are considering, or have already enacted, a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell any of our product candidates profitably, if approved. Among policy-makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access to healthcare. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. There have been, and likely will continue to be, legislative and regulatory proposals at the federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. We cannot predict the initiatives that may be adopted in the future.

The continuing efforts of the government, insurance companies, managed care organizations and other payers of healthcare services to contain or reduce costs of healthcare may adversely affect:

- the demand for any of our product candidates, if approved;
- the ability to set a price that we believe is fair for any of our product candidates, if approved;
- our ability to generate revenues and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or, collectively, the ACA, became law in the United States. The goal of the ACA is to reduce the cost of healthcare and substantially change the way healthcare is financed by both governmental and private insurers. The ACA may result in downward pressure on pharmaceutical reimbursement, which could negatively affect market acceptance of any of our product candidates, if they are approved. Provisions of the ACA relevant to the pharmaceutical industry include the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic products, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts (increased to 70% as of January 1, 2019 pursuant to the Bipartisan Budget Act of 2018) on negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer’s outpatient drugs to be covered under Medicare Part D;
- extension of the manufacturers’ Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;

- expansion of the eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level, thereby potentially increasing manufacturers' Medicaid rebate liability;

- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;

- requirements under the federal Open Payments program and its implementing regulations for the disclosure by certain drug, biologic product, device and medical supply manufacturers of payments made to physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals and of ownership or investment interests held by physicians and their immediate family members in these manufacturers; effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners;

- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance;

- a licensure framework for follow-on biologic products; and

- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research.

Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. Various portions of the ACA are currently undergoing legal and constitutional challenges in the Fifth Circuit Court and the United States Supreme Court; the Trump Administration has issued various Executive Orders which eliminated cost sharing subsidies and various provisions that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices; and Congress has introduced several pieces of legislation aimed at significantly revising or repealing the ACA. It is unclear whether the ACA will be overturned, repealed, replaced, or further amended. We cannot predict what affect further changes to the ACA would have on our business.

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 drug discovery and development efforts may target diseases and conditions that are already addressed by existing therapies or by candidate medicines that are being developed by our competitors, many of which have substantially greater resources, larger research and development staffs and facilities, more experience in completing preclinical testing and clinical trials, and formulation, marketing and manufacturing capabilities than we do. As a result of these resources, our competitors may develop drug products that render our products obsolete or noncompetitive by developing more effective drugs or by developing their products more efficiently. Our ability to develop competitive products would be limited if our competitors succeeded in obtaining regulatory approvals for product candidates more rapidly than we were able to or in obtaining patent protection or other intellectual property rights that limited our drug development efforts. Any drug products resulting from our research and development efforts, or from our joint efforts with collaboration partners or licensees, might not be able to compete successfully with our competitors' existing and future products, or obtain regulatory approval in the United States, European Union or elsewhere. Further, we may be subject to additional competition from alternative forms of treatment, including generic or over-the-counter drugs.

In the field of RA, therapeutic approaches have traditionally relied on disease-modifying anti-rheumatic drugs, or DMARDS, such as MTX and sulphasalazine as first-line therapy. These oral drugs work primarily to suppress the immune system and, while effective in this regard, the suppression of the immune system leads to an increased risk of infections and other side effects. Accordingly, in addition to DMARDS, monoclonal antibodies targeting tumor necrosis factor alpha, or TNF, like AbbVie's Humira®, or IL-6R like Roche's (Ro)Actemra®, have been developed. These biologics, which must be delivered via injection, are currently the standard of care as first- and second-line therapies for RA patients who have an inadequate response to DMARDS. Xeljanz® (tofacitinib citrate), marketed by Pfizer, was

approved in November 2012 by the FDA and in March 2017 by the EMA as an oral treatment for the treatment of adult patients with RA who have had an inadequate response to, or who are intolerant of, MTX. Xeljanz® is the first Janus kinase, or JAK, inhibitor for RA approved for commercial sale in the United States. Olumiant® (baricitinib), a once-daily JAK1/2 inhibitor marketed by Lilly was approved by the EMA in 2017 and by the FDA in 2018. We are aware of other JAK inhibitors in development for patients with RA, including, a JAK3/2/1 inhibitor, called ASP015k, which is being developed by Astellas in Japan, and a JAK1 inhibitor, called upadacitinib, which is approved by the FDA and EMA for use in RA has been submitted by AbbVie for approval in RA in other territories. Our collaboration partner Gilead completed and reported results of the FINCH 1, 2, and 3, global, 52 week Phase 3 trials for filgotinib, in 2018 and 2019; Gilead subsequently filed for approval of filgotinib in RA in the U.S., Europe, and Japan in 2019. We expect that filgotinib, which we are developing to treat patients with moderate to severe RA who have an inadequate response to MTX, will compete with all of these therapies. If generic or biosimilar versions of these therapies are approved, we would expect to also compete against those.

In the field of IBD, first line therapies are oral (or local) treatments with several low-cost generic compounds like mesalamine, more effective in UC and azathioprine, more effective in CD. Steroids like budesonide are used in both UC and CD. Companies like Santarus have developed controlled-release oral formulation with the aim to have local intestinal delivery of budesonide, thereby limiting systemic side effects. For more advanced therapy, monoclonal antibodies with various targets such as TNF and more recently, integrins by vedolizumab (Entyvio®), marketed by Takeda, and ustekinumab (Stelera®), a monoclonal antibody against IL-12 and IL-23, marketed by Johnson & Johnson, are approved. We are also aware of other biologics in clinical development for these indications, such as: ozanimod, which is being developed by Celgene/BMS and has shown efficacy in Phase 2 trials in UC and CD. There are also several novel oral treatments being explored in Phase 2 and Phase 3 trials. Pfizer's Xeljanz® was approved by the FDA for use in UC in 2018. The large number of treatments for UC, and somewhat fewer for CD, presents a substantial level of competition for any new treatment entering the IBD market. Gilead, under our collaboration agreement, initiated a Phase 3 trial for filgotinib for CD in November 2016 and completed recruitment for the SELECTION Phase 3 trial for filgotinib in UC in 2019. We expect that filgotinib, which we are developing to treat patients with moderately to severely active CD and UC, will compete with all of these therapies. If generic or biosimilar versions of these therapies are approved, we would expect to also compete against these versions of the therapies.

In the field of PsA, there are a number of treatment options available such as non-steroidal anti-inflammatory drugs, disease-modifying anti-rheumatic drugs, immunosuppressants and biologic agents. We expect that filgotinib will compete against all of these therapies, although few current treatments effectively relieve the inflammation of the tendons or ligaments, and symptoms in the joints and skin. In the field of AS, there is no known cure available but there are medications available to reduce symptoms and manage pain. Recent studies show that newer biologic medications can potentially slow disease progression in some patients; however, patients respond to different medications with varying levels of effectiveness, and it therefore takes time to find the most effective course of treatment for each patient.

In the field of IPF there are two approved disease-modifying drugs: pirfenidone (Esbriet®), marketed by Roche, and nintedanib (Ofev®), marketed by Boehringer Ingelheim. These drugs prolong life for IPF patients by months, leaving an unmet medical need for those developing disease-modifying drugs in this field. Fibrogen has pamrevlumab and Liminal Biosciences has PBI-4050 in Phase 3 development in IPF, and several Phase 2 trials are underway with various mechanisms of action. In the field of SSc, other companies with trials running in SSc include Corbus Pharmaceuticals, currently in Phase 3. In March 2019, Boehringer-Ingelheim announced that it filed for regulatory approval with the FDA and EMA for the use of nintedanib in patients with systemic sclerosis associated interstitial lung disease (SSc-ILD) following positive results from the pivotal Phase 3 SENSCIS trial. According to the company, approximately 25% of SSc patients develop significant pulmonary involvement within three years of diagnosis.

In the field of OA, there are currently no disease-modifying drugs approved. Current treatment involves weight loss, physical therapy, and pain management. Medivir announced in September 2017 that a trial in patients with knee OA with MIV-711, a cathepsin K inhibitor, demonstrated structural benefit. Merck KGaA has observed positive results in Phase 2 with sprifermin, an intra-articular recombinant human fibroblast growth factor 18 compound. Samumed is conducting a Phase 3 program with Lorecivivint, an intra-articular approach aimed at the wnt pathway in OA joints. Sanofi acquired Lixisenatide, a nanobody aimed at ADAMTS-5, but its status is unknown at the time of publication.

In the field of AS, there are six therapies approved by the FDA and the EC: etanercept (Enbrel), infliximab (Remicade), adalimumab (Humira), golimumab (Simponi), certolizumab (Cimzia), and secukinumab (Cosentyx), with a seventh approved by the FDA, ixekizumab (Taltz). Despite the availability of these treatments, a significant number of AS patients do not achieve low disease activity today. We expect that filgotinib will compete with all of these therapies, or against biosimilar versions of these therapies.

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. Results of our trials could reveal a high and unacceptable severity and prevalence of certain side effects. In such an event, our trials could be suspended or terminated and the FDA, the EMA, the MHLW, or comparable regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. 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.

If one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

Our future clinical trials or those of any of our collaborators may reveal significant adverse events not seen in our preclinical studies or earlier clinical trials and result in a safety profile that could inhibit regulatory approval or market acceptance of any of our product candidates.

If significant adverse events or other side effects are observed in any of our clinical trials, we may have difficulty recruiting patients to our clinical trials, patients may drop out of our trials, we may be required to pause, delay, or abandon the trials or our development efforts of one or more product candidates altogether, we may be required to have more restrictive labeling, or we may experience the delay or denial of regulatory approval by the FDA, EMA or other applicable regulatory authorities. We, the FDA, EMA or other applicable regulatory authorities, or an IRB may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects or patients in such trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage trials have later been found to cause adverse events or other side effects that prevented their further development. Even if any such adverse events or other side effects do not preclude the product candidate from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance of the approved product due to its tolerability versus other therapies.

Risks related to our financial position and need for additional capital

We are a clinical-stage company with no approved products and no historical product revenues, which makes it difficult to assess our future prospects and financial results.

We are a clinical-stage biotechnology company and we have not yet generated any product income. Pharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. Our operations to date have been limited to developing our technology and undertaking preclinical studies and clinical trials of our product candidates, including filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737. We may not have the ability to overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the pharmaceutical area. Consequently, the ability to predict our future operating results or business prospects is more limited than if we had a longer operating history or approved products on the market.

With the exception of the year ended December 31, 2019, we have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. We have never generated any revenue from product sales.

With the exception of the year ended December 31, 2019, we have incurred significant operating losses since our inception in 1999. We reported net losses of €115.7 million for the year ended December 31, 2017, net losses of €29.3 million for the year ended December 31, 2018, and net income of €149.8 million for the year ended December 31, 2019. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our shareholders' equity and working capital. 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 also expect these losses to increase, due to higher costs of later stage development, as we continue our development of, and to seek regulatory approvals for, our product candidates.

We cannot be sure that we will generate revenues from sales of products for the foreseeable future, if ever. We currently do not take into account any potential revenues related to the sale of filgotinib since regulatory approval is not yet obtained. If any of our product candidates fail in clinical trials or do not gain regulatory approval, or if any of our product candidates, if approved, fail to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

If one or more of our product candidates is approved for commercial sale and we retain commercial rights, we anticipate incurring significant costs associated with commercializing any such approved product candidate. Therefore, even if we are able to generate revenues from the sale of any approved product, we may not become profitable.

We may require substantial additional funding, which may not be available to us on acceptable terms, or at all.

Our operations have consumed substantial amounts of cash since inception. We are currently conducting clinical trials for filgotinib, GLPG1690, GLPG1205, GLPG1972, GLPG3312, GLPG3970, GLPG3667, GLPG555 and GLPG2737. Developing pharmaceutical product candidates, including conducting clinical trials, is expensive. We will require substantial additional future capital in order to complete clinical development and, if we are successful, to commercialize any of our current product candidates. If the FDA, or any other comparable regulatory agency, such as the EMA, requires that we perform studies or trials in addition to those that we currently anticipate with respect to the development of our product candidates, or repeat studies or trials, our expenses would further increase beyond what we currently expect, and any delay resulting from such further or repeat studies or trials could also result in the need for additional financing and other resources.

Our existing current financial investments and cash and cash equivalents may not be sufficient for us to complete advanced clinical development of our product candidates or, if applicable, to commercialize product candidates that would be approved. Accordingly, we may continue to require substantial additional capital to continue our clinical development activities and potentially engage in commercialization activities. Because successful development of our product candidates is uncertain, we are unable to estimate the actual funds we will require to complete research and development and commercialize our product candidates. The amount and timing of our future funding requirements will depend on many factors, including but not limited to:

- the progress, costs, results of and timing of our ongoing and planned clinical trials;
- our ability to reach milestones under our existing collaboration arrangements and enter into additional collaborative agreements for the development and commercialization of our product candidates;
- the willingness of the FDA, EMA, the MHLW, and other comparable regulatory authorities to accept our clinical trials and preclinical studies and other work as the basis for review and approval of product candidates;
- the outcome, costs and timing of seeking and obtaining regulatory approvals from the FDA, EMA, the MHLW, and other comparable regulatory authorities;
- whether our collaboration partners continue to collaborate with us on the development and commercialization of our product candidates;
- the number of product candidates and indications that we pursue, whether developed from our novel, proprietary target discovery platform, otherwise developed internally or in-licensed;
- the timing and costs associated with manufacturing our product candidates for clinical trials and other studies and, if approved, for commercial sale;
- our need to expand our development activities and, potentially, our research activities;
- the timing and costs associated with establishing sales and marketing capabilities;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies;
- the cost to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- the extent to which we may be required to pay milestone or other payments under our in-license agreements and the timing of such payments;
- our need and ability to hire additional management, development and scientific personnel; and
- our need to implement additional internal systems and infrastructure, including financial and reporting systems.

Some of these factors are outside of our control. Based upon our current expected level of operating expenditures and our existing current financial investments and cash and cash equivalents, we believe that we will be able to fund our operating expenses and capital expenditure requirements for the coming years. This period could be shortened, but not below a period of 12 months, if there are any significant increases beyond our expectations in spending on development programs or more rapid progress of development programs than anticipated. Accordingly, we expect that we could need to raise additional funds in the future. Additional funding may not be available to us on acceptable terms, or at all. If we are unable to obtain funding from equity offerings or debt financings, including on a timely basis, we may be required to:

- seek additional collaboration partners for one or more of any future proprietary product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;

- relinquish or license on unfavorable terms our rights to technologies or any future proprietary product candidates that we otherwise would seek to develop or commercialize ourselves; or

- significantly curtail one or more of our research or development programs or cease operations altogether.

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.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and/or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of the ADSs or our ordinary shares. The incurrence of additional indebtedness and/or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt and/or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of the ADSs or our ordinary shares to decline. In the event that we enter into collaborations and/or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

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 a qualifying Phase 2 clinical study (or in certain circumstances, the first Phase 3 clinical 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 its further development of our product candidate filgotinib. In connection with entering into the option, license and collaboration agreement in July 2019, we amended certain terms of our existing agreement with Gilead governing filgotinib. These arrangements are fundamental to the achievement of our strategy and there can be no assurance that they will deliver the benefits we expect. 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 or to the filgotinib program. Furthermore, Gilead may not be successful in the 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 milestones 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 have a collaboration with Servier for GLPG1972, which will also be subject to the aforementioned risks. 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 parties to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon CROs to monitor and manage data for our preclinical and clinical programs. We rely on these parties for execution of our preclinical studies and clinical trials, and we control only certain aspects of their activities. We and our CROs also rely upon clinical sites and investigators for the performance of our clinical trials in accordance with the applicable protocols and applicable legal and regulatory requirements and scientific standards. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol and applicable legal and regulatory requirements and scientific standards, and our reliance on CROs as well as clinical sites and investigators does not relieve us of our regulatory responsibilities. We are required to, and do, have mechanisms in place to adequately manage, oversee and control our clinical trials, including selection of CROs, auditing activities, strong focus on set-up (during which deliverables, timelines and roles and responsibilities are defined), and strong oversight during the conduct of clinical trials. We, our CROs, as well as the clinical sites and investigators are required to comply with current Good Clinical Practices (GCPs), which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, investigators and clinical sites. If we, any of our CROs or any of the clinical sites or investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, EMA, MHLW, or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. We also cannot assure you that our CROs, as well as the clinical sites and investigators, will perform our clinical trials in accordance with the applicable protocols as well as applicable legal and regulatory requirements and scientific standards, or report the results obtained in a timely and accurate manner. In addition to GCPs, our clinical trials must be conducted with products produced under current Good Manufcturing Practice (cGMP) regulations. While we have agreements governing activities of our CROs, we have limited influence over the actual performance of our CROs as well as the performance of clinical sites and investigators. In addition, significant portions of the clinical trials for our product candidates are and will continue to be conducted outside of Belgium, which will make it more difficult for us to monitor CROs as well as clinical sites and investigators and perform visits of our clinical sites, and will force us to rely heavily on CROs to ensure the proper and timely conduct of our clinical trials in accordance with the applicable protocols and compliance with applicable regulations, including GCPs. Failure to comply with applicable protocols and regulations in the conduct of the clinical trials for our product candidates may require us to repeat clinical trials, which would delay the regulatory approval process.

Some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, or as a result of data integrity compromise, or if there is reasonable belief that good clinical practice or applicable laws or regulations will be materially violated, or if we make a general assignment for the benefit of our creditors, or if we are liquidated.

If any of our relationships with these CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our preclinical and clinical programs. If CROs do not carry out their contractual duties or obligations successfully or meet expected deadlines, if they need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure (including by clinical sites or investigators) to adhere to our clinical protocols, regulatory requirements or for other reasons, 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. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase substantially and our ability to generate revenues could be delayed significantly.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We rely completely on third parties to manufacture our preclinical and clinical drug supplies and we intend to rely on third parties to produce commercial supplies of any approved product candidate.

If, for any reason, we were to experience an unexpected loss of supply of our product candidates or placebo or comparator drug used in certain of our clinical trials, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials. We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to manufacture our preclinical and clinical drug supplies and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. The facilities used by our contract manufacturers or other third-party manufacturers to manufacture our product candidates are subject to the FDA's, EMA's, MHLW's and other comparable regulatory authorities' pre-approval inspections that will be conducted after we submit our NDA or BLA to the FDA or the required approval applications to any other relevant regulatory authority. We monitor, but do not control, the implementation of the manufacturing process of, but are completely dependent on, our contract manufacturers or other third-party manufacturers for compliance with cGMP regulatory requirements for manufacture of both active drug substances and finished drug products. If our contract manufacturers or other third-party manufacturers cannot successfully manufacture material that conforms to applicable specifications and the strict regulatory requirements of the FDA, EMA, MHLW or others, we will not be able to secure and/or maintain regulatory approvals for our products manufactured at these facilities. In addition, we monitor, but do not control, the ability of our contract manufacturers or other third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, EMA, MHLW or other comparable regulatory authority finds deficiencies at these facilities for the manufacture of our product candidates or if it withdraws any approval because of deficiencies at these facilities in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved.

We rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our product candidates for our clinical trials and for commercial sale. There are a limited number of suppliers for raw materials that we use to manufacture our drugs and there may be a need to assess alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our product candidates for our clinical trials, and if approved, for commercial sale. We do not have any control over the process or timing of the acquisition of raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Although we generally do not begin a clinical trial unless we believe we have access to a sufficient supply of a product candidate to complete the clinical trial, any significant delay in the supply of a product candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a contract manufacturer or other third-party manufacturer could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our product candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our product candidates. Additionally, if we receive regulatory approval for our product candidates, we may experience unforeseen difficulties or challenges in the manufacture of our product candidates on a commercial scale compared to the manufacture for clinical purposes.

We expect to continue to depend on contract manufacturers or other third-party manufacturers for the foreseeable future. We currently obtain our supplies of finished drug product through individual purchase orders. We have not entered into long-term agreements with our current contract manufacturers or with any alternate fill/finish suppliers. Although we intend to do so prior to any commercial launch in order to ensure that we maintain adequate supplies of finished drug product, we may be unable to enter into such an agreement or do so on commercially reasonable terms, which could have a material adverse impact upon our business.

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 results we rely upon 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 intellectual property

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

Our commercial success depends on obtaining and maintaining proprietary rights to our product candidates for the treatment of RA, CD, UC, PsA, AS, IPF, OA, fibrosis and other diseases, 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. Our ability to obtain patent protection for our product candidates is uncertain due to a number of factors, including:

- we may not have been the first to make the inventions covered by pending patent applications or issued patents;
- we may not have been the first to file patent applications for our product candidates or the compositions we developed or for their uses;
- others may independently develop identical, similar or alternative products or compositions and uses thereof;
- our disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- any or all of our pending patent applications may not result in issued patents;
- we may not seek or obtain patent protection in countries that may eventually provide us a significant business opportunity;
- any patents issued to us may not provide a basis for commercially viable products, may not provide any competitive advantages, or may be successfully challenged by third parties;
- our compositions and methods may not be patentable;
- others may design around our patent claims to produce competitive products which fall outside of the scope of our patents; or
- others may identify prior art or other bases which could invalidate our patents.

Even if we have or obtain patents covering our product candidates or compositions, we may still be barred from making, using and selling our product candidates or technologies because of the patent rights of others. Others may have filed, and in the future may file, patent applications covering compositions or products that are similar or identical to ours. If a patent owned by a third party covers one of our product candidates or its use, this could materially affect our ability to develop the product candidate or sell the resulting product if approved. Because patent applications are not published until 18 months from their priority date, there may be currently pending applications unknown to us that may later result in issued patents that our product candidates or compositions may infringe. Additionally, because the scope of claims in pending patent applications can change, there may be pending applications whose claims do not currently cover any of our product candidates but may be altered such that one or more of our product candidates are covered when the resulting patent issues. These patent applications may have priority over patent applications filed by us.

Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives. For example, others may be able to develop a product that is similar to, or better than, ours in a way that is not covered by the claims of our patents.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents and/or applications due in several stages over the lifetime of patents and/or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. We may or may not choose to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we choose to forgo patent protection or allow a patent application or patent to lapse purposefully or inadvertently, our competitive position could suffer. Moreover, in some circumstances, we do not have the right to control the preparation, filing or prosecution of patent applications, or to maintain the patents, covering technology subject to our collaboration or license agreements with third parties. For example, in our alliance with Servier for GLPG1972, Servier has the right to control prosecution and maintenance of any patent rights related to GLPG1972 in all territories outside the U.S., and we have the right to control prosecution and maintenance of any patent rights related to GLPG1972 in the U.S. In addition, in some circumstances, our counterparty has the right to enforce the patent rights subject to the applicable agreement without our involvement or consent or to otherwise control the enforcement of such patent rights. For example, under our collaboration agreement with Gilead, Gilead controls any litigation on our patents for filgotinib and optioned programs, e.g. GLPG1690. Therefore, these patents and patent applications may not be prosecuted or enforced in a manner consistent with the best interests of our business.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a finding that they are unenforceable. We may or may not choose to pursue litigation or other actions against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail 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.

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, or USPTO, the European Patent Office, and other foreign counterparts are sometimes uncertain and could change in the future. Consequently, the issuance and scope of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. Certain U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to reexamination proceedings, post-grant review and/or inter partes review in the USPTO. European patents and other foreign patents may be subject also to opposition or comparable proceedings in the corresponding foreign patent office, which could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination, post-grant review, inter partes review and opposition proceedings may be costly. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States, Europe, and other jurisdictions may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us, or may limit the number of patents or claims we can obtain. The laws of some countries do not protect intellectual property rights to the same extent as U.S. and European laws and those countries may lack adequate rules and procedures for defending our intellectual property rights.

If we fail to obtain and maintain patent protection and trade secret protection of our product candidates, we could lose our competitive advantage and competition we face would increase, reducing any potential revenues and adversely affecting our ability to attain or maintain profitability.

Developments in patent law could have a negative impact on our business.

From time to time, courts and other governmental authorities in the United States, Europe and other jurisdictions may change the standards of patentability and any such changes could have a negative impact on our business.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to patent protection, because we operate in the highly technical field of development of therapies, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. It is our policy to enter into confidentiality and intellectual property assignment agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. The disclosure of our trade secrets would impair our competitive position and may materially harm our business, financial condition and results of operations.

In addition to contractual measures, we try to protect the confidential nature of our proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or a third party with authorized access, provide adequate protection for our proprietary information. Our security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive, and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets, with protection varying across Europe and in other countries. Trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

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, assuming that rights are obtained in the United States and Europe. Furthermore, even if patents are granted based on our European patent applications, we may not choose to perfect or maintain our rights in all available European countries. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as laws 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. The statutory deadlines for pursuing patent protection in individual foreign jurisdictions are based on the priority dates of each of our patent applications.

Competitors may use our technologies in jurisdictions where we do not pursue and obtain patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States and Europe. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if we pursue and obtain issued patents in particular jurisdictions, our patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from so competing.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States and Europe. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to pharmaceuticals or biotechnologies. This could make it difficult for us to stop the infringement of our patents, if

obtained, or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, changes in the law and legal decisions by courts in the United States, Europe and other jurisdictions may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may be subject to claims by third parties asserting ownership or commercial rights to inventions we develop or obligations to make compensatory payments to employees.

Third parties may in the future make claims challenging the inventorship or ownership of our intellectual property. We have written agreements with collaboration partners that provide for the ownership of intellectual property arising from our collaborations. Some of these agreements provide that we must negotiate certain commercial rights with collaboration partners with respect to joint inventions or inventions made by our collaboration partners that arise from the results of the collaboration. In some instances, there may not be adequate written provisions to address clearly the resolution of intellectual property rights that may arise from a collaboration. If we cannot successfully negotiate sufficient ownership and commercial rights to the inventions that result from the collaboration with a third-party collaboration partner, or if disputes otherwise arise with respect to the intellectual property developed in the framework of the collaboration, we may be limited in our ability to capitalize on the market potential of these inventions. In addition, we may face claims by third parties that our agreements with employees, contractors, or consultants obligating them to assign intellectual property to us are ineffective, or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property we have developed or will develop and interfere with our ability to capture the commercial value of such inventions. Litigation may be necessary to resolve an ownership dispute, and if we are not successful, we may be precluded from using certain intellectual property, or may lose our exclusive rights in that intellectual property. Either outcome could have an adverse impact on our business.

While it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing or obtaining such an agreement with each party who, in fact, develops intellectual property that we regard as our own. In addition, such agreements may be breached or may not be self-executing, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

We employ individuals who were previously employed at universities, pharmaceutical companies or biopharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time consuming and costly, and an unfavorable outcome could harm our business.

Our success will depend in part on our ability to operate without infringing the intellectual property and proprietary rights of third parties. We cannot assure you 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 in the pharmaceutical industry regarding patent and other intellectual property rights. While we are not currently subject to any pending intellectual property litigation, and are not aware of any such threatened litigation, we may be exposed to future litigation by third parties based on claims that our product candidates, technologies or activities infringe the intellectual property rights of others. If our development activities are found to infringe any such patents, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from using the patented drugs or compositions. We may need to resort to litigation to enforce a patent issued to us, to protect our trade secrets, or to determine the scope and validity of third-party proprietary rights. From time to time, we may hire scientific personnel or consultants formerly employed by other companies involved in one or more areas similar to the activities conducted by us. Either we or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of prior affiliations. Even if we are successful in these proceedings, we may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on us. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court, or redesign our products. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. Any adverse ruling or perception of an adverse ruling in defending ourselves against these claims could have a material adverse impact on our cash position and the price of the ADSs or our ordinary shares. Any legal action against us or our collaboration partners could lead to:

- payment of substantial damages for past use of the asserted intellectual property and potentially treble damages, if we are found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize, and sell our product candidates; or
- us or our collaboration partners having to enter into license arrangements that may not be available on commercially acceptable terms, if at all, all of which could have a material adverse impact on our cash position and business and financial condition. As a result, we could be prevented from commercializing current or future product candidates.

Any of these risks coming to fruition could have a material adverse effect on our business, results of operations, financial condition and prospects.

Issued patents covering our product candidates could be found to be invalid or unenforceable if challenged in court.

If we or one of our licensing partners initiated legal proceedings against a third party to enforce a patent covering our product candidate, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements in most jurisdictions, including lack of novelty, obviousness or non-enablement. In the United States, grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post grant review and equivalent proceedings in foreign jurisdictions, e.g., opposition proceedings. Such proceedings could result in revocation or amendment of our patents in such a way that they no longer cover our product candidates or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection would have a material adverse impact on our business.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively, and our business may be adversely affected.

Our inability to protect our intellectual property or failure to maintain the confidentiality and integrity of data or other sensitive company information, by cyber-attack or other event, could have a material adverse effect on our business.

Our success and competitive position are dependent in part upon our proprietary intellectual property. We rely on a combination of patents and trade secrets to protect our proprietary intellectual property, and we expect to continue to do so. Although we seek to protect our proprietary rights through a variety of means, we cannot guarantee that the protective steps we have taken are adequate to protect these rights. Patents issued to or licensed by us in the past or in the future may be challenged and held invalid. In addition, as our patents expire, we may be unsuccessful in extending their protection through patent term extensions. The expiration of, or the failure to maintain or extend our patents, could have a material adverse effect on us.

We also rely on confidentiality agreements with certain employees, consultants, and other third parties to protect, in part, trade secrets and other proprietary information. These agreements could be breached, and we may not have adequate remedies for such a breach. In addition, others could independently develop substantially equivalent proprietary information or gain access to our trade secrets or proprietary information.

Our intellectual property, other proprietary technology, and other sensitive company information is dependent on sophisticated information technology systems and is potentially vulnerable to cyber-attack, loss, damage, destruction from system malfunction, computer viruses, loss of data privacy, or misappropriation or misuse of it by those with permitted access, and other events. While we have invested to protect our intellectual property and other information, and continue to upgrade and enhance our systems to keep pace with continuing changes in information processing technology, there can be no assurance that our precautionary measures will prevent breakdowns, breaches, cyber-attacks, or other events. Such events could have a material adverse effect on our reputation, financial condition, or results of operations.

Risks related to our organization, structure and operation

Our future success depends on our ability to retain the members of our executive committee and to attract, retain and motivate qualified scientists, development, medical and commercial staff, consultants and advisors. If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.

Our industry has experienced a high rate of turnover of management personnel in recent years. Our ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. We are highly dependent on our management, scientific and medical personnel, especially our executive committee comprised of: Onno van de Stolpe, our chief executive officer; Bart Filius, our chief operating officer and chief financial officer; Piet Wigerinck, our chief scientific officer; Walid Abi-Saab, our chief medical officer; Andre Hoekema, our chief business officer; and Michele Manto, our chief commercial officer, each of whose services are critical to the successful implementation of our product candidate acquisition, development and regulatory strategies. We are not aware of any present intention of any of these individuals to leave our company. In order to induce valuable employees to continue their employment with us, we have granted warrants and RSUs that vest over time. The value to employees of warrants that vest over time is significantly affected by movements in our share price that are beyond our control and may at any time be insufficient to counteract more lucrative offers from other companies.

Despite our efforts to retain valuable employees, members of our management, scientific, development, medical and commercial teams may terminate their employment with us at any time, with or without notice. The loss of the services of any of the members of our executive committee or other key employees and our inability to find suitable replacements could harm our business, financial condition and prospects. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level, and senior managers as well as junior, mid-level, and senior scientific and medical personnel.

We may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for a limited number of qualified personnel among biopharmaceutical, biotechnology, pharmaceutical and other businesses. Many of the other pharmaceutical companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high quality candidates than what we have to offer. If we are unable to continue to attract and retain high quality personnel, the rate and success at which we can develop and commercialize product candidates will be limited.

If we fail to manage our growth effectively and to transform into a fully integrated biopharma company, our ability to develop and commercialize products could suffer.

We expect that if our drug discovery efforts continue to generate product candidates, our clinical product candidates continue to progress in development, and 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.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of any of our product candidates, if approved.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Physicians and patients may not comply with any warnings that identify known potential adverse effects and patients who should not use our products. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to stop development or, if approved, limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- delay or termination of clinical trials;
- injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management’s time and our resources;
- substantial monetary awards to trial participants or patients;
- decreased demand for our product candidates;

- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to commercialize any our product candidates, if approved.

Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the development or commercialization of our product candidates. We currently carry clinical trial liability insurance at levels which we believe are appropriate for our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

Risks from the improper conduct of employees, agents, contractors, or collaboration partners could adversely affect our reputation and our business, prospects, operating results, and financial condition.

We cannot ensure that our compliance controls, policies, and procedures will in every instance protect us from acts committed by our employees, agents, contractors, or collaboration partners that would violate the laws or regulations of the jurisdictions in which we operate, including, without limitation, healthcare, employment, foreign corrupt practices, environmental, competition, and patient privacy and other privacy laws and regulations. Such improper actions could subject us to civil or criminal investigations, and monetary and injunctive penalties, and could adversely impact our ability to conduct business, operating results, and reputation.

In particular, our business activities may be subject to the Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery or anti-corruption laws, regulations or rules of other countries in which we operate, including the U.K. Bribery Act. The FCPA generally prohibits offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action, or otherwise obtain or retain business. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls. Our business is heavily regulated and therefore involves significant interaction with public officials, including officials of non-U.S. governments. Additionally, in many other countries, the health care providers who prescribe pharmaceuticals are employed by their government, and the purchasers of pharmaceuticals are government entities; therefore, our dealings with these prescribers and purchasers are subject to regulation under the FCPA. Recently the SEC and U.S. Department of Justice have increased their FCPA enforcement activities with respect to pharmaceutical companies. There is no certainty that all of our employees, agents, contractors, or collaboration partners, or those of our affiliates, will comply with all applicable laws and regulations, particularly given the high level of complexity of these laws. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers, or our employees, the closing down of our facilities, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, and our business, prospects, operating results, and financial condition.

We could be subject to liabilities under human rights, corruption, environmental, health and safety laws or regulations, or fines, penalties or other sanctions, if we fail to comply with such laws or regulations or otherwise incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous human rights, corruption, environmental, health and safety laws, regulations, and permitting requirements, including those governing laboratory procedures, decontamination activities and the handling, transportation, use, remediation, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals, radioactive isotopes and biological materials and produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials or wastes either at our sites or at third-party disposal sites. In the event of such contamination or injury, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries, this insurance may not provide adequate coverage against potential liabilities.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws, regulations or permitting requirements. These current or future laws, regulations and permitting requirements may impair our research, development or production efforts. Failure to comply with these laws, regulations and permitting requirements also may result in substantial fines, penalties or other sanctions.

Any future relationships with customers and third-party payers may be subject, directly or indirectly, to applicable anti-kickback laws, fraud and abuse laws, false claims laws, health information privacy and security laws and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

If we obtain FDA, EMA, MHLW, or any other comparable regulatory authority approval for any of our product candidates and begin commercializing those products in the United States, European Union or other jurisdiction, our future arrangements with third-party payers and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any products for which we obtain marketing approval. In addition, we may be subject to health information privacy and security regulation of the European Union, the United States and other jurisdictions in which we conduct our business. For example, the laws that may affect our ability to operate include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act or federal civil money penalties statute (as discussed below);

- U.S. federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, which impose criminal and civil penalties against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent, making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government, or knowingly concealing or knowingly and improperly avoiding or decreasing such an obligation;

- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA and its implementing regulations, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statements in connection with the delivery of or payment for healthcare benefits, items or services;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose certain obligations, including mandatory contractual terms, on covered healthcare providers, health plans, and healthcare clearinghouses, as well as their business associates, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- The U.S. federal Physician Payments Sunshine Act which requires certain manufacturers of drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services information related to payments or transfers of value made to physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as information regarding ownership and investment interests held by the physicians described above and their immediate family members. Effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners; and

- analogous state and laws and regulations in other jurisdictions, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payers, including private insurers, and state and laws in other jurisdiction governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations or other sanctions. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws and regulations, that person or entity may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government funded healthcare programs.

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeliness of our financial reporting may be adversely affected, which could have a material adverse effect on our business, investor confidence and market price.

We must maintain effective internal control over financial reporting in order to accurately and timely report our results of operations and financial condition. We often use estimates and assumptions concerning the future. We make reference to section Critical accounting judgments and key sources of estimation uncertainty for more information. In addition, because we are a U.S. public company, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires, among other things, that we assess the effectiveness of our disclosure controls and procedures annually and the effectiveness of our internal control over financial reporting at the end of each fiscal year.

Section 404 of the Sarbanes-Oxley Act, or Section 404, requires us to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act are complex and require significant documentation, testing and possible remediation. These stringent standards require that our audit committee be advised and regularly updated on management's review of internal control over financial reporting. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of the ADSs or our ordinary shares could

decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources. Furthermore, investor perceptions of our company may suffer if deficiencies are found, and this could cause a decline in the market price of the ADSs or our ordinary shares. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these requirements effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on our internal control over financial reporting from our independent registered public accounting firm.

Our information technology systems could face serious disruptions that could adversely affect our business.

Our information technology and other internal infrastructure systems, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure that could disrupt our operations. A significant disruption in the availability of our information technology and other internal infrastructure systems could cause interruptions in our collaborations with our partners and delays in our research and development work. The loss of product development or clinical trial data could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and our development programs and the development of our product candidates could be delayed.

Many third party vendors support our business processes and require access to sensitive information in the course of their work supporting our operations. Despite clear guidance, supporting processes and requirements and audits of our third party vendors, the risk that such vendors could be susceptible to cybersecurity or personal data breaches continues to be present. Any such breach could result in the unauthorized access, disclosure, or other loss of proprietary, personal or other sensitive information, or other disruption to our business and operations.

We may fail to comply with evolving European and other privacy laws.

In Europe, Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, or the Directive, and Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (as amended by Directive 2009/136/EC), or the e-Privacy-Directive, have required the European Union, or EU member states, to implement data protection laws to meet strict privacy requirements.

On May 25, 2018, the Directive was replaced by Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, or the "GDPR." The GDPR imposes a broad range of strict requirements on companies subject to the GDPR, such as us, including requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside the European Economic Area, or the EEA, including to the United States, providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments, and record-keeping. The GDPR increases substantially the penalties to which we could be subject in the event of any non-compliance, including fines of up to €10,000,000 or up to 2% of our total worldwide annual turnover of the preceding year for certain comparatively minor offenses, or up to €20,000,000 or up to 4% of our total worldwide annual turnover of the preceding year for more serious offenses. Given the new law, we face uncertainty as to the exact interpretation of the new requirements, and we may be unsuccessful in implementing all measures required by data protection authorities or courts in interpretation of the new law.

In particular, national laws of member states of the EU are in the process of being adapted to the requirements under the GDPR, thereby implementing national laws which may partially deviate from the GDPR and impose different obligations from country to country, so that we do not expect to operate in a uniform legal landscape in the EU. Also, in the field of handling genetic data, the GDPR specifically allows national laws to impose additional and more specific requirements or restrictions, and European laws have historically differed quite substantially in this field, leading to additional uncertainty.

We are also subject to evolving European privacy laws on electronic marketing and cookies. The EU is in the process of replacing the e-Privacy Directive (2002/58/EC) with a new set of rules taking the form of a regulation, which will be directly implemented in the laws of each European member state, without the need for further enactment. While the e-Privacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is still going through the European legislative process. Draft regulations were rejected by the Permanent Representatives Committee of the Council of EU on November 22, 2019; it is not clear when new regulations will be adopted in 2020.

We must also ensure that we maintain adequate safeguards to enable the transfer of personal data outside of the EEA, in particular to the United States in compliance with European data protection laws. We expect that we will continue to face uncertainty as to whether our efforts to comply with our obligations under European privacy laws will be sufficient. If we are investigated by a European data protection authority, we may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new clients or pharmaceutical collaboration partners. We may also experience hesitancy, reluctance, or refusal by European or multi-national clients or pharmaceutical partners to continue to use any approved drug candidates due to the potential risk exposure as a result of the current (and, in particular, future) data protection obligations imposed on them by certain data protection authorities in interpretation of current law, including the GDPR. Such clients or pharmaceutical collaboration partners may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain, or otherwise objectionable and therefore decide not to do business with us. Further, the United Kingdom's exit from the EU, often referred to as Brexit, has created uncertainty with regard to data protection regulation in the United Kingdom. In particular, it is unclear how data transfers to and from the United Kingdom will be regulated now that the United Kingdom has officially left the EU. Any of the foregoing could materially harm our business, prospects, financial condition and results of operations.

Business interruptions could delay us in the process of developing our product candidates.

Loss of our laboratory facilities through fire or other causes could have an adverse effect on our ability to continue to conduct our business. We currently have insurance coverage to compensate us for such business interruptions; however, such coverage may prove insufficient to compensate us fully for the damage to our business resulting from any significant property or casualty loss to our facilities.

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. The diversion of our management's attention and any delay or difficulties encountered in connection with any future acquisitions we may consummate could result in the disruption of our on-going business or inconsistencies in standards and controls that could negatively affect our ability to maintain third-party relationships. Moreover, we may need to raise additional funds through public or private debt or equity financing, or issue additional shares, to acquire any businesses or products, which may result in dilution for shareholders or the incurrence of indebtedness.

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 fail to realize the expected benefits from acquisitions we may consummate in the future or have consummated in the past, whether as a result of unidentified risks or liabilities, integration difficulties, regulatory setbacks, litigation with current or former employees and other events, our business, results of operations and financial condition could be adversely affected. If we acquire product candidates, we will also need to make certain assumptions about, among other things, development costs, the likelihood of receiving regulatory approval and the market for such product candidates. Our assumptions may prove to be incorrect, which could cause us to fail to realize the anticipated benefits of these transactions.

In addition, we will likely experience significant charges to earnings in connection with our efforts, if any, to consummate acquisitions. For transactions that are ultimately not consummated, these charges may include fees and expenses for investment bankers, attorneys, accountants and other advisors in connection with our efforts. Even if our efforts are successful, we may incur, as part of a transaction, substantial charges for closure costs associated with elimination of duplicate operations and facilities and acquired in-process research and development charges. In either case, the incurrence of these charges could adversely affect our results of operations for particular periods.

Our international operations subject us to various risks, and our failure to manage these risks could adversely affect our results of operations.

We face significant operational risks as a result of doing business internationally, such as:

- fluctuations in foreign currency exchange rates;
- potentially adverse and/or unexpected tax consequences, including penalties due to the failure of tax planning or due to the challenge by tax authorities on the basis of transfer pricing and liabilities imposed from inconsistent enforcement;
- potential changes to the accounting standards, which may influence our financial situation and results;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- reduced protection of, or significant difficulties in enforcing, intellectual property rights in certain countries;
- difficulties in attracting and retaining qualified personnel;
- restrictions imposed by local labor practices and laws on our business and operations, including unilateral cancellation or modification of contracts;
- rapid changes in global government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events, and potential failure in confidence of our suppliers or customers due to such changes or events; and
- tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers.

Unforeseen or catastrophic events, including extreme weather events and other natural disasters, man-made disasters or the emergence of epidemics, could cause a disruption in our operations or other consequences that could have a material adverse effect on our financial condition and results of operations.

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. The recent outbreak of COVID-19 originated in Wuhan, China, in December 2019 and has since spread to multiple countries, including the United States and several European countries. The extent to which COVID-19 may impact our preclinical studies or clinical trial operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, the severity of COVID-19, or the effectiveness of actions to contain and treat for COVID-19. The continued spread of COVID-19 globally could adversely impact our preclinical or clinical trial operations, including our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 if an outbreak occurs in their geography. COVID-19 may also affect employees of third-party contract research organizations located in affected geographies that we rely upon to carry out our clinical trials. Any negative impact COVID-19 has to patient enrollment or treatment or the execution of our current product candidate and any future product candidates could cause costly delays to clinical trial activities, which could adversely affect our

ability to obtain regulatory approval for and to commercialize our current product candidate and any future product candidates, increase our operating expenses, and have a material adverse effect on our financial results.

Further, the COVID-19 outbreak may delay enrollment in our clinical trials due to prioritization of hospital resources toward the outbreak, restrictions in travel, and some patients may be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if quarantines or travel restrictions impede patient movement or interrupt healthcare services, which would delay our ability to conduct clinical trials or release clinical trial results. The spread of COVID-19, or another infectious disease, could also negatively affect the operations at our third-party manufacturers, which could result in delays or disruptions in the supply of our current product candidate and any future product candidates. In addition, we may take temporary precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for our employees, and discouraging employee attendance at industry events and in-person work-related meetings, which could negatively affect our business.

We cannot presently predict the scope and severity of any potential business shutdowns or disruptions. If we or any of the third parties with whom we engage, however, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively affected, which could have a material adverse impact on our business and our results of operation 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.

Legal, political and economic uncertainty surrounding the planned exit of the U.K. from the European Union, or EU, may be a source of instability in international markets, create significant currency fluctuations, adversely affect our operations in the U.K. and pose additional risks to our business, revenue, financial condition, and results of operations.

On June 23, 2016, the U.K. held a referendum in which a majority of the eligible members of the electorate voted to leave the EU. The U.K.'s withdrawal from the EU is commonly referred to as Brexit. Pursuant to Article 50 of the Treaty on European Union, the U.K. ceased being a Member State of the EU on January 31, 2020. However, the terms of the withdrawal have yet to be fully negotiated. The implementation period began February 1, 2020 and will continue until December 31, 2020. During this 11-month period, the U.K. will continue to follow all of the EU's rules and its trading relationship will remain the same. However, regulations (including financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations, medicine licensing and regulations, immigration laws and employment laws), have yet to be addressed. This lack of clarity on future U.K. laws and regulations and their interaction with EU laws and regulations may negatively impact foreign direct investment in the U.K., increase costs, depress economic activity, and restrict access to capital. The uncertainty concerning the U.K.'s legal, political and economic relationship with the EU after Brexit may be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the date of Brexit.

These developments, or the perception that any of them could occur, may have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and limit the ability of key market participants to operate in certain financial markets. In particular, it could also lead to a period of considerable uncertainty in relation to the U.K. financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates and credit ratings may also be subject to increased market volatility.

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.

At December 31, 2019, we had cumulative carry forward tax losses of €307.7 million in Belgium, €55.1 million in France, and €11.3 million related to the other entities of our company. These are available to carry forward and offset against future taxable income for an indefinite period in Belgium and France, but €7.2 million of these tax loss carryforwards in Croatia and the United States will expire between 2019 and 2028. If we are unable to use tax loss carryforwards to reduce future taxable income, our business, results of operations and financial condition may be adversely affected. As a company active in research and development in Belgium and France, we have benefited from certain research and development incentives including, for example, the Belgian research and development tax credit and the French research tax credit (*crédit d'impôt recherche*). These tax credits can be offset against Belgian and French corporate income tax due, respectively. The excess portion may be refunded as from the end of a five-year fiscal period for the Belgian research and development incentive, and at the end of a three-year fiscal period for the French research and development incentive. The research and development incentives are both calculated based on the amount of eligible research and development expenditure. The Belgian tax credit represented €11.2 million for the year ended December 31, 2017, €11.3 million for the year ended December 31, 2018 and €21.7 million for the year ended December 31, 2019. The French tax credit amounted to €10.3 million for the year ended December 31, 2017, €9.3 million for the year ended December 31, 2018 and €12.4 million for the year ended December 31, 2019. The Belgian and/or French tax authorities may audit each research and development program in respect of which a tax credit has been claimed and assess whether it qualifies for the tax credit regime. The tax authorities may challenge our eligibility for, or our calculation of, certain tax reductions and/or deductions in respect of our research and development activities and, should the Belgian and/or French tax authorities be successful, we may be liable for additional corporate income tax, and penalties and interest related thereto, which could have a significant impact on our results of operations and future cash flows. Furthermore, if the Belgian and/or the French 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, or IID, 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 tax rate than other revenues. The effective tax rate can thus be reduced up to 4.4%, and 3.75% as of January 1, 2020. At the end of 2019 we had €224.7 million of carry-forward IID 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 may be forced to repay the technological innovation grants if we fail to comply with our contractual obligations under the applicable grant agreements.

We have received several technological innovation grants to date, totaling €31.3 million as of December 31, 2019, to support various research programs from an agency of the Flemish government to support technological innovation in Flanders. These grants carry clauses which require us to maintain a presence in the Flemish region for a number of years and invest according to pre-agreed budgets. 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. Such repayment could adversely affect our ability to finance our research and development projects. In addition, we cannot ensure that we will then have the additional financial resources needed, the time or the ability to replace these financial resources with others.

We may be exposed to significant foreign exchange risk.

We hold portions of our cash and cash equivalents and current financial investments in currencies other than the euro, in particular, the U.S. dollar. We also incur portions of our expenses and derive revenues, in currencies other than the euro, in particular, the U.S. dollar. As a result, we are exposed to foreign currency exchange risk as our reporting currency is the euro. We currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the euro. Therefore, for example, an increase in the value of the euro against the U.S. dollar could be expected to have a negative impact on our revenue and earnings growth as U.S. dollar revenue and earnings, if any, would be translated into euros at a reduced value. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations and cash flows.

Volatility in the London Interbank Offered Rate, or LIBOR, could affect our profitability, earnings and cash flow.

LIBOR may be volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of disruptions in the international markets. At times when we have loans outstanding which are based on LIBOR, the interest rates borne by such loan facilities fluctuate with changes in LIBOR, and this would affect the amount of interest payable on our debt, which, in turn, could have an adverse effect on our profitability, earnings and cash flow. Due in part to uncertainty relating to the LIBOR calculation process in recent years, it is likely that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future loan agreements, our lending costs could increase significantly, which would also have an adverse effect on our profitability, earnings and cash flow.

In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the “FCA Announcement”). The Alternative Reference Rate Committee, a committee convened by the U.S. Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or “SOFR.” The impact of such a transition from LIBOR to SOFR could be significant for us.

We are unable to predict the effect of the FCA Announcement or other reforms, whether currently enacted or enacted in the future. They may result in the phasing out of LIBOR as a reference rate. The impact of such transition away from LIBOR could be significant for us because of the number of our financing arrangements that are linked to LIBOR and our substantial indebtedness. The outcome of reforms may result in increased interest expense to us, may affect our ability to incur debt on terms acceptable to us and may result in increased costs related to amending our existing debt instruments, which could adversely affect our business, results of operations and financial condition.

The requirements of being a U.S. public company may strain our resources and divert management’s attention.

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, the Exchange Act, and the rules and regulations adopted by the SEC and the U.S. Public Corporation Accounting Oversight Board, or PCAOB. Further, compliance with various regulatory reporting requires significant commitments of time from our management and our directors, which reduces the time available for the performance of their other responsibilities. Our failure to track and comply with the various rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, lead to additional regulatory enforcement actions, and could adversely affect the value of the ADSs or our ordinary shares.

The audit report included in this annual report is prepared by an auditor who is not inspected by the PCAOB, and, as such, you are deprived of the benefits of such inspection.

Auditors of companies that are registered with the SEC and traded publicly in the United States, including our auditors, must be registered with the PCAOB and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Although our auditors are registered with the PCAOB, because our auditors are located in Belgium, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Belgian authorities, our auditors are not currently inspected by the PCAOB. This lack of PCAOB inspections in Belgium currently prevents the PCAOB from regularly evaluating audits and quality control procedures of any auditors operating in Belgium, including our auditors. The inability of the PCAOB to conduct inspections of auditors in Belgium makes it more difficult to evaluate the effectiveness of our auditors' audit procedures or quality control procedures as compared to auditors outside of Belgium that are subject to PCAOB inspections. As a result, investors may be deprived of the benefits of PCAOB inspections.

The increasing use of social media platforms presents risks and challenges.

We and our employees are increasingly utilizing social media tools as a means of communication both internally and externally. Despite our efforts to monitor evolving social media communication guidelines and comply with applicable rules, there is 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 other intellectual property, or result in public exposure of personal information of our employees, clinical trial patients, collaboration partners, and others. Furthermore, negative posts or comments about us or our products in social media could seriously damage our reputation, brand image, and goodwill.

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.

Despite the implementation of security measures, our internal computer systems and those of our third party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. Cyber-attacks also could include phishing attempts or e-mail fraud to cause payments or information to be transmitted to an unintended recipient.

Any system failure, accident or security breach that causes interruptions in our own or in third party service vendors' operations could result in a material disruption of our product development programs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our or our partners' regulatory approval efforts and significantly increase our costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability, our product development programs and competitive position may be adversely affected and the further development of our product candidates may be delayed. If the integrity of our cybersecurity systems is breached, we may incur significant effects such as remediation expenses, lost revenues, litigation costs, and increased insurance premiums and may also experience reputational damage and the erosion of shareholder value. Furthermore, we may incur additional costs to remedy the damage caused by these disruptions or security breaches. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, business email compromise attacks, or other cyber-attacks. Whereas none of these instances had a material impact so far, the number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our third party service providers occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged.

We could be required to expend significant amounts of money and other resources to respond to these threats or breaches and to repair or replace information systems or networks, and could suffer financial loss or the loss of valuable confidential information. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely and there can be no assurance that any measures we take will prevent cyber-attacks or security breaches that could adversely affect our business.

In order to successfully commercialize and market our products in the future, we may need to implement additional enterprise resource management systems, which is a complex process that may cause us to face delays. We may also need to implement computer systems, such as additional global enterprise research systems, or ERP systems, in which we have limited experience and which may prove a complex process that could cause delays in our commercialization process.

Risks related to ownership of our ordinary shares and ADSs

The market price of the ADSs could be subject to wide fluctuations.

The market price of the ADSs could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- actual or anticipated changes in our growth rate relative to our competitors;
- competition from existing products or new products that may emerge;
- announcements by us, our partners or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations, or capital commitments;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us; share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- additions or departures of key management or scientific personnel;
- disputes or other developments related to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- changes to coverage policies or reimbursement levels by commercial third-party payers and government payers and any announcements relating to coverage policies or reimbursement levels;
- announcement or expectation of additional debt or equity financing efforts;
- sales of the ADSs by us, our insiders or our other shareholders; and
- general economic and market conditions.

These and other market and industry factors may cause the market price and demand for the ADSs to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ADSs and may otherwise negatively affect the liquidity of our capital shares. In addition, the stock market in general, and biotechnology and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

Share ownership is concentrated in the hands of our principal shareholders and management, which may have the effect of delaying or preventing a change of control of our company.

Our executive officers, directors, current 5% or greater shareholders and their affiliated entities, including Gilead Sciences, Inc. and its affiliates, together beneficially own approximately 36% of our ordinary shares, including shares in the form of ADSs. This concentration of ownership might have the effect of delaying or preventing a change of control of our company that other shareholders may view as beneficial.

Fluctuations in the exchange rate between the U.S. dollar and the euro may increase the risk of holding the ADSs.

Our shares currently trade on Euronext Brussels and Euronext Amsterdam in euros, while the ADSs trade on Nasdaq in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the euro may result in temporary differences between the value of the ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences.

In addition, as a result of fluctuations in the exchange rate between the U.S. dollar and the euro, the U.S. dollar equivalent of the proceeds that a holder of the ADSs would receive upon the sale in Belgium of any shares withdrawn from the depositary and the U.S. dollar equivalent of any cash dividends paid in euros on our shares represented by the ADSs could also decline.

If securities or industry analysts do not publish research or publish inaccurate research or unfavorable research about our business, the price of the ordinary shares and ADSs and trading volume could decline.

The trading market for the ordinary shares and ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If no or few securities or industry analysts cover our company, the trading price for the ordinary shares and ADSs would be negatively impacted. If one or more of the analysts who covers us downgrades the ordinary shares and ADSs or publishes incorrect or unfavorable research about our business, the price of the ordinary shares and ADSs would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, or downgrades the ordinary shares and ADSs, demand for the ordinary shares and ADSs could decrease, which could cause the price of the ordinary shares and ADSs or trading volume to decline.

We have no present intention to pay dividends on our ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of the ADSs appreciates.

We have no present intention to pay dividends in the foreseeable future. Any recommendation by our board of directors to pay dividends will depend on many factors, including our financial condition (including losses carried-forward), results of operations, legal requirements and other factors. Furthermore, pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of our non-consolidated statutory accounts prepared in accordance with Belgian accounting rules. In addition, in accordance with Belgian law and our articles of association, we must allocate each year an amount of at least 5% of our annual net profit under our non-consolidated statutory accounts to a legal reserve until the reserve equals 10% of our share capital. Therefore, we are unlikely to pay dividends or other distributions in the foreseeable future. If the price of the ADSs declines before we pay dividends, you will incur a loss on your investment, without the likelihood that this loss will be offset in part or at all by potential future cash dividends.

Our shareholders residing in countries other than Belgium may be subject to double withholding taxation with respect to dividends or other distributions made by us.

Any dividends or other distributions we make to shareholders will, in principle, be subject to withholding tax in Belgium at a rate of 30%, except for shareholders which qualify for an exemption of withholding tax such as, among others, qualifying pension funds or a company qualifying as a parent company in the sense of the Council Directive (90/435/EEC) of July 23, 1990, or the Parent-Subsidiary Directive, or that qualify for a lower withholding tax rate or an exemption by virtue of a tax treaty. Various conditions may apply and shareholders residing in countries other than Belgium are advised to consult their advisers regarding the tax consequences of dividends or other distributions made by us. Our shareholders residing in countries other than Belgium may not be able to credit the amount of such withholding tax to any tax due on such dividends or other distributions in any other country than Belgium. As a result, such shareholders may be subject to double taxation in respect of such dividends or other distributions. Belgium and the United States have concluded a double tax treaty concerning the avoidance of double taxation, or the U.S.-Belgium Tax Treaty. The U.S.-Belgium Tax Treaty reduces the applicability of Belgian withholding tax to 15%, 5% or 0% for U.S. taxpayers, provided that the U.S. taxpayer meets the limitation of benefits conditions imposed by the U.S.-Belgium Tax Treaty. The Belgian withholding tax is generally reduced to 15% under the U.S.-Belgium Tax Treaty. The 5% withholding tax applies in case where the U.S. shareholder is a company which holds at least 10% of the shares in the company. A 0% Belgian withholding tax applies when the shareholder is a U.S. company which has held directly at least 10% of the shares in the company for at least 12 months, or is, subject to certain conditions, a U.S. pension fund. The U.S. shareholders are encouraged to consult their own tax advisers to determine whether they can invoke the benefits and meet the limitation of benefits conditions as imposed by the U.S.-Belgium Tax Treaty.

Future sales of ordinary shares or ADSs by existing shareholders could depress the market price of the ordinary shares and ADSs.

If our existing shareholders sell, or indicate an intent to sell, substantial amounts of ordinary shares or ADSs in the public market, the trading price of the ADSs could decline significantly. As of March 13, 2020, 64,666,802 shares were eligible for sale in the public market, 553,646 of which shares were held by directors, executive officers and other affiliates and are subject to volume limitations under Rule 144 under the Securities Act. In addition, the ordinary shares subject to outstanding warrants will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. We have filed registration statements on Form S-8 with the SEC covering ordinary shares available for future issuance under our warrant plans. Sales of a large number of the shares issued under these plans in the public market could have an adverse effect on the market price of the ADSs.

We are a Belgian public limited liability company, and shareholders of our company may have different and in some cases more limited shareholder rights than shareholders of a U.S. listed corporation.

We are a public limited liability company incorporated under the laws of Belgium. Our corporate affairs are governed by Belgian corporate law. The rights provided to our shareholders under Belgian corporate law and our articles of association differ in certain respects from the rights that you would typically enjoy as a shareholder of a U.S. corporation under applicable U.S. federal and state laws.

Under Belgian corporate law, other than certain limited information that we must make public and except in certain limited circumstances, our shareholders may not ask for an inspection of our corporate records, while under Delaware corporate law any shareholder, irrespective of the size of its shareholdings, may do so. Shareholders of a Belgian corporation are also unable to initiate a derivative action, a remedy typically available to shareholders of U.S. companies, in order to enforce a right of our company, in case we fail to enforce such right ourselves, other than in certain cases of director liability under limited circumstances. In addition, a majority of our shareholders present or represented at our meeting of shareholders may release a director from any claim of liability we may have, including if he or she has acted in bad faith or has breached his or her duty of loyalty, provided, in some cases, that the relevant acts were specifically mentioned in the convening notice to the meeting of shareholders deliberating on the discharge. In contrast, most U.S. federal and state laws prohibit a company or its shareholders from releasing a director from liability altogether if he or she has acted in bad faith or has breached his or her duty of loyalty to the company. Finally, Belgian corporate law does not provide any form of appraisal rights in the case of a business combination. Please see the section of this annual report titled “Item 10.B.—Memorandum and Articles of Association.”

As a result of these differences between Belgian corporate law and our articles of association, on the one hand, and the U.S. federal and state laws, on the other hand, in certain instances, you could receive less protection as an ADS holder of our company than you would as a shareholder of a listed U.S. company.

Takeover provisions in Belgian law may make a takeover difficult.

Public takeover bids on our shares and other voting securities, such as subscription rights or convertible bonds, if any, are subject to the Belgian Act of April 1, 2007 and to the supervision by the Belgian Financial Services and Markets Authority, or FSMA. Public takeover bids must be made for all of our voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion into voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the Belgian FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of our company.

The Belgian Act of April 1, 2007 provides that a mandatory bid will be triggered if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30% of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Royal Decree of April 27, 2007 on public takeover bids. The mere fact of exceeding the relevant threshold through the acquisition of one or more shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

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).

The implementation of the recent reform of the Belgian companies code may adversely affect the rights of our shareholders.

Recently a new Belgian companies code was approved by the Belgian Parliament entering into force on May 1, 2019 (the “New Belgian Companies Code”). For existing companies like us there is a transition regime providing for a staggered applicability of the new provisions. Certain parts of the new code apply to us as of January 1, 2020. The full transition must be completed by the earlier of (i) the next extraordinary shareholders’ meeting that amends our articles of association or (ii) January 1, 2024. On the date of this report, we have not yet implemented any changes as a result of such new companies code. Our extraordinary shareholders’ meeting, to be held on April 28, 2020, shall decide on the amendment of our articles of association, implementing the provisions of the new code. However, we or our shareholders may propose changes to our articles of association following the entry into force of the New Belgian Companies Code that could impact our shareholders’ rights.

For clarity, each reference in this report to the Belgian Companies Code is a reference to the Belgian Companies Code of May 7, 1999, unless where expressly stated differently.

Holders of the ADSs are not treated as shareholders of our company, do not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Holders of the ADSs are not treated as shareholders of our company, unless they withdraw our ordinary shares underlying the ADSs. The depositary, or its nominee, is the holder of the ordinary shares underlying the ADSs. Holders of ADSs therefore do not have any rights as shareholders of our company, other than the rights that they have pursuant to the deposit agreement.

Holders of ADSs may exercise voting rights with respect to the ordinary shares represented by the ADSs only in accordance with the provisions of the deposit agreement. The deposit agreement provides that, upon receipt of notice of any meeting of holders of our ordinary shares, the depositary will fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights. Upon timely receipt of notice from us, if we so request, the depositary shall distribute to the holders as of the record date (1) the notice of the meeting or solicitation of consent or proxy sent by us and (2) a statement as to the manner in which instructions may be given by the holders.

Holders of ADSs may instruct the depositary of their ADSs to vote the ordinary shares underlying their ADSs. Otherwise, ADS holders will not be able to exercise their right to vote, unless they withdraw the ordinary shares underlying the ADSs they hold. However, ADS holders may not know about the meeting far enough in advance to withdraw those ordinary shares. We cannot guarantee ADS holders that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ordinary shares or to withdraw their ordinary shares so that they can vote them themselves. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that ADS holders may not be able to exercise their right to vote, and there may be nothing they can do if the ordinary shares underlying their ADSs are not voted as they requested.

We may not be able to complete equity offerings without cancellation or limitation of the preferential subscription rights of our existing shareholders, which may as a practical matter preclude us from timely completion of offerings.

In accordance with the Belgian Companies Code, our articles of association provide for preferential subscription rights to be granted to our existing shareholders to subscribe on a pro rata basis for any issue for cash of new shares, convertible bonds or warrants that are exercisable for cash, unless such rights are cancelled or limited either by resolution of our shareholders' meeting or by our board of directors in the framework of the authorized capital, as described below. The extraordinary shareholders' meeting 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 our articles of association. We refer to this authority for our board to increase our share capital as our authorized capital. 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 October 22, 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. November 13, 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 April 25, 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. May 31, 2017. This specific part of the authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the board of directors that all independent directors (within the meaning of article 526*ter* of the Belgian Companies Code, as replaced by article 7:87 of the New Belgian Companies Code) approve. As of the date of this annual report, our board of directors may decide to issue up to 12,388,614 ordinary shares pursuant to the general authorization and 2,535,661 ordinary shares pursuant to the specific authorization, without taking into account however subsequent issuances under our warrant programs or otherwise. Please see the section of this annual report titled "Item 10.B.—Memorandum and Articles of Association." Absent renewal by our shareholders of this authorization of the board or absent cancellation or limitation by our shareholders of the preferential subscription rights of our existing shareholders, the requirement to offer our existing shareholders the preferential right to subscribe, pro rata, for new shares being offered may as a practical matter preclude us from timely raising capital on commercially acceptable terms or at all.

Shareholders may not be able to participate in equity offerings we may conduct from time to time.

If we conduct equity offerings in the future, certain shareholders, including those in the United States, may, even in the case where preferential subscription rights have not been cancelled or limited, not be entitled to exercise such rights, unless the offering is registered or the shares are qualified for sale under the relevant regulatory framework. As a result, there is the risk that investors may suffer dilution of their shareholdings should they not be permitted to participate in preference right equity or other offerings that we may conduct in the future.

Holders of ADSs may be subject to limitations on the transfer of their ADSs and the withdrawal of the underlying ordinary shares.

ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason, subject to the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of your ADSs and withdrawal of the underlying ordinary shares may arise because the depositary has closed its transfer books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares. In addition, ADS holders may not be able to cancel their ADSs and withdraw the underlying ordinary shares when they owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of ADSs or our ordinary shares.

We are a "foreign private issuer," as defined in the SEC's rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, we are exempt from certain rules under the Exchange Act, that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, while we currently make annual and semi-annual filings with respect to our listing on Euronext Brussels and Euronext Amsterdam and voluntarily report our results of operations on a quarterly basis, we will not be required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. domestic issuers and will not be required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Accordingly, there is and will continue to be less publicly available information concerning our company than there would be if we were not a foreign private issuer.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

As a foreign private issuer listed on the Nasdaq Global Select Market, we are subject to corporate governance listing standards. However, rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in Belgium, which is our home country, may differ significantly from corporate governance listing standards. For example, neither the corporate laws of Belgium nor our articles of association require a majority of our directors to be independent and we could include non-independent directors as members of our nomination and remuneration committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. Currently, we intend to follow home country practice to the maximum extent possible. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers. See the sections of this annual report titled "Item 6—Directors, Senior Management and Employees" and "Item 16G—Corporate Governance."

We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

While we currently qualify as a foreign private issuer, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2020.

In the future, we would lose our foreign private issuer status if we to fail to meet the requirements necessary to maintain our foreign private issuer status as of the relevant determination date. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (b) (i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. As of March 16, 2020, a majority of our executive officers and directors are not U.S. citizens or residents.

The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly more than costs we incur as a foreign private issuer. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to prepare our financial statements in accordance with U.S. GAAP, rather than IFRS, in U.S. dollars rather than euros and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. Such conversion of our financial statements to U.S. GAAP will involve significant time and cost. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers such as the ones described above and exemptions from procedural requirements related to the solicitation of proxies.

It may be difficult for investors outside Belgium to serve process on, or enforce foreign judgments against, us or our directors and senior management.

We are a Belgian public limited liability company. Less than a majority of the members of our board of directors and members of our executive committee are residents of the United States. All or a substantial portion of the assets of such non-resident persons and most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or on us or to enforce against them or us a judgment obtained in U.S. courts. Original actions or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Belgium. The United States and Belgium do not currently have a multilateral or bilateral treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters. In order for a final judgment for the payment of money rendered by U.S. courts based on civil liability to produce any effect on Belgian soil, it is accordingly required that this judgment be recognized or be declared enforceable by a Belgian court in accordance with Articles 22 to 25 of the 2004 Belgian Code of Private International Law. Recognition or enforcement does not imply a review of the merits of the case and is irrespective of any reciprocity requirement. A U.S. judgment will, however, not be recognized or declared enforceable in Belgium if it infringes upon one or more of the grounds for refusal that are exhaustively listed in Article 25 of the Belgian Code of Private International Law. Actions for the enforcement of judgments of U.S. courts might be successful only if the Belgian court confirms the substantive correctness of the judgment of the U.S. court and if it is satisfied that:

- the effect of the enforcement judgment is not manifestly incompatible with Belgian public policy;
- the judgment did not violate the rights of the defendant;
- the judgment was not rendered in a matter where the parties transferred rights subject to transfer restrictions with the sole purpose of avoiding the application of the law applicable according to Belgian international private law;
- the judgment is not subject to further recourse under U.S. law;
- the judgment is not compatible with a judgment rendered in Belgium or with a subsequent judgment rendered abroad that might be enforced in Belgium;
- a claim was not filed outside Belgium after the same claim was filed in Belgium, while the claim filed in Belgium is still pending;
- the Belgian courts did not have exclusive jurisdiction to rule on the matter;

- the U.S. court did not accept its jurisdiction solely on the basis of either the nationality of the defendant or the location of the disputed goods; and

- the judgment submitted to the Belgian court is authentic.

In addition to recognition or enforcement, a judgment by a federal or state court in the United States against us may also serve as evidence in a similar action in a Belgian court if it meets the conditions required for the authenticity of judgments according to the law of the state where it was rendered. The findings of a federal or state court in the United States will not, however, be taken into account to the extent they appear incompatible with Belgian public policy.

We may be at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If we were to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We believe that we should not be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the 2019 taxable year, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were a PFIC for our 2019 taxable year, this could result in adverse U.S. tax consequences to certain U.S. holders.

Generally, if, for any taxable year, at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Our status as a PFIC depends on the composition of our income and the composition and value of our assets (for which purpose the total value of our assets may be determined in part by reference to the market value of the ADSs and our ordinary shares, which are subject to change) from time to time. If we are a PFIC for any taxable year, certain U.S. holders of the ADSs may suffer adverse tax consequences, including having gains realized on the sale of the ADSs treated as ordinary income, rather than capital gain, losing the preferential rate applicable to dividends received on the ADSs by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of sales of the ADSs. See "Item 10.E.—Taxation—Certain Material U.S. Federal Income Tax Considerations to U.S. Holders—Passive Foreign Investment Company Considerations."

Based upon the expected value of our assets, including any goodwill, and the expected composition of our income and assets, we believe that we should not be a PFIC for our 2019 taxable year. However, our status as a PFIC is a fact-intensive determination made on an annual basis, and we cannot provide any assurances regarding our PFIC status for the current, prior or future taxable years. We do not currently intend to provide the information necessary for U.S. holders to make a "qualified electing fund," or QEF, election if we are treated as a PFIC for any taxable year, and prospective investors should assume that a QEF election will not be available.

We believe that we were not a controlled foreign corporation, or CFC, for U.S. federal income tax purposes for the 2019 taxable year. If we were to qualify as a CFC, this could result in adverse U.S. federal income tax consequences to certain U.S. holders.

Each "Ten Percent Shareholder" (as defined below) in a non-U.S. corporation that is classified as a "controlled foreign corporation," or a CFC, for U.S. federal income tax purposes generally is required to include in income for U.S. federal tax purposes such Ten Percent Shareholder's pro rata share of the CFC's "Subpart F income" and investment of earnings in U.S. property, even if the CFC has made no distributions to its shareholders. Subpart F income generally includes dividends, interest, rents and royalties, gains from the sale of securities and income from certain transactions with related parties. For tax years beginning after December 31, 2017, each Ten Percent Shareholder of a CFC is also required to include in income such Ten Percent Shareholder's share of "global intangible low-taxed income" with respect to such CFC. In addition, a Ten Percent Shareholder that realizes gain from the sale or exchange of shares in a CFC may be required to classify a portion of such gain as dividend income rather than capital gain. A non-U.S. corporation generally will be classified as a CFC for United States federal income tax purposes if Ten Percent Shareholders own, directly or indirectly, more than 50% of either the total combined voting power of all classes of stock of such corporation entitled to vote or of the total value of the stock of such corporation. A "Ten Percent Shareholder" is a United States person (as defined by the U.S. Internal Revenue Code of 1986, as amended (the "Code")) who owns or is considered to own 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation. For tax years beginning after December 31, 2017, the Tax Reform Act (as defined below) expands the definition of a Ten Percent Shareholder to be a United States person (as defined by the Code) who owns or is considered to own 10% or more of the total (1) combined voting power of all classes of stock entitled to vote of such corporation or (2) value of all classes of stock of such corporation. The determination of CFC status is complex and includes attribution rules, the application of which is not entirely certain. In addition, recent changes pursuant to U.S. tax reform to the attribution rules relating to the determination of CFC status may make it difficult to determine our CFC status for any taxable year.

We do not believe that we were a CFC for the taxable year ended December 31, 2019. Furthermore, because of recent changes pursuant to the Tax Cuts and Jobs Act, it is possible that our non-United States subsidiaries will be CFCs for the taxable year ended December 31, 2019 (or future taxable years) even if we are not a CFC for such taxable year(s). However, we cannot provide any assurances regarding our status or the status of our subsidiaries as a CFC for the 2019 taxable year or any future taxable years. U.S. holders should consult their own tax advisors with respect to the potential adverse U.S. tax consequences of becoming a Ten Percent Shareholder in a CFC. If we are classified as both a CFC and a PFIC, we generally will not be treated as a PFIC with respect to those U.S. holders that meet the definition of a Ten Percent Shareholder during the period in which we are a CFC.

Item 4 Information on the Company

A. History and development of the Company

Our legal and commercial name is Galapagos NV. We are a limited liability company incorporated in the form of a "*naamloze vennootschap*" / "*société anonyme*" under Belgian law. We were incorporated in Belgium on June 30, 1999 for an unlimited duration. We are registered with the Register of Legal Entities (Antwerp, division Mechelen) under the enterprise number 0466.460.429. Our principal executive and registered offices are located at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium and our telephone number is +32 15 342 900. Our agent for service of process in the United States is C T Corporation System, located at 28 Liberty Street, New York, New York, 10005, United States of America.

Our fiscal year ends December 31. We also maintain a corporate website at www.glpg.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report. We have included our website address in this annual report solely as an inactive textual reference.

The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants, such as Galapagos NV, that file electronically with the SEC.

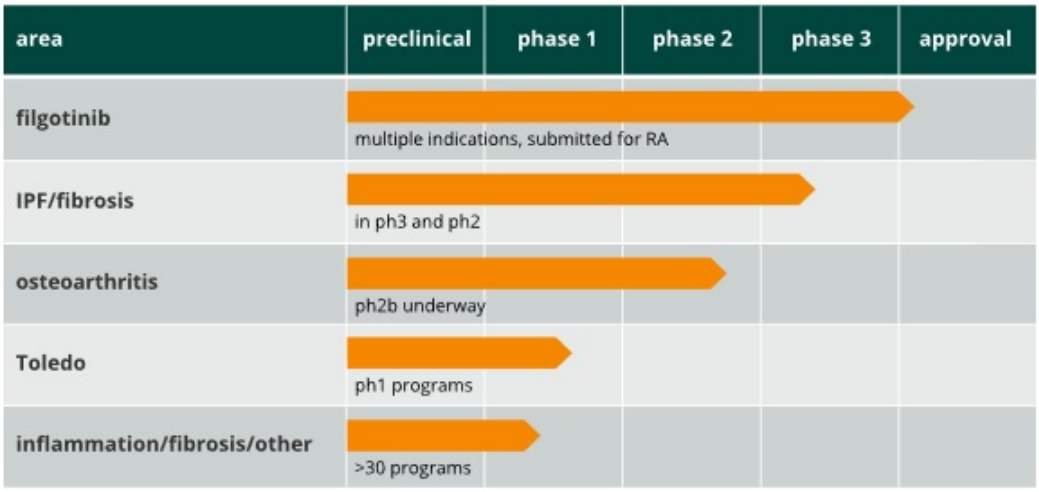
Our actual capital expenditures for the years ended December 31, 2017, 2018, and 2019 amounted to €7.4 million, €13.7 million, and €45.7 million respectively. These capital expenditures primarily consisted of land, laboratory equipment, leasehold improvements and intangible assets. We expect our capital expenditures to increase in absolute terms in the near term as we continue to advance our research and development programs and grow our operations. We anticipate our capital expenditure in 2020 to be financed from our cash reserves. For more information on our capital expenditures, see the section of this annual report titled “Item 5.B.—Liquidity and capital resources—capital expenditures.”

B. Business overview

We are an integrated biopharmaceutical company active in the discovery, development, and preparation for potential future commercialization of medicines with novel modes of action, addressing disease areas of high unmet medical need. Our pipeline comprises programs ranging from discovery to Phase 3 clinical trials in inflammation, fibrosis, osteoarthritis (OA), and other indications. Our highly flexible discovery platform is applicable across many therapeutic areas. Our clinical pipeline includes: JAK1 inhibitor filgotinib, which is currently filed for approval in RA in the U.S., Europe, and Japan, in Phase 3 trials in UC, CD, and PsA, and in Phase 2 trials in multiple additional indications; autotaxin inhibitor GLPG1690, which is currently in the ISABELA 1 & 2 pivotal trials for idiopathic pulmonary fibrosis (IPF) and the NOVESA Phase 2 proof-of-concept trial in systemic sclerosis (SSc) for which recruitment was completed end of 2019; GLPG1205, a GPR84 inhibitor which completed recruitment in the PINTA Phase 2 proof-of-concept trial in IPF in early 2020; GLPG1972, an ADAMTS-5 inhibitor for which patient recruitment was completed in the ROCCELLA global Phase 2b trial in OA patients in June 2019; and the Toledo molecules GLPG3312, GLPG3970, and GLPG4399, aimed at a novel class of targets we discovered and currently in preclinical and Phase 1 development. Almost exclusively these programs are based on inhibiting targets which were identified using our proprietary target discovery platform. Please see “—Glossary of terms” for terms used in this section.

We have collaborations with Gilead for filgotinib, GLPG1690, and other pipeline assets, with Servier for GLPG1972, with Evotec and Fibrocor for early stage fibrosis programs and with AbbVie in the field of cystic fibrosis (CF). For more information on our collaborations, see “—Collaborations.” The following table highlights key aspects of our development program indication areas at the beginning of 2020:

Our clinical pipeline



Impact of COVID-19

While we continue to evaluate and closely monitor the rapidly evolving situation with the COVID-19 pandemic, we have taken measures to ensure the health of our employees, clinical trial participants and patient communities. We are committed to keeping our stakeholders informed as the situation evolves. We see the following impact at this point in time:

- *Staff*

  We have strong measures in place to help prevent 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 and restrictions, including suspending all travel. In practice, this means that our employees are working from home, with the exception of the lab personnel and a skeleton IT and facilities team to ensure safety and operational continuity essential to keep research going. For those, 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.

- *Clinical trials*

  We have a business continuity plan for our non-clinical and clinical trials, including a pandemic response plan. We have decided to pause the start of Phase 1 trials temporarily. We continuously monitor the situation, always putting patients' safety and needs front & center, and our teams are working hand in hand with our CROs and clinical trial sites to define next steps.

  Our collaboration partner Gilead and we have paused enrollment into the filgotinib trials in order to help protect patient safety. This includes the Phase 2 and Phase 3 trials of filgotinib in Crohn's disease (DIVERSITY), the Phase 3 in psoriatic arthritis (PENGUIN), the Phase 2 trial in uveitis, and the MANTA and MANTA-RAy trials.

  We anticipate the Phase 3 program in ankylosing spondylitis will now start later this year.

- *Filgotinib filing process in RA*

  To date, our collaboration partner Gilead has not been informed by the regulatory agencies in the US, Europe, and Japan of approval timeline delays. Gilead also confirmed that all sites involved in the manufacturing of filgotinib are established sites that currently manufacture other Gilead marketed products, are in good standing with the FDA, and are GMP certified.

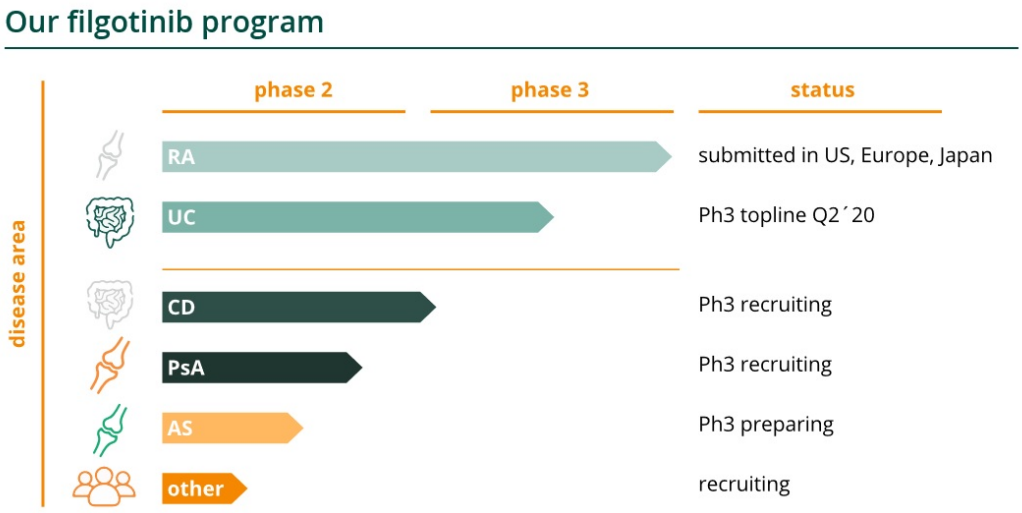
- *Commercial organization*

  Build-up of our commercial operations in the EU5 countries and the Benelux to prepare for the potential launch of filgotinib continues as planned.

Lead programs

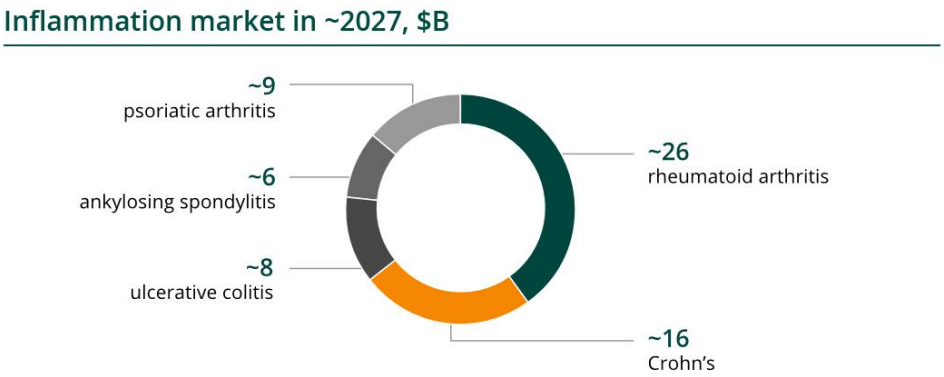
Filgotinib: selective JAK1 inhibitor with a potential best-in-class product profile

Based on results from our Phase 2 trials and the FINCH Phase 3 trials, we believe that filgotinib is a promising candidate for the treatment of RA, CD, and potentially other inflammatory diseases. We have a collaboration agreement with Gilead to develop and commercialize filgotinib in multiple diseases. Filgotinib is currently under regulatory review in the United States, Europe, and Japan, and in Phase 3 clinical trials in UC, CD, and PsA, with a Phase 3 in AS expected to start in 2020. Gilead completed trials with filgotinib in Sjögren's disease and cutaneous lupus erythematosus and is working with us to evaluate next steps in those disease areas. In addition, Gilead is running Phase 2 trials with filgotinib in uveitis, small bowel Crohn's disease, and fistulizing Crohn's disease. The following graphic represents the broad filgotinib program; note that at time of publication, recruitment in ongoing trials indicated below is paused temporarily due to the coronavirus pandemic:



RA: rheumatoid arthritis CD: Crohn's disease UC: ulcerative colitis AS: ankylosing spondylitis PsA: psoriatic arthritis

The market for drugs that treat inflammatory diseases is considerable and growing. We estimate that the inflammation market could grow to approximately $65 billion by 2027, driven by new drugs filling the current unmet need for oral, monotherapy treatments with a rapid response, and higher efficacy maintained over time. RA remains the largest single market indication, which we estimate to be approximately $26 billion, with the other main markets representing a larger combined opportunity than in RA:



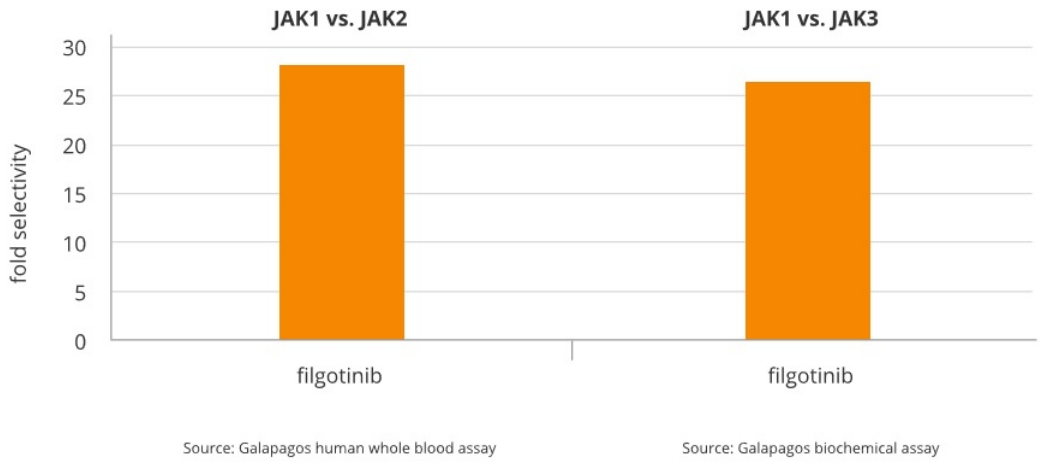
The Phase 2 and 3 data observed with filgotinib in RA and the Phase 2 data in CD, AS, and PsA thus far, suggest the potential of filgotinib to substantially improve treatment standards in these and other inflammatory conditions. American College of Rheumatology (ACR) scores in Phase 2 and 3 trials in RA patients were significantly greater for filgotinib compared with placebo, and CDAI remission and SES-50 scores are similarly promising with filgotinib in a Phase 2 trial in CD patients who are naïve to TNF therapy, and tolerability and safety data were consistently favorable across those trials. Following an interim futility analysis of the Phase 2b/3 SELECTION trial in UC patients, the independent Data Monitoring Committee recommended the trial to proceed into the phase 3 portion of the study. ACR and enthesitis scores were encouraging with filgotinib in PsA in the EQUATOR Phase 2 trial, while spine mobility and function were significantly improved with filgotinib in AS patients in the TORTUGA Phase 2 trial. Filgotinib is highly selective for JAK1, resulting in favorable tolerability so far, including low rates of infection and low rates of venous thrombotic events (VTEs) reported in all trials.

Our filgotinib program 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 U.S., EU5 and Japan was worth $28 billion in 2018, with 60% of patients treated with disease-modifying anti-rheumatic drugs (DMARDs), including injectable, biological therapies (Decision Resources Group, Global Data, Galapagos Custom Research).

Despite there being many approved agents, considerable unmet need exists, as only one in five patients achieve full remission at year one.

Oral therapies targeting the Janus kinase (JAK) signaling pathway are approved to treat inflammatory diseases; some JAK inhibitors, however, are associated with a range of side effects, including pulmonary embolisms and aberrations in low-density lipoprotein (LDL cholesterol) and red blood and NK cell counts. We discovered JAK1 in an inflammation target discovery assay in 2003 and subsequently discovered filgotinib as a JAK1 specific small molecule inhibitor. We demonstrated that filgotinib has a nearly 30-fold selectivity for JAK1 over JAK2 and for JAK1 over JAK3. These findings were independently corroborated by Dr. Iain McInnes at the 2017 Annual Meeting of the ACR.



Our clinical results for filgotinib for RA

DARWIN Phase 2b program

We reported positive results from the DARWIN 1 & 2 Phase 2b dose-range finding clinical trials in 2015 and these findings were published in the *Annals of Rheumatological Diseases* (Westhovens *et al* 2016 and Kavanaugh *et al* 2016).

DARWIN 3 was a multi-center, open-label, long-term follow-up safety and efficacy trial of subjects who completed either DARWIN 1 or DARWIN 2. All subjects started the trial at the same dose level, either at 200 mg filgotinib once per day or at 100 mg filgotinib twice per day (except for males in the U.S. sites of these trials who received a maximum daily dose of 100 mg), depending on the regimen administered during the preceding trial, with DARWIN 1 subjects continuing to use filgotinib in combination with MTX.

We and our collaboration partner Gilead reported findings from DARWIN 3 at 156 weeks of treatment at ACR 2019. The data showed that filgotinib maintained its promising activity levels and that it had a favorable tolerability profile. Data in DARWIN 3 were consistent with the risk/benefit profiles reported in DARWIN 1 and 2, and were presented by Kavanaugh *et al* at the 2019 Annual Meeting of the ACR.

Below is an overview of selected adverse events for filgotinib observed in DARWIN 3:

event per 100 PYE	filgotinib 50-200 mg DARWIN 3 week 156
patient year exp.	2,203
serious infection	1.0
Herpes zoster	1.5
DVT/ PE	2/2,203* 0.1
deaths	0.2

Data on file; DVT/PE = deep venous thrombosis/pulmonary embolism
* one single patient experiencing DVT and PE

FINCH Phase 3 program with filgotinib in RA

The safety and efficacy of 100 mg and 200 mg filgotinib once daily have been 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)
- Patients with difficult-to-treat RA and an inadequate response to biologic disease-modifying antirheumatic drugs (csDMARD) (FINCH 2)
- Methotrexate-naïve patients (FINCH 3)
- Eligible patients could also roll-over into a long-term extension study (FINCH 4)

In both rat and dog 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. These randomized, double-blind, placebo-controlled trials are intended to be combined to meet the requirement of 200 adult male inflammation patients with a treatment phase of up to 26 weeks. At the time of publication, recruitment for these trials are temporarily paused in connection with the coronavirus pandemic.

FINCH 1 results

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

The proportion of patients achieving ACR50 and ACR70 response was also significantly greater for filgotinib compared with placebo at Week 12, for both doses. Patients receiving filgotinib 100 mg or 200 mg had a statistically significant reduction in the Health Assessment Questionnaire Disability Index (HAQ-DI) at Week 12 compared with those receiving placebo. The proportions of patients achieving clinical remission (DAS28(CRP) < 2.6) and low disease activity (DAS28(CRP) $\leq$ 3.2) at Week 12 were significantly higher for patients in both filgotinib arms compared with placebo. When comparing low disease activity rates at Week 12, filgotinib 200 mg was non-inferior to adalimumab. Filgotinib 100 mg and 200 mg also significantly inhibited the progression of structural damage at Week 24 as assessed by change from baseline in modified total Sharp score (mTSS) compared with placebo.

Top-line FINCH 1 efficacy^ data are summarized in the table below:

	filgotinib 200 mg +MTX (n=475)[&]	filgotinib 100 mg +MTX (n=480)[&]	adalimumab 40 mg +MTX (n=325)[&]	placebo +MTX (n=475)[&]
ACR20 (%)	76.6***	69.8***	70.8	49.9
ACR50 (%)	47.2***	36.3***	35.1	19.8
ACR70 (%)	26.3***	18.5***	14.2	6.7
DAS28(CRP) $\leq$ 3.2 (Low disease activity) (%)	49.7***[$]	38.8***	43.4	23.4
DAS28(CRP) < 2.6 (Clinical remission) (%)	33.9*** [¥#]	23.8***[£#]	23.7	9.3
HAQ-DI change	-0.69***	-0.56***	-0.61	-0.42
mTSS change	0.13***	0.17***	0.16	0.38

^All efficacy time points assessed at Week 12 except mTSS which was assessed at Week 24
[&]Number of patients randomized to each treatment group and who received at least one dose of study drug
ACR20/50/70 represents American College of Rheumatology 20%/50%/70% improvements.
*** p <0.001, compared with placebo
[$] p <0.001, non-inferiority to adalimumab
[£] p <0.01, non-inferiority to adalimumab
[¥] p <0.01, superiority to adalimumab
[#] Comparison not adjusted for multiplicity

FINCH 2 results

Filgotinib achieved its primary endpoint in the FINCH 2 trial in the proportion of patients achieving an ACR20 at week 12. Also at weeks 12 and 24, the proportion of patients achieving ACR50 and ACR70 response, low disease activity, and clinical remission were significantly higher for patients receiving once-daily filgotinib 100mg or 200mg compared to patients receiving placebo. 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 in 2019 (Genovese *et al*).

Topline efficacy data are summarized in the table below:

	week 12			week 24		
Non-responder imputation	Placebo (n=148)	filgotinib 100mg (n=153)	filgotinib 200mg (n=147)	placebo (n=148)	filgotinib 100mg (n=153)	filgotinib 200mg (n=147)
ACR20 (%)	31.1	57.5***	66.0***	34.5	54.9***	69.4***
ACR50 (%)	14.9	32.0***	42.9***	18.9	35.3**	45.6***
ACR70 (%)	6.8	14.4*	21.8***	8.1	20.3**	32.0***
Clinical remission (%)	8.1	25.5***	22.4***	12.2	26.1**	30.6***
Low disease activity (%)	15.5	37.3***	40.8***	20.9	37.9**	48.3***

ACR20/50/70 represents American College of Rheumatology 20% /50 %/70 % improvements.
* p <0.05, compared to placebo
** p <0.01, compared to placebo
*** p <0.001, compared to placebo

FINCH 3 results

The study achieved its primary endpoint in the proportion of patients achieving an American College of Rheumatology 20 percent response (ACR20) at Week 24. 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 proportion of patients achieving ACR50, ACR70, and clinical remission (DAS28(CRP) < 2.6) at Week 24 was also significantly higher for patients receiving once-daily filgotinib 100 mg or 200 mg plus MTX compared with patients receiving MTX alone. Additionally, those who received filgotinib experienced greater reduction in the Health Assessment Questionnaire Disability Index (HAQ-DI) compared with those receiving MTX alone at Week 24. Filgotinib 200 mg monotherapy inhibited the progression of structural damage at Week 24 compared with MTX alone as assessed by modified total Sharp score (mTSS).

Top-line FINCH 3 efficacy[^] data are summarized in the table below:

	filgotinib 200 mg + MTX (n=416) [&]	filgotinib 100 mg + MTX (n=207) [&]	filgotinib 200 mg monotherapy (n=210) [&]	MTX (n=416) [&]
ACR20 (%)	81.0***	80.2*	78.1	71.4
ACR50 (%)	61.5***	57.0**	58.1**[#]	45.7
ACR70 (%)	43.8***	40.1***	40.0***[#]	26.0
DAS28(CRP) < 2.6 (Clinical remission) (%)	54.1***	42.5***	42.4***[#]	29.1
HAQ-DI change	-0.94***	-0.90**	-0.89*[#]	-0.79
mTSS change	0.20	0.22	-0.04**[#]	0.52

[^]Efficacy assessed at Week 24 for all endpoints
[&]Number of patients randomized to each treatment group and who received at least one dose of study drug
ACR20/50/70 represents American College of Rheumatology 20%/50%/70% improvements.
*** p <0.001, compared with MTX
* p < 0.05 compared with MTX
** p <0.01, compared with MTX
[#] Comparison not adjusted for multiplicity

FINCH safety data

We and Gilead also announced interim safety information from four studies of the investigational compound filgotinib for the treatment of rheumatoid arthritis. The data include 24 week results of the ongoing Phase 3 FINCH 1, 2, and 3 trials in patients with RA. The pooled data analysis from these three FINCH trials were presented at the Annual ACR Meeting 2019 (Winthrop *et al*). In this pooled analysis, filgotinib was well-tolerated, no new safety concerns were identified, and the safety results were consistent with selective JAK1 inhibition. Adverse events of MACE and DVT/PE were rare and occurred in similar number among all treatment groups. Herpes zoster reactivation was not increased in the filgotinib groups compared with other treatment groups. The data highlight the favorable safety and tolerability profile of filgotinib as monotherapy and in conjunction with MTX/csDMARD in RA.

Week 24 safety data from the FINCH 1, 2, and 3 studies are aggregated and summarized in the table below. Data from 3,452 patients are reported, including 2,088 patients who received filgotinib.

	placebo/ csDMARD N= 1039 No. (%)	adalimumab + MTX 40mg EOW N=325 No. (%)	filgotinib 100 mg +MTX/csDMARD N=840 No. (%)	filgotinib 200 mg +MTX/csDMARD N=1038 No. (%)	filgotinib 200 mg N=210 No. (%)	filgotinib Total N=2088 No. (%)
serious infections[&]	10 (1.0)	8 (2.5)	13 (1.5)	13 (1.3)	3 (1.4)	29 (1.4)
Herpes zoster[&]	4 (0.4)	2 (0.6)	5 (0.6)	6 (0.6)	1 (0.5)	12 (0.6)
DVT/PE[&]	3 (0.3)	0 (0)	0 (0)	1 (0.1)[µ]	0 (0)	1 (<0.1)
death[@]	2 (0.2)	0 (0)	1 (0.1)	3 (0.3)	0 (0)	4 (0.2)
malignancy excluding NMSC[&]	4 (0.4)	1 (0.3)	1 (0.1)	0 (0)	0 (0)	1 (<0.1)
MACE[&]	5 (0.5)	1 (0.3)	2 (0.2)	2 (0.2)	1 (0.5)	5 (0.2)

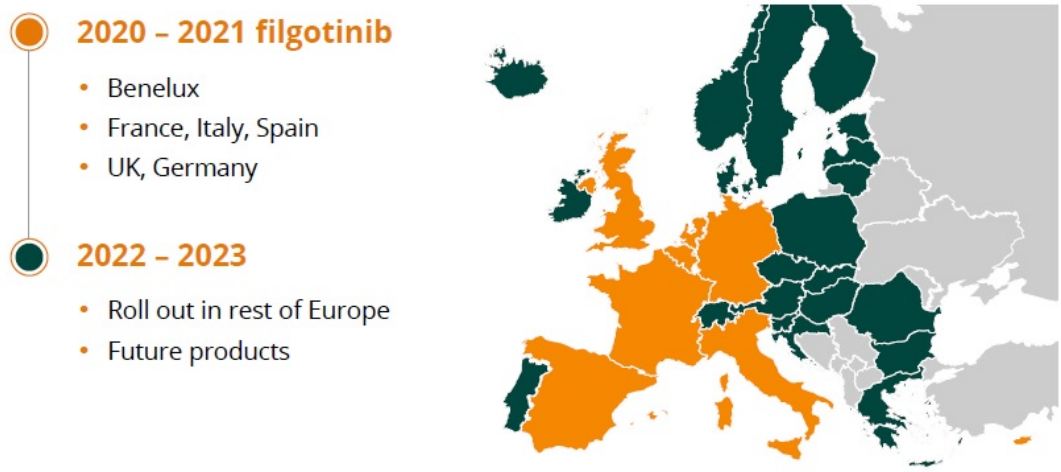
MTX, methotrexate; EOW, every other week; csDMARD, conventional synthetic disease-modifying antirheumatic drug; DVT, deep venous thrombosis; PE, pulmonary embolism; NMSC, non-melanoma skin cancer; MACE, major adverse cardiac events
[&] Treatment-emergent events
[µ] Excludes one retinal vein occlusion
[@] All events

Applications for approval of filgotinib in RA

Gilead announced acceptance of a Marketing Authorisation Application (MAA) by the European Medicines Agency in August 2019, submission of a New Drug Application (NDA) to the Japanese Ministry of Health, Labor, and Welfare (MHLW) in October 2019, and submission of an NDA (under priority review) to the United States Food & Drug Administration (FDA) in December 2019. We and our collaboration partner Gilead expect decisions on potential approvals in all these geographies in the course of 2020.

Commercialization of filgotinib in RA

If approved by the European Commission for RA indications, we expect to launch commercial sales activities in Belgium, The Netherlands, and Luxembourg where we are solely responsible for commercialization, and in France, Italy, and Spain where we will lead commercial sales responsibilities in RA, pursuant to the parties' joint commercialization of filgotinib in these countries. We are advanced in our preparations to launch in these countries in the course of 2020, pending approval of filgotinib. Gilead will launch commercial sales activities in RA in Germany and the UK, the remaining of the eight countries in which we and Gilead will equally split profits from filgotinib commercial activities, pursuant to the parties' joint commercialization of filgotinib in these countries. Gilead will be responsible for the commercial launches in all territories outside these eight European countries, should filgotinib be approved in these territories. See details on the Gilead collaboration in the Notes to the consolidated financial statements.



Our filgotinib program in inflammatory bowel disease (IBD)

Current treatments for IBD are dominated by anti-TNF agents, with new biologic agents gaining adoption.

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). The profile we saw with filgotinib in this CD patient trial indicates that the product candidate may show activity and tolerability in UC patient trials as well.

Should filgotinib be approved commercially for IBD indications, Galapagos will be lead commercial sales responsible for the UK, Germany and Benelux countries and Gilead will be lead commercial sales responsible for France, Italy and Spain. All other countries will be Gilead's commercial sales responsibility.

SELECTION Phase 2b/3 program with filgotinib in UC

UC is an inflammatory bowel disease resulting in ulcerations and inflammation of the colon and rectum. In 2018, nearly 2 million patients were diagnosed with UC in the U.S., EU5 and Japan, and the total market for UC treatments in the acute and maintenance settings was worth $6 billion in the U.S., EU5 and Japan in 2018 (Decision Resources Group, Global Data, Galapagos Custom Research).

Although the introduction of anti-TNF biologics has improved the treatment of some patients, only 33% of patients will achieve long-term remission, and many patients lose their response to treatment over time. The medical need for improved efficacy is high.

Gilead initiated the global SELECTION Phase 2b/3 trial in UC with filgotinib in December 2016. SELECTION investigates efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo in 1,300 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 United States, males may receive 200 mg if they 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 male semen analysis studies in UC and CD patients (MANTA) and in RA, PsA, and AS patients (MANTA-RAy).

In May 2018, Gilead and we announced that an independent Data Monitoring Committee (DMC) conducted a planned interim futility analysis of SELECTION after 350 patients completed the induction period in the Phase 2b portion of the trial. The DMC recommended that the study could proceed into Phase 3 as planned at both the 100 mg and 200 mg once daily dose level in biologic-experienced and biologic-naïve patients.

Gilead announced completion of recruitment for SELECTION in 2019, and topline results are expected in the second quarter of 2020.

FITZROY Phase 2 and 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. In 2018, nearly 1.5 million patients were diagnosed with CD in the U.S., EU5 and Japan, and the total market for CD treatments in the acute and maintenance settings was worth $16 billion in the U.S., EU5 and Japan in 2018 (Decision Resources Group, Global Data, Galapagos Custom Research).

Today, only 10% 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, biologic 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 is reported in up to 50% of patients per year in placebo-controlled trials. There continues to be a considerable unmet need with these existing treatments. Dysregulation of the JAK signaling pathway has also been associated with CD, and this suggests that filgotinib, with its high selectivity for JAK1, is a highly attractive candidate for the treatment of CD. It is hypothesized that by selectively inhibiting 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 evaluated the efficacy and safety of once-daily filgotinib in 174 patients with moderately to severely active CD and mucosal ulceration. Patients recruited were either anti-TNF naïve 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 with filgotinib in CD in November 2016. The DIVERSITY Phase 3 trial investigates efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo in patients with moderately to severely 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 United States, males may receive 200 mg if they failed at least one anti-TNF therapy and vedolizumab. Adjacent to the Phase 3 programs, we and Gilead are conducting dedicated male semen analysis studies in UC and CD patients (MANTA) and in RA, PsA, and AS patients (MANTA-RAy).

In March 2017, Gilead initiated a Phase 2 trial in small bowel CD and a Phase 2 trial in fistulizing CD.

At the time of publication, patient recruitment for DIVERSITY, MANTA, MANTA-RAy, and the Phase 2 trials in CD indications has temporarily been paused in connection with the coronavirus pandemic.

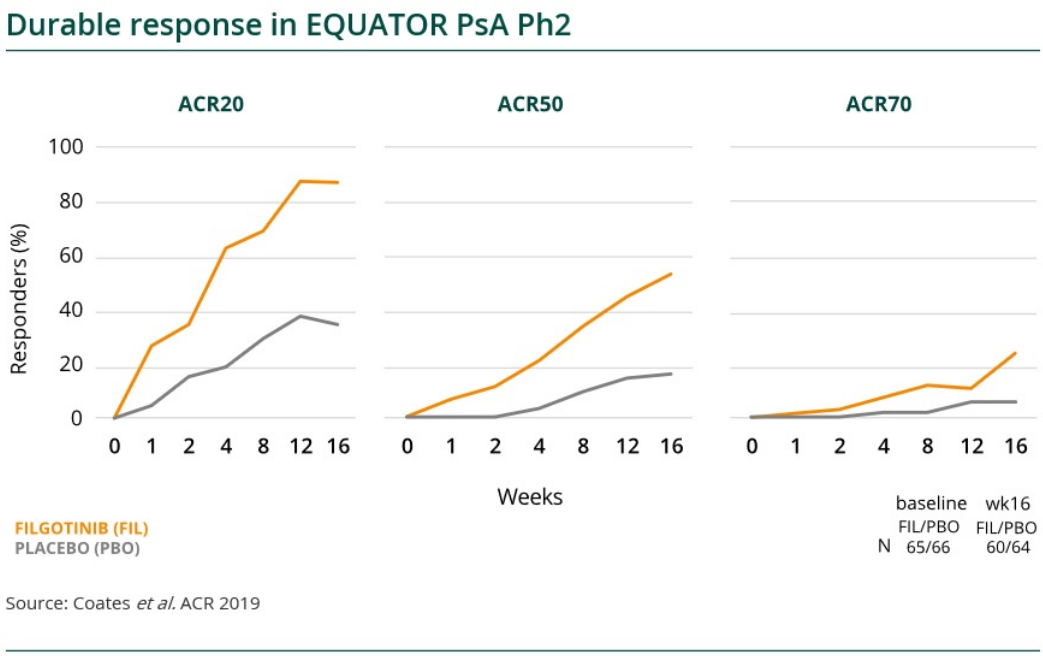
Filgotinib in psoriatic arthritis

PsA is an inflammatory form of arthritis, affecting up to 30% of psoriasis patients. In 2018, 3.5 million patients suffered from PsA in the U.S, EU5 and Japan and the market for PsA treatments was worth nearly $7 billion in 2018 in these seven major markets (Decision Resources Group, Global Data, Galapagos Custom Research). PsA can cause swelling, stiffness and pain in and around the joints and cause nail changes and overall fatigue. Studies show that delaying treatment for PsA as little as six months can result in permanent joint damage. Early recognition, diagnosis and treatment of PsA are critical to relieve pain and inflammation and help prevent joint damage. Despite the availability of a number of treatment options, few current treatments effectively relieve the enthesitis (inflammation of the tendons or ligaments) and symptoms in the joints and the skin.

EQUATOR Phase 2 program with filgotinib in PsA

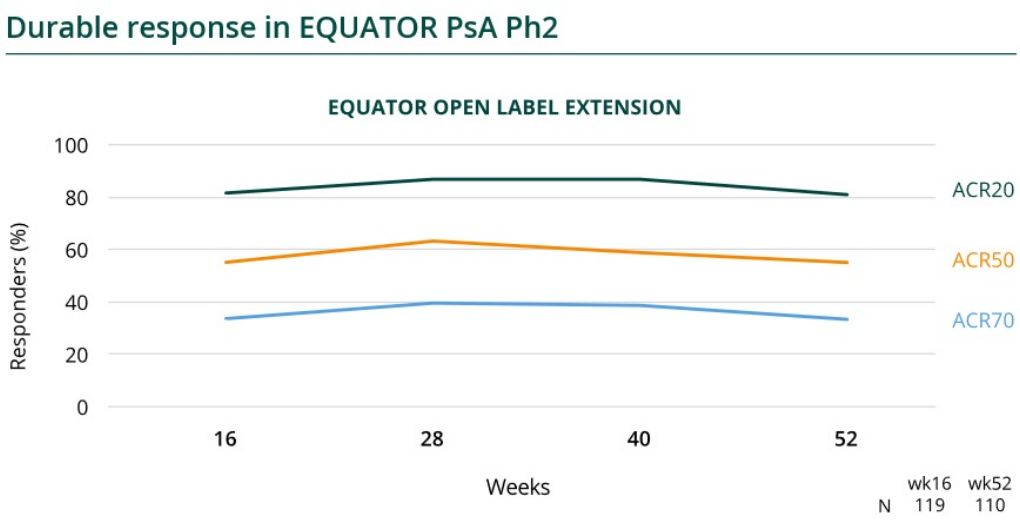
The EQUATOR Phase 2 trial was a multi-center, randomized, double-blind, placebo-controlled trial to assess the safety and efficacy of filgotinib in adult patients with moderately to severely active PsA. 131 patients were randomized in the trial in a 1:1 ratio to receive 200 mg filgotinib or placebo once-daily administered for 16 weeks. EQUATOR was recruited in eight European countries.

In May 2018, Gilead and we announced that the EQUATOR trial achieved its primary endpoint of improvement in the signs and symptoms of PsA at week 16, as assessed by ACR20 score. There was an ACR20 response of 80% for filgotinib versus 33% for placebo ($p<0.001$). The ACR50 and ACR70 responses at week 16 were also significantly higher for filgotinib versus placebo (ACR50: 48% for filgotinib versus 15%, $p<0.001$; ACR70: 23% versus 6%, $p<0.01$).



Source: Coates *et al.* ACR 2019

This efficacy response was sustained in the open label extension of EQUATOR, up to 52 weeks:



Source: Coates *et al.* ACR 2019

Filgotinib was generally well-tolerated in the EQUATOR trial, with no new safety signals observed and similar laboratory changes compared to those reported in previous trials with filgotinib in RA patients. The adverse event rate was similar in both groups with mostly mild or moderate events reported. There was one serious infection in the filgotinib group, a patient who experienced pneumonia with a fatal outcome. One other patient receiving filgotinib developed herpes zoster. There were no cases of opportunistic infection, tuberculosis, thromboembolism, or malignancy. The full results of EQUATOR were published in *The Lancet* and presented in a plenary session at ACR 2018 (Mease *et al* 2018), and a safety update through week 52 was presented at ACR2019 (Coates *et al* 2019).

TEAEs of special interest	incidence # of pts (%) FIL 200 mg, n=65 wk 0-16	incidence # of pts (%) placebo, n=66 wk 0-16	rate/100 PYE # of events FIL 200 mg, PYE=160 wk 0-52
all serious infections	1 (1.5)	–	1.9 (3)
opportunistic infections	–	–	–
herpes zoster	1 (1.5)	–	0.6 (1)
malignancies	–	–	0.6 (1)
deep vein thrombosis	–	–	–
pulmonary embolism	–	–	–
major cardiac events (adjudicated)	–	–	0.6 (1)
deaths	1 (1.5)	–	0.6 (1)

PENGUIN Phase 3 program with filgotinib in PsA

In December 2019, Gilead dosed the first patient in the PENGUIN Phase 3 trials in PsA. The PENGUIN program investigates the efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo. PENGUIN 1 will compare the efficacy and safety of filgotinib, adalimumab, and placebo in approximately 1000 patients with active PsA who are naive to bDMARD therapy. PENGUIN 2 will measure efficacy and safety of filgotinib vs placebo in 390 patients with active PsA who have an inadequate response or are intolerant to bDMARD therapy. The primary endpoint of each trial is ACR20 response at week 12, with multiple secondary endpoints on signs and symptoms of PsA up to week 24 in PENGUIN 1, and week 16 in PENGUIN 2. At the time of publication, patient recruitment for the PENGUIN trials is temporarily paused in connection with the coronavirus pandemic.

Other indications with filgotinib

Ankylosing spondylitis (AS)

AS, a systemic, chronic, and progressive inflammatory arthritis, is one of the most common rheumatic diseases across the globe, affecting nearly 2 million patients in the U.S., Europe, and Japan in 2018. The total market for AS treatments was worth $3 billion in 2018 in the seven major markets (Decision Resources Group, Global Data, Galapagos Custom Research).

AS primarily affects the spine and sacroiliac joints and progresses into severe inflammation that fuses the spine, leading to permanent painful stiffness of the back. Currently, there is no known cure for AS, but there are treatments and medications available to reduce symptoms and manage pain. Recent studies show that the newer biologic medications can potentially slow disease progression in some patients; however, patients respond to different medications with varying levels of effectiveness. Thus, it takes time to find the most effective course of treatment.

TORTUGA was a multi-center, randomized, double-blind, placebo-controlled, Phase 2 trial to assess the safety and efficacy of filgotinib in adult patients with moderately to severely active AS. The trial was conducted in Belgium, Bulgaria, Czech Republic, Estonia, Poland, Spain and Ukraine. In total, 116 patients were randomized in a 1:1 ratio to receive filgotinib 200 mg or placebo once daily for 12 weeks.

In September 2018, Gilead and we announced that the TORTUGA trial achieved its primary efficacy endpoint in adults with moderately to severely active AS. In the trial, patients treated with filgotinib achieved significantly greater improvements in AS Disease Activity Score, the primary endpoint, at week 12, with a mean change from baseline of -1.5 versus -0.6 for those treated with placebo ($p<0.0001$). More patients receiving filgotinib also achieved an Assessment in AS Response of at least 20% improvement compared to those treated with placebo (76% versus 40%, $p<0.0001$).

Adverse events were generally mild or moderate in severity and were reported in an equal proportion of patients in the filgotinib and placebo groups. Laboratory changes were consistent with those previously reported for filgotinib, and no new safety signals were observed in the trial. There was one treatment-emergent serious adverse event reported for a patient receiving filgotinib who experienced pneumonia and recovered after hospital-based antibiotic treatment. One patient randomized to filgotinib, with an inherited risk for thrombosis, experienced a non-serious deep venous thrombosis after completing the course of study drug. No deaths, malignancies, hepatic events, opportunistic infections or cases of herpes zoster were observed in the study. The full results of the TORTUGA trial were reported in *The Lancet* (Van der Heijde *et al* 2018).

We expect that our collaboration partner Gilead will initiate a Phase 3 program with filgotinib in AS during the course of 2020.

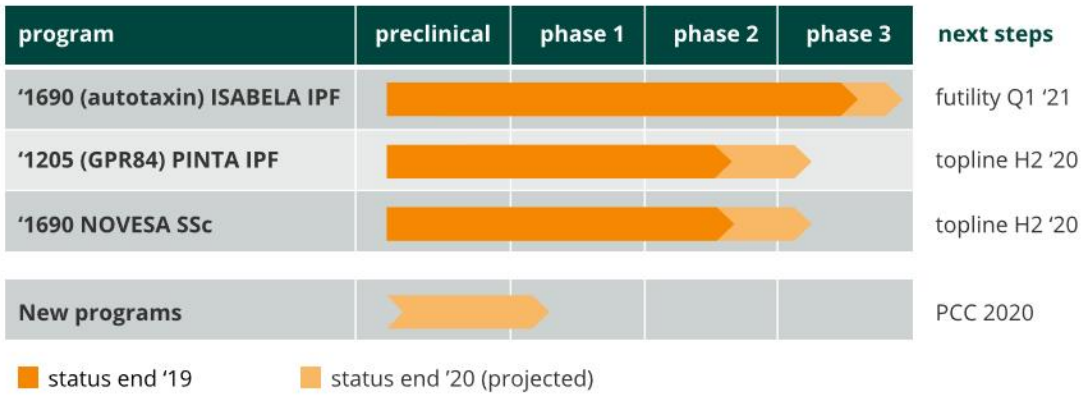
Additional indications

In the course of 2017, Gilead initiated clinical trials with filgotinib in Sjögren's disease, cutaneous lupus erythematosus, lupus membranous nephropathy, and uveitis. In 2019, Gilead reported completion of the trials in Sjögren's disease and cutaneous lupus erythematosus, and that they are no longer recruiting for lupus membranous nephropathy. At the time of publication, patient recruitment for the uveitis trial is temporarily paused in connection with the coronavirus pandemic.

Our IPF/fibrosis programs

We are building a fibrosis portfolio with different modes of action, with an initial focus on IPF and aim to expand to other forms of organ and skin fibrosis. To this end, we are currently working on a number of drug candidates with distinct novel mechanisms of action, which are fully proprietary to us. In IPF, we believe that having multiple mechanisms of action within our own portfolio of candidates allows the exploration of combinations of therapies. Last year we expanded clinical research into SSc, and we plan to explore additional fibrotic indications with our earlier stage compounds. Due to the COVID-19 virus pandemic, at the time of publication of this report we had a temporary pause of new Phase 1 trials starts.

Our IPF portfolio and expected clinical development in 2020:



IPF

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 (Decision Resources Group, Global Data, Galapagos Custom Research), and this population is expected to grow, in part thanks 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 (marketed by Roche/Genetech) and Ofev (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 $2.1 billion in 2018. These regulatory approvals represent a major breakthrough for IPF patients; yet neither drug stops the decline in lung function, and the disease in most patients on these therapies continues to progress. Moreover, the adverse effects associated with these therapies are considerable (e.g., diarrhea, 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

GLPG1690

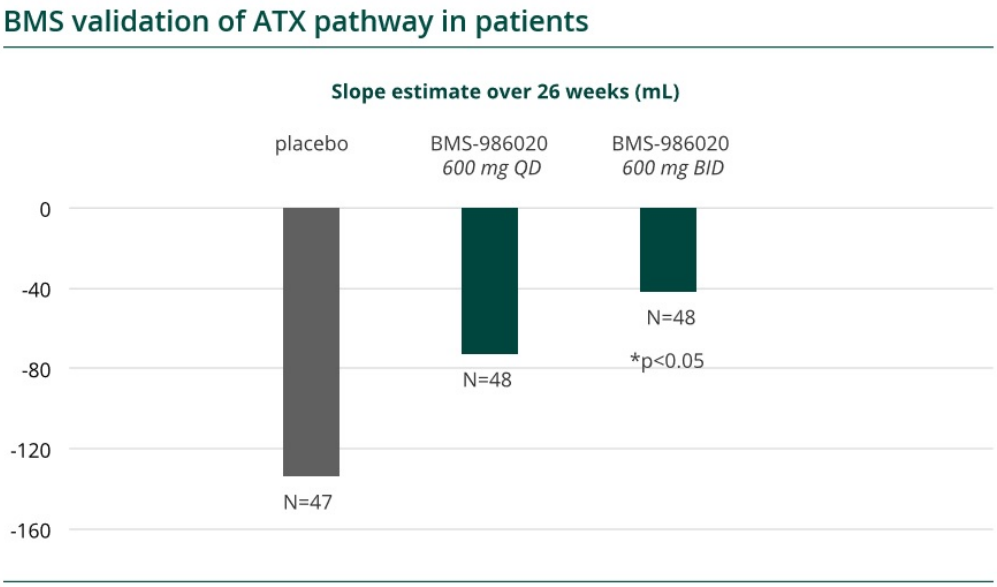
Our most advanced IPF asset is our product candidate GLPG1690, a potent and selective inhibitor of autotaxin (ATX), for which Gilead in-licensed ex-European rights in July 2019 and which is currently in Phase 3.

We have received orphan drug designation for GLPG1690 in IPF from the FDA and the European Commission.

We identified ATX as a potential target for IPF, after finding the target using an inflammation assay in our target discovery platform. We evaluated GLPG1690 in a preclinical lung fibrosis model (bleomycin-treated mice) and observed effects on reducing the fibrotic score, numerically favoring GLPG1690 over Esbriet.

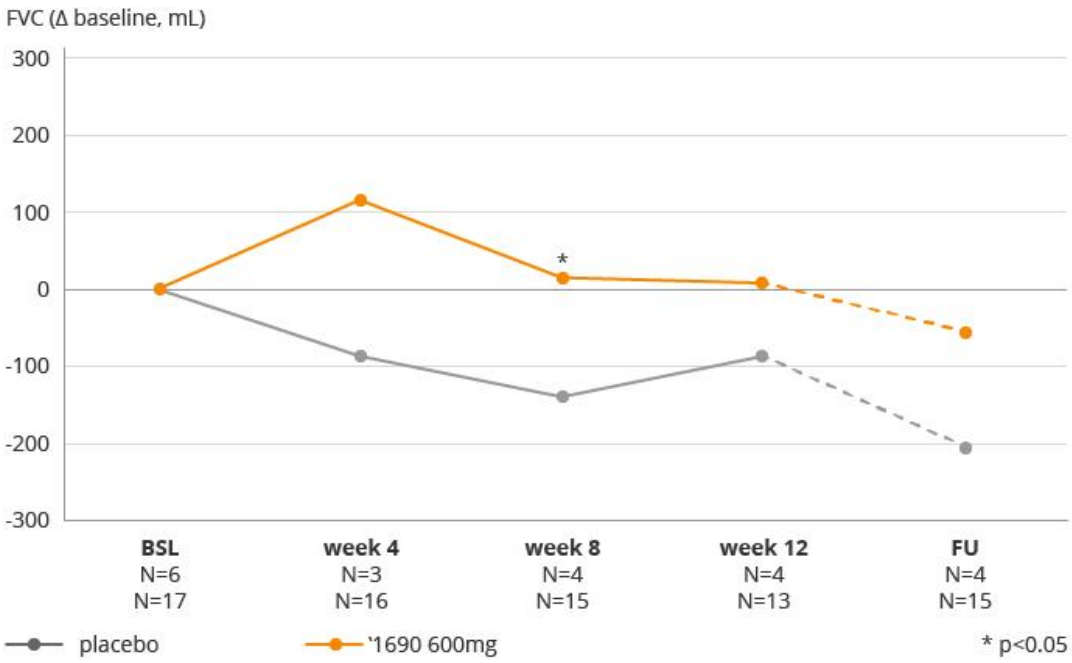
Pharmacology and translational studies published by other parties since then suggest that ATX may also play a role in metabolic disease, arthritic pain, oncology, and lung disease. A publication by Palmer *et al* published in *Chest* in 2018 on the Phase 2 trial data for BMS-986020, a high-affinity LPA1 antagonist developed by Bristol Meyers Squib, showed that BMS-986020 had activity in reducing loss of Forced Vital Capacity in mL (FVC) in IPF patients. LPA1 acts downstream of autotaxin in the biology of IPF, supporting further evaluation of ATX inhibition.

In the course of 2019, BMS published data from the Phase 2 trial with BMS-986020 demonstrating that this compound that slowed the rate of FVC decline in a dose-dependent manner, with significance versus placebo. The study was terminated due to off-target effects linked to the compound. However, the reduction in slope estimate over 26 weeks (shown below) indicates that this pathway may be effective in impacting the course of IPF and further validates our approach with GLPG1690.

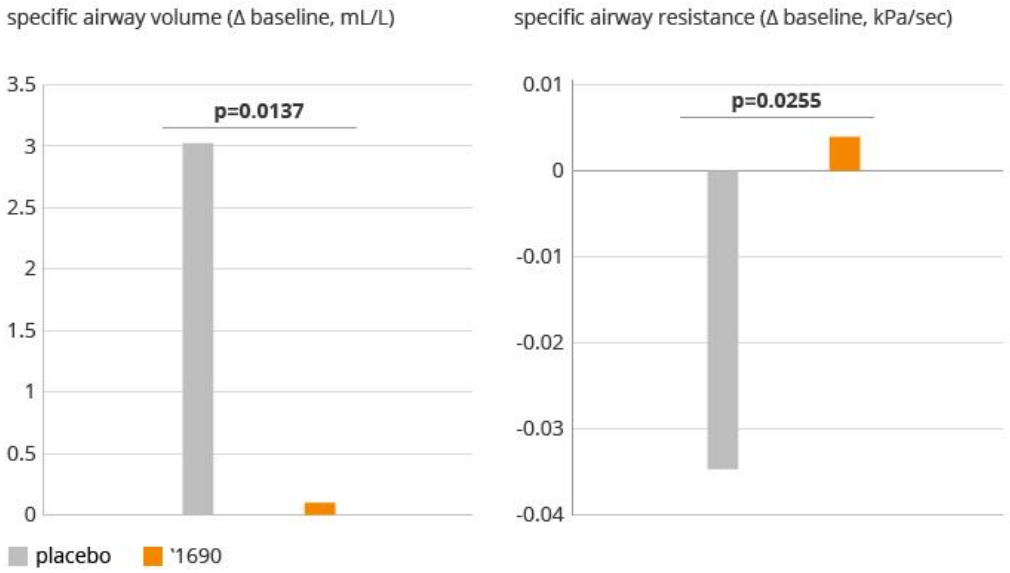


In August 2017, we announced positive topline results for our Phase 2a FLORA trial in IPF patients. This randomized, double-blind, placebo-controlled trial investigated a once-daily 600mg oral dose of GLPG1690, administered for 12 weeks in 23 IPF patients, 17 of whom received GLPG1690 and six placebo. Primary objectives of the trial were to assess safety, tolerability, pharmacokinetics and pharmacodynamics of GLPG1690 in an IPF patient population. Secondary objectives included the evaluation of lung function, changes in disease biomarkers, functional respiratory imaging (FRI), and quality of life. The IPF diagnosis was confirmed by central reading.

Over the 12-week period, patients receiving GLPG1690 showed an FVC increase of 8 mL, while patients on placebo showed an FVC reduction of 87 mL (mean from baseline):



In addition to the demonstrated absence of lung function decline over the 12 week period, more sensitive FRI confirmed disease stabilization in the GLPG1690 arm, versus disease progression in the placebo arm, reaching nominal statistical significance on two specific parameters, despite the trial not being powered for significance:



Patients on GLPG1690 treatment showed a clear reduction of serum LPA18:2, a biomarker for autotaxin inhibition, as expected based on the mechanism of action of GLPG1690. Thus, the level of target engagement observed in Phase 1 with healthy volunteers was confirmed in IPF patients in FLORA.

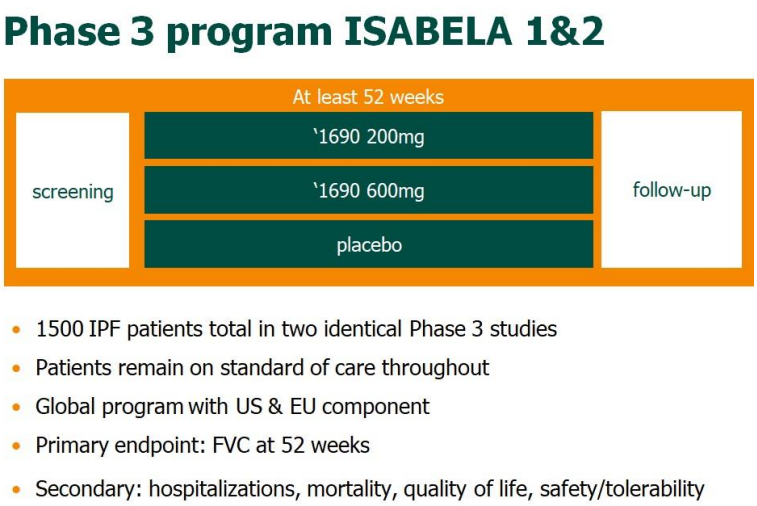
GLPG1690 was found to be generally well-tolerated in this Phase 2 FLORA trial. Rates of discontinuation due to adverse events, as well as serious adverse event rates, were similar between patients on GLPG1690 and placebo.

The full FLORA results were published in *The Lancet Respiratory* (Maher *et al* 2018).

Following the encouraging result from the FLORA trial, in 2018 we announced the design of our worldwide Phase 3 program, ISABELA, based on feedback from the FDA and EMA. The ISABELA Phase 3 program consists of two identically designed trials, ISABELA 1 and 2, and plan to enroll a total of 1,500 IPF patients combined. Recruitment will be worldwide, with a significant proportion of patients in the U.S. and Europe. The program is intended to support application for a broad label in IPF in both the NDA and Market Authorization Application (MAA) submissions in, respectively, the U.S. and EU. Patients will continue on their standard of care and will be randomized to one of two doses of GLPG1690 or placebo. The primary endpoint will be the rate of decline of FVC (in mL) until week 52. Secondary assessments will include respiratory-related hospitalizations, mortality, quality of life, safety and tolerability.

All patients will continue on their treatment until the last patient in their respective trial has completed 52 weeks of treatment. Therefore, some patients will remain in the study for substantially longer than 52 weeks. This approach will allow assessment of less frequent clinical events that are otherwise difficult to assess in conventional clinical studies of one-year duration.

The following is an overview of the ISABELA trial design:



First patient dosing in ISABELA was announced in December 2018 and nearly all centers were opened by early 2020. We have randomized >800 patients. We announced that a futility analysis for the ISABELA program is expected to read out in Q1 2021.

Since closing of the collaboration agreement with Gilead in August 2019, Galapagos and Gilead share the costs for ISABELA 1 & 2. Galapagos will be responsible for commercial sales of GLPG1690 in Europe, should the candidate be approved; Gilead will be responsible for all commercial activities ex-Europe. See also further details on the Gilead collaboration in the Notes to the consolidated financial statements.

GLPG1205

The second product candidate for IPF in our pipeline is GLPG1205, currently in a Phase 2 trial called PINTA.

GLPG1205 is a small molecule selectively inhibiting GPR84, a target discovered by us. GLPG1205 showed a reduction in signs and symptoms in IPF animal models and has shown favorable tolerability in healthy volunteers and UC patients in previous trials.

PINTA is a randomized, double-blind, placebo-controlled trial investigating a 100 mg once-daily oral dose of GLPG1205. The drug candidate or placebo will be administered for 26 weeks in up to 60 IPF patients. Patients may remain on their local standard of care as background therapy. The primary objective of the trial is to assess the change from baseline (FVC in mL over 26 weeks compared to placebo. Secondary measures include FRI, safety, tolerability, pharmacokinetics and pharmacodynamics, time to major events, changes in functional exercise capacity, and quality of life. IPF diagnosis will be confirmed by central reading. Recruitment for PINTA took place in Europe and the Middle East.

- 60 IPF patients on local standard of care
- Primary endpoint: forced vital capacity (FVC) at Week 26
- Secondary endpoints: safety, tolerability, broad range of measurements, incl. FRI
- Recruitment in Europe & Middle East

The first patient dosing was announced in October 2018, and recruitment was completed in early 2020, with topline results from this trial expected in H2 2020.

Our fibrosis trials

Systemic sclerosis (SSc)

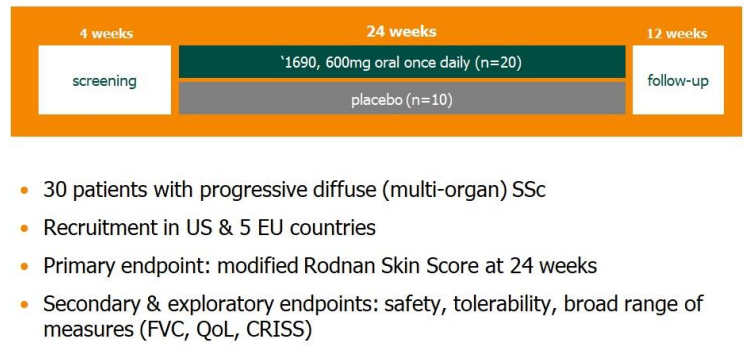
SSc is a severe autoimmune disease. One of the most visible manifestations is hardening of the skin. In 2018, 135,000 patients were diagnosed with SSc in the U.S., EU5 and Japan (Decision Resources Group, Global Data, Galapagos Custom Research).

Broadly speaking, there are two types of SSc: limited cutaneous SSc, where the skin involvement is restricted, and diffuse cutaneous SSc. In diffuse cutaneous SSc, which represents about 35% of the SSc patient population, skin thickening affects several body areas, and patients have a higher risk of developing fibrosis of various internal organs, such as the lung. SSc has one of the highest mortality rates among rheumatic diseases.

Currently, there are no approved disease-modifying drugs to treat disease. Hence, SSc represents a significant unmet medical need. Current standard of care mainly consists of immunosuppressive drugs and other symptom-alleviating therapies such as methotrexate or cyclophosphamide, and aims to avoid cutaneous fibrosis, interstitial lung disease and renal crisis.

Early 2019, we initiated the NOVESA trial, a double-blind, placebo-controlled Phase 2a trial evaluating the efficacy, safety and PK/PD of GLPG1690 in up to 30 patients with diffuse cutaneous SSc.

We have received orphan drug designation for GLPG1690 in SSc from the FDA as well as from the European Commission.



The primary endpoint of NOVESA is the modified Rodnan skin score (mRSS) at 24 weeks. The mRRS measures the skin thickness as a surrogate measure of disease severity and mortality, with an increase in thickness associated with involvement of internal organs and increased mortality. Secondary objectives and exploratory endpoints include FVC, quality of life, and other scores.

We completed recruitment for NOVESA in December 2019 and expect topline results in H2 2020.

Our fibrosis partnerships further strengthen the fibrosis pipeline

In January 2019, we announced a global collaboration with Fibrocor focused on a small molecule inhibitor program (in the lead optimization phase) against a novel target for IPF and other indications. We are responsible for the further development and commercialization of the program. In January 2020, we further expanded our collaboration with Fibrocor under which we received an exclusive option to in-license a total of four additional novel target programs after they reached the lead optimization phase.

In February 2019, we announced a global collaboration with Evotec focused on a novel small molecule program (in preclinical development) for the treatment of fibrotic diseases of the liver and other organs. Under the terms of the agreement, we are responsible for the further development and commercialization of the program.

Our OA program

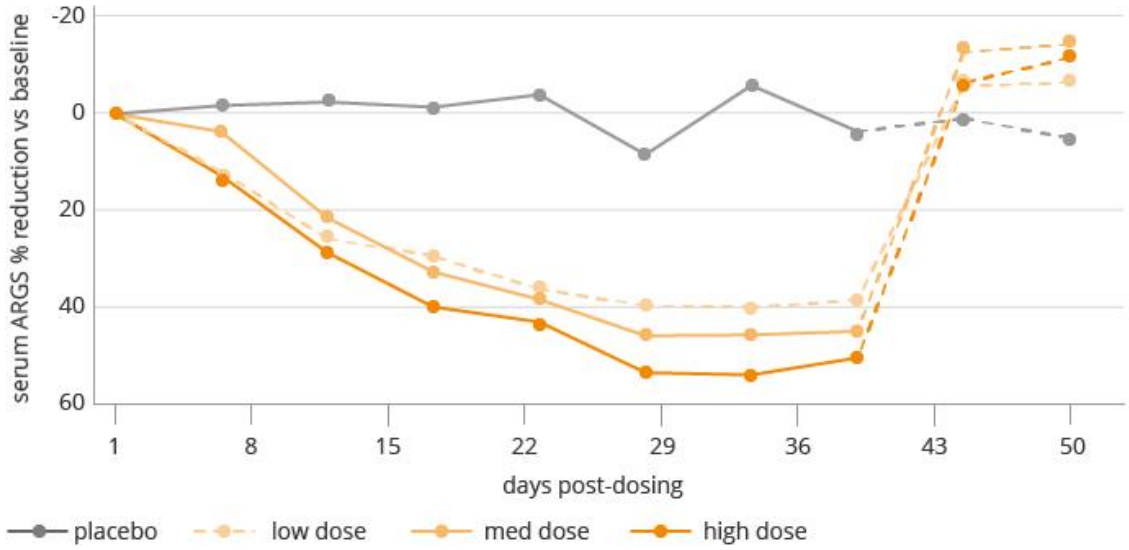
Sometimes called degenerative joint disease or degenerative arthritis, OA is the most common chronic condition of the joints. OA can affect any joint, but it occurs most often in the knees, hips, lower back and neck, the small joints of the fingers, and the bases of the thumb and big toe. In 2018, 93.44 million patients were diagnosed with OA in the U.S., EU5 and Japan (Decision Resources Group, Global Data, Galapagos Custom Research).

In normal joints, a firm, rubbery material called cartilage covers the end of each bone. Cartilage provides a smooth, gliding surface for joint motion and acts as a cushion between the bones. In OA, the cartilage breaks down, causing pain, swelling and problems moving the joint. As OA worsens over time, bones may break down and develop growths called spurs. Bits of bone or cartilage may chip off and float around in the joint. In the body, an cinflammatory process occurs and cytokines (proteins) and enzymes develop that further damage the cartilage. In the final stages of OA, the cartilage wears away and bone rubs against bone leading to joint damage and more pain.

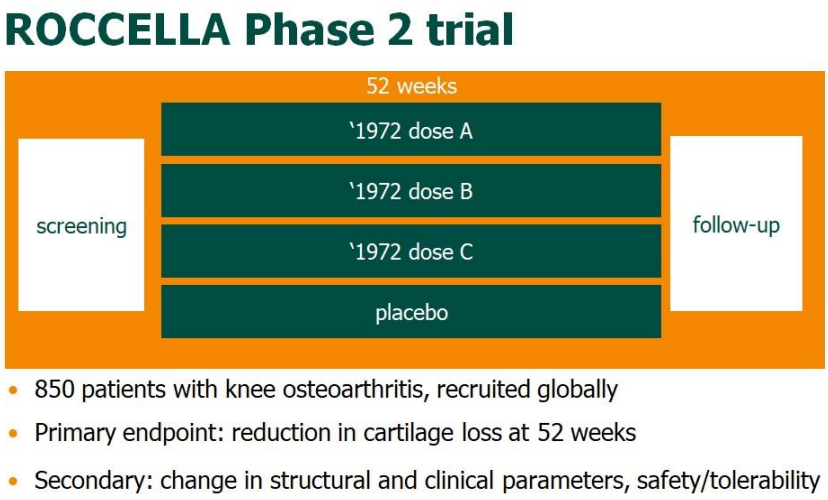
Although OA occurs in people of all ages, it is most common in people older than 65. Common risk factors include obesity, previous joint injury, over-use of the joint, and weak thigh muscles. One in two adults will develop symptoms of knee OA during their lives. One in four adults will develop symptoms of hip OA by the age of 85. Current treatments for OA include weight loss, physical therapy, pain and anti-inflammatory medicines, and surgery, all of which address only the symptoms of the disease. There are currently no disease-modifying therapies available for OA.

GLPG1972/S201086, also referred to as 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 human OA patients.

In a Phase 1b trial in OA patients in the U.S., GLPG1972 reduced the ARGS neo-epitope, a cartilage breakdown biomarker measured in the serum, by over 50% over a four-week period:



Based on these results, we and our collaboration partner Servier advanced GLPG1972 to a Phase 2b trial, ROCCELLA, the start of which was announced in June 2018.



ROCCELLA is a multiregional, randomized, double-blind, placebo-controlled, dose ranging trial evaluating the efficacy and safety of three different once-daily oral doses of GLPG1972 in patients with knee OA. The trial is planned to recruit approximately 850 patients in up to 15 countries. We are responsible for ROCCELLA in the U.S., where we retain full commercial rights, and Servier is running the trial in all other countries.

The primary objective of ROCCELLA is to evaluate the efficacy of at least one dose of GLPG1972 compared to placebo in reducing cartilage loss after 52 weeks of treatment. Cartilage thickness will be measured using quantitative magnetic resonance imaging of the central medial tibiofemoral compartment of the target knee. Secondary objectives include safety and tolerability, several additional measures of structural progression, changes in bone area, pain, function, stiffness, and patient global assessment.

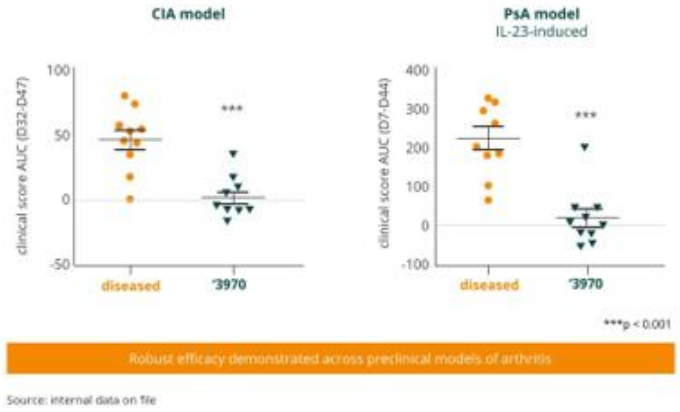
We and Servier completed recruitment of ROCCELLA in June 2019, and we expect topline data in H2 2020.

Under the terms of agreement with Servier, we are eligible to receive milestones and single-digit royalties on potential commercial sales by Servier for GLPG1972. Gilead has an option to in-license the U.S. commercial rights for GLGP1972 following completion of the ROCCELLA trial. See also further details on the collaboration with Gilead in the Notes to the consolidated financial statements.

Our Toledo program

'Toledo' is a code name for a novel target class discovered by us. Molecules inhibiting this target family effectuate a dual mode of action on inflammation by stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines. We have observed unprecedented activity in various inflammatory preclinical models with compounds targeting the class.

Below are the results for Toledo compound, GLPG3970, in two preclinical models, each demonstrating a different mechanism of arthritis:



The development strategy for Toledo is to advance multiple Toledo candidates across different selectivity profiles, and to test these in a broad panel of *in vivo* disease models targeting a number of indications. We are now executing on a broad program to discover and develop multiple series of compounds acting on the Toledo class of targets, aimed at activity across numerous conditions, with a key focus on inflammation.

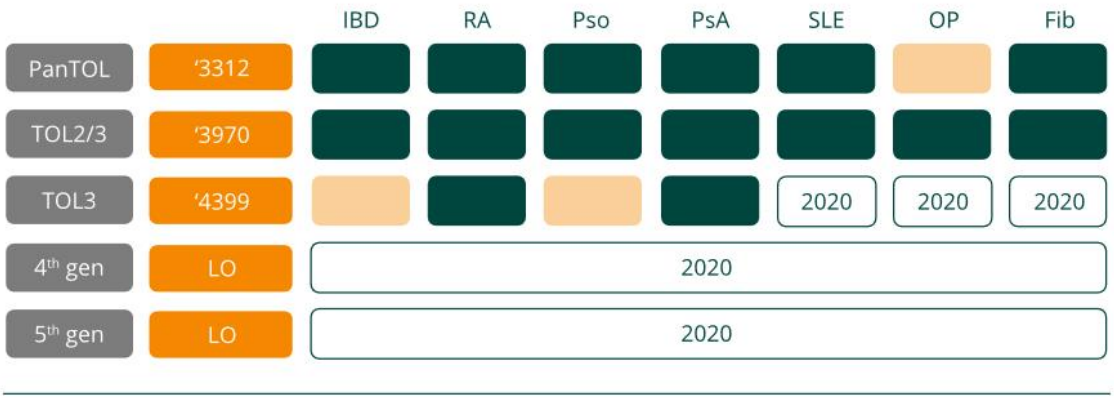
We initiated our first Phase 1 trial with GLPG3312 in early 2019 to evaluate the efficacy, safety, tolerability, and pharmacokinetics and pharmacodynamics of GLPG3312 in healthy volunteers. Later in the year we announced the start of a Phase 1 trial with the second Toledo compound, GLPG3970. We expect to launch multiple proof-of-concept patient trials in the second half of 2020 and expect to report topline data from our first patient study towards the end of the year. Due to the corona virus pandemic, at the time of publication of this report we had a temporary pause in the start of Phase 1 trials.

The graph below shows the current status of our Toledo program. The different disease areas that we are currently investigating are IBD, RA, psoriasis (Pso), systemic lupus erythematosus (SLE), OA, osteoporosis (OP), and fibrosis (Fib). The first generation Toledo compound, GLPG3312, has delivered promising preclinical results in IBD, RA, Pso, PsA, SLE, and Fib. The second generation compound, GLPG3970, has shown promising preclinical results in IBD, RA, Pso, SLE, OP and fibrosis. The third-generation compound, GLPG4399, has shown promising results in RA and Pso, with

preclinical readouts in SLE, OP, and Fib expected in the course of 2020. A fourth and fifth generation are currently in the lead optimization (LO) stage.

Our Toledo development strategy

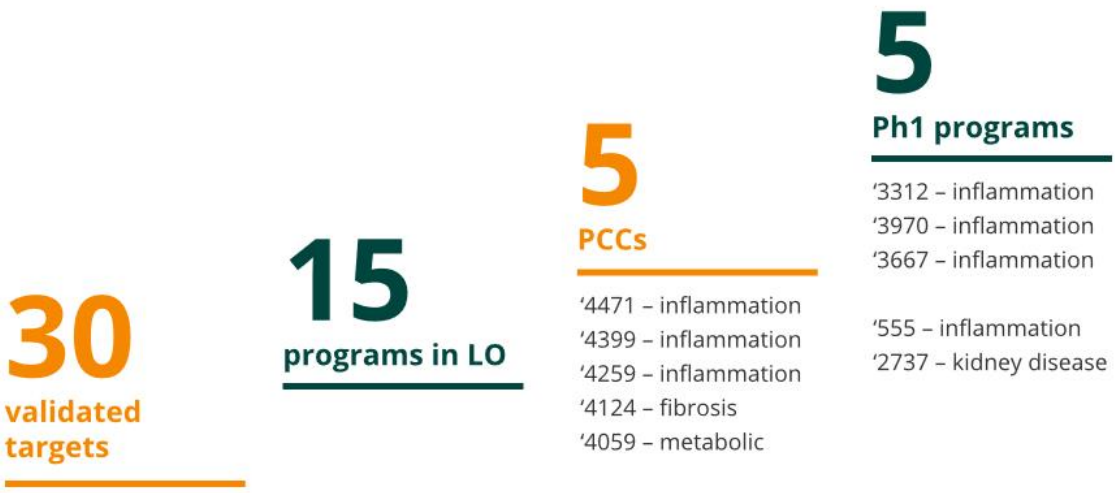
- Develop multiple candidates across different profiles
- Test in broad panel of *in vivo* disease models
- Run multiple PoC trials in patients in parallel to maximize potential



Gilead has an option to in-license the ex-European commercial rights to each of the Toledo molecules following completion of Phase 2 trials. See also further details in the Notes to the consolidated financial statements.

Deep, early pipeline

Beyond our Toledo programs, we continue to invest in our early stage pipeline that we built from our pool of validated targets and that we are advancing toward clinical development. Within our early stage portfolio, 15 programs are in lead optimization, five programs are evaluated in preclinical proof-of-concept studies and five are in Phase 1 development. Three molecules are part of our Toledo portfolio. In addition to targets and molecules in RA, IBD and fibrosis, we are exploring new modes of action in AS, PsA, AtD, lupus, nonalcoholic steatohepatitis, type 2 diabetes, hepatitis B, osteoarthritis, and polycystic kidney disease.



Other partnered programs

MOR106

MOR106 is a human monoclonal antibody designed to selectively target IL-17C in clinical development worldwide. We discovered IL-17C as a target for AtD and it has been shown to be distinct from other members of the IL-17 cytokine family, playing an important and pro-inflammatory role in certain skin disorders. MOR106 potently inhibits the binding of IL-17C to its receptor and thus inhibits its biological activity.

MOR106 arose from an alliance between us and MorphoSys, in which both companies contributed their core technologies and expertise and equally shared costs and benefits. In July 2018, we and MorphoSys announced that we entered into a collaboration regarding MOR106 with Novartis.

In October 2019, Novartis, MorphoSys and Galapagos jointly announced the end of the clinical development program of MOR106 in atopic dermatitis. The analysis of the program detected a low probability to meet the primary endpoint of this study. The decision was based on a lack of efficacy and not on safety concerns.

On December 17, 2019, Novartis sent us a termination notice, informing us of its decision to terminate the agreement in its entirety. The notice period for such termination is still ongoing, but we expect that such termination will become effective later this year.

CF program

Cystic fibrosis (CF) is a rare, life-threatening, genetic disease affecting the lungs and the digestive system, with 66,000 patients being diagnosed with CF in 2018 in the U.S., EU5 and Japan (Decision Resources Group, Global Data, Galapagos Custom Research).

Despite the approval of several drugs, there is need for better therapies to improve pulmonary function for a large majority of the patient population. Though many pediatric patients have normal lung function at the time of diagnosis, physicians generally believe that earlier treatments can have downstream benefits for the patient by slowing the deterioration in lung function.

In October 2018, we and AbbVie announced a restructuring of our CF alliance. AbbVie took over all programs in CF and will continue the development of a combination therapy for CF.

AbbVie obtained exclusive worldwide rights to the current CF drug candidate portfolio developed by the two companies in the course of the collaboration. The portfolio includes all potentiator and corrector candidates for CF, with the exception of GLPG1837 and a specific arrangement for GLPG2737. We retain rights to these two compounds for use outside the field of CF.

AbbVie is responsible for all future activities and bears all costs associated with the portfolio in CF going forward. We are eligible to receive up to $175 million in additional milestone payments from AbbVie pending completion of certain development, regulatory, and commercial achievements in CF by AbbVie, as well as royalties ranging from the single digits to the low teens. AbbVie is eligible for future milestone payments and tiered single digit royalties on future global commercial sales of GLPG2737, if approved, in indications outside CF.

For a breakdown of our total revenues by activity and geographic market, please see “Note 5—Segment information —geographical information” in our consolidated financial statements appended to this annual report.

Our strategy

Our mission is to develop and commercialize first-in-class medicines based on the discovery of 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.

Our ambition is to become a fully integrated 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.

Key elements of our strategy include:

- **Rapidly advance the development of filgotinib in a range of inflammatory diseases with our collaboration partner Gilead**

  Based on the results from our Phase 2 and Phase 3 clinical trials, we are planning to further develop filgotinib in additional indications in inflammation, including CD, UC, PsA, AS, and other inflammatory diseases. Our collaboration partner Gilead has submitted applications for approval of filgotinib in RA in the U.S., Europe, and Japan. Gilead is also conducting Phase 3 clinical programs in UC (SELECTION), CD (DIVERSITY) and PsA (PENGUIN) and several Phase 2 clinical programs in additional inflammatory diseases.

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

  We are building a diverse fibrosis portfolio with different modes of action in IPF and other forms of organ and skin fibrosis. We recruited the first 800 IPF patients in the ISABELA global Phase 3 program with ATX inhibitor GLPG1690, for which Gilead has in-licensed ex-European rights from us. We completed recruitment for the NOVESA Phase 2a trial with GLGP1690 in SSc as well as recruitment for the PINTA Phase 2a trial with GPR84 inhibitor GLPG1205 in IPF patients. 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 from Evotec and Fibrocor, respectively, thereby strengthening a growing portfolio of distinct mechanism approaches to tackle IPF and fibrosis.

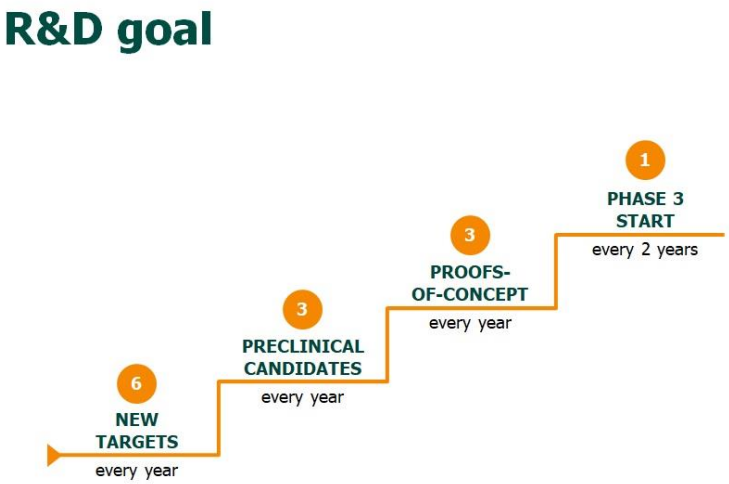
- **Advance GLPG1972 in OA patient clinical trials with our collaboration partner Servier**

  We completed recruitment for the ROCCELLA global Phase 2 program with ADAMTS-5 inhibitor GLPG1972 together with our collaboration partner Servier and expect topline results in the second half of 2020. Servier licensed the compound for further development in OA outside the United States. Upon successful completion of the Phase 2 trial, Gilead has the option to license development and commercialization rights to this compound in the United States, where we currently lead all clinical development of GLPG1972.

- **Strengthen our innovation leadership in inflammation**
  We have observed unprecedented activity in various inflammatory preclinical models with compounds targeting the class of novel targets we discovered and code-named Toledo. Molecules inhibiting this target family effectuate a dual mode of action on inflammation by stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines. We are executing on a broad and accelerated program to discover and develop multiple series of compounds acting on Toledo, aimed at activity across several conditions, including inflammation. We completed much of our Phase 1 work with GLPG3312 and initiated a Phase 1 trial with GLPG3970 in 2019. We expect to initiate multiple PoC patient trials with these compounds and report first topline results by the end of the year. Meanwhile, we continue to advance multiple preclinical candidates in inflammation, scale up our target and drug discovery productivity, and explore additional modalities of drug therapies aimed at inflammation.

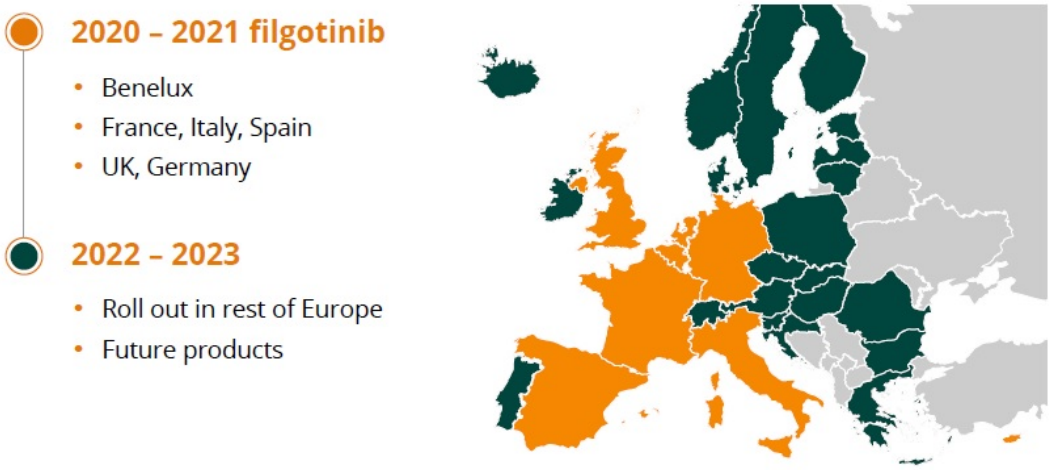
- **Maximize and capture the value of our target discovery platform based on novel modes of action**
  Our platform has yielded many new mode-of-action investigational therapies across multiple therapeutic areas. Our most mature preclinical programs are GLPG4059 (metabolic), GLPG4124 (fibrosis), GLPG4259 (inflammation), and our third generation Toledo compound GLPG4399 for inflammation. Additionally, we are exploring the potential of preclinical product candidates in AS, Pso, IBD, AtD, lupus, IPF, SSc, nonalcoholic steatohepatitis, Type 2 diabetes, hepatitis B, osteoarthritis and polycystic kidney disease. 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. Due to the corona virus outbreak, at the time of publication of this report we had a temporary pause in the start of new Phase 1 trials.

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 increase our discovery, development and commercial efforts to bring much needed innovation to patients suffering from serious diseases. Under the agreement, we also gained a broader commercialization role for filgotinib in Europe and agreed to equally share all future development costs. Gilead has access to our pioneering discovery platform and gains option rights to our current and future programs outside Europe. Gilead is subject to a 10-year standstill, made a $3.95B upfront payment and a $1.5B equity investment including exercise of Warrant A. We are eligible to receive opt-in fees plus ex-filgotinib tiered royalties ranging from 20-24% on net sales of all our products licensed by Gilead, as well as milestone payments on certain products. For a more detailed description of the collaboration, see the Notes to the consolidated financial statements.

- **After approval, market our innovative products successfully in Europe**



We are building a commercial organization to prepare for the expected market launch of filgotinib in collaboration with Gilead in, France, Italy, Spain, Germany, UK and the Benelux in 2020 and 2021. Gilead will be solely responsible for commercialization outside of these eight countries. In a next step, we intend to commercialize successful candidates from our Gilead collaboration in our European territories, with Gilead solely responsible for commercialization outside Europe. For more detailed descriptions of the collaboration, please see the Notes to the consolidated financial statements.

Our flexible 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 cell with relevant trigger and readout for a specific disease phenotype

- identifies possible points to intervene in a disease pathway by knocking down an individual protein in these assays; and

- enables us to rapidly analyze all of the drugable genome 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. Further proof of this approach was shown in 2017 with autotaxin inhibitor GLPG1690 in IPF patients.

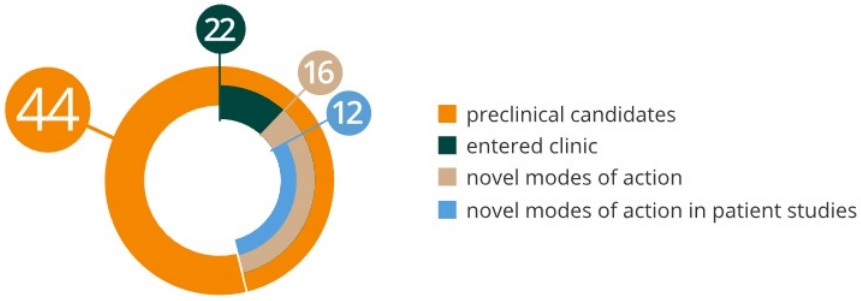
The human genome is made up of tens of thousands of genes which code for the proteins that make up the human body. Nearly all chronic diseases and disorders are caused by a disruption in the normal function of certain proteins. The main goal of the industry is to discover and develop molecules that alter the activity 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 provides a good system 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. Adenovirus is the virus that causes the common cold and 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 cell they infect, and so 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, mimicking what a small molecule drug does in the human body. We built a collection with these adenoviruses, now in excess of 20,000 viruses, that addresses around 6,000 drugable genes.

Our drug discovery research is based on the targets discovered using this technology. Once a target is validated, it is tested against large collections of chemical small molecules to identify chemical structures that interact with the target and block or activate protein production. These chemical structures are then optimized to obtain "drug-like" characteristics followed by testing of the product candidate in the clinic.

This discovery approach provides starting points for the discovery and development of new mode of action drugs. Since 2009, we have generated 44 preclinical candidates. Of these, 22 have entered first-in-human clinical development 16 of which have novel modes of action, and 12 entered into patient studies.



In addition to our pipeline of molecules in the clinic, we have multiple discovery programs which are advancing toward clinical development. Further to targets and molecules in RA, IBD, and fibrosis, we are exploring new modes of action in AS, PsA, IBD, AtD, lupus, IPF, SSc, nonalcoholic steatohepatitis, type 2 diabetes, and hepatitis B, osteoarthritis, and polycystic kidney disease.

Intellectual property

The proprietary nature of, and protection for, our product candidates, their methods of use, and our platform technologies are an important part of our strategy to develop and commercialize novel medicines. We have obtained patents relating to certain of our product candidates, and are pursuing additional patent protection for them and for our other product candidates and technologies. We also rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. Additionally, we have registered and unregistered trademarks, including amongst others our company name.

Our success will depend significantly on our ability to obtain and maintain patent and other proprietary protection for commercially important products, technologies, inventions and know-how related to our business and our ability to defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing the valid and enforceable patents and proprietary rights of third parties. We also rely on know-how, continuing technological innovation and in-licensing opportunities to develop, strengthen and maintain the proprietary position of our development programs.

As of February 19, 2020, patent rights held by Galapagos NV relating to our product candidates include the following:

Filgotinib product candidate: We have six U.S. patents claiming filgotinib compositions of matter, salts of filgotinib and methods of treatment using filgotinib, and one pending U.S. patent application. We have two patents granted via the European Patent Office (EPO). Counterpart patent applications are also pending in Australia, Canada, and other foreign countries. The six issued U.S. patents, two European Patents, and any additional patents that may be granted based on our pending U.S. and foreign patent applications, are currently expected to expire in 2030, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions. In addition, we have one granted U.S. patent and two pending U.S. applications, with counterpart applications pending in other foreign countries, which are directed to certain physical forms, including polymorphic forms and compositions, of our filgotinib product candidate, and patents, if granted, based on these patent applications are estimated to expire in 2035, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have a U.S. patent, with counterpart applications pending in other foreign countries, related to the use of our filgotinib product candidate in cardiovascular disorders. Any patents, if granted, based on these patent applications are estimated to expire in 2036. We have a pending U.S. application, with counterpart applications pending in other foreign countries, which relates to methods of treatment using filgotinib in additional indications. Any patents, if granted, based on these patent applications are estimated to expire in 2037. We also have a pending PCT application related to the use of a combination of filgotinib with other Galapagos proprietary compounds. Any patents, if granted, based on this patent application are estimated to expire in 2038. We additionally have rights in a pending application under the Patent Cooperation Treaty, or PCT, which relates to specific methods of treatment using filgotinib. Any patents, if granted, based on this patent application are estimated to expire in 2039. We have additional patents and pending patent applications directed to the use of compounds related to our filgotinib product candidate and these patents, and patents that may be issued based on these pending patent applications, are currently expected to expire from 2029 to 2033, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions.

GLPG1690 product candidate: We have five issued U.S. patents relating to GLPG1690, one patent granted via the EPO, one pending U.S. patent application, and counterpart foreign patent applications that are pending in Australia, Canada, Europe and other foreign countries. These patents and patent applications claim GLPG1690 compositions of matter and methods of treatment using GLPG1690. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2034, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have a pending U.S. application, as well as foreign counterpart applications, relating to methods for treating lung disorders using GLPG1690, any patents, if granted, based on this patent application are estimated to expire in 2038. We also have a pending application under the PCT relating to methods for treating lung disorders using combinations of GLPG1690 with other compounds. Any patents, if granted, based on this patent application are estimated to expire in 2039.

GLPG1205 product candidate: We have three U.S. patents, one pending U.S. patent application, one patent granted via the European Patent Office (EPO) and one application pending at the EPO. Counterpart foreign patent are also granted in Australia, Japan, and other countries, as well as foreign counterpart patent applications pending in Canada, and other foreign countries. These patents and patent applications claim GLPG1205 compositions of matter and methods of treatment using GLPG1205. The three issued U.S. patents, one European Patent, and any additional patents that may be granted based on our pending U.S. and foreign patent applications, are currently expected to expire in 2032, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions. We also have a pending application under the PCT claiming methods of treatment using GLPG1205 in further indications. Patents, if any, that issue based on this pending patent application are estimated to expire in 2038.

GLPG1972 product candidate: We have rights, jointly with our alliance partner Servier, in two issued U.S. patents, one pending U.S. application, one patent granted via the EPO, and foreign granted patents in Australia, and China, and counterpart foreign patent applications that are pending in Canada, Japan and other foreign countries which claim GLPG1972 compositions of matter and methods of treatment using GLPG1972, in particular in OA. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2035, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have a pending U.K. application claiming methods of treatment using GLPG1972. Patents, if any, that issue based on this pending patent application are estimated to expire in 2041.

MOR106 product candidate: We have rights in a U.S. patent, and a pending U. S. application, a pending patent application at the EPO and counterpart foreign patent applications that are pending in Australia, Canada, and other foreign countries claiming MOR106 compositions of matter and methods of treatment using MOR106. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2037, not including any potential extension that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have rights in a pending application under the PCT relating to methods of treatment of AtD using MOR106. Patents, if any, that issue based on this pending patent application are estimated to expire in 2038. We also have rights in a pending application under the PCT relating to formulations of MOR106. Patents, if any, that issue based on this pending patent application are expected to expire in 2039. Finally, we also have rights in a pending patent application under the PCT which relates to methods of treatment using MOR106 in additional indications. Patents, if any, that issue based on this pending application are estimated to expire in 2039.

GLPG2534 product candidate: We have one U.S. patent and one pending U.S. application with counterpart foreign patent applications pending in Australia, Canada, Europe, Taiwan and other foreign countries claiming GLPG2534 compositions of matter and methods of treatment using GLPG2534. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2036, not including any potential extension that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have one pending U.S. application with counterpart foreign patent applications pending in Europe, Cananda and other foreign countries related to the use of a combination of GLPG2534 with other Galapagos proprietary compounds. Any patents, if granted, based on this patent application are estimated to expire in 2038.

GLPG2737 product candidate: We have rights in two issued U.S. patents, a pending U.S. patent application, as well as counterpart foreign patent applications that are pending in Australia, Canada, Europe, Taiwan and other foreign countries claiming GLPG2737 compositions of matter and methods of treatment using GLPG2737, outside the field of CF. Patents, if any, that issue, based on these pending patent applications are estimated to expire in 2036, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions. We also have a pending U.K. application claiming methods of treatment using GLPG2737 in alternative indications. Patents, if any, that issue based on this pending patent application are estimated to expire in 2040.

GLPG1837 product candidate: We have four issued U.S. patents relating to GLPG1837, one patent granted via the EPO, one pending U.S. patent application and counterpart foreign patent applications that are pending in China and other foreign countries. These patents and applications claim GLPG1837 compositions of matter and methods of treatment using GLPG1837. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2034, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions.

GLPG3121 product candidate: We have two granted U.S. patents, two pending U.S. patent applications, one patent granted via the European Patent Office (EPO), and foreign granted counterparts in Japan, China and other countries. Counterpart foreign patent applications are also pending in India, and other foreign countries. These patents and patent applications claim GLPG3121 compositions of matter and methods of treatment using GLPG3121. The issued U.S. patent, the European Patent, and any additional patents that may be granted based on our pending U.S. and foreign patent applications, are currently expected to expire in 2035, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG3312 product candidate: We have a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3312 compositions of matter and methods of treatment using GLPG3312. Patents, if any, that issue based on this pending patent application are estimated to expire in 2038, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG3535 product candidate: We have a pending U.S. application, as well as counterpart foreign patent applications that are pending in Australia, Canda, Europe, Taiwan and other foreign countries, claiming GLPG3535 compositions of matter and methods of treatment using GLPG3535. Patents, if any, that issue based on this pending patent application are estimated to expire in 2038, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG3667 product candidate: We have a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3667 compositions of matter and methods of treatment using GLPG3667. Patents, if any, that issue based on this pending patent application are estimated to expire in 2038, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG3808 product candidate: We have a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3808 compositions of matter and methods of treatment using GLPG3808. Patents, if any, that issue based on this pending patent application are estimated to expire in 2039, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG3970 product candidate: We have a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3970 compositions of matter and methods of treatment using GLPG3970. Patents, if any, that issue based on this pending patent application are estimated to expire in 2039, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG4059 product candidate: We have one pending UK patent applications claiming GLPG4059 compositions of matter and methods of treatment using GLPG4059. Patents, if any, that issue based on these pending patent applications are estimated to expire in 2040, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG4124 product candidate: We have one pending UK patent application claiming GLPG4124 compositions of matter and methods of treatment using GLPG4124. Patents, if any, that issue based on this pending patent application are estimated to expire in 2040, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG4259 product candidate: We have one pending UK patent application claiming GLPG4259 compositions of matter and methods of treatment using GLPG4259. Patents, if any, that issue based on this pending patent application are estimated to expire in 2040, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG4399 product candidate: We have one pending UK patent application claiming GLPG4399 compositions of matter and methods of treatment using GLPG4399. Patents, if any, that issue based on this pending patent application are estimated to expire in 2040, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

GLPG4471 product candidate: We have one pending UK patent applications claiming GLPG4471 compositions of matter and methods of treatment using GLPG4471. Patents, if any, that issue based on this pending patent application are estimated to expire in 2040, not including any potential extensions for the marketed product that may be available via supplementary protection certificates or patent term extensions.

We have two families of issued patents related to our target discovery platform. In one family we have a U.S. patent expected to expire in 2020, which relates to adenoviral vector modifications that enable gene delivery into T-cells, B-cells and mast cells, all of which are cell types that are resistant to gene delivery using standard transfection technologies. The second family relates to the use of certain shRNA expression vectors for *in situ* production of gene specific siRNA, leading to the knock down of the corresponding gene product. This family is a granted European patent validated in Austria, Belgium, Switzerland, Germany, France, the United Kingdom, Ireland, Luxembourg and the Netherlands, and is expected to expire in 2022. We do not believe that the expiration of these patents will materially affect our business, because they will not impact our patent coverage for our current clinical programs. We also use a variety of research tools and software products in our research platform that are non-exclusively licensed to us on commercially reasonable terms.

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the date of filing the application. In the United States, a patent's term may be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the United States Patent and Trademark Office, or USPTO, in granting a patent, or may be shortened if a patent is terminally disclaimed over an earlier-filed co-owned patent. In addition, in certain instances, a patent term can be extended to recapture a portion of the term effectively lost as a result of the FDA regulatory review period. However, the restoration period cannot be longer than five years and the total patent term including the restoration period must not exceed 14 years following FDA approval. In certain foreign jurisdictions similar extensions as compensation for regulatory delays are also available. The actual protection afforded by a patent varies on a claim by claim and country to country basis for each applicable product and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

Furthermore, the patent positions of biotechnology and pharmaceutical products and processes like those we intend to develop and commercialize are generally uncertain and involve complex legal and factual questions. No consistent policy regarding the breadth of claims allowed in such patents has emerged to date in the United States. The patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries can diminish our ability to protect our inventions, and enforce our intellectual property rights and more generally, could affect the value of intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. Our ability to maintain and solidify our proprietary position for our product candidates and technology will depend on our success in obtaining effective claims and enforcing those claims once granted. We do not know whether any of the patent applications that we may file or license from third parties will result in the issuance of any patents. The issued patents that we own or may receive in the future, may be challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may be able to independently develop and commercialize similar drugs or duplicate our technology, business model or strategy without infringing our patents. Because of the extensive time required for clinical development and regulatory review of a drug we may develop, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of any such patent.

We may rely, in some circumstances, on trade secrets and unpatented know-how to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our consultants, scientific advisors and contractors and invention assignment agreements with our employees. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our consultants, contractors or collaboration partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Our commercial success will also depend in part on not infringing the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require us to alter our development or commercial strategies, or our product candidates or processes, obtain licenses or cease certain activities. Our breach of any license agreements or failure to obtain a license to proprietary rights that we may require to develop or commercialize our product candidates may have a material adverse impact on us. If third parties have prepared and filed patent applications in the United States that also claim technology to which we have rights, we may have to participate in interference proceedings in the USPTO, to determine priority of invention if the patent applications were filed before March 16, 2013, or in derivation proceedings to determine inventorship for patent applications filed after such date.

In addition, substantial scientific and commercial research has been conducted for many years in the areas in which we have focused our development efforts, which has resulted in third parties having a number of issued patents and pending patent applications relating to such areas. Patent applications in the United States and elsewhere are generally published only after 18 months from the priority date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made. Therefore, patent applications relating to drugs similar to our current product candidates and any future drugs, discoveries or technologies we might develop may have already been filed by others without our knowledge. For more information on these and other risks related to intellectual property, see “Item 3.D.—Risk Factors—Risks Related to Our Intellectual Property.”

Collaborations

We have entered into multiple collaboration agreements with pharmaceutical partners, which have generated $5,178.2 million in cash through December 31, 2019 to fund discovery and development. We expect to continue to collaborate selectively with pharmaceutical and biotechnology companies to leverage our discovery platform and accelerate product candidate development. Our current alliances include the alliances with Gilead, Servier, the restructured alliance with AbbVie and the alliance with Novartis (together with MorphoSys) for which the date of termination is expected to occur later in 2020:

Option, License and Collaboration Agreement with Gilead

In July 2019, we entered into a 10-year global research and development collaboration with Gilead. We closed the transaction on August 23, 2019.

In connection with our entry into the option, license and collaboration agreement, we received in connection with the closing an upfront payment of $3.95 billion and a €960 million ($1.1 billion) equity investment from Gilead. Under the terms of its equity investment, Gilead nominated two individuals to our board of directors, Dr. Linda Higgins and Mr. Daniel O'Day.

Under the terms of the option, license and collaboration agreement, Gilead received (a) an exclusive research and development license for Gilead to conduct certain contributions contemplated by the license and collaboration agreement and (b) an option to acquire exclusive commercial licenses in all countries outside of Europe to all current and future clinical programs of Galapagos (other than filgotinib, which is already subject to an existing collaboration between the parties, and certain other programs already committed to other companies) being developed during the 10-year initial option term of the collaboration (subject to extension in certain circumstances). Under the option, license and collaboration agreement, we will continue to lead and fund all discovery and development of our programs until the end of the relevant Phase 2 clinical trials. After the completion of the relevant Phase 2 clinical study for each program, 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, Gilead and we will co-develop the compound and share costs equally.

In connection with entering into the option, license and collaboration agreement, we amended certain terms of our existing agreement with Gilead governing filgotinib, the candidate being advanced for rheumatoid arthritis and other inflammatory diseases, as further described in ”Item 4 – Collaborations -- Exclusive collaboration agreement with Gilead for filgotinib**”**.

In addition, under the option, license and collaboration agreement, Gilead was deemed to have exercised its option, and an exclusive commercial license was granted in all countries outside of Europe, to GLPG1690, our Phase 3 candidate for idiopathic pulmonary fibrosis. If GLPG1690 is approved in the United States, Gilead will pay us an additional $325 million regulatory milestone fee.

If Gilead exercises its option to GLPG1972, a drug candidate resulting from our osteoarthritis collaboration with Servier, in the United States, Gilead will pay us a $250 million option payment, and if certain secondary efficacy endpoints are met in the ongoing Phase 2b study in osteoarthritis, Gilead would pay us up to an additional $200 million. Following opt in, if GLPG1972 is approved in the United States, we are eligble to receive up to $550 million in regulatory and sales based milestones.

For all other programs included in the option, license and collaboration agreement, Gilead will make a $150 million opt-in payment per program with no subsequent milestones if Gilead decides to exercise its option. If Gilead declines to exercise its option with respect to a program, such program shall no longer be subject to the option, license and collaboration agreement and we may progress the program independently.

In addition, we will receive tiered royalties ranging from 20-24% on net sales of all products from all programs licensed by Gilead in all countries outside of Europe as part of the option, license and agreement (including GLPG1690 and GLPG1972), subject to customary royalty terms and adjustments.

The collaboration is managed by a set of joint committees comprised of equal numbers of representatives from each of us and Gilead. The joint steering committee monitors and provides strategic oversight of the activities under the collaboration and facilitates communications between the parties. The joint development committee oversees and coordinates the development of the licensed products. The joint commercialization committee will oversee commercialization of licensed products. The joint communication review committee will oversee publications and other public communications related to licensed products.

Upon Gilead’s exercise of its option with respect to any of our programs, Gilead will assume responsibility for seeking regulatory approval for the optioned product and for all regulatory matters in its territory. Each party will be solely responsible for all commercialization activities and costs for the optioned product in its territory.

Upon termination of the option, license and collaboration agreement with respect to any program licensed by Gilead, all rights and licenses granted by us will terminate, and we will obtain an exclusive, perpetual and irrevocable license from Gilead under certain intellectual property rights to exploit the licensed product that is the subject of development or commercialization at the time of termination in the field in the applicable terminated region (provided that if such termination is the result of our material breach, such license will be royalty-bearing). Either we or Gilead may terminate the option, license and collaboration agreement for the other party’s uncured material breach. Either we or Gilead may terminate the option, license and collaboration agreement in the event of specified insolvency events involving the other party. Gilead may also terminate the option, license and collaboration agreement in its entirety or on a program-by-program and country-by-country basis with advance notice for convenience.

The option, license and collaboration agreement also contains customary provisions including representations and warranties of the parties, terms as to governance of the collaboration, commercialization and regulatory responsibilities of the parties, and manufacturing and supply.

Either party may, without the consent of the other party, assign the option, license and collaboration agreement to an affiliate or successor. If we undergo a change in control, all intellectual property of our acquirer or that becomes owned or controlled by our acquirer after such change of control shall be excluded from the scope of rights granted in the option, license and collaboration agreement.

Exclusive collaboration agreement with Gilead for filgotinib

In December 2015, we entered into a global collaboration agreement with Gilead to develop and commercialize filgotinib for the treatment of inflammatory indications. In connection with entering into the option, license and collaboration agreement with Gilead, in August 2019 we amended and restated this agreement to increase our involvement in filgotinib’s global strategy and participate more broadly in the commercialization of filgotinib in Europe.

In connection with our entry into the collaboration agreement, we received in January 2016 an upfront payment of $725 million consisting of a one-time, non-refundable, non-creditable license fee in the amount of $300 million and a $425 million equity investment. In November 2016, Gilead initiated a Phase 3 trial in CD, for which we received a $50.0 million payment. In December 2016, Gilead initiated a Phase 2 trial in UC for which we received a $10.0 million payment. In April 2017, Galapagos initiated a Phase 2 trial in psoriatic arthritis as a new indication, for which we received a $10.0 million payment. In May 2018, Gilead initiated a phase 3 trial in UC for which we received $15.0 million. In December 2019, Gilead initiated a Phase 3 trial in psoriatic arthritis as a new indication, for which we received $10.0 million (€9.1 million). Also in December 2019, Gilead filed an NDA for filgotinib in the U.S. for which we received a $20 million payment in January 2020. In connection with the amended collaboration, $710 million (€641.7 million) of upfront consideration was allocated to the extended cost sharing for development costs of filgotinib. We will be eligible to receive future development and regulatory milestone-based payments of up to $640 million and sales-based milestone payments of up to $600 million. All payments by Gilead to us are made in U.S. dollars.

Under the terms of the collaboration, Gilead is primarily responsible for development and for seeking regulatory approval of filgotinib. We are required to use commercially reasonable efforts as requested by Gilead to assist Gilead with certain development activities. Under the amended and restated filgotinib agreement, we agreed on a 50% / 50% cost split for development costs of filgotinib, in lieu of the 20% (us) /80% (Gilead) cost split under the original filgotinib agreement. The original filgotinib agreement included a co-promotion / co-commercialization option for filgotinib, which we exercised with respect to eight European countries in December 2017. As a result, we now have the sole right to commercialize filgotinib in the Netherlands, Belgium and Luxembourg and the right to participate, together with Gilead, in the co-commercialization of filgotinib in France, Germany, Italy, Spain and UK. We will share equally with Gilead in the net profit and net losses in each of these countries. During the period of co-commercialization, this profit and loss sharing replaces our right to receive royalties with respect to filgotinib sales by Gilead in these countries. Per the amended and restated agreement, we will be booking sales in Netherlands, Belgium, Luxembourg, France, Spain and Italy.

Gilead retains sole responsibility for commercializing filgotinib outside of the Netherlands, Belgium, Luxembourg, France, Germany, Italy, Spain and UK. We will be eligible to receive tiered royalty percentages ranging from 20% to 30% on Gilead’s global net sales of filgotinib outside of these eight countries. The royalties payable to us under the filgotinib agreement may be reduced under certain circumstances. Our right to receive royalties under the filgotinib agreement continues, on a country-by-country basis, until the later to occur of certain specified events.

The collaboration is managed by a set of joint committees comprised of equal numbers of representatives from each of us and Gilead. The joint steering committee monitors and provides strategic oversight of the activities under the collaboration and facilitates communications between the parties. The joint development committee oversees and coordinates the development of filgotinib. The joint commercialization committee will oversee commercialization of filgotinib globally, and the shared territory joint commercialization committee will coordinate and integrate the activities of, and facilitate the communication and exchange of information between, us and Gilead with respect to the co-commercialization of filgotinib. Gilead and Galapagos will jointly prepare the global commercialization strategy.The filgotinib agreement will expire (a) outside of the co-commercialization countries, on a country-by-country basis at the end of the royalty term in such country and (b) in each co-commercialization country, at such time as a generic product is first sold in such country. Upon expiration of the royalty term, the licenses will become fully-paid, perpetual and irrevocable. Either we or Gilead may terminate the filgotinib agreement for the other party’s uncured material breach. Either we or Gilead may terminate the filgotinib agreement in the event of specified insolvency events involving the other party. Gilead may also terminate the filgotinib agreement in its entirety for convenience following a certain period upon prior written notice.

If the collaboration agreement terminates in its entirety for any reason, all rights and licenses granted by either party will terminate, and we will obtain an exclusive, perpetual, irrevocable, royalty-bearing license from Gilead under certain intellectual property rights to exploit filgotinib. If the filgotinib agreement is terminated in a specific territory, all rights and licenses granted by us will be deemed to be amended not to include such territory, and we will have a corresponding license with respect to such terminated country. The filgotinib agreement also contains other termination rights specified therein.

Either party may, without the consent of the other party, assign the filgotinib agreement to an affiliate or successor. Any other assignment requires written consent of the other party. However, with respect to an assignment to an affiliate, the assigning party will remain bound by the terms of the filgotinib agreement. If we undergo a change in control, Gilead has the right to terminate our right to co-commercialization rights, and disband all joint committees and undertake exclusive control of their activities; provided, that Gilead has no right to exercise such rights if we undergo a change in control with a drug company that has a market capitalization less than a certain percentage of our market capitalization.

Product development, license and commercialization agreement with Servier

In 2010, we and Servier entered into an agreement to discover and develop compounds in the field of osteoarthritis. Under this agreement, we and Servier engaged in a collaborative effort pursuant to which Galapagos discovered and developed GLPG1972 through to the end of Phase 1 clinical trials. In July 2017, Servier exercised its option to obtain an exclusive license to develop and commercialize GLPG1972 in all countries outside the U.S. whereas we retained full rights to develop and commercialize GLPG1972 in the U.S.

On May 8, 2018, we and Servier amended and restated our product development, license and commercialization agreement, pursuant to which GLPG1972 is being developed in the field of OA and potentially other indications. Under the terms of the amended and restated agreement, we and Servier are jointly responsible for the costs relating to the ongoing global Phase 2 clinical trial known as ROCCELLA in knee OA patients, with Galapagos bearing the costs for the U.S., Servier bearing the costs for all other countries, and all costs that are common to both territories being split on a 50-50 basis.

We are eligible to receive development, regulatory and other milestone payments up to €136 million plus royalties in the mid single digits upon commercialization outside the U.S. As of the date of this annual report, we have received an upfront payment of €7.0 million, €6.0 million as option exercise payment and a total of €38.0 million in milestone payments under the agreement.

The collaboration is managed by a set of joint committees comprised of representatives from each of us and Servier. The joint executive committee manages the overall collaboration strategy. The joint steering committee has a leadership role over the collaboration and oversees and guides the implementation of the collaboration’s strategic objectives. The joint development committee oversees the development of the licensed products, facilitates communication and reviews any development matters. The joint commercialization committee will oversee commercialization, marketing and promotion of licensed products.

The agreement will expire at the end of the last-to-expire royalty term. Upon expiration of the agreement, the licenses will become fully-paid, royalty-free and irrevocable. Either we or Servier may terminate the agreement for the other party’s uncured material breach. Either we or Servier may terminate the agreement in the event of specified insolvency events involving the other party. Servier may also terminate the agreement in its entirety for convenience or for upon prior written notice.

If the agreement is terminated by Servier for convenience or our change of control, or by Galapagos for force majeure, Servier’s material breach or Servier’s insolvency, then we can choose from two contractual termination regimes, both including the termination of the licenses granted by us to Servier and the freedom for us to conduct research and development activities on terminated licensed products. Servier may also opt not to terminate the agreement in the event of Galapagos’ change of control, but may amongst other things choose to have the licenses granted to Servier continue, with all payment obligations remaining in place, but with Servier having full control over the further development and patent strategies for the licensed product in Servier’s territory. If the agreement is terminated by Servier for force majeure, our material breach or our insolvency, then Servier can choose from two contractual termination regimes, that either permit Servier to pursue any and all remedies against us, or modifies the licenses granted to Servier to become fully-paid, royalty-free and irrevocable for Servier’s territory.

Second amended and restated collaboration agreement with AbbVie

On October 24, 2018, we and AbbVie amended and restated the CF collaboration agreement for a second time to restructure the entire collaboration.

Pursuant to the second amended and restated agreement, AbbVie took over all programs in CF. AbbVie obtained exclusive worldwide rights to the current CF investigational drug candidate portfolio developed by the two companies in the course of the collaboration. The portfolio includes all potentiator and corrector candidates, with the exception of GLPG1837 and a specific arrangement for GLPG2737. We retain rights to these two compounds for use outside the field of CF. AbbVie will be responsible for all future activities and will bear all costs associated with this portfolio in CF going forward.

We received an upfront payment of $45 million and a milestone of $25 million in 2019 from AbbVie. We will be eligible to receive up to $175 million in additional milestone payments from AbbVie pending completion of certain development, regulatory, and commercial achievements in CF by AbbVie. In the event AbbVie receives regulatory approval and realizes commercial sales in CF, we are further eligible to receive royalties ranging from single digit to low teens. AbbVie further agrees to pay us tiered single digit royalties of global commercial sales, if approved, from these candidates achieved in indications outside of CF.

We retain exclusive global commercial rights to develop GLPG2737, a candidate C2 corrector, in all indications outside of CF. AbbVie is eligible to receive up to $20 million upon achievement of a late stage development milestone, and tiered single digit royalties on future global commercial sales, if approved, in indications outside CF.

We further retain exclusive global commercial rights to develop GLPG1837, a candidate potentiator, in all indications outside of CF. AbbVie is eligible for a low single digit royalty on future global commercial sales, if approved, in indications outside CF.

As of the date of this annual report, we have achieved $112.5 million as milestones under the agreement, in addition to the $90 million aggregate upfront payments received upon entry into the original agreement and the second amended and restated agreement.

Exclusive license agreement with MorphoSys AG and Novartis Pharma AG

In July 2018, we entered into an exclusive license agreement with MorphoSys and Novartis, pursuant to which MOR106 will be developed further for the treatment of AtD and potentially other indications. Novartis is responsible for all future research, development, manufacturing and commercialization costs related to MOR106, and holds exclusive rights to develop, manufacture and commercialize any products arising under the license agreement. Novartis grants us a non-exclusive license to exercise our rights and perform our obligations under the Novartis Agreement.

In addition to the funding of the current and future MOR106 programs by Novartis, we received jointly with MorphoSys an upfront cash payment of €95 million. We share equally with MorphoSys all payments received under the license agreement.

On October 28, 2019, we announced the end of the clinical development program of MOR106 in AtD. On December 17, 2019, Novartis sent us a termination notice, informing us of its decision to terminate the agreement in its entirety. The notice period for such termination is still ongoing, but we expect that such termination will become effective later this year.

Seasonality

Our business is currently not materially affected by seasonality.

Manufacturing and supply

We currently do not own or operate manufacturing facilities for the production of product candidates for preclinical, clinical or commercial use. We currently outsource to a limited number of external service providers the production of all drug substances and drug products, and we expect to continue to do so to meet the preclinical and clinical requirements of our product candidates. We do not have long-term agreements with these third parties. We have framework agreements with most of our external service providers, under which they generally provide services to us on a short-term, project-by-project basis.

Currently, our drug raw materials which support our clinical trials are manufactured by multiple suppliers. We have agreements for the supply of such drug materials with manufacturers or suppliers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. However, there is a risk that, if supplies are interrupted, it would materially harm our business. We typically order raw materials and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements. To date, the prices of our principal raw materials have not been volatile.

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements, which govern record keeping, manufacturing processes and controls, personnel, quality control and quality assurance, among others. The contract manufacturing organizations we use to manufacture our product candidates operate under current good manufacturing practice, or cGMP, conditions. cGMPs are regulatory requirements for the production of pharmaceuticals that will be used in humans. For most of our manufacturing processes a back-up GMP manufacturer is in place or can easily be identified.

Competition

Our industry is highly competitive and subject to rapid and significant change. While we believe that our development and commercialization experience, scientific knowledge and industry relationships provide us with competitive advantages, we face competition from pharmaceutical, medical device and biotechnology companies, including specialty pharmaceutical companies, and generic drug companies, academic institutions, government agencies and research institutions.

In the field of RA, therapeutic approaches have traditionally relied on DMARDS such as MTX and sulphasalazine as first-line therapy. These oral drugs work primarily to suppress the immune system and, while effective in this regard, the suppression of the immune system leads to an increased risk of infections and other side effects. Accordingly, in addition to DMARDS, monoclonal antibodies targeting TNF, like AbbVie's Humira, or IL-6 like Roche's Actemra, have been developed. These biologics, which must be delivered via injection, are currently the standard of care as first- and second-line therapies for RA patients who have an inadequate response to DMARDS. In November 2012, Xeljanz, marketed by Pfizer, was approved by the FDA as an oral treatment of adult patients with RA who have had an inadequate response to, or who are intolerant of, MTX. Xeljanz was approved by EMA in 2017. Olumiant, a once-daily JAK1/2 inhibitor, marketed by Lilly, was approved by the EMA for RA in 2017 and by the FDA in 2018. A JAK inhibitor called Rinvoq which received approval for use in RA from FDA and EMA in 2019 is marketed by AbbVie. Filgotinib, which is a selective JAK1 inhibitor currently submitted for approval in RA in the U.S., Europe, and Japan and undergoing multiple Phase 3 and Phase 2 trials, is being developed by us in collaboration with Gilead. We expect that filgotinib will compete with all of these therapies when marketed. If generic or biosimilar versions of these therapies are approved, we would also expect to compete against these versions of the therapies.

In the field of IBD, first line therapies are oral (or local) treatments with several low-cost generic compounds such as mesalamine, more effective in UC, and azathioprine, more effective in CD. Steroids such as budesonide are used in both UC and CD. For more advanced therapy, monoclonal antibodies with various targets such as TNF and more recently, integrins by vedolizumab (Entyvio) are approved. We are also aware of other biologics currently approved or in clinical development for these indications, such as: ustekinumab (Stelara), developed by Johnson & Johnson, which is approved for UC, and risankizumab (Skyrizi), developed by AbbVie. Celgene/BMS has a new oral therapy in development: ozanimod (Zeposia), currently in Phase 3 in UC and Phase 2 in CD. Pfizer's Xeljanz was approved by the FDA for UC in 2018. Abbvie's Rinvoq is currently in Phase 3 trials in UC and CD. The large number of treatments for UC, and somewhat fewer for CD, presents a substantial level of competition for any new treatment entering the IBD market.

In the field of IPF, there are two approved disease modifying drugs, pirfenidone (Esbriet), marketed by Roche, and nintenanib (Ofev), marketed by Boehringer Ingelheim. These drugs are not well tolerated by patients and prolong life for IPF patients by a matter of months, leaving an unmet medical need for those developing disease-modifying drugs in this field. Fibrogen is running Phase 3 trials with pamrevlumab in IPF patients. Liminal Biosciences announced a Phase 3 trial design following Phase 2 results with PBI-4050 in IPF patients.

In the field of SSc, other companies with trials running in SSc include Corbus Pharmaceuticals, currently in Phase 3. In March 2019, Boehringer-Ingelheim announced that it has filed for regulatory approval with the FDA and EMA for the use of nintedanib in patients with systemic sclerosis associated interstitial lung disease (SSc-ILD). According to the company, approximately 25% of SSc patients develop significant pulmonary involvement within three years of diagnosis.

In the field of OA, there are currently no disease-modifying drugs approved. Current treatment involves weight loss, physical therapy, prednisolone, non-steroidal anti-inflammatory drugs, and pain management. Medivir announced in September 2017 that a trial in patients with knee OA with MIV-711, a cathepsin K inhibitor, demonstrated structural benefit. Sprifermin, a novel recombinant human fibroblast growth factor 18 being developed by Merck KGaA, is currently being investigated in Phase 3 as a potential disease-modifying OA drug; in a Phase 2 trial published in 2018, sprifermin showed to be effective at increasing cartilage thickness in a dose-dependent manner in knee OA patients, with an acceptable safety profile. Samumed is conducting a Phase 3 program with lorecivivint, an intra-articular approach aimed at the wnt pathway in OA joints. Sanofi acquired lixisenatide, a nanobody aimed at ADAMTS-5, but its status is unknown at the time of publication.

In the field of AS, there are six therapies approved by FDA and the EC: etanercept (Enbrel), infliximab (Remicade), adalimumab (Humira), golimumab (Simponi), certolizumab (Cimzia), and secukinumab (Cosentyx), with a seventh approved by FDA, ixekizumab (Taltz). Despite the availability of these treatments, a significant number of AS patients do not achieve low disease activity today.

Many of our competitors have significantly greater financial, technical and human resources than we have. Mergers and acquisitions in the pharmaceutical, medical device and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Our commercial opportunity could be reduced or eliminated if our competitors develop or market products or other novel therapies that are more effective, safer or less costly than our current or future product candidates, or obtain regulatory approval for their products more rapidly than we may obtain approval for our product candidates. Our success will be based in part on our ability to identify, develop and manage a portfolio of product candidates that are safer and more effective than competing products.

Government regulation

Government regulation and product approval

Government authorities in the United States at the federal, state and local level, and in other countries, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing, export and import of products such as those we are developing.

U.S. regulation

U.S. drug development process

The process of obtaining regulatory approvals and compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, untitled or warning letters, voluntary product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices regulations;

- submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;

- performance of adequate and well-controlled human clinical trials according to good clinical practices, or GCP, to establish the safety and efficacy of the proposed drug for its intended use;
- preparation and submission to the FDA of a new drug application, or NDA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product, or components thereof, are produced to assess compliance with cGMP;
- potential FDA audit of the clinical trial sites that generated the data in support of the NDA; and
- FDA review and approval of the NDA.

The testing and approval process requires substantial time, effort and financial resources and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

Once a pharmaceutical product candidate is identified for development, it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity, formulation and stability, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, to the FDA as part of the IND. The sponsor must also include a protocol detailing, among other things, the objectives of the initial clinical trial, dosing procedures, subject selection and exclusion criteria, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the initial clinical trial lends itself to an efficacy evaluation. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions related to a proposed clinical trial and places the trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by the FDA at any time before or during clinical trials due to safety concerns or non-compliance, and may be imposed on all drug products within a certain class of drugs. The FDA also can impose partial clinical holds, for example, prohibiting the initiation of clinical trials of a certain duration or for a certain dose.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCP regulations. These regulations include the requirement that all research subjects provide informed consent in writing before their participation in any clinical trial. Further, an institutional review board, or IRB, must review and approve the plan for any clinical trial before it commences at any institution, and the IRB must conduct continuing review and reapprove the study at least annually. An IRB considers, among other things, whether the risks to individuals participating in the clinical trial are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the information regarding the clinical trial and the consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Each new clinical protocol and any amendments to the protocol must be submitted for FDA review, and to the IRBs for approval.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1. The product is initially introduced into a small number of healthy human subjects or patients and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, to gain early evidence on effectiveness. In the case of some products for severe or life- threatening diseases, especially when the product is suspected or known to be unavoidably toxic, the initial human testing may be conducted in patients.
- Phase 2. Involves clinical trials in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage and schedule.
- Phase 3. Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit relationship of the product and provide an adequate basis for physician labeling.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA. Within 15 calendar days after the sponsor determines that the information qualifies for reporting, written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected suspected adverse events, findings from other studies or animal or *in vitro* testing that suggest a significant risk to humans, and any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor also must notify the FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information. Phase 1, Phase 2 and Phase 3 testing may not be completed successfully within any specified period, if at all. The FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

A drug being studied in clinical trials may be made available to individual patients in certain circumstances. Pursuant to the 21st Century Cures Act, or Cures Act, the manufacturer of an investigational drug for a serious disease or condition is required to make available, such as by posting on its website, its policy on evaluating and responding to requests for individual patient access to such investigational drug. This requirement applies on the earlier of the first initiation of a Phase 2 or Phase 3 trial of the investigational drug, or, as applicable, 15 days after the drug receives a designation as a breakthrough therapy, fast track product, or regenerative advanced therapy.

U.S. review and approval processes

The results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the drug, proposed labeling and other relevant information, are submitted to the FDA as part of an NDA for a new drug, requesting approval to market the product. The submission of an NDA is subject to the payment of a substantial user fee; although a waiver of such fee may be obtained under certain limited circumstances. For example, the agency will waive the application fee for the first human drug application that a small business or its affiliate submits for review. The sponsor of an approved NDA is also subject to an annual prescription drug product program fee.

The FDA reviews all NDAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be re-submitted with the additional information. The re-submitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure the product's identity, strength, quality and purity. Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is or will be manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. An advisory committee is a panel of experts, including clinicians and other scientific experts, who provide advice and recommendations when requested by the FDA. The FDA is not bound by the recommendation of an advisory committee, but it considers such recommendations when making decisions.

The approval process is lengthy and difficult and the FDA may refuse to approve an NDA if the applicable regulatory criteria are not satisfied or may require additional clinical data or other data and information. Even if such data and information are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. The FDA will issue a complete response letter if the agency decides not to approve the NDA in its present form. The complete response letter usually describes all of the specific deficiencies that the FDA identified in the NDA that must be satisfactorily addressed before it can be approved. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application or request an opportunity for a hearing.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the FDA may require post-approval studies, including Phase 4 clinical trials, to further assess a drug's safety and effectiveness after NDA approval and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. As part of the NDA, the FDA also may require the submission of a risk evaluation and mitigation strategy, or REMS, to ensure that the benefits of the drug outweigh the risks of the drug. The REMS plan could include medication guides, physician communication plans, and elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools. An assessment of the REMS must be conducted at set intervals. Following product approval, a REMS also may be required by the FDA if new safety information is discovered and the FDA determines that a REMS is necessary to ensure that the benefits of the drug outweigh the risks of the drug.

Expedited programs

Fast track designation

The FDA has a Fast Track program that is intended to expedite or facilitate the process for reviewing new drugs that meet certain criteria. Specifically, new drugs are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a new drug may request the FDA to designate the drug as a Fast Track product concurrently with, or at any time after, submission of an IND, and the FDA must determine if the product candidate qualifies for fast track designation within 60 days of receipt of the sponsor's request.

In addition to other benefits, such as the ability to engage in more frequent interactions with the FDA, the FDA may initiate review of sections of a Fast Track drug's NDA before the application is complete. This rolling review is available if the applicant provides, and the FDA approves, a schedule for the submission of each portion of the NDA and the applicant pays applicable user fees. However, the FDA's time period goal for reviewing an application does not begin until the last section of the NDA is submitted. Additionally, the Fast Track designation may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Accelerated approval

Under FDA's accelerated approval regulations, the FDA may approve a drug product for a serious or life-threatening illness that provides meaningful therapeutic benefit to patients over existing treatments based upon a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. In clinical trials, a surrogate endpoint is a marker, such as a measurement of laboratory or clinical signs of a disease or condition that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. Surrogate endpoints can often be measured more easily or more rapidly than clinical endpoints. A product candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of post-approval clinical trials sometimes referred to as Phase 4 trials to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or to confirm a clinical benefit during post-marketing studies, will allow the FDA to withdraw the drug product from the market on an expedited basis. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the FDA.

Breakthrough designation

The FDA expedites the development and review of a breakthrough therapy. A drug product can be designated as a breakthrough therapy if it is intended to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that it may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. A sponsor may request that a drug product be designated as a breakthrough therapy concurrently with, or at any time after, the submission of an IND, and the FDA must determine if the product candidate qualifies for breakthrough therapy designation within 60 days of receipt of the sponsor's request. If so designated, the FDA shall act to expedite the development and review of the product's marketing application, including by meeting with the sponsor throughout the product's development, providing timely advice to the sponsor to ensure that the development program to gather preclinical and clinical data is as efficient as practicable, involving senior managers and experienced review staff in a cross-disciplinary review, assigning a cross-disciplinary project lead for the FDA review team to facilitate an efficient review of the development program and to serve as a scientific liaison between the review team and the sponsor, and taking steps to ensure that the design of the clinical trials is as efficient as practicable.

Priority review

Priority review is granted where there is evidence that the proposed product would be a significant improvement in the safety or effectiveness of the treatment, diagnosis, or prevention of a serious condition. If a product that contains a new molecular entity is granted priority review, the FDA aims to review the application six months after it accepts the application for filing. If criteria are not met for priority review, the application is subject to the standard FDA review period of ten months after FDA accepts the application for filing. Priority review designation does not change the scientific/medical standard for approval or the quality of evidence necessary to support approval.

Post-approval requirements

Any products for which we receive FDA approval are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements. The FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. Products may be promoted only for the approved indications and in accordance with the provisions of the approved label. Further, manufacturers must continue to comply with cGMP requirements, which are extensive and require considerable time, resources and ongoing investment to ensure compliance. In addition, changes to the manufacturing process generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Manufacturers and other entities involved in the manufacturing and distribution of approved products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. The cGMP requirements apply to all stages of the manufacturing process, including the production, processing, sterilization, packaging, labeling, storage and shipment of the product. Manufacturers must establish validated systems to ensure that products meet specifications and regulatory standards, and test each product batch or lot prior to its release. We rely, and expect to continue to rely, on third parties for the production of clinical quantities of our product candidates. Future FDA and state inspections may identify compliance issues at the facilities of our contract manufacturers that may disrupt production or distribution or may require substantial resources to correct.

The FDA may withdraw a product approval if compliance with regulatory requirements is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Newly discovered or developed safety or effectiveness data may require changes to a drug's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures, including a REMS, or the conduct of post-marketing studies to assess a newly discovered safety issue. FDA has authority to require post-market studies, in certain circumstances, on reduced effectiveness of a drug and FDA may require labeling changes related to new reduced effectiveness information. Further, the failure to maintain compliance with regulatory requirements may result in administrative or judicial actions, such as fines, untitled or warning letters, holds on clinical trials, voluntary product recalls, product seizures, product detention or refusal to permit the import or export of products, refusal to approve pending applications or supplements, restrictions on marketing or manufacturing, injunctions or civil or criminal penalties.

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations, guidances, and policies are often revised or reinterpreted by the agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether further legislative or FDA regulation or policy changes will be enacted or implemented and what the impact of such changes, if any, may be.

Patent term restoration and marketing exclusivity

Depending upon the timing, duration and specifics of FDA approval of the use of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application, less any time the applicant did not act with due diligence. Only one patent applicable to an approved drug is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration dates, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant NDA; however, there can be no assurance that any such extension will be granted to us.

Market exclusivity provisions under the FDCA can also delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, for new indications, dosages or

strengths of an existing drug. This three-year exclusivity covers only the conditions of use associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Pediatric exclusivity is another type of exclusivity in the United States. Pediatric exclusivity, if granted, provides an additional six months to an existing exclusivity or statutory delay in approval resulting from a patent certification. This six-month exclusivity, which runs from the end of other exclusivity protection or patent delay, may be granted based on the voluntary completion of a pediatric clinical trial in accordance with an FDA-issued "Written Request" for such a clinical trial.

Orphan drugs

Under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition—generally a disease or condition that affects fewer than 200,000 individuals in the United States or that affects more than 200,000 individuals in the United States and for which there is no reasonable expectation that costs of research and development of the drug for the indication can be recovered by sales of the drug in the United States. Orphan drug designation must be requested before submitting an NDA.

After the FDA grants orphan drug designation, the generic identity of the drug and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first NDA applicant to receive FDA approval for a particular active ingredient to treat a particular disease or condition with FDA orphan drug designation is entitled to a seven-year exclusive marketing period in the United States for that product, for that indication. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the NDA application user fee.

During the exclusivity period, the FDA may not approve any other applications to market the same drug for the same disease or condition, except in limited circumstances, such as if the second applicant demonstrates the clinical superiority of its product to the product with orphan drug exclusivity through a demonstration of superior safety, superior efficacy, or a major contribution to patient care. "Same drug" means, a drug that contains the same identity of the active moiety if it is a drug composed of small molecules, or of the principal molecular structural features if it is composed of macromolecules and is intended for the same use as a previously approved drug, except that if the subsequent drug can be shown to be clinically superior to the first drug, it will not be considered to be the same drug. Drug exclusivity does not prevent FDA from approving a different drug for the same disease or condition, or the same drug for a different disease or condition.

Pediatric information

Under the Pediatric Research Equity Act of 2003, or PREA, as amended, NDAs or supplements to NDAs must contain data adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective. The FDCA requires that a sponsor who is planning to submit a marketing application for a drug product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration submit an initial Pediatric Study Plan, or PSP, within sixty days of an end-of-phase 2 meeting or as may be agreed between the sponsor and the FDA. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information, and any request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of data or full or partial waivers. The FDA and the sponsor must reach agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from preclinical studies, early phase clinical trials, and/or other clinical development programs. Generally, the requirements of PREA do not apply to an application to market a drug for an orphan-designated indication.

Disclosure of clinical trial information

Sponsors of clinical trials of FDA-regulated products, including drugs, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, study sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

Pharmaceutical coverage, pricing and reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any drug products for which we may obtain regulatory approval. In the United States, sales of any products for which we may receive regulatory approval for commercial sale will depend in part on the availability of coverage and reimbursement from third-party payers. Third-party payers include government programs such as Medicare and Medicaid, managed care providers, private health insurers and other organizations. The process for determining whether a payer will provide coverage for a drug product may be separate from the process for setting the reimbursement rate that the payer will pay for the drug product. In the United States, the principal decisions about reimbursement for new medicines are typically made by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services. CMS decides whether and to what extent a new medicine will be covered and reimbursed under Medicare and private payers tend to follow CMS to a substantial degree. Third-party payers may limit coverage to specific drug products on an approved list, or formulary, which might not include all of the FDA-approved drugs for a particular indication. Moreover, a payer's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Third-party payers are increasingly challenging the price and examining the medical necessity and cost- effectiveness of medical products and services, in addition to their safety and efficacy. In order to obtain coverage and reimbursement for any product that might be approved for sale, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of any products, in addition to the costs required to obtain regulatory approvals. Our product candidates may not be considered medically necessary or cost-effective. If third-party payers do not consider a product to be cost-effective compared to other available therapies, they may not cover the product after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow a company to sell its products at a profit.

The U.S. government and state legislatures have shown significant interest in implementing cost containment programs to limit the growth of government-paid health care costs, including price controls, restrictions on reimbursement and requirements for substitution of generic products for branded prescription drugs. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively, the Affordable Care Act, contains provisions that may reduce the profitability of drug products, including, for example, increased rebates for drugs reimbursed by Medicaid programs, extension of Medicaid rebates to Medicaid managed care plans, mandatory discounts for certain Medicare Part D beneficiaries and annual fees based on pharmaceutical companies' share of sales to federal health care programs. Adoption of government controls and measures, and tightening of restrictive policies in jurisdictions with existing controls and measures, could limit payments for pharmaceuticals.

The marketability of any products for which we receive regulatory approval for commercial sale may suffer if the government and third-party payers fail to provide adequate coverage and reimbursement. In addition, an increasing emphasis on cost containment measures in the United States has increased and we expect will continue to increase the pressure on pharmaceutical pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Other healthcare laws and compliance requirements

If we obtain regulatory approval of our products, we may be subject to various federal and state laws targeting fraud, waste and abuse in the healthcare industry. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The U.S. laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order, or recommendation of, an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;

- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent, or making a false statement or record material to payment of a false claim or avoiding, decreasing, or concealing an obligation to pay money to the federal government; in addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the U.S. False Claims Act;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and its implementing regulations, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;

- the federal transparency laws, including the provision of the Affordable Care Act commonly referred to as the federal Physician Payment Sunshine Act, that requires applicable manufacturers of covered drugs to disclose payments and other transfers of value provided to physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals and physician ownership and investment interests; effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners;

- the Foreign Corrupt Practices Act, or FCPA, prohibits companies and their intermediaries from making, or offering or promising to make improper payments to non-U.S. officials for the purpose of obtaining or retaining business or otherwise seeking favorable treatment; andHIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and

- state law and foreign jurisdiction equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Violations of these laws can subject us to administrative, civil and criminal penalties, damages, fines, disgorgement, the exclusion from participation in federal and state healthcare programs, individual imprisonment, reputational harm, and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws.

The Affordable Care Act broadened the reach of the fraud and abuse laws by, among other things, amending the intent requirement of the federal Anti-Kickback Statute and the applicable criminal healthcare fraud statutes contained within 42 U.S.C. § 1320a-7b. Pursuant to the statutory amendment, a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. In addition, the Affordable Care Act provides that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute.

The U.S. federal False Claims Act prohibits anyone from, among other things, knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services that are false or fraudulent. Although we would not submit claims directly to payers, manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state, and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under this law. For example, pharmaceutical companies have been prosecuted under the federal False Claims Act in connection with their off-label promotion of drugs. Penalties for a False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties, the potential for exclusion from participation in federal healthcare programs, and, although the federal False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes. In addition, private individuals have the ability to bring actions under the federal False Claims Act and certain states have enacted laws modeled after the federal False Claims Act.

Patient Protection and Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act, or the Affordable Care Act, was enacted, which includes measures that have or will significantly change the way health care is financed by both U.S. governmental and private insurers. Among the provisions of the Affordable Care Act of greatest importance to the pharmaceutical industry are the following:

- The Medicaid Drug Rebate Program requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services as a condition for states to receive federal matching funds for the manufacturer's outpatient drugs furnished to Medicaid patients. The Affordable Care Act made several changes to the Medicaid Drug Rebate Program, including increasing pharmaceutical manufacturers' rebate liability by raising the minimum basic Medicaid rebate on most branded prescription drugs from 15.1% of average manufacturer price, or AMP, to 23.1% of average manufacturer price, or AMP, and adding a new rebate calculation for "line extensions" (i.e., new formulations, such as extended release formulations) of solid oral dosage forms of branded products, as well as potentially impacting their rebate liability by modifying the statutory definition of AMP. The Affordable Care Act also expanded the universe of Medicaid utilization subject to drug rebates by requiring pharmaceutical manufacturers to pay rebates on Medicaid managed care utilization and by expanding the population potentially eligible for Medicaid drug benefits. In addition, the Affordable Care Act provides for the public availability of retail survey prices and certain weighted average AMPs under the Medicaid program.

- In order for a pharmaceutical product to receive federal reimbursement under the Medicare Part B and Medicaid programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the AMP and Medicaid rebate amounts reported by the manufacturer. The Affordable Care Act expanded the types of entities eligible to receive discounted 340B pricing, although, under the current state of the law, with the exception of children's hospitals, these newly eligible entities will not be eligible to receive discounted 340B pricing on orphan drugs when used for the orphan indication. In addition, as 340B drug pricing is determined based on AMP and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase.

- The Affordable Care Act imposed a requirement on manufacturers of branded drugs to provide a 70% discount off the negotiated price of branded drugs dispensed to Medicare Part D patients in the coverage gap (increased from 50% pursuant to the Bipartisan Budget Act of 2018, effective as of 2019).

- The Affordable Care Act imposed an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications.

- The federal Physician Payment Sunshine Act, created under the Affordable Care Act, requires pharmaceutical manufacturers to track certain financial arrangements with physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, including any "transfer of value" made or distributed to such entities, as well as any ownership and investment interests held by physicians and their immediate family members. Manufacturers annually report this information to Centers for Medicaid and Medicare Services, or CMS, and the information is publicly available in a searchable format on a CMS website. Effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners.

- A new Patient-Centered Outcomes Research Institute was established pursuant to the Affordable Care Act to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research. The research conducted by the Patient-Centered Outcomes Research Institute may affect the market for certain pharmaceutical products.

- The Affordable Care Act established the Center for Medicare and Medicaid Innovation within CMS, which is charged with testing new, innovative payment and service delivery models.

Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. Various portions of the ACA are currently undergoing legal and constitutional challenges in the Fifth Circuit Court and the United States Supreme Court; the Trump Administration has issued various Executive Orders which eliminated cost sharing subsidies and various provisions that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices; and Congress has introduced several pieces of legislation aimed at significantly revising or repealing the ACA. It is unclear whether the ACA will be overturned, repealed, replaced, or further amended. We cannot predict what affect further changes to the ACA would have on our business. There have been several recent U.S. congressional inquiries, as well as proposed and adopted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs and biologics. For example, the Trump administration's budget proposals for fiscal years 2019 and 2020 contain further drug price control measures that could be enacted during the budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Additionally, the Trump administration released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out of pocket costs of drug products paid by consumers. HHS, has already started the process of soliciting feedback on some of these measures and, at the same time, is immediately implementing others under its existing authority. For example, in May 2019, CMS issued a final rule to allow Medicare Advantage Plans the option of using step therapy, a type of prior authorization, for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. Congress and the Trump administration have each indicated that it will continue to seek new legislative and administrative measures to control drug costs. While any proposed measures will require authorization through additional legislation to become effective, Congress and the current U.S. presidential administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs.

At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing.

European Union regulation

European Union drug review and approval

In the EEA (which is comprised of the 27 Member States of the European Union plus Norway, Iceland and Liechtenstein), medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. There are two types of marketing authorizations: the Community MA, which is issued by the European Commission through the Centralized Procedure based on the opinion of the Committee for Medicinal Products for Human Use, or CHMP, a body of the European Medicines Agency, or EMA, and which is valid throughout the entire territory of the EEA; and the National MA, which is issued by the competent authorities of the Member States of the EEA and only authorizes marketing in that Member State’s national territory and not the EEA as a whole.

The Centralized Procedure is compulsory for human medicines for the treatment of human immunodeficiency virus (HIV) or acquired immune deficiency syndrome (AIDS), cancer, diabetes, neurodegenerative diseases, auto-immune and other immune dysfunctions, and viral diseases; for veterinary medicines for use as growth or yield enhancers; for medicines derived from biotechnology processes, such as genetic engineering; for advanced-therapy medicines, such as gene-therapy, somatic cell-therapy or tissue-engineered medicines; and for officially designated “orphan medicines” (medicines used for rare human diseases). The Centralized Procedure is optional for products containing a new active substance for indications other than those stated above and not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or for products which are in the interest of public or animal health at the European level. The National MA is for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure. Under the Decentralized Procedure an identical dossier is submitted to the competent authorities of each of the Member States in which the MA is sought, one of which is selected by the applicant as the Reference Member State, or RMS. If the RMS proposes to authorize the product, and the other Member States do not raise objections, the product is granted a national MA in all the Member States where the authorization was sought. Before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Brexit

On March 29, 2017, the United Kingdom (UK) notified the European Council of its intention to withdraw from the European Union (EU), a process known as 'Brexit'. Brexit became effective on 31 January 2020. The EMA had made preparations to ensure that it can continue to deliver on its mission and protect public and animal health after the UK leaves the EU. One of the consequences of Brexit is that EMA has relocated to Amsterdam, the Netherlands, where it has taken up its operations in March 2019. The Agency continues its operations in accordance with the timelines set by its rules and regulations. EMA is working on the assumption that the UK will become a third country. This is without prejudice to the outcome of the withdrawal negotiations. The UK continues to participate in all EMA activities and meetings and retains its speaking and voting rights. No Member State has previously decided to leave the EU, so there is no precedent for this situation.

Regulation in the European Union

Product development, the regulatory approval process, and safety monitoring of medicinal products and their manufacturers in the European Union proceed in much the same manner as they do in the United States. Therefore, many of the issues discussed above apply similarly in the context of the European Union. In addition, drugs are subject to the extensive price and reimbursement regulations of the various European Union Member States.

Clinical trials

As is the case in the United States, the various phases of preclinical and clinical research in the European Union are subject to significant regulatory controls. The Clinical Trials Directive 2001/20/EC, as amended, (and which will be replaced by Regulation (EU) No 536/2014, currently expected to be in 2021) provides a system for the approval of clinical trials in the European Union via implementation through national legislation of the Member States. Under this system, approval must be obtained from the competent national authorities of the European Union Member States in which the clinical trial is to be conducted. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application, which must be supported by an investigational medicinal product dossier with supporting information prescribed by the Clinical Trials Directive and corresponding national laws of the Member States and further detailed in applicable guidance documents. A clinical trial may only be undertaken if provision has been made for insurance or indemnity to cover the liability of the investigator or sponsor. In certain countries, the sponsor of a clinical trial has a strict (faultless) liability for any (direct or indirect) damage suffered by trial subjects. The sponsor of a clinical trial, or its legal representative, must be based in the European Economic Area. European regulators and ethics committees also require the submission of adverse event reports during a study and a copy of the final study report.

Marketing approval

Marketing approvals under the European Union regulatory system may be obtained through a centralized or decentralized procedure. The centralized procedure results in the grant of a single marketing authorization that is valid for all (currently 27) European Union Member States and three European Free Trade Association members (Norway, Iceland, Liechtenstein).

Pursuant to Regulation (EC) No. 726/2004, as amended, the centralized procedure is mandatory for drugs developed by means of specified biotechnological processes, advanced therapy medicinal products, drugs for human use containing a new active substance for which the therapeutic indication is the treatment of specified diseases, including but not limited to acquired immune deficiency syndrome, neurodegenerative disorders, auto-immune diseases and other immune dysfunctions, as well as drugs designated as orphan drugs. The CHMP also has the discretion to permit other products to use the centralized procedure if it considers them sufficiently innovative or they contain a new active substance or they may be of benefit to public health at the Community level.

In the marketing authorization application, or MAA, the applicant has to properly and sufficiently demonstrate the quality, safety and efficacy of the drug. Under the centralized approval procedure, the CHMP, possibly in conjunction with other committees, is responsible for drawing up the opinion of the EMA on any matter concerning the admissibility of the files submitted in accordance with the centralized procedure, such as an opinion on the granting, variation, suspension or revocation of a marketing authorization, and pharmacovigilance.

The CHMP and other committees are also responsible for providing guidelines and have published numerous guidelines that may apply to our product candidates. These guidelines provide additional guidance on the factors that the EMA will consider in relation to the development and evaluation of drug products and may include, among other things, the preclinical studies required in specific cases; and the manufacturing and control information that should be submitted in a MAA; and post-approval measures required to monitor patients and evaluate the long-term efficacy and potential adverse reactions. Although these guidelines are not legally binding, we believe that our compliance with them is likely necessary to gain approval for any of our product candidates. Following Article 6(3), first subparagraph, of Regulation (EC) No. 726/2004, the maximum timeframe for the evaluation of an MAA by the CHMP under the centralized procedure is 210 days after receipt of a valid application. This period will be suspended until such time as the supplementary information requested by the CHMP, has been provided by the applicant. Likewise, this time limit will be suspended for the time allowed for the applicant to prepare oral or written explanations. When an application is submitted for a marketing authorization in respect of a drug which is of major interest from the point of view of public

health and in particular from the viewpoint of therapeutic innovation, the applicant may request an accelerated assessment procedure. If the CHMP accepts such request, the time limit of 210 days will be reduced to 150 days, according to Article 14(9) of Regulation (EC) No. 726/2004, but it is possible that the CHMP can revert to the standard time limit for the centralized procedure if it considers that it is no longer appropriate to conduct an accelerated assessment.

If the CHMP concludes that the quality, safety and efficacy of the product are sufficiently proven, it adopts a positive opinion. This is sent to the European Commission which drafts a decision. After consulting with the Member States, the European Commission adopts a decision and grants a marketing authorization, which is valid for the whole of the European Economic Area, or EEA. The marketing authorization may be subject to certain conditions, which may include, without limitation, the performance of post-authorization safety and/or efficacy studies. Pursuant to Regulation (EC) No. 726/2004, a new marketing authorization is valid for five years and may be renewed for an unlimited period on the basis of a re-evaluation of the risk-benefit balance after submission of a consolidated version of the initial marketing authorization application in addition to the pharmacovigilance data reported and all variations introduced since granting of the marketing authorization. The marketing authorization shall cease to be valid if any marketing authorization granted is not followed by the actual launch of the product on the market within three years or, if the product is no longer available on the market for three consecutive years.

European Union legislation also provides for a system of regulatory data and market exclusivity. According to Article 14(11) of Regulation (EC) No. 726/2004, as amended, and Article 10(1) of Directive 2001/83/EC, as amended, upon receiving marketing authorization, new chemical entities approved on the basis of a complete independent data package benefit from eight years of data exclusivity and an additional two years of market exclusivity. Data exclusivity prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic (abbreviated) application. During the additional two-year period of market exclusivity, a generic marketing authorization can be submitted, and the innovator's data may be referenced, but no generic medicinal product can be marketed until the expiration of the market exclusivity. The overall ten-year period will be extended to a maximum of eleven years if, during the first eight years of those ten years, the marketing authorization holder, or MAH, obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. Even if a compound is considered to be a new chemical entity and the innovator is able to gain the period of data exclusivity, another company nevertheless could also market another version of the drug if such company obtained marketing authorization based on an MAA with a complete independent data package of pharmaceutical test, preclinical tests and clinical trials. However, products designated as orphan medicinal products enjoy, upon receiving marketing authorization, a period of 10 years of orphan market exclusivity limited to the therapeutic indication for which orphan designation has been obtained—see also "—Orphan Drug Regulation." Depending upon the timing and duration of the EU marketing authorization process, products may be eligible for up to five years' supplementary protection certification, or SPC, pursuant to Regulation (EC) No. 469/2009. Such SPCs extend the rights under the basic patent for the drug.

Additional rules apply to medicinal products for pediatric use under Regulation (EC) No. 1901/2006. Potential incentives include a six-month extension of any supplementary protection certificate granted pursuant to Regulation (EC) No. 469/2009, however not in cases in which the relevant product is designated as orphan medicinal products pursuant to Regulation (EC) No. 141/2000, as amended. Instead, medicinal products designated as orphan medicinal product may enjoy an extension of the ten-year market exclusivity period granted under Regulation (EC) No. 141/2000 to twelve years subject to the conditions applicable to orphan drugs.

Orphan drug regulation

In the European Union, Regulation (EC) No. 141/2000, as amended, states that a drug will be designated as an orphan drug if its sponsor can establish:

- that it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in ten thousand persons in the Community when the application is made, or that it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment; and

- that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the European Union or, if such method exists, that the drug will be of significant benefit to those affected by that condition.

Regulation (EC) No. 847/2000 sets out further provisions for implementation of the criteria for designation of a drug as an orphan drug. An application for the designation of a drug as an orphan drug must be submitted at any stage of development of the drug before filing of a marketing authorization application.

If a European Union-wide community marketing authorization in respect of an orphan drug is granted or if all the European Union Member States have granted marketing authorizations in accordance with the procedures for mutual recognition, the European Union and the Member States will not, for a period of 10 years, accept another application for a marketing authorization, or grant a marketing authorization or accept an application to extend an existing marketing authorization, for the same therapeutic indication, in respect of a similar drug. This period may however be reduced to six years if, at the end of the fifth year, it is established, with respect to the drug concerned, that the criteria for orphan drug designation are no longer met, in other words, when it is shown on the basis of available evidence that the product is sufficiently profitable not to justify maintenance of market exclusivity (cfr. Article 8(s) of Regulation (EC) No. 141/200). Notwithstanding the foregoing, Regulation (EC) No. 141/2000 states that a marketing authorization may be granted, for the same therapeutic indication, to a similar drug if:

- the holder of the marketing authorization for the original orphan drug has given its consent to the second applicant;

- the holder of the marketing authorization for the original orphan drug is unable to supply sufficient quantities of the drug; or

- the second applicant can establish in the application that the second drug, although similar to the orphan drug already authorized, is safer, more effective or otherwise clinically superior.

Other incentives available to orphan drugs in the European Union include financial incentives such as a reduction of fees or fee waivers and protocol assistance. Orphan drug designation does not shorten the duration of the regulatory review and approval process.

Pediatric investigation plan

An application for marketing authorization of a medicinal product for human use which is not yet authorized in the European Union shall be considered valid only if it includes a Pediatric Investigation Plan, or PIP, according to Regulation (EC) No. 1901/2006. The PIP or the application for waiver shall be submitted with a request for agreement, except in duly justified cases, early during the product development phase and not later than upon completion of the human pharmacokinetic studies in healthy subjects. The end of Phase 1 pharmacokinetic studies can coincide with the initial tolerability studies, or the initiation of the adult Phase 2 studies (proof-of-concept studies); in any case, submission of the PIP cannot be after initiation of pivotal trials or confirmatory (Phase 3) trials.

The Pediatric Committee, a scientific committee established at Community level, shall assess the content of any PIP, waivers and deferrals for a medicinal product submitted to it in accordance with the regulation on medicinal products for pediatric use and formulate an opinion thereon.

Manufacturing and manufacturers' license

Pursuant to Directive 2003/94/EC, as transposed into the national laws of the Member States, the manufacturing of investigational medicinal products and approved drugs is subject to a separate manufacturer's license and must be conducted in strict compliance with cGMP requirements, which mandate the methods, facilities, and controls used in manufacturing, processing, and packing of drugs to assure their safety and identity. Manufacturers must have at least one qualified person permanently and continuously at their disposal. The qualified person is ultimately responsible for certifying that each batch of finished product released onto the market has been manufactured in accordance with cGMP and the specifications set out in the marketing authorization or investigational medicinal product dossier. cGMP requirements are enforced through mandatory registration of facilities and inspections of those facilities. Failure to comply with these requirements could interrupt supply and result in delays, unanticipated costs and lost revenues, and subject the applicant to potential legal or regulatory action, including but not limited to warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil and criminal penalties.

Wholesale distribution and license

Pursuant to Directive 2001/83/EC, the wholesale distribution of medicinal products is subject to the possession of an authorization to engage in activity as a wholesaler in medicinal products. Possession of a manufacturing authorization includes authorization to distribute by wholesale the medicinal products covered by that authorization. The distribution of medicinal products must comply with the principles and guidelines of good distribution practices, or GDP.

Advertising

In the European Union, the promotion of prescription medicines is subject to intense regulation and control, including EU and national legislation as well as self-regulatory codes (industry codes). Advertising legislation inter alia includes a prohibition on direct-to-consumer advertising. All prescription medicines advertising must be consistent with the product's approved summary of products characteristics, and must be factual, accurate, balanced and not misleading. Advertising of prescription medicines pre-approval or off-label is not allowed.

Some jurisdictions require that all promotional materials for prescription medicines be subjected to either prior internal review and approval or regulatory review and approval.

Collection and use of personal data in the EU

As of May 25, 2018, the General Data Protection Regulation ("GDPR") regulates the collection and use of personal data in the EU. The GDPR covers any business, regardless of its location, that provides goods or services to residents in the EU and, thus, could incorporate our activities in EU member states. The GDPR imposes strict requirements on controllers and processors of personal data, including special protections for "sensitive information," which includes health and genetic information of individuals residing in the EU. GDPR grants individuals the opportunity to object to the processing of their personal information, allows them to request deletion of personal information in certain circumstances, and provides the individual with an express right to seek legal remedies in the event the individual believes his or her rights have been violated. Further, the GDPR imposes strict rules on the transfer of personal data out of the EU to regions that have not been deemed to offer "adequate" privacy protections, such as the U.S. currently. Failure to comply with the requirements of the GDPR and the related national data protection laws of the EU member states, which may deviate slightly from the GDPR, may result in warning letters, mandatory audits and financial penalties, including fines of up to 4 percent of global revenues, or €20,000,000, whichever is greater. As a result of the implementation of the GDPR, we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules.

There is significant uncertainty related to the manner in which data protection authorities will seek to enforce compliance with GDPR. For example, it is unclear whether the authorities will conduct random audits of companies doing business in the EU, or act solely after complaints are filed claiming a violation of the GDPR. The lack of compliance standards and precedent, enforcement uncertainty and the costs associated with ensuring GDPR compliance may be onerous and adversely affect our business, financial condition, results of operations and prospects.

Other regulatory requirements

A marketing authorization holder, or MAH, for a medicinal product is legally obliged to fulfill a number of obligations by virtue of its status as an MAH. The MAH can delegate the performance of related tasks to third parties, such as distributors or marketing partners, provided that this delegation is appropriately documented and the MAH maintains legal responsibility and liability.

The obligations of an MAH include:

Manufacturing and batch release. MAHs should guarantee that all manufacturing operations comply with relevant laws and regulations, applicable good manufacturing practices, with the product specifications and manufacturing conditions set out in the marketing authorization and that each batch of product is subject to appropriate release formalities.

Availability and continuous supply. Pursuant to Directive 2001/83/EC, as transposed into the national laws of the Member States, the MAH for a medicinal product and the distributors of the said medicinal product actually placed on the market in a Member State shall, within the limits of their responsibilities, ensure appropriate and continued supplies of that medicinal product to pharmacies and persons authorized to supply medicinal products so that the needs of patients in the Member State in question are covered.

Pharmacovigilance. MAHs are obliged to establish and maintain a pharmacovigilance system, including a qualified person responsible for oversight, submit safety reports to the regulators and comply with the good pharmacovigilance practice guidelines adopted by the EMA.

Advertising and promotion. MAHs remain responsible for all advertising and promotion of its products, including promotional activities by other companies or individuals on their behalf and in some cases must conduct internal or regulatory pre-approval of promotional materials. Regulation in this area also covers interactions with healthcare practitioners and/or patient groups, and in some jurisdictions legal or self-regulatory obligations to disclose such interactions exist.

Medical affairs/scientific service. MAHs are required to disseminate scientific and medical information on its medicinal products to healthcare professionals, regulators and patients. Legal representation and distributor issues. MAHs are responsible for regulatory actions or inactions of their distributors and agents.

Preparation, filing and maintenance of the application and subsequent marketing authorization. MAHs must maintain appropriate records, comply with the marketing authorization’s terms and conditions, fulfill reporting obligations to regulators, submit renewal applications and pay all appropriate fees to the authorities. We may hold any future marketing authorizations granted for our product candidates in our own name, or appoint an affiliate or a collaboration partner to hold marketing authorizations on our behalf. Any failure by an MAH to comply with these obligations may result in regulatory action against an MAH and ultimately threaten our ability to commercialize our products.

Price and reimbursement

In the European Union, the pricing and reimbursement mechanisms by private and public health insurers vary largely by country and even within countries. The public systems reimbursement for standard drugs is determined by guidelines established by the legislator or responsible national authority. The approach taken varies by Member State. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. Other Member States allow companies to fix their own prices for medicines, but monitor and control company profits and may limit or restrict reimbursement. The downward pressure on healthcare costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products and some of EU countries require the completion of studies that compare the cost-effectiveness of a particular product candidate to currently available therapies in order to obtain reimbursement or pricing approval. Special pricing and reimbursement rules may apply to orphan drugs. Inclusion of orphan drugs in reimbursement systems tend to focus on the medical usefulness, need, quality and economic benefits to patients and the healthcare system as for any drug. Acceptance of any medicinal product for reimbursement may come with cost, use and often volume restrictions, which again can vary by country. In addition, results based rules of reimbursement may apply.

Legal proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Glossary of terms

Glossary of terms, to be read only in conjunction with this annual report.

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)
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 spondyoloarthropathy 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
ARGS neoepitope	Byproduct of the breakdown of cartilage by aggrecanase, can be used as a biomarker for cartilage breakdown
ASDAS	Ankylosing Spondylitis Disease Activity Score, a composite score of symptoms such as back pain, duration of morning stiffness, and peripheral pain and swelling. We measured ASDAS scores in the TORTUGA trial with filgotinib in AS
Atherogenic index	Total cholesterol over HDL ratio. Improvement of the atherogenic index may be a forecast of cardiovascular health
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
Atopic dermatitis (AtD)	Also known as atopic eczema, atopic dermatitis is a common pruritis (extreme itching) inflammatory condition affecting the skin, which most frequently starts in childhood
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 lypophosphatidic acid (LPA). GLPG1690 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 warrants
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
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
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 shows efficacy in a therapeutic setting
Compound	A chemical substance, often a small molecule with drug-like properties
Contract research organization	Organization which provides drug discovery and development services
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
Cutaneous lupus	Cutaneous lupus is a heterogeneous autoimmune skin disease that can present itself as an organ-specific disease (e.g., in the skin only) or as a systemic disease involving multiple organs
Cutaneous lupus erythematosus	Lupus affecting the skin. In this autoimmune disease, the body's immune system attacks healthy skin
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

Dactylitis	Dactylitis is inflammation of a digit (either finger or toe) and is derived from the Greek word dactylos meaning finger. The affected fingers and/or toes swell up into a sausage shape and can become painful. Dactylitis was measured in the EQUATOR trial with filgotinib
DARWIN	Phase 2 program for filgotinib in RA. DARWIN 1 explored three doses, in twice-daily and once-daily administration, for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who remained on their stable background treatment with MTX. DARWIN 2 explored three once-daily doses for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who washed out of their treatment with MTX. DARWIN 1 and 2 were double-blind, placebo-controlled trials which recruited approximately 900 patients globally and for which results were reported in 2015. DARWIN 3 is a long term extension trial in which all patients are on 200 mg filgotinib, except for U.S. males who are on 100 mg. The week 156 results from DARWIN 3 were reported in 2019
DAS28(CRP)	DAS28 is an RA Disease Activity Score based on a calculation that uses tender and swollen joint counts of 28 defined joints, the physician's global health assessment and a serum marker for inflammation, such as C-reactive protein. DAS28(CRP) includes C-reactive protein score calculation: scores range from 2.0 to 10.0, with scores below 2.6 being considered remission
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 blod clot can travel to the lung and cause a pulmonary embolism
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
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
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
Enthesitis	Inflammation of the tendons or ligaments; this is one of the key symptoms of psoriatic arthritis and was also measured in the EQUATOR trial with filgotinib
EQUATOR	A Phase 2 trial with filgotinib in psoriatic arthritis patients
Esbriet	An approved drug (pirfenidone) for IPF, marketed by Roche

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
FEV	Forced expiratory volume measures how much air a person can exhale during a forced breath. The amount of air exhaled may be measured during the first (FEV1), second (FEV2), and/or third seconds (FEV3) of the forced breath
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. Small molecule selective JAK1 inhibitor, currently under review for approval in RA in the U.S., Europa and Japan. Filgotinib is partnered with Gilead for the development and commercialization of filgotinib in a number of diseases. Filgotinib currently is in Phase 3 trials in UC, CD and PsA, and Phase 2 trials in additional indications
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 GLPG1690 in up to 24 IPF patients; topline results were reported in August 2017
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
GLPG0555	A clinical candidate with undisclosed novel mode of action directed toward inflammation

GLPG0634	Molecule number currently known as filgotinib
GLPG1205	A GPR84 inhibitor fully proprietary to us. We are conducting the PINTA patient trial with GLPG1205 in IPF
GLPG1690	A novel drug targeting autotaxin, with potential application in IPF & SSc. Topline results from the Phase 2a FLORA trial were reported in August 2017. The ISABELA Phase 3 program was initiated in 2018 and the NOVESA Phase 2 trial in SSc was initiated in early 2019. Gilead retained the rights on GLPG1690 in IPF in 2019
GLPG1972/S201086	GLPG1972/S201086, also referred to as GLPG1972, is a novel mode-of-action product candidate that is part of the OA collaboration with Servier. Galapagos and Servier have completed recruitment of the ROCCELLA global Phase 2b trial with GLPG1972/S201086
GLPG2737	A candidate with undisclosed novel mode of action. This compound is part of the CF collaboration with AbbVie but Galapagos regained rights outside of CF
GLPG3312	A compound currently in Phase 1 with an undisclosed mode of action directed towards inflammation (IBD). GLPG3312 is a Toledo compound and the first one to enter Phase 1
GLPG3667	A compound currently in Phase 1 with an undisclosed mode of action directed toward inflammation
GLPG3970	A compound currently in Phase 1 with an undisclosed mode of action. GLPG3970 is part of the Toledo target family
GLPG4059	A compound with undisclosed mode of action currently in the preclincal phase directed toward metabolic diseases
GLPG4124	A compound with undisclosed mode of action currently in the preclincal phase directed toward fibrosis
GLPG4259	A compound with undisclosed mode of action currently in the preclincal phase directed toward inflammation
GLPG4399	A compound with undisclosed mode of action currently in the preclincal phase directed toward inflammation
GLPG4471	A compound with undisclosed mode of action currently in the preclincal phase 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
G&A expenses	General & administrative expenses
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
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

IL-17C	IL-17C has been shown to be distinct from other members of the IL-17 family of cytokines. IL-17C has been shown to be an important mediator in inflammatory skin diseases, and is the target of MOR106
Inflammatory diseases	A large, unrelated group of disorders associated with abnormalities in inflammation
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
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
In vitro	Studies performed with cells outside their natural context, for example in a laboratory
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 GLPG1690 in IPF patients. The ISABELA Phase 3 program consists of two identically designed trials, ISABELA 1 and ISABELA 2, and will enroll a total of 1,500 IPF patients combined
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 selective JAK1 inhibitor
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 analysis trial with filgotinib in male patients with UC or CD
MANTA-RAy	A Phase 2 semen analysis trial with filgotinib in male patients with RA, PsA or AS

Membranous lupus nephritis	Membranous lupus nephritis is an inflammation of the kidneys caused by systemic lupus erythematosus and is characterized by the presence of subepithelial immune complex deposits seen on kidney biopsy
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
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
MOR106	MOR106 acts on IL-17C, a novel antibody target discovered by Galapagos. In October 2019 Novartis, MorphoSys and Galapagos jointly announced the end of the clinical development program of MOR106 in patients with atopic dermatitis
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
Nonalcoholic steatohepatitis (NASH)	NASH is liver inflammation and damage caused by a buildup of fat in the liver. It is part of a group of conditions called nonalcoholic fatty liver disease
NOVESA	A Phase 2 trial to evaluate GLPG1690 in systemic sclerosis (SSc)
Ofev	An approved drug (nintedanib) for IPF, marketed by Boehringer Ingelheim
Oral dosing	Administration of medicine by the mouth, either as a solution or solid (capsule, pill) form
Organoids	Miniature organ produced from cells from a donor; organoids have all the phenotypic characteristics of the patient donor, making them useful tools for *in vitro* drug research
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
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
PENGUIN	Phase 3 trials with filgotinib in psoriatic arthritis
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
Pruritis	Extreme itching, as observed in AtD patients
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 embolisms	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
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, evaluating GLPG1972/S201086 (GLPG1972) in osteoarthritis (OA)
SEC	Securities Exchange Commission in the US

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
SELECTION	Phase 3 program evaluating filgotinib in UC patients
Service operations	Business unit primarily focused on delivering products and conducting fee-for-service work for clients. Our service operations included the BioFocus and Argenta business units, which were both sold in April 2014 to Charles River Laboratories
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)
Sjögren's syndrome	Sjögren's Syndrome is a systemic inflammatory disease which can be felt throughout the body, often resulting in chronic dryness of the eyes and mouth
Small bowel CD (SBCD)	CD causes chronic inflammation and erosion of the intestines. It can affect different regions of gastrointestinal tract including the stomach and small and large intestines. While isolated SBCD is an uncommon presentation of CD, involvement of some portion of the small bowel, particularly the ileum, is common
Spondylitis	About 20% of patients with psoratic arthritis will develop spinal involvement, which is called psoriatic spondylitis. Inflammation of the spine can lead to complete fusion, as in AS, or affect only certain areas such as the lower back or neck. We measured spondylitis in the EQUATOR trial with filgotinib in psoriatic arthritis
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
Target	Proteïn that has been shown to play a role in a disease process and that forms the basis of a therapeutic intervention or discovery of a medicine
Target discovery	Identification and validation of proteins that have been shown to play a role in a disease process
Technology access fee	License payment made in return for access to specific technology (e.g. compound or virus collections)
Tendinitis	Tendinitis is inflammation or irritation of a tendon, the thick fibrous cords that attach muscle to bone. The condition causes pain and tenderness just outside a joint. We measured tendinitis in the EQUATOR trial with filgotinib in psoriatic arthritis
Toledo	Toledo is a code name for a target family with a novel, undisclosed mode of action. GLPG3312 is the first of the Toledo compounds for which a Phase 1 has been initiated early 2019
Topical corticosteroids	Corticosteroids which are administered through the skin using an ointment
TORTUGA	Phase 2 trial with filgotinib in patients with ankylosing spondylitis. In 2018, we and Gilead reported that TORTUGA met its primary endpoint
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)

C. Organizational structure.

As of December 31, 2019, we had 16 subsidiaries. The following table sets out for each of our subsidiaries, the country of incorporation, and percentage ownership and voting interest held by us (directly or indirectly through subsidiaries).

Company	Country of incorporation	Percentage ownership and voting interest
BioFocus DPI AG in liquidation	Switzerland	100%
Fidelta d.o.o.	Croatia	100%
Galapagos B.V.	The Netherlands	100%
Galapagos GmbH	Switzerland	100%
Galapagos, Inc.	United States	100%
Galapagos SASU	France	100%
Galapagos Biotech Ltd.	United Kingdom	100%
Galapagos Real Estate 1 BV	Belgium	100%
Galapagos Real Estate 2 BV	Belgium	100%
Xenometrix, Inc. in liquidation	United States	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 Real Estate Netherlands B.V.	The Netherlands	100%

Our Biopharma subsidiaries in Belgium, the Netherlands, Spain, Italy and Germany, were incorporated in 2019, as well as Galapagos Real Estate Netherlands B.V. We anticipate that the liquidation of our dormant Swiss subsidiary, BioFocus DPI AG, will be completed in 2020.

D. Property, plants and equipment.

We have our principal executive, operational offices and laboratory space located in Mechelen, Belgium. Our main facilities owned or leased as of December 31, 2019 are set forth in the following table:

Facility location	Use	Approx. size (m2)	Lease expiry
Mechelen, Belgium (leased)	Headquarters, R&D, Operations	13,500	December 31, 2021[(1)]
Romainville, France (leased)	R&D	6,000	March 25, 2027
Leiden, the Netherlands (leased)	R&D	3,000	September 30, 2025
Zagreb, Croatia (leased)	Research Services	5,400	December 31, 2020[(2)]

(1) With the exception of approximately 5,500 m² of laboratory, storage and office space, for which the lease expires on May 31, 2024.

(2) With the exception of approximately 2,600 m² of laboratory and office space, for which the lease expires on May 4, 2022.

In addition to the facilities listed in the table above, we also lease office space in Basel, Switzerland and Boston, United States. In addition, we use short-term co-working spaces in Madrid, Spain, London, UK, Paris, France, Milan, Italy, and Munich, Germany to temporarily house our local commercial and medical affairs teams while we look for permanent locations in the aforementioned countries.

Finally, we intend to build new facilities in Mechelen, Belgium, and Leiden, the Netherlands, to meet our future demand for office and laboratory space.

During the year ended December 31, 2019, we purchased land in Mechelen, Belgium on which to construct our new building. We expect that the construction works will start in the second half of 2020 and will be completed by the end of 2022. The costs of the project will be funded out of our existing cash. Our current expenditures amount to approximately €15 million. We estimate that the total expenditures for the construction project will amount to approximately €145 million.

Environmental issues

For more information on environmental issues that may affect our utilization of our facilities, please see the section of this annual report titled “Item 3.D.—Risk factors—Risks related to our organization, structure and operation—.” We could be subject to liabilities under environmental, health and safety laws or regulations, or fines, penalties or other sanctions, if we fail to comply with such laws or regulations or otherwise incur costs that could have a material adverse effect on the success of our business.

Item 4A Unresolved staff comments

Not applicable.

Item 5 Operating and financial review and prospects

Overview

We are an integrated biopharmaceutical company active in the discovery, development, and preparation for future commercialization of medicines with novel modes of action, addressing disease areas of high unmet medical need. Our pipeline comprises programs ranging from discovery to Phase 3 clinical trials in inflammation, fibrosis, osteoarthritis (OA), and other indications. Our highly flexible platform is applicable across many therapeutic areas. Our clinical stage programs include: filgotinib, which is currently in Phase 3 trials in rheumatoid arthritis (RA), ulcerative colitis (UC), Crohn’s disease (CD), and psoriatic arthritis (PsA), and in Phase 2 trials in additional indications; GLPG1690, our autotaxin inhibitor, which is currently in a Phase 3 program for idiopathic pulmonary fibrosis (IPF) and in a Phase 2 trial in systemic sclerosis (SSc); GLPG1972 which is currently in a Phase 2b trial in OA patients; and GLPG3312, currently in Phase 1 trial in inflammation. Almost exclusively, these programs are based on inhibiting targets which were identified using our proprietary target discovery platform.

We devote substantially all of our resources to our drug discovery efforts from target discovery through to clinical development and to the preparation of our first commercial launch and co-promotion activities with Gilead for filgotinib in the Benelux, France, Italy, Spain, United Kingdom and Germany. To date, we do not have any products approved for sale and have not generated any revenue from product sales. To date, we funded our operations through public and private placements of equity securities, upfront and milestone payments received from pharmaceutical partners under our collaboration and alliance agreements, payments under our fee-for-service contracts, funding from governmental bodies, interest income as well as the net proceeds from the sale of our service division in 2014. From January 1, 2017 until December 31, 2019, we raised net proceeds from two U.S. public offering of American Depositary Shares (ADSs) in April 2017 and September 2018, and from the share subscription by Gilead in August 2019 and the exercise of warrant A by Gilead in November 2019. From January 1, 2017 until December 31, 2019 we also received €3,798.9 million in payments through our collaboration and alliance agreements. These are items which have a significant impact upon the profitability or cash flow of our business in each year in which they are received and earned. Fee-for-service payments and payments from governmental bodies contributed €28.7 million and €57.2 million, respectively. Over the same period, we also received €16.3 million in interest payments. As of December 31, 2019, we had cash and cash equivalents of €1,861.6 million and current financial investments of €3,919.2 million.

For the year ended December 31, 2017, we incurred a net loss of €115.7 million. For the year ended December 31, 2018, we incurred a net loss of €29.3 million. For the year ended December 31, 2019, we incurred a net income of €149.8 million. Excluding the impact of possible sales related revenues for filgotinib (which is subject to regulatory approval), we forecast to continue incurring losses as we continue to invest in our clinical and preclinical development programs and our drug discovery platform.

Collaboration and alliance agreements

Our main collaborations and alliance agreements are summarized below. All U.S. dollar payment amounts which have been received in cash regarding our Gilead and AbbVie collaborations in this Item 5 are converted into euros as per historical exchange rates (i.e., the spot rate at the moment of the transaction).

Option, License and Collaboration Agreement with Gilead

On July 14, 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, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform.

The transaction was subject to certain closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and receipt of merger control approval from the Austrian Federal Competition Authority. On August 23, 2019 all approvals were obtained and the transaction was closed.

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 November 6, 2019 Gilead exercised warrant A, which resulted in an additional equity investment of €368.0 million. We will use the proceeds to expand and accelerate our research and development programs. 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, until we reach the new, increased, joint predetermined level of costs, 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. We further refer to the Critical accounting judgments and key sources of estimation uncertainty section explaining critical judgments in applying accounting policies.

From the transaction price received from Gilead, $738.0 million (€667.0 million) was allocated to the license on GLPG1690, $710.0 million (€641.7 million) was allocated to the increased cost share from 20/80 to 50/50 on the global development activities of filgotinib, and on December 31, 2019, $2,528.1 million (€2,284.7 million) was allocated to the exclusive access rights to our drug discovery platform. The amount allocated to the drug discovery platform also considered the additional effects on the transaction price from derivative financial intruments triggered by the share subscription agreement and the warrants granted to Gilead. We refer to the note 6 of this annual report tittled “Total revenues and other income” for the allocation of the transaction price received from Gilead.

Gilead also proposed two individuals for our board of directors, which were nominated during the special general meeting of shareholders of October 22, 2019.

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. On top, a final term extension can be granted in certain circumstances. If GLPG1690 is approved in the United States, Gilead will pay us an additional $325 million regulatory milestone fee.

For GLPG1972, after the completion of the ongoing Phase 2b study in osteoarthritis, Gilead has the option to pay a $250 million fee to license the compound in the United States. If certain secondary efficacy endpoints for GLPG1972 are met, Gilead will pay us up to an additional $200 million. Following opt-in on GLPG1972, we are eligible to receive up to $550 million in regulatory and sales based milestones. 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.

The collaboration is further described in "Item 4 – Collaborations – Option, License and Collaboration Agreement with Gilead".

Filgotinib collaboration

Under the revised agreement, we will have 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. We and Gilead will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, we will have an expanded commercial role. We will be the lead commercialization party for filgotinib in France, Italy and Spain for rheumatology indications and Gilead will be the lead commercialization party for gastro indications. In Germany and the United Kingdom, Gilead will lead the rheumatology indications and Galapagos will lead the gastro indications. We retain exclusive commercialization responsibility in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies.

The companies will share future global development costs for filgotinib equally until a predetermined level, in lieu of the 80/20 cost split provided by the original agreement.

In connection with our entry into the initial collaboration agreement with Gilead on filgotinib, we received in January 2016 an upfront payment of $725 million consisting of a one-time, non-refundable, non-creditable license fee in the amount of $300 million and a $425 million equity investment. In November 2016, Gilead initiated a Phase 3 trial in CD, for which we received a $50.0 million (€45.7 million) payment. In December 2016, Gilead initiated a Phase 2 trial in UC for which we received a $10.0 million (€9.4 million) payment. In April 2017, Galapagos initiated a Phase 2 trial in psoriatic arthritis as a new indication, for which we received a $10.0 million (€9.4 million) payment. In May 2018, Gilead initiated a Phase 3 trial in UC for which we received $15.0 million (€12.4 million). In December 2019, Gilead initiated a Phase 3 trial in psoriatic arthritis for which we received $10.0 million (€9.1 million). In December 2019, Gilead filed an NDA for filgotinib in the U.S. for which we received a $20 million payment in January 2020.

In connection with the revised agreement, $710 million (€641.7 million) of upfront consideration received from Gilead was allocated to the extended cost sharing for development costs of filgotinib. Other terms of the original license agreement remain in effect, including the remaining $640 million in development and regulatory milestones, sales-based milestone payments of up to $600 million and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling $30 million. All payments by Gilead to us are made in U.S. dollars.

The collaboration is further described in "Item 4 – Collaborations -- Exclusive collaboration agreement with Gilead for filgotinib".

Terms of the equity investment

As part of the research and development collaboration 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 at July 14, 2019 a 20% premium to Galapagos' 30-day, volume-weighted average price. This equity subscription took place at closing of the transaction, on August 23, 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 October 22, 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 November 6, 2019 Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares. Gilead further increased its ownership to 25.84% at December 31, 2019.

Product development, license and commercialization agreement with Servier

In 2010, we and Servier entered into an agreement to discover and develop compounds in the field of osteoarthritis. Under this agreement, we and Servier engaged in a collaborative effort pursuant to which Galapagos discovered and developed GLPG1972 through to the end of Phase 1 clinical trials. In July 2017, Servier exercised its option to obtain an exclusive license to develop and commercialize GLPG1972 in all countries outside the U.S. whereas we retained full rights to develop and commercialize GLPG1972 in the U.S.

On May 8, 2018, we and Servier amended and restated our product development, license and commercialization agreement, pursuant to which GLPG1972 is being developed in the field of OA and potentially other indications. A detailed summary of this collaboration agreement is set forth in the section of this annual report titled "Item 4.B.—Business Overview—Collaborations—Product Development, License and Commercialization Agreement with Servier."

Under the terms of the amended and restated agreement, we and Servier are jointly responsible for the costs relating to the ongoing global Phase 2 clinical trial known as ROCCELLA in knee OA patients, with Galapagos bearing the costs for the U.S., Servier bearing the costs for all other countries, and all costs that are common to both territories being split on a 50-50 basis.

We are eligible to receive development, regulatory and other milestone payments up to €136 million plus royalties in the mid single digits upon commercialization outside the U.S. As of the date of this annual report, we have received an upfront payment of €7.0 million, €6.0 million as option exercise payment and a total of €38.0 million in milestone payments under the agreement.

Exclusive license agreement with MorphoSys AG and Novartis Pharma AG

In July 2018, we entered into an exclusive license agreement with MorphoSys and Novartis, pursuant to which MOR106 will be developed further for the treatment of AtD and potentially other indications. A detailed summary of this collaboration agreement is set forth in the section of this annual report titled "Item 4.B.—Business Overview—Collaborations—Exclusive License Agreement with MorphoSys AG and Novartis Pharma AG."

In addition to the funding of the current and future MOR106 programs by Novartis, we received jointly with MorphoSys an upfront cash payment of €95.0 million.

On October 28, 2019, we announced the end of the clinical development program of MOR106 in AtD. On December 17, 2019, Novartis sent us a termination notice, informing us of its decision to terminate the agreement in its entirety. The notice period for such termination is still ongoing, but we expect that such termination will become effective later this year.

Amended AbbVie collaboration agreement for CF

On October 24, 2018 we and AbbVie amended and restated the CF collaboration agreement for a second time to restructure the entire collaboration. A detailed summary of this collaboration agreement is set forth in the section of this annual report titled "Item 4.B.—Business Overview—Collaborations— Second Amended and Restated Collaboration with AbbVie."

Upon execution of the initial collaboration agreement, we received a one-time non-refundable, non-creditable upfront payment of $45.0 million (€34.0 million). Upon execution of the second amended and restated collaboration agreement, we received an additional one-time non-refundable, non-creditable upfront payment of $45.0 million (€38.9 million). As of the date of this annual report, we have also received a total of $112.5 million (€99.3 million) in milestone payments under the agreement. All payments by AbbVie to us are made in U.S. dollars.

Under the second amended and restated agreement, we are still eligible to receive up to $175 million in total additional developmental, regulatory, and sales-based milestones. In addition, we will be eligible to receive tiered royalty percentages ranging from single digit to low teens on net sales of licensed products payable on a product-by-product basis in the event AbbVie receives regulatory approval and realizes commercial sales in CF. AbbVie further agrees to pay us tiered single digit royalties of global commercial sales, if approved, from these candidates achieved in indications outside of CF.

We retain exclusive global commercial rights to develop GLPG2737, a candidate C2 corrector, in all indications outside of CF. AbbVie is eligible to receive up to $20 million upon achievement of a late stage development milestone, and tiered single digit royalties on future global commercial sales, if approved, in indications outside CF. We further retain exclusive global commercial rights to develop GLPG1837, a candidate potentiator, in all indications outside of CF. AbbVie is eligible for a low single digit royalty on future global commercial sales, if approved, in indications outside CF.

Financial operations overview

Revenue

Revenues to date have consisted principally of milestones, license fees and upfront payments received in connection with collaboration and license agreements. We also generated revenue from our fee-for-service activities.

The revenue recognition policy 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 over time, revenue is then 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. We estimate the amount to be included in the transaction price using the most likely amount method, where milestone payments are included in the transaction price upon achievement of the milestone event. The transaction price is then allocated to each performance obligation on a stand-alone selling price basis, for which 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 such milestones and any related constraint, and, if necessary, 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 the 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 recognised 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 result in recognition of revenue over time and 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.

Contract costs

Contract costs are those costs we incur in order 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.

Grants and R&D incentives

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 R&D efforts and are credited to the statement of operations, under other income, when the relevant expenditure has been incurred and there is reasonable assurance that the grant or R&D incentive is receivable. The main grants and R&D incentives are as follows:

- Companies in Belgium are eligible to receive R&D incentives linked to R&D investments (equaling 25% of 13.5% of the investment value in 2019, 29.58% of 13.5% of the investment value in 2018, or 29.58% of 13.5% of the investment value in 2017). This R&D tax credit results in a cash inflow to us from the tax authorities five years after the investment was made and capitalized in our standalone financial statements under Belgian GAAP for the portion that has not been used to offset the payment of corporate tax or is paid to us for the portion that remains unused. We also received a grant from the National Institute for Health and Disability Insurance. This grant aims to incentivize innovative Belgian biotech companies who are performing research and development activities in order to identify new medicines. Finally, we also benefit from certain rebates on payroll withholding taxes for scientific personnel.

- In France, we benefit from R&D incentives from the French Government for R&D activities whereby 30% of qualifying R&D expenses can be recuperated. This research tax credit (crédit d'impôt recherche) results in a cash inflow to us from the tax authorities after three years, i.e., it is used to offset the payment of corporate tax or is paid to us for the portion that remains unused. Qualifying expenditures largely comprise employment costs for research staff, consumables, and certain overhead costs as well as capped outsourcing costs incurred as part of R&D projects.

R&D expenditure

Expenses on R&D activities are recognized as an expense in the period in which the expense is incurred.

Our R&D expenditure consists of costs associated with our R&D activities such as:

- personnel costs associated with employing our team of R&D staff, including salaries, social security costs, and share-based compensation expenses;

- disposables and lab consumables used in the conduct of our in-house research programs;

- payments for research work conducted by sub-contractors and sponsorship of work by our network of academic collaborative research scientists;

- subcontracting costs paid to contracted research organizations, or CROs, for our preclinical studies or clinical trials, as well as costs associated with safety studies;

- costs paid to our collaboration partners and reimbursements received from our collaboration partners in the scope of the cost sharing agreements of our collaborations
- premises costs associated with our laboratory and office space to accommodate our teams;
- depreciation of fixed assets used to develop our product candidates; and
- other operating expenses, namely software and licenses, maintenance costs for equipment, travel costs, and office expenses.

Our R&D expenses are expected to increase in the future as we advance our filgotinib program, our IPF program, our OA program, Toledo program and our other programs.

Since 2017, we cumulatively have spent €968.7 million on R&D activities which can be split as follows between the key programs:

	Year ended December 31,				
	2019	2018	2017	Cumulative	
	(Euro, in thousands)				
Filgotinib program	€ (100,032)	€ (66,138)	€ (53,212)	€ (219,382)	23%
IPF program on GLPG1690	(75,951)	(72,718)	(16,190)	(164,859)	17%
OA program on GLPG1972	(19,958)	(15,751)	(7,317)	(43,026)	4%
Toledo program	(47,204)	(20,967)	(8,075)	(76,246)	8%
CF program	(3,897)	(30,137)	(46,192)	(80,225)	8%
AtD program on MOR106	(24,051)	(14,999)	(8,404)	(47,453)	5%
Other programs	(156,227)	(102,165)	(79,113)	(337,504)	35%
Total R&D expenses	**€ (427,320)**	**€ (322,875)**	**€ (218,502)**	**€ (968,697)**	**100%**

The increase in our R&D expenditure is driven by the maturing pipeline of our R&D projects. As progressively, product candidate compounds have been entering the clinic, costs for development of these molecules increased as well, specifically with regard to third-party CRO costs for conducting these clinical trials.

General and administrative expenses

General and administrative expenses consist primarily of salaries and benefits related to our executive, finance, human resources, business development, legal, intellectual property, and information technology support functions. Professional fees reported under general and administrative expenses mainly include legal fees, accounting fees, audit fees, and fees for taxation advisory. Other general and administrative operating expenses primarily encompass software and license costs, equipment maintenance and leasing costs, consultancy costs, insurance costs, office expenses, and travel costs.

We expect our general and administrative expenses to increase as we continue to support our growth and as we operate as a U.S.-listed company. Such costs include increases in our finance and legal personnel, additional external legal and audit fees, and expenses and costs associated with compliance with the regulations governing public companies. We also expect to incur increased costs for directors' and officers' liability insurance and an enhanced investor relations function.

Sales and marketing expenses

Sales and marketing expenses include costs associated with managing our commercial activities as we prepare for our first commercial launch and co-promotion activities with Gilead for filgotinib in the Benelux, France, Italy, Spain, United Kingdom and Germany.

Fair Value Re-measurement of Share Subscription Agreement and warrants

We reported a total of €181.6 million of non-cash fair value losses from different fair value re-measurements in the second half of 2019.

One component relates to the re-measurement of a derivative financial instrument triggered by the share subscription agreement with Gilead between signing (July 14, 2019) and closing (August 23, 2019) of the agreement. This fair value loss of €142.4 million reflects the increase in the Galapagos share price between signing and closing of the Gilead agreement. On August 23, 2019, the fair value of the financial liability amounting to €56.7 million was derecognized through the share premium account in equity.

Another part of these fair value losses is explained by the re-measurement of the Gilead warrant A and initial warrant B. Upon approval of the issuance of warrant A and initial warrant B by the extraordinary general meeting of shareholders of October 22, 2019 we recognized a financial liability for both warrants.

Between the approval date and the exercise of warrant A by Gilead on November 6, 2019 our share price increased significantly, resulting in a fair value loss of €35.6 million recognized in profit or loss. On November 6, 2019 the related financial liability, amounting to €79.0 million was derecognized through the share premium account in equity.

As initial warrant B is not yet exercised by Gilead per December 31, 2019 we re-measured the financial liability relating to this warrant on December 31, 2019 and recognized the resulting change in fair value between the approval and year-end in profit or loss. The recognized fair value loss of €3.7 million is mainly the result of an increase in the implied volatility of our share price and our share price itself between these two dates. On December 31, 2019, the fair value of the financial liability related to the initial warrant B amounts to €6.2 million.

The financial liability will be re-measured at fair value at each reporting period.

Other financial expense and financial income

Interest expense consists primarily of interest expense incurred on certain of our term deposits and finance leases.

Interest income consists primarily of interest earned by investing our cash reserves in short-term, interest-bearing deposit accounts and in current financial investments.

Fair value gains and losses on financial assets held at fair value through profit or loss consist of the effect of re-measurement of financial assets classified as equity investments held at fair value through profit or loss, which qualify for level 1 fair value measurement based upon the closing price of such securities at each reporting date. Any gain or loss realized upon the sale of equity instruments is reported in other financial expense or in other financial income.

Fair value gains and losses on current financial investments consist of the effect of the re-measurement of these investments at the reporting date. They all qualify for level 1 fair value measurement based upon the closing price of the investment at each reporting date.

Other financial expenses also include the costs linked the accounting for a financing component embedded in the upfront consideration received from Gilead in connection with the revised agreement for filgotinib. This represents the the time value of money on the estimated revenue recognition period.

Foreign currency exchange gain and loss comprises realized and unrealized effect from currency exchange rate fluctuation on our balance sheet positions denominated in foreign currency. For the year ended December 31, 2019, currency exchange loss was primarily due to currency exchange rate differences on our cash held in foreign currency, and a realized currency exchange loss on a hedging transaction in relation with the Gilead deal. On December 31, 2019 our cash and cash equivalents and current financial investments included $1,507.3 million 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.

Taxation

With the exception of the year ended December 31, 2019, we have a history of losses. Excluding the impact of possible sales related revenues for filgotinib which is subject to regulatory approval, we forecast to continue incurring losses as we continue to invest in our clinical and preclinical development programs and our discovery platform. Consequently, we do not have any deferred tax asset on the balance sheet as at December 31, 2019, except for two subsidiaries working on a cost plus basis and our fee-for-service business for which deferred tax assets were set up for an amount of €4.2 million as of December 31, 2019. As a company active in research and development in Belgium, we also expect to benefit from the "innovation income deduction", or IID 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 tax rate than other revenues. The effective tax rate can thus be reduced up to 4.4% (3.75% as of January 1, 2020).

Operating segments

There are two reportable segments in 2017, 2018 and 2019: R&D and fee-for-service business.

Financial information related to our two reportable segments and geographic information is contained in "Note 5—Segment information" in our consolidated financial statements appended to this annual report.

Risks

For further information regarding governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, our operations, please see the section of this annual report titled "Item 3.D.—Risk Factors."

Critical accounting judgments and key sources of estimation uncertainty

In the application of our 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 our critical judgments that we have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in our consolidated financial statements presented elsewhere in this annual report.

Critical judgments in applying accounting policies

Accounting for warrant A and warrant B granted to Gilead

Warrant A and warrant B were granted to Gilead in combination with the signing of the collaboration agreement on July 14, 2019. As the issuance of warrants A and B was subject to the approval of our shareholders, management concluded that a financial instrument as defined under IAS 32 could not be recognized until such approval was received. We considered that the transaction price included a premium paid by Gilead (through the upfront payment) to acquire the warrants in the future, upon approval by the shareholders.

On August 23, 2019, the closing date of the transaction, we received from Gilead the upfront payment that included a premium for the future issuance of the warrants. In accordance with IFRS 15, on August 23, 2019, we recorded a contract liability ("warrant issuance liability") for the expected value of the warrants. 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 until the time the warrants are approved and issued.

The issuance of warrant A and initial warrant B was approved by the extraordinary general meeting of shareholders of October 22, 2019. Upon issuance of warrant A and initial warrant B, on October 22, 2019, the part of the contract liability related to warrant A and initial warrant B was reclassified into a financial liability (derivative) measured at fair value through profit or loss in accordance with IFRS 9.

Had management concluded warrant A and warrant B could have been recognized as derivatives upon closing of the transaction changes in the fair value of the derivatives would have been recognized through profit and loss rather than as an adjustment to the transaction price. This would have resulted in an increase of fair value re-measurement for the warrants by €12.9 million (fair value gain), and a decrease of the deferred income at December 31, 2019 by €28.6 million, resulting in a decrease in revenue recognized in current period by €0.5 million.

As of December 31, 2019, subsequent warrant B is still subject to approval by an extraordinary general meeting of shareholders.

IFRS 15 – Revenue recognition Gilead

Our critical judgments were 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 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. It has been allocated to the drug discovery platform and will be recognized as revenue over the next ten years. Had we concluded that the equity subscription should be accounted for as a separate transaction the entire amount of €85.6 million would have been additionally recorded as equity and future revenue reduced by the same amount.

Performance obligation: 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. Changes in these assumptions would have impacted the estimate of the stand-alone selling price of this performance obligation. This would have resulted in a reallocation of the transaction price between this performance obligation, for which revenue is recognized at a point in time, and the drug discovery platform, for which revenue is recognized on a straight-line basis over ten years.

▪ After granting the license for GLPG1690, we share further development costs equally with Gilead. Gilead is not assessed as a customer but as a collaboration partner, as such this part of the collaboration is not in scope of IFRS 15. Any cost reimbursement from our collaboration partner is not recognized as revenue but accounted for as a decrease of the related expenses. Had management concluded that the transaction was within scope of IFRS 15, the reimbursement from our collaboration partner for the year ended December 31, 2019 of €17.7 million would have been presented as revenue instead of an offset of the related expenses.

Performance obligation: Filgotinib amendment

▪ 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 global strategy of filgotinib and the broader commercialization role in the Benelux and EU5 countries. Had a different margin been estimated the transaction price allocated to the performance obligation from the filgotinib amendment would have been different with a corresponding adjustment to the revenue allocated to the drug discovery platform. This would have resulted in a reallocation of revenue between current periods and future periods, given the transaction price allocated to the performance obligation from the filgotinib amendment will be recognized over a shorter period as compared to the 10-year recognition pattern of the transaction price allocated to the drug discovery platform.

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 platform and the performance obligation resulting from the filgotinib amendment. Although the consideration paid for the 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. Had no financing component been applied for the performance obligation resulting from the filgotinib amendment, this would have resulted in a decrease of €6.9 million in interest expenses, a decrease in revenue recognition of €11.8 million and a decrease in current and non-current deferred income of €4.9 million for the year ended December 31, 2019.

New standards and interpretations applicable for the annual period beginning on January 1, 2019

As of January 1, 2019 we adopted IFRS 16 – *Leases*, in accordance with the transitional provisions of IFRS 16, using the modified retrospective approach and did not restate prior year comparatives. The impact of the adoption of this new standard is disclosed in “Note 3-Significant accounting policies” in our consolidated financial statements appended to this annual report.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after January 1, 2020 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.

- IFRS 17 Insurance contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable for annual periods beginning on or after 1 January 2020)
- Definition of a Business (Amendments to IFRS 3) (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)

- Definition of Material (Amendments to IAS 1 and IAS 8) (applicable for annual periods beginning on or after 1 January 2020)

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)

A. Operating results

Comparison of years ended December 31, 2019 and 2018

The following table summarizes the results of our operations for the years ended December 31, 2019 and 2018, together with the changes to those items.

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands, except per share data)		
Revenues	€ 844,985	€ 288,836	193%
Other income	50,905	29,009	75%
Total revenues and other income	**895,890**	**317,845**	**182%**
Research and development expenses	(427,320)	(322,875)	32%
General and administrative expenses	(73,701)	(35,631)	107%
Sales and marketing expenses	(24,577)	(4,146)	493%
Total operating expenses	**(525,597)**	**(362,652)**	**45%**
Operating income/loss (-)	**370,292**	**(44,807)**	**(926%)**
Fair value re-measurement of share subscription agreement and warrants	(181,644)	—	
Other financial income	21,482	18,335	17%
Other financial expenses	(60,071)	(2,737)	2095%
Income/loss (-) before tax	**150,060**	**(29,209)**	**(614%)**
Income taxes	(214)	(50)	329%
Net income/loss (-)	**€ 149,845**	**€ (29,259)**	
Net income / loss (-) attributable to:			
Owners of the parent	149,845	(29,259)	
Basic income/loss (-) per share	**€ 2.60**	**€ (0.56)**	
Diluted income/loss (-) per share	**€ 2.49**	**€ (0.56)**	

Revenues

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands)		
Recognition of non-refundable upfront payments and license fees	€ 812,058	€ 196,486	313%
Milestone payments	2,878	73,394	(96%)
Reimbursement income	19,900	8,722	128%
Other revenues	10,150	10,233	(1%)
Total revenues	**€ 844,985**	**€ 288,835**	**193%**

A summary of the accounting treatment of the Gilead collaboration is given below:

Collaboration with Gilead

On July 14, 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, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform. We refer to note 2 of our consolidated financial statements 'Summary of significant transaction' for more detailed information.

As part of this deal, our existing license and collaboration agreement for filgotinib with Gilead was also amended under this revised filgotinib agreement, we have 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.

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 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.

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.

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 December 31, 2019. As such, future milestones (other than sales based milestones) payments will be included and recognized in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur. Future royalties will be recognized as revenue as the subsequent underlying sales occur.
- After granting the license for GLPG1690, we will share Phase 3 costs equally with Gilead. Any cost reimbursement from Gilead is 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 global strategy of filgotinib and the broader commercialization role in the Benelux and EU5 countries.
- The transaction price is currently composed of a fixed part, being an upfront license fee and a variable part, being milestone payments 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. Sales based milestones and sales based royalties are a part of the arrangement but are not yet included in our revenues as our program is still in Phase 3 of development.
- Revenues 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 predetermined level of costs has increased compared to the original agreement and as a result, the percentage of completion has decreased leading to the recognition in revenue of a negative cumulative catch-up effect in 2019.
- We expect to recognize revenues from the current transaction price over time in future periods until satisfaction of this performance obligation based on the cost-to-cost model.

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.
- Management 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. We will reassess this critical estimate at each year-end based on the evolution of our pipeline.

The transaction price received from Gilead in connection with the Option, License and collaboration agreement signed on July 14, 2019, of €3,569.8 million ($3.95 billion) and the impact of the initial valuation of the derivative financial instrument triggered by the share subscription agreement with Gilead of €85.6 million were allocated to the performance obligations identified as follows:

		(Euro, in thousands)
Allocation of transaction price		
Upfront received	€	3,569,815
Impact initial valuation of share subscription		85,601
		3,655,416
Less :		
Warrants issuance liabilities		
Warrant A		(43,311)
Initial warrant B		(2,545)
Subsequent warrant B		(16,184)
		3,593,376
Allocation to performance obligations		
GLPG1690		666,967
Filgotinib additional consideration [(1)]		641,663
Drug discovery platform (10 years)	€	2,284,747

(1) With regard to the additional consideration received for the extended cost sharing for filgotinib, we assume the existence of a significant financing component estimated to €44.5 million reflecting the time value of money on the estimated recognition period.

On the closing date of the transaction (August 23, 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 reducing the transaction price until approval date of the issuance of the underlying warrant. 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 (October 22, 2019). The value allocated to the subsequent warrant B reflects the fair value of the underlying liability at December 31, 2019 since this warrant is not yet approved for issuance.

The following table summarizes details of revenues for the years ended December 31, 2019 and 2018 by collaboration and by category of revenue: upfront payments and license fees, milestone payments, reimbursement income, and other revenues.

	Over time	Point in time	2019 (Euro, in thousands)	2018 (Euro, in thousands)
Recognition of non-refundable upfront payments and license fees			**€ 812,058**	**€ 196,486**
Gilead collaboration agreement for GLPG1690		☐	666,968	-
Gilead collaboration agreement for filgotinib [1]	☐		62,602	96,809
Gilead collaboration agreement for drug discovery platform	☐	☐	80,918	-
AbbVie collaboration agreement for CF	☐		1,569	52,176
Novartis collaboration agreement for MOR106		☐	-	47,500
Milestone payments			**2,878**	**73,394**
Gilead collaboration agreement for filgotinib [1]	☐		(21,187)	27,623
AbbVie collaboration agreement for CF	☐		24,065	36,771
Servier collaboration agreement for osteoarthritis		☐	-	9,000
Reimbursement income			**19,900**	**8,722**
Novartis collaboration agreement for MOR106	☐	☐	19,177	7,718
AbbVie collaboration agreement for CF	☐		723	989
Other reimbursement income		☐	-	16
Other revenues			**10,150**	**10,233**
Fee-for-services revenues	☐	☐	10,084	10,170
Other revenues		☐	66	63
Total revenues			**€ 844,985**	**€ 288,836**

(1) Following the contract amendment, the revenue recognized for filgotinib included a negative catch-up effect at 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.

Recognition of non-refundable upfront payments and licence fees increased mainly due to the one time recognition of €667.0 million of the upfront payment from Gilead allocated to the IPF program on GLPG1690. We recognize the consideration from Gilead allocated to the drug discovery platform on a linear basis over 10 years, of which we already recognized €80.9 million in 2019. Finally, considering the recalculated percentage of completion of the costs incurred compared to the new increased, joint pre-determined level of costs, and related catch-up effect for the previously received upfront due to the revised filgotinib collaboration agreement, we recognized in revenue €62.6 million of the total upfront consideration allocated to filgotinib.

The recalculated percentage of completion and related catch-up effect at closing of the transaction, for the previously received milestones payments due to the revised filgotinib collaboration agreement negatively affected the over time revenue recognition of the milestones for the year ended December 31, 2019. This was partially offset by a milestone received from AbbVie for the Falcon study fully recognized in revenue in the year ended December 31, 2019.

The outstanding balance of deferred income from the Gilead collaboration agreement at December 31, 2019 amounted to €3,000.3 million. This is composed of €780.3 million for filgotinib that will be recognized in revenue over the next 4 to 5 years and €2,220.0 million for the exclusive access to our drug discovery platform. The latter is composed of €2,203.8 million that will be linearly recognized over the next 10 years and €16.2 million is related to the warrant issuance liability reserved for the subsequent warrant B.

Reimbursement income increased due to higher cost reimbursements in relation with the MOR106 program with Novartis and MorphoSys.

Other income

The following table summarizes our other income for the years ended December 31, 2019 and 2018, together with the changes to those items.

	Year ended December 31, 2019	2018	% Change
	(Euro, in thousands)		
Grant income	€ 6,549	€ 1,609	307%
R&D incentives	43,923	26,912	63%
Other income	433	488	(11%)
Total other income	**€ 50,905**	**€ 29,009**	**75%**

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 2019 (2018: 95%).

The grant income mainly increased due to a grant received in 2019 from the National Institute for Health and Disability Insurance amounting to €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.

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.

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 December 31, 2019 compared to €9.3 million for the year ended December 31, 2018
- 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 December 31, 2019 compared to €11.3 million for the year ended December 31, 2018
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €9.9 million of other income for the year ended December 31, 2019 compared to €6.3 million for the year ended December 31, 2018

R&D expenditure

The following table summarizes our R&D expenditure for the years ended December 31, 2019 and 2018, together with the changes to those items.

	Year ended December 31, 2019	2018	% Change
	(Euro, in thousands)		
Personnel costs	€ (124,260)	€ (81,352)	53%
Subcontracting	(249,926)	(197,644)	26%
Disposables and lab fees and premises costs	(23,880)	(25,525)	(6%)
Depreciation	(10,874)	(5,655)	92%
Other operating expenses	(18,380)	(12,699)	45%
Total R&D expenses	**€ (427,320)**	**€ (322,875)**	**32%**

The R&D expenditure increased reflecting the increase of our investments to advance our R&D programs. This increase was principally due to:

- Increased R&D personnel costs was explained by an enlarged workforce following the growth in our R&D activities as well as an exceptional bonus following the successful closing of the Gilead transaction.

- The increase in subcontracting costs was mainly due to increased expenditure in our partnered programs with Gilead, including our increased cost share for filgotinib. Moreover expenditures have further increased as we advance our IPF program, our OA program GLPG1972, our Toledo program and our other programs.

- Premises costs decreased and depreciation expenses increased due to the accounting treatment related to the adoption of IFRS 16 (effect of IFRS 16 on depreciation expenses amounted to €5.3 million).

- Other operating expenses increased in line with the increase of the R&D staff.

The table below summarizes our R&D expenditure for the years ended December 31, 2019 and 2018, broken down by program.

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands)		
Filgotinib program	€ (100,032)	€ (66,138)	51%
IPF program on GLPG1690	(75,951)	(72,718)	4%
OA program on GLPG1972	(19,958)	(15,751)	27%
Toledo program	(47,204)	(20,967)	125%
CF program	(3,897)	(30,137)	(87%)
AtD program on MOR106	(24,051)	(14,999)	60%
Other programs	(156,227)	(102,165)	53%
Total R&D expenses	**€ (427,320)**	**€ (322,875)**	**32%**

General and administrative expenses

The following table summarizes our general and administrative expenses for the years ended December 31, 2019 and 2018, together with the changes to those items.

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands)		
Personnel costs and directors fees	€ (51,906)	€ (25,495)	104%
Depreciation	(1,513)	(513)	195%
Legal and professional fees	(11,775)	(4,284)	175%
Other operating expenses	(8,506)	(5,339)	59%
Total general and administrative expenses	**€ (73,701)**	**€ (35,631)**	**107%**

The increase in our general and administrative expenses was mainly due to a planned increase in the staff supporting the growth of the company. as well as an exceptional bonus following the successful closing of the Gilead transaction, costs related to RSU plans granted in 2019, and additional legal and professional fees.

Sales and marketing expenses

The following table summarizes our sales and marketing expenses for the years ended December 31, 2019 and 2018, together with the changes to those items.

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands)		
Personnel costs	€ (7,558)	€ (2,282)	231%
Depreciation	(61)	—	
External outsourcing costs	(15,722)	(1,284)	1125%
Other operating expenses	(1,236)	(580)	113%
Total sales and marketing expenses	**€ (24,577)**	**€ (4,146)**	**493%**

The increase in our sales and marketing expenses in 2019 is mainly explained by an increase in personnel costs due to recruitments, as well as related increase in outsourcing costs. The latter was mainly due to €8.2 million of expenses relating to our 50/50 cost share mechanism with Gilead for expenses incurred in preparation for the co-promotion activities for filgotinib.

Fair value re-measurement of share subscription agreement and warrants granted to Gilead

Total fair value re-measurement for the year ended December 31, 2019 can be split up as follows:

		Year ended December 31, 2019 (Euro, in thousands)
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		(3,653)
Total fair value re-measurement of share subscription agreement and warrants	**€**	**(181,644)**

Gilead share subscription agreement

On August 23, 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 July 14, 2019 and changes in fair value were recorded through profit or loss until closing date, when the financial liability was derecognized.

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 August 23, 2019, the fair value of the financial liability amounting to €56.7 million was derecognized through the share premium account in equity.

Fair value re-measurement of the Gilead share subscription agreement

		(Euro, in thousands)
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 December 31, 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 October 22, 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.

Warrant A has been valued using a standard option model (Black & Scholes Merton). 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, applied discount for lack of marketability). On November 6, 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. On November 6, 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 a remaining fair value of €0 million at December 31, 2019 mainly because Gilead further increased its ownership to 25.84% at December 31, 2019.

Fair value re-measurement of the financial instrument related to the issuance of warrant A

	(Euro, in thousands)
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 December 31, 2019	**€ —**

The issuance of initial warrant B was approved on October 22, 2019 by the extraordinary general meeting of shareholders and is not yet exercised by Gilead at December 31, 2019. 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 loss of €3.7 million is mainly the result of an increase in the implied volatility of our share price and our share price itself between the warrant approval date and year-end. The fair value of the financial liability related to the initial warrant B amounts to €6.2 million on December 31, 2019.

The financial liability will be re-measured at fair value at each reporting period.

Fair value re-measurement of the financial instrument related to the issuance of initial warrant B

	(Euro, in thousands)
Fair value of financial liability at warrant approval date	**€ (2,545)**
Change in fair value recorded in profit or loss	(3,653)
Fair value on December 31, 2019	**€ (6,198)**

The fair value of the financial liability related to the initial warrant B of €6.2 million at December 31, 2019 was presented as current financial instrument, in the section current liabilities, in our consolidated statement of financial position.

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).

Other financial income and expense

The following table summarizes other financial income and expense for the years ended December 31, 2019 and 2018.

	Year ended December 31,		% Change
	2019	2018	
	(Euro, in thousands)		
Other financial income:			
Interest income	€ 14,306	€ 5,219	174%
Effect of discounting long term R&D incentives receivables	93	199	(53%)
Currency exchange gain	850	11,027	(92%)
Fair value gain on financial assets held at fair value through profit or loss	5,355	1,203	345%
Fair value gain on current financial investments	611	—	
Gain upon sale of financial assets held at fair value through profit or loss	2	668	(100%)
Other finance income	264	19	1324%
Total other financial income	**21,482**	**18,335**	**17%**
Other financial expenses:			
Interest expenses	(1,302)	(780)	67%
Effect of discounting long term deferred income	(6,900)	—	
Currency exchange loss	(47,769)	(1,174)	3969%
Fair value loss on current financial investments	(3,700)	—	
Other finance charges	(400)	(782)	(49%)
Total other financial expense	**(60,071)**	**(2,737)**	**2095%**
Total net other financial expense (-)/ income	**€ (38,589)**	**€ 15,598**	**(347%)**

The currency exchange loss in 2019 primarily related to a realized currency exchange loss of €34.9 million on the U.S. dollars upfront payment from Gilead (mainly related to the negative hedging effect) and to €10.6 million of unrealized exchange loss 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. Interest expenses were related to interests on term deposits and on lease of buildings and cars.

A net fair value loss on current financial investments of €3.1 million was recorded in 2019. This consists of the effect of the re-measurement at fair value of these investments at the reporting date.

Other financial expense for 2019 also includes €6.9 million of costs linked to the accounting for a financing component embedded in the upfront consideration received from Gilead in connection with the revised agreement for filgotinib.

The decrease in currency exchange gain was due to a currency exchange gain in 2018 of €10.1 million on our cash and cash equivalents held in U.S. dollar. Interest income was related to interests on term deposits and current financial investments.

Net exchange loss amounted to €46.9 million for the year ended December 31, 2019, compared to a net exchange gain of €9.9 million for the year ended December 31, 2018.

For the year ended December 31, 2019, 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 values loss on the current financial investments reflects the differences between the amounts invested in our money market funds denominated in EUR and their fair value at settlement date or December 31, 2019. These fair value losses are mainly the result of the negative returns on the EUR denominated money market funds.

For more information on currency exchange fluctuations on our business, please see the section of this annual report titled “Item 11—Quantitative and qualitative disclosures about market risk—Foreign exchange risk.”

Income Taxes

The following table summarizes our tax result for the years ended December 31, 2019 and 2018.

	Year ended December 31,	
	2019	2018
	(Euro, in thousands)	
Current tax	€ (1,372)	€ (584)
Deferred tax	1,158	535
Income taxes	**€ (214)**	**€ (50)**

Current tax amounted was related to corporate income taxes for subsidiaries operating on a cost plus basis. Deferred tax income related to subsidiaries working on a cost plus basis and to our fee-for-service business. Despite the significant profit before tax incurred in the year ended December 31, 2019, we only recorded a minor tax charge as we made use of the “innovation income deduction” regime in Belgium.

We refer to note 11 of our consolidated financial statements ‘Income taxes’.

Comparison of years ended December 31, 2018 and 2017

We refer to the “item 5 - Operating and financial review and prospects - Financial operations overview” of our year ended December 31, 2018 Form 20-F for the comparison of the years ended December 31, 2018 and 2017.

B. Liquidity and capital resources

With the exception of the year ended December 31, 2019, we have incurred significant operating losses. We have funded our operations through public and private placements of equity securities, upfront and milestone payments received from pharmaceutical partners under our collaboration agreements, payments under our fee-for-service contracts, funding from governmental bodies, interest income as well as the net proceeds from the sale of our service division. Our cash flows may fluctuate and are difficult to forecast and will depend on many factors. As at December 31, 2019, our current financial investments and cash and cash equivalents amounted to €5,780.8 million. For more information on our policies regarding financial instruments, please see “Note 3—Significant accounting policies—Financial instruments” included in our consolidated financial statements appended to this annual report.

Cash flows

Comparison for the years ended December 31, 2019 and 2018

The following table summarizes the results of our audited consolidated statement of cash flows for the years ended December 31, 2019 and 2018.

	2019	2018	Variance
	(Euro, in thousands)		
Cash and cash equivalents at beginning of the period	**€ 1,290,796**	**€ 1,151,211**	**€ 139,584**
Net cash flows generated/used (-) in operating activities	3,208,617	(142,466)	3,351,083
Net cash flows used in investing activities	(3,764,660)	(15,914)	(3,748,746)
Net cash flows generated in financing activities	1,335,751	287,876	1,047,875
Transfer to current financial investments [1]	(198,922)	—	(198,922)
Effect of exchange rate differences on cash and cash equivalents	(9,966)	10,089	(20,055)
Cash and cash equivalents at end of the period	**€ 1,861,616**	**€ 1,290,796**	**€ 570,819**

(1) The money market funds were no longer classified as cash equivalents and were transferred to the current financial investments because we no longer used them for meeting short-term cash commitments.

	2019	2018	Variance
	(Euro, in thousands)		
Current financial investments at end of the period	€ 3,919,216	€ —	€ 3,919,216
Cash and cash equivalents at end of the period	1,861,616	1,290,796	570,821
Current financial investments and cash and cash equivalents at end of the period	**€ 5,780,832**	**€ 1,290,796**	**€ 4,490,037**

The net increase of €570.8 million in cash and cash equivalents for the year ended December 31, 2019, consisted of a transfer to current financial investments of €198.9 million, negative unrealized exchange differences of €10.0 million, both compensated by an increase in cash and cash equivalents of €779.7 million. This latter was composed of (i) €3,162.8 million of operational cash flow, of which €3,497.1 million net operational cash inflow from the Gilead collaboration and €334.3 million operational cash burn, (ii) €955.6 million net cash proceeds related to the share subscription by Gilead and €368.0 million cash proceeds related to the exercise of warrant A by Gilead, (iii) €17.2 million of cash proceeds from capital and share premium increase from exercise of warrants in 2019, less (iv) the net increase in current financial investments of €3,723.9 million.

The 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:

i. the net proceeds, if any, from share capital and share premium increases included in the net cash flows generated/used (–) in financing activities

ii.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 this transaction, to the closest IFRS measures, for each of the periods indicated:

	2019	2018
	(Euro, in thousands)	
Increase in cash and cash equivalents (excluding effect of exchange differences)	**€ 779,710**	**€ 129,497**
Less :		
Net proceeds from capital and share premium increases	(1,340,842)	(287,881)
Increase in current financial investments	4,787,284	
Decrease in current financial investments	(1,063,344)	
Total operational cash flow/cash burn (-)	**3,162,809**	**€ (158,384)**
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)	
Net operational cash proceeds from the Gilead transaction	3,497,113	
Operational cash burn adjusted for Gilead transaction	**€ (334,304)**	

The increase in net cash flow generated/used (-) in operating activities for the year ended December 31, 2019, is primarily explained by the upfront payment of €3,569.8 million received from Gilead.

The increase in net cash used in investing activities for the year ended December 31, 2019, can be primarily explained by the net increase of €3,723.9 million in our current financial investments. In addition investments in (in)tangible fixed assets increased from €13.7 million for the year ended December 31, 2018 to €45.7 million for the year ended December 31, 2019.

The net cash inflow from financing activities for the year ended December 31, 2018, can primarily be attributed to €280.2 million of net new funds from the U.S. follow-on public offering on the Nasdaq Global Select Market on September 17, 2018. The net cash inflow from financing activities for the year ended December 31, 2019, can primarily be attributed to €955.6 million of net new funds from the share subscription by Gilead and €368.0 million from the exercise of warrant A by Gilead. In addition, proceeds received on exercises of warrants contributed to cash generated by financing activities for the years ended December 31, 2018 and 2019 for respectively €7.7 million and €17.2 million.

Comparison for the years ended December 31, 2018 and 2017

We refer to the “item 5 - Operating and financial review and prospects - Financial operations overview” of our year ended December 31, 2018 Form 20-F for the comparison of the years ended December 31, 2018 and 2017.

Cash and funding sources

The table below summarizes our sources of equity financing, excluding warrant exercises, for the years ended December 31, 2019 and 2018.

	Private placement (Euro, in thousands)
2018	€ 280,224
2019	1,323,675
Total sources of equity financing	**€ 1,603,899**

On September 17, 2018, we completed a public offering in the United States of 2,961,373 new ordinary shares in the form of ADSs at a price of $116.50 per ADS, before underwriting discounts. We received €296.2 million of gross proceeds, decreased by €16.0 million of expenses. The total net cash proceeds from the public offering amounted to €280.2 million.

On August 23, 2019, Gilead subscribed to 6,828,985 new ordinary shares at a price of €140.59 per share. We received €960.1 million of gross proceeds, decreased by €4.4 million of expenses, which was all paid at December 31, 2019. The total net cash proceeds from this share subscription by Gilead amounted to €955.6 million. On November 6, 2019, Gilead exercised warrant A and subscribed to 2,617,791 new ordinary shares at a price of €140.59 resulting in net proceeds of €368.0 million As of December 31, 2019, we had no long-term debt, except for lease liabilities.

Our ongoing financial commitments are listed in the section of this annual report titled “Item 5.F.—Tabular disclosure of contractual obligations” and mainly consist of purchase commitments.

Payment of dividends by subsidiaries

The amount of dividends payable by our subsidiaries to us is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate.

Of our current financial investments and cash and cash equivalents held outside of our Belgian entities as of December 31, 2019 and 2018, the amount of cash that would have been subject to withholding taxes if transferred to us by way of dividends and the amount of cash that could not have been transferred by law was in each case immaterial.

Funding requirements

Based on conservative assumptions, that may prove to be wrong, we believe that our existing current financial investments and cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for the coming years and at least for a period of 12 months.

Our present and future funding requirements will depend on many factors, including, among other things:

- the terms and timing of milestones, in-licensing payments and expense reimbursement payments, if any, from our collaboration and alliance agreements;

- the progress, timing, scope and costs of preclinical testing and clinical trials for any current or future compounds;
- the number and characteristics of potential new compounds we identify and decide to develop;
- our need to expand our development activities and, potentially, our research activities;
- the costs involved in filing patent applications and maintaining and enforcing patents;
- the cost, timing and outcomes of regulatory approvals;
- selling and marketing activities undertaken in connection with the anticipated commercialization of any of our current or future compounds; and
- the amount of revenues, if any, we may derive either directly or in the form of royalty payments from future sales of our products.

We may raise additional capital through the sale of equity or convertible debt securities. In such an event, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of the ADSs or our ordinary shares.

For more information as to the risks associated with our future funding needs, see the section of this annual report titled “Item 3.D.—Risk Factors—Risks Related to Our Financial Position and Need for Additional Capital.”

Capital expenditures

Our commitments for capital expenditures as of December 31, 2019 amounted to €3.2 million.

Our capital expenditures amounted to €45.7 million and €13.7 million for the years ended December 31, 2019 and 2018 respectively.

In 2019, our capital expenditures consisted of €15.1 million for land and building additions, laboratory and computer and other equipment for €6.4 million, €23.3 million of intangible assets related to activated contract costs (€15.4 million), license fees (€2.4 million) and software development (€5.5 million).

In 2018, our capital expenditures were primarily related to laboratory and computer equipment for €5.8 million, €1.8 million of intangible assets related to license fees, €0.8 million for other tangible fixed assets, €1.6 million of intangible assets primarily related to software development, and €3.1 million for building and building improvements.

C. Research and development, patents and licenses, etc

For a discussion of our R&D activities, see “Item 4.B.—Business Overview” and “Item 5.A.—Operating Results.”

D. Trend information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2019 to December 31, 2019 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions. For a discussion of trends, see “Item 4.B.—Business overview,” “Item 5.A.—Operating results,” and “Item 5.B.—Liquidity and capital resources.”

E. Off-balance sheet arrangements

During the periods presented, we did not and do not currently have any off-balance sheet arrangements as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Contingent liabilities and assets

On March 13, 2014, we announced the signing of a definitive agreement to sell the service division operations to Charles River Laboratories International, Inc., or CRL, for a total consideration of up to €134 million. CRL agreed to pay us an immediate cash consideration of €129 million. The potential earn-out of €5 million due upon achievement of a revenue target 12 months after transaction closing was not achieved. Approximately 5% of the total consideration, including price adjustments, was being held on an escrow account. Four claims have been introduced by CRL, which have all been settled for a total amount of €1.3 million. In the first half of 2017, the remaining balance of €6.6 million was released in full, as final agreement between the parties was reached. Following the divestment, we remained guarantor until early February 2017 in respect of the lease obligations for certain U.K. premises. Finally, following common practice, we have given customary representations and warranties which are capped and limited in time (since April 1, 2016, CRL can only introduce a claim covered by the Tax Deed (during a period of 5 years), other claims related to the sale cannot be submitted anymore).

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. Due to the revised license and collaboration agreement related to filgotinib signed in July 2019, we are responsible for funding 50% of the associated global development costs of the program. We have retained a mechanism to give us cost protection as we are no longer obliged to bear any further costs if they exceed the joint predetermined level.

In addition, we are eligible to receive $640 million in development and regulatory milestones, sales-based milestone payments of up to $600 million and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling $30 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 are also entitled to an additional milestone for GLPG1690 upon approval in the United States and we are eligble to receive tiered royalties ranging from 20-24% on net sales of GLPG1690 by Gilead in all countries outside Europe.

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, development and sales milestones and royalties.

F. Tabular disclosure of contractual obligations

We have certain purchase commitments with contract research organization subcontractors and with Gilead principally. Future events could cause actual payments to differ from these estimates. On December 31, 2019, we had outstanding obligations for purchase and lease commitments, which become due as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Leases	€ 26,353	€ 6,189	€ 11,495	€ 4,825	€ 3,844
Purchase commitments	251,670	175,006	70,675	5,989	—
Total contractual obligations & commitments	**€ 278,023**	**€ 181,194**	**€ 82,171**	**€ 10,814**	**€ 3,844**

At December 31, 2019 we were committed to two leases which have not yet started. The total future cash outflows for leases that had not yet commenced were as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Lease commitments not yet commenced	€ 8,986	€ 5,793	€ 1,502	€ 1,502	€ 188

Additionally, we have engaged a property developer for the construction of the new building in Leiden (The Netherlands).

In addition to the tables above, we have a contractual cost sharing obligation related to our collaboration agreement with Gilead for filgotinib, which is disclosed under the sections of this annual report titled “Item 5–Operating and Financial Review and Prospects.–Collaboration and Alliance Agreements–Option, License and Collaboration Agreement with Gilead”, and “Item 7.B.–Related Party Transactions.–Transaction with Major Shareholder”. The contractual cost sharing commitment amounted to €614.1 million at December 31, 2019 (€74.0 million at December 31, 2018), for which we have direct purchase commitments of €27.5 million at December 31, 2019 (€20.3 million at December 31, 2018) reflected in the tables above.

The table above does not include pension liabilities, non-current deferred income and other non-current liabilities.

We provide retirement benefit plans for all of our qualifying employees. We classify these benefits on the basis of the type of benefit provided and in particular as defined contribution plans, defined benefit obligations and other provisions for employees. At December 31, 2019 the net liability for such obligations amounted to €8.3 million (€3.8 million at December 31, 2018).

Non-current deferred income was €2,586.3 million at December 31, 2019 (nil at December 31, 2018). This year’s amount related to the upfront payment received from Gilead in August 2019 and the recognition of a deferred income upon signing of the share subscription agreement with Gilead in July 2019. See note 24 to the consolidated financial statements.

Other non-current liabilities amounted to €7.0 million at December 31, 2019 (€1.6 million at December 31, 2018) and primarily related to deferred management bonuses and RSU plans granted in 2019. The executive committee members, together with other senior managers, are eligible to receive bonuses under the Senior Management Bonus Scheme. 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). See notes 3 and 23 to the consolidated financial statements. Executive committee members and other employees were granted RSU’s in 2019. 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 RSU’s are measured based on the 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 RSU’s in cash.

G. Safe Harbor

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See “Special Note Regarding Forward-Looking Statements” at the beginning of this annual report.

Item 6 Directors, senior management and employees

A. Directors and senior management

Our Board of Directors

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

In light of the New Belgian Companies Code, the Belgian Corporate Governance Committee adopted a new Corporate Governance Code (the "2020 Belgian Corporate Governance Code") (which can be consulted on www.corporategovernancecommittee.be). The 2020 Belgian Corporate Governance Code was published on May 9, 2019. The 2020 Belgian Corporate Governance Code applies compulsorily to reporting years beginning on or after January 1, 2020. Our board of directors has adopted the 2020 Belgian Corporate Governance Code for the reporting period beginning on January 1, 2020. Subject to approval of the new articles of association by the extraordinary shareholders' meeting of April 28, 2020, our board of directors will approve an updated corporate governance charter. Each reference in this report to the Belgian Corporate Governance Code is still a reference to the 2009 Belgian Corporate Governance Code, unless where expressly stated differently.

The 2020 Belgian Corporate Governance Code requires companies to make an explicit choice for one of the governance structures provided for in the New Belgian Companies Code. The board of directors invites the shareholders of Galapagos NV to approve the introduction of a two-tier governance structure in the extraordinary shareholders' meeting, to be held on April 28, 2020.

We currently have eight directors, less than a majority of whom are citizens or residents of the United States.

Under our articles of association, our board of directors must be composed of between five and nine members, of which at least three are independent directors as defined by the Belgian Companies Code. Half of the members of our board of directors must be non-executive directors. Within these limits, the number of directors is determined by our shareholders. Directors are elected, re-elected and may be removed at a shareholders' general meeting with a simple majority vote of our shareholders. Pursuant to our articles of association, our directors serve terms of up to four years.

The following table sets forth certain information with respect to the current members of our board of directors, including their ages, as of December 31, 2019:

Name	Age	Date service began in current term	Date of expiration of current term [1]	Position(s)
Onno van de Stolpe	60	2017	2021	Director and Chief Executive Officer
Raj Parekh, MA, Dphil [2]	59	2017	2021	Chairman of the board of directors
Howard Rowe, JD [2][3]	50	2018	2022	Director
Katrine Bosley [2]	51	2017	2021	Director
Mary Kerr, Ph.D. [3]	58	2016	2020	Director
Peter Guenter [3]	57	2019	2023	Director
Daniel O'Day	55	2019	2023	Director
Linda Higgins	57	2019	2023	Director

(1) The term of the mandates of the directors will expire immediately after the annual shareholders' meeting held in the year set forth next to the director's name.
(2) Member of the nomination and remuneration committee.
(3) Member of the audit committee.

The nomination and remuneration committee has nominated Elisabeth Svanberg to be appointed as a director. Our shareholders will vote on Elisabeth Svanberg's nomination at the annual shareholders' meeting to be held on April 28, 2020.

The address for our directors is Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium.

Our board of directors has determined that five out of eight of the members of the board are independent under the Nasdaq Stock Market listing requirements and that four out of eight of the members of the board of directors are independent under Belgian law.

The following is the biographical information of the members of our board of directors and of the nominee to join the board of directors:

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 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.

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 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.; Itara Ltd.; Cellnovo SA; 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 Venture Partners; Advent Life Sciences LLP; Aleta, Inc.; Alpha Anomeric SA; Amphista Therapeutics Ltd.; Arrakis, Inc.; Aura Biosciences; Capella BioSciences Ltd.; Levicept 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.

Werner Cautreels, Ph.D. served as a member of our board of directors from 2009 until his mandate as a member of our board of directors ended as of April 30, 2019. Dr. Cautreels was the President, Chief Executive Officer and member of the board of Selecta Biosciences, Inc. from 2010 until December 2018. He is a co-founder and board member of Accoy Pharmaceuticals since 2016. 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, Mr. Rowe 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. He currently serves as a member of the Board of Managers of Paradigm Spine LLC.

Katrine Bosley has served as a member of our board of directors 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, Ms. Bosley was the Entrepreneur-in-Residence at The Broad Institute from 2013 to 2014. From 2009 to 2012, Ms. Bosley was President, Chief Executive Officer and member of the board of directors of Avila Therapeutics, Inc., which was acquired by Celgene Corporation in 2012. Ms. Bosley served as President, Celgene Avilomics Research at Celgene in 2012. Prior to her time at Avila Therapeutics, Ms. Bosley 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. Ms. Bosley 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.

Christine Mummery, Ph.D. served as a member of our board of directors from September 30, 2015 until her mandate as a member of our board of directors ended as of April 30, 2019. 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), the KHMW, editor of the Cell Press journal Stem Cell Reports, (vice) president of the International Society for Stem Cell Research and past-president of the International Society of Differentiation. She was co-founder of Pluriomics BV (now Ncardia BV). In addition, she chairs the executive board of the Institute for human Organ and Disease Model Technologies (hDMT), a non-profit R&D institute of which the LUMC is a founding partner. She is a review committee member of the European Research Council, the Leducq Foundation, the Wellcome Trust (*ad hoc*) and the Heineken Jury Prize (KNAW). She is further on the scientific advisory boards of the Gurdon Institute (Cambridge, UK), Stem Cell Australia and the Allen Institute, Seattle.

Mary Kerr, Ph.D. has served as a member of our board of directors since July 26, 2016. Dr. Kerr, a UK national, is Chief Executive Officer and director at NeRRe Therapeutics and Chief Executive Officer and director at KaNDy 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.

Peter Guenter has served as a member of our board of directors since April 30, 2019. Mr. Guenter has been Chief Executive Officer of Almirall since October 1, 2017. 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 board of directors since October 22, 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 US 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 board of directors since October 22, 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 US 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 on over a dozen patents.

Elisabeth Svanberg, MD, Ph.D. has been nominated by or nomination and remuneration committee to join our board of directors subject to shareholder's approval at the annual shareholders' meeting to be held on April 28, 2020. Dr. Svanberg received her MD and PhD from the University of Gothenburg, Sweden and is a board certified general surgeon and associate professor of surgery. She 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 board of PledPharma (since 2017) and Swedish Orphan Biovitrum (SOBI, since 2018).

Executive Committee

Our board of directors has established an executive committee in accordance with article 524*bis* of the Belgian Companies Code. The executive committee will continue to exist until approval by our shareholders of the amendment of our articles of association, implementing certain provisions of the New Belgian Companies Code. Such approval is on the agenda of our extraordinary shareholders' meeting, to be held on April 28, 2020. The following table sets forth certain information with respect to the members of our executive committee as of December 31, 2019:

Name	Age	Position(s)
Onno van de Stolpe	60	Chief Executive Officer
Piet Wigerinck, Ph.D.	55	Chief Scientific Officer
Bart Filius, MBA	49	Chief Financial Officer & Chief Operating Officer
Andre Hoekema, Ph.D.	62	Chief Business Officer
Walid Abi-Saab, MD	54	Chief Medical Officer

The address for the members of our executive committee is Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium.

There is no potential conflict of interest between the private interests or other duties of the members of the executive committee listed above and their duties to us.

Below are the biographies of those members of our executive committee who do not also serve on our board of directors:

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 KU Leuven and is inventor on more than 25 patent applications. In May 2018, Dr. Wigerinck was elected as independent board member of Ipsen SA, France.

Bart Filius, MBA has served as our Chief Financial Officer since December 2014 and as our Chief Operating Officer since September 2017. Prior to that, Mr. Filius worked over 13 years at Sanofi SA, where he was the Chief Financial Officer of Sanofi Europe during the last three years. Earlier at Sanofi, Mr. Filius 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 Mr. Filius 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 NV.

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

Walid Abi-Saab, MD joined Galapagos as Chief Medical Officer in March 2017. Dr. Abi-Saab drives the overall medical strategy of the company and is responsible for late stage clinical development and operations, medical and regulatory affairs, and safety. Previously, 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 M.D. degree from Université Saint Joseph in Beirut, Lebanon.

Michele Manto has been appointed as 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 lauches 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.

Under the Belgian Companies Code, the executive committee exercises the powers delegated to it by the board of directors, such powers not being related to the general strategy of the company or to other actions which are reserved for the board of directors according to legal requirements, articles of association or the corporate governance charter of the company.

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 company's development in general, management of the group, the supervision of the performance of the business in comparison with the strategic goals, plans and budgets, and the support of the chief executive officer with the day-to-day management of our company.

Notwithstanding the above, and according to its "evocation right," our board of directors retains the right to deliberate and decide on matters which have in principle been delegated to our executive committee, but for which our board of directors is of the opinion that they require deliberation at the board of directors' level.

Under the New Belgian Companies Code, in a two-tier board system, the management board will be competent for all actions that may be necessary or useful for fulfilling the company's corporate purpose, other than matters reserved by the New Belgian Companies Code for the supervisory board or the shareholders' meeting. This means that the management board is exclusively empowered for the operational functioning of the company and has all residual powers.

Family relationships

There are no family relationships among any of the members of our executive committee or directors.

B. Compensation

The aggregate compensation paid and benefits in kind granted by us to our current members of the executive committee and directors, excluding share-based compensation, for the year ended December 31, 2019, was €16,296,039.12. For the year ended December 31, 2019, the total amounts set aside or accrued to provide pension, retirement or similar benefits to our executive committee amounted to €322,566.43.

For a discussion of our employment arrangements with the members of our executive committee and consulting arrangement with our directors, see the section of this annual report titled "Item 7.B.—Related Party Transactions.—Agreements with Our Directors and Members of the Executive Committee." For more information regarding warrant grants, see "—Warrant Plans" below.

Compensation of our Board of Directors

The remuneration of our directors (other than our chief executive officer) and the grant of warrants to our directors is submitted by our board of directors for approval to the shareholders' meeting and is only implemented after such approval. The procedure for establishing the remuneration policy and setting remuneration for members of our board of directors is determined by our board of directors on the basis of proposals from the nomination and remuneration committee, taking into account relevant benchmarks from the biotechnology industry. Pursuant to the expected implementation in Belgium of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, or SRD II, the remuneration policy shall also be submitted to a binding vote of our shareholders' meeting going forward.

The annual shareholders' meeting of April 30, 2019 determined, upon recommendation of the nomination and remuneration committee, that the compensation (excluding expenses) of the non-executive directors for the exercise of their mandate during the financial year ending December 31, 2019 is as follows: (i) Chairman of the Board (i.e. Raj Parekh): €80,000; (ii) other non-executive board members (i.e., Howard Rowe, Katrine Bosley, Mary Kerr and Peter Guenter, and until April 30, 2019, Werner Cautreels and Christine Mummery): €40,000 each; (iii) annual additional compensation for membership of a board committee (audit committee: Mary Kerr and Peter Guenter, replacing Werner Cautreels as from June 18, 2019; nomination and remuneration committee: Howard Rowe and Katrine Bosley): €5,000; (iv) annual additional compensation for the chairmanship of a board committee (audit committee: Howard Rowe; nomination and remuneration committee: Rajesh Parekh): €10,000. The same annual shareholders' meeting granted a power of attorney to our board of directors to determine the total remuneration package of our managing director (CEO) for his management function in Galapagos. The special shareholders' meeting of October 22, 2019 determined, upon recommendation of the nomination and remuneration committee, that the mandates of the directors representing our shareholder Gilead on the board of directors (i.e. Daniel O'Day and Linda Higgins) would not be remunerated.

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.

The following table sets forth the fees (excluding expenses) received by our non-executive directors for the performance of their mandate as a board member, during the year ended December 31, 2019:

Name		Fees earned (Euro)
Raj Parekh	€	90,000.00
Werner Cautreels (1)		15,000.00
Howard Rowe		55,000.00
Christine Mummery (1)		13,333.33
Katrine Bosley		45,000.00
Mary Kerr		45,000.00
Peter Guenter (2)		30,000.00
Daniel O'Day (3)		—
Linda Higgins (3)		—
Total	**€**	**293,333.33**

(1) Dr. Cautreels' and Dr. Mummery's mandate as directors of Galapagos NV ended on April 30, 2019.
(2) Mr. Peter Guenter's mandate as director of Galapagos NV started on April 30, 2019.
(3) Mr. O'Day's and Dr. Higgins' mandate as directors of Galapagos NV started on October 22, 2019.

Our executive director, Onno van de Stolpe, does not receive any specific or additional remuneration for his service on our board of directors, as this is included in his total remuneration package in his capacity as member of our executive committee. For more information regarding Mr. Van de Stolpe's compensation, see "—Compensation of Members of the Executive Committee" below.

The table below provides an overview as of December 31, 2019 of the warrants held by the non-executive directors. Upon recommendation of our nomination and remuneration committee, the board of directors decided in February 2020 to discontinue the grant of warrants to non-executive directors going forward.

	Warrant award		
Name	**Number of ordinary shares underlying warrants**	**Warrant exercise price (Euro)**	**Warrant expiration date**
Raj Parekh	15,000	46.10	5/31/2024
	15,000	80.57	5/16/2025
	15,000	79.88	4/18/2026
	15,000	95.11	4/10/2027
Total	**60,000**		
Werner Cautreels*	7,500	46.10	5/31/2024
	7,500	80.57	5/16/2025
	7,500	79.88	4/18/2026
Total	**22,500**		
Howard Rowe	2,520	14.19	9/2/2020
	2520	19.38	5/15/2021
	2,520	14.54	7/24/2022
	2,520	28.75	4/29/2023
	7,500	49.00	12/21/2023
	7,500	46.10	5/31/2024
	7,500	80.57	5/16/2025
	7,500	79.88	4/18/2026
	7,500	95.11	4/10/2027
Total	**47,580**		
Katrine Bosley	2,520	28.75	4/29/2023
	7,500	49	12/21/2023
	7,500	46	5/31/2024
	7,500	81	5/16/2025
	7,500	79.88	4/18/2026
	7,500	95.11	4/10/2027
Total	**40,020**		
Christine Mummery*	7,500	46.10	5/31/2024
	7500	80.57	5/16/2025
	7,500	79.88	4/18/2026
Total	**22,500**		
Mary Kerr	7,500	80.57	5/16/2025
	7,500	80	4/18/2026
	7,500	95	4/10/2027
Total	**22,500**		
Peter Guenter	7,500	95.11	4/10/2027
Total	**7,500**		

* Dr. Cautreels' and Dr. Mummery's mandates as director of Galapagos NV ended on April 30, 2019.

No loans, quasi-loans or other guarantees were given to the non-executive directors during the year ended December 31, 2019.

Compensation of members of the Executive Committee

The compensation of the members of our executive committee is determined by our board of directors based on the recommendations by our nomination and remuneration committee.

The remuneration of the members of our executive committee consists of different components:

- ***Fixed remuneration***: a basic fixed fee designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions. The amount of fixed remuneration is evaluated and determined by the board of directors every year, upon recommendation of the nomination and remuneration committee.

- ***Variable remuneration (short-term)***: members of the executive committee may be entitled to a bonus. 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. As from the year that ended December 31, 2019, the maximum short-term cash bonus of the chief executive officer is set at 75% of his yearly fixed salary. The actual bonus of the chief executive officer is determined by our board of directors, upon recommendation of the nomination and remuneration committee, and is based on the achievement of corporate and individual objectives. The maximum aggregate bonus pot for the other members of the executive committee is set at 50% of their combined salaries for the short-term cash bonus. The actual bonuses of these executive officers are determined by our board of directors, upon recommendation of the nomination and remuneration committee, and are based on the achievement of corporate and individual objectives. In addition, exceptional special bonuses, outside the scope of the regular bonus schemes, can be considered by the board of directors, upon recommendation of the nomination and remuneration committee, in the event of and for exceptional achievements.

- ***Incentive plans (long-term)***: as from the year that ended December 31, 2019, the chief executive officer is eligible to receive up to the equivalent number of restricted stock units, or RSUs, to 75% of the fixed part of his annual remuneration, and the other members of the executive committee are eligible to receive up to the equivalent number of RSUs to 50% of the total amount of the fixed part of their aggregate annual remuneration as an annual long term incentive. They may receive additional RSUs under the retention and discretionary RSU plans that were put in place. For a description of the main characteristics of our RSU plans, see "—RSU Plans" below. In addition, warrants have been granted and may be granted in the future, to the members of the executive committee. For a description of the main characteristics of our warrant plans, see "—Warrant Plans" below.

- ***Other***: pension, company car, tax advisory services and payments for invalidity and healthcare cover and other fringe benefits of non-material value.

No loans, quasi-loans or other guarantees were given to members of our executive committee during the year ended December 31, 2019.

The following table sets forth information concerning the compensation earned by Onno van de Stolpe, our chief executive officer, during the year ended December 31, 2019:

		Compensation (Euro)
Fixed remuneration (gross)	€	600,000.00
Variable remuneration (short-term)[1]		2,950,000.00
Variable remuneration (long-term)[2]		772,104.57
Pension/life		48,801.92
Other benefits		42,564.45
Total	**€**	**4,413,470.94**

(1) Short-term cash bonus of €450,000 for performance during the year ended December 31, 2019, to be paid in April 2020, and an amount of €2,500,000 paid in October 2019 as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

(2) The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2019. This reflects a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016–2019 as per the provisions of the Senior Management Bonus Scheme which provided for a deferral of three years and adjustment in light of the change of our company's share price relative to the Euronext Next Biotech Index over such three-year period.

In addition, Mr. Van de Stolpe was granted (and accepted) 100,000 warrants under Warrant Plan 2019. The exercise price of these warrants is €95.11. These warrants are exercisable as from January 1, 2023.

The following table sets forth information concerning the compensation earned during the year ended December 31, 2019 by the other members of our executive committee in office during the year ended December 31, 2019.

	(Euro)			
	Bart Filius	**Piet Wigerinck**	**Andre Hoekema**	**Walid Abi-Saab**
Fixed remuneration (gross)	€ 400,000.00	€ 400,000.00	€ 360,000.00	€ 400,000.00
Variable remuneration (short-term)[1]	2,773,000.00	1,675,500.00	2,656,000.00	1,675,500.00
Variable remuneration (long-term)[2]	385,570.81	385,570.81	330,489.73	—
Pension/life	44,158.88	40,000.00	77,333.59	73,412.60
Other benefits	29,938.24	203.76	21,141.70	15,058.53
Total	**€ 3,632,667.93**	**€ 2,501,274.57**	**€ 3,444,965.02**	**€ 2,163,971.13**

(1) Short-term cash bonus for performance during the year ended December 31, 2019, to be paid in April 2020, and an exceptional special bonus paid in October 2019 awarded for the successful closing of the Gilead alliance transaction in 2019.

(2) The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2019. This reflects a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016–2019 as per the provisions of the Senior Management Bonus Scheme which provided for a deferral of three years and adjustment in light of the change of our company's share price relative to the Euronext Next Biotech Index over such three-year period.

In addition, the other members of the executive committee in office during the year ended December 31, 2019, were granted (and accepted) an aggregate amount of 215,000 warrants under Warrant Plan 2019 with an exercise price of €95.11. These warrants are exercisable as from January 1, 2023.

The table below provides an overview as of December 31, 2019 of the warrants held by the members of our executive committee in office during the year ended December 31, 2019.

	Warrant awards		
Name	Number of ordinary shares underlying warrants	Warrant exercise price (Euro)	Warrant expiration date
Onno van de Stolpe	55,000	14.19	02/09/2020
	71,874	19.38	15/05/2021
	100,000	14.54	24/07/2022
	100,000	28.75	29/04/2023
	100,000	49.00	21/12/2023
	100,000	46.10	31/05/2024
	100,000	80.57	16/05/2025
	100,000	79.88	18/04/2026
	100,000	95.11	10/04/2027
Total	**826,874**		
Bart Filius	50,000	49.00	21/12/2023
	60,000	46.10	31/05/2024
	60,000	80.57	16/05/2025
	80,000	79.88	18/04/2026
	65,000	95.11	10/04/2027
Total	**315,000**		
Piet Wigerinck	10,000	19.38	15/05/2021
	40,000	14.54	24/07/2022
	30,000	28.75	29/04/2023
	50,000	49.00	21/12/2023
	60,000	46.10	31/05/2024
	60,000	80.57	16/05/2025
	60,000	79.88	18/04/2026
	50,000	95.11	10/04/2027
Total	**360,000**		
Andre Hoekema	20,000	14.19	02/09/2020
	20,000	19.38	15/05/2021
	40,000	14.54	24/07/2022
	30,000	28.75	29/04/2023
	40,000	49.00	21/12/2023
	55,000	46.10	31/05/2024
	60,000	80.57	16/05/2025
	50,000	79.88	18/04/2026
	50,000	95.11	10/04/2027
Total	**365,000**		
Walid Abi-Saab	150,000	62.50	19/01/2025
	45,000	80.57	16/05/2025
	60,000	79.88	18/04/2026
	50,000	95.11	10/04/2027
Total	**305,000**		

RSU plans

Upon recommendation of the nomination and remuneration committee, the board of directors has updated the remuneration policy to also include the grant of RSUs as a long-term incentive for the members of the executive committee, starting from the year ended on December 31, 2019.

There are three restricted stock unit (RSU) programs:

- the Annual Long-Term Incentive Plan, under which the grants are intended to be made every year, subject to a decision of the board of directors. This plan is intended to provide a long-term incentive to certain of our employees and executive committee members and replaces the deferred portion of the bonus under the old Senior Management Bonus Scheme;

- the RSU Retention Plan. This plan was introduced in conjunction with the Gilead transaction. It is aimed at retaining a specific set of our employees and executive committee 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 board approves the list of beneficiaries; and

- the RSU Discretionary Plan. This plan was granted at the discretion of the board of directors, as previously announced.

In addition, an exceptional RSU grant took place in 2019 under an RSU Transaction Bonus Plan for the successful closing of the Gilead transaction.

The RSU plans are intended to provide certain members of the executive committee and certain employees of Galapagos the opportunity to receive RSUs as an incentive. Their purpose is to retain and encourage participants to contribute to the performance of Galapagos and its affiliates by aligning their financial interests with those of the shareholders.

The main characteristics of 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 Restricted Stock Units (RSU) Discretionary Plan and, solely for beneficiaries who are executive committee members, the Annual Long-Term Incentive Plan, that will all vest at the same time three years after the offer date. In addition, 50% of the RSUs granted under the Transaction Bonus Plan will vest after two years and 50% will vest after three years;

- each RSU reflects the value of one Galapagos share and payout will be in cash or shares, at Galapagos' discretion, it being understood that in respect of members of the executive committee, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive; and

- in case of termination of service before the vesting date, forfeiture rules apply.

The following number of RSUs were offered to and accepted by members of the executive committee in 2019 under the RSU Discretionary Plan 2019: 15,000 RSUs to Mr. Van de Stolpe; 5,000 RSUs to each of Mr. Filius, Dr. Wigerinck and Dr. Abi-Saab and 3,000 RSUs to Dr. Hoekema. These RSUs have a vesting period of three years.

Under the RSU Retention Plan, the following number of RSUs were offered to and accepted by members of the executive committee in 2019: 25,606 RSUs to Mr. Van de Stolpe and 17,924 RSUs to each of Mr. Filius, Dr. Wigerinck and Dr. Abi-Saab. These RSUs have a vesting period of four years, with 25% of the RSUs vesting each year.

Under the RSU Transaction Bonus Plan 2019, the following number of RSUs were offered to and accepted by members of the executive committee in 2019: 16,922 RSUs to each of Mr. Van de Stolpe, Mr. Filius and Dr. Hoekema and 10,153 RSUs to each of Dr. Wigerinck and Dr. Abi-Saab. 50% of these RSUs have a vesting period of two years and 50% of these RSUs have a vesting period of three years.

No RSUs vested or expired during the year ended December 31, 2019.

Limitations on liability and indemnification matters

Under Belgian law, the directors of a company may be liable for damages to the company in case of improper performance of their duties. Our directors may be liable to our company and to third parties for infringement of our articles of association or Belgian company law. Under certain circumstances, directors may be criminally liable.

We maintain liability insurance for our directors and officers, including insurance against liability under the Securities Act.

The New Belgian Companies Code that entered into force on January 1, 2020, includes a cap on liability for directors (including persons in charge of daily management) for any damages they cause due to mismanagement, including breaches of the articles of association and the New Belgian Companies Code. This liability cap applies towards the company and third parties. For Galapagos, the cap amounts to €12,000,000. The cap applies irrespective of the number of claimants or defendants for the same (set of) facts. However, the cap does not apply to repetitive minor misconduct, serious error or cases of fraud. Furthermore, the cap does not apply to directors' liability under the special liability regimes relating to payment of withholding tax, VAT and social security contributions.

Certain of our non-executive directors may, through their relationships with their employers or partnerships, be insured and/or indemnified against certain liabilities in their capacity as members of our board of directors.

In the underwriting agreements we entered into in connection with our May 2015 global offering and subsequent follow-on U.S. public offerings, the underwriters agreed to indemnify, under certain conditions, us, the members of our board of directors and persons who control our company within the meaning of the Securities Act against certain liabilities, but only to the extent that such liabilities are caused by information relating to the underwriters furnished to us in writing expressly for use in the applicable registration statements and certain other disclosure documents.

Warrant plans

Various warrant plans were approved for the benefit of our employees, and for directors and independent consultants of Galapagos NV. For warrant plans issued prior to 2011, the warrants offered to the employees and independent consultants vest according to the following schedule: 10% of the warrants vest on the date of the grant; an additional 10% vest at the first anniversary of the grant; an additional 20% vest at the second anniversary of the grant; an additional 20% vest at the third anniversary of the grant; and an additional 40% vest at the end of the third calendar year following the grant.

The warrants granted under warrant plans created from 2011 onwards vest at the end of the third calendar year following the year of the grant, with no intermediate vesting, with the exception of the warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which vest on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants.

The warrants offered to directors vest over a period of 36 months at a rate of 1/36th per month.

Warrants cannot be exercised before the end of the third calendar year following the year of the grant, except for warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which become exercisable on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants. Pursuant to a resolution of our extraordinary shareholders' meeting of May 23, 2011, in the event of a change of control over Galapagos NV, all outstanding warrants vest immediately and will be immediately exercisable.

After the reverse 4:1 share split approved by the extraordinary shareholders' meeting of March 29, 2005, four warrants under Warrant Plan 2002 Belgium entitle the warrant holder to subscribe for one ordinary share. For the warrant plans created from 2005 onwards, one warrant entitles the warrant holder to subscribe for one ordinary share. In the summaries and tables below, the numbers of warrants issued under Warrant Plan 2002 Belgium are divided by four to avoid confusion in entitlements and rights.

Generally, unless our board of directors at the time of the grant of the warrant determines a higher exercise price, the exercise price of a warrant will at least be equal to:

- the last closing price of our ordinary shares on Euronext Amsterdam prior to the date on which the warrant is offered; or

- the average closing price of our ordinary shares on Euronext Amsterdam over the thirty-day period preceding the date on which the warrant is offered.

However, for the warrants offered under Warrant Plan 2002 Belgium, since the ordinary shares of our company were not yet traded or listed on a stock exchange at the time of the relevant offers, the exercise price was to be determined by our board of directors at the time of the offer and had to be at least equal to the market value of the former Class D shares, as determined by the board of directors and as certified by the auditor of our company. In addition, the exercise price could not be lower than (1) the book value of the existing shares as appearing from the last approved annual accounts of the company at the date of the offer and (2) €1.

From 2002 until December 31, 2019, an aggregate of 12,322,402 warrants were granted. Of these 12,322,402 warrants:

- 147,512 warrants lapsed because they were not timely exercised by their beneficiaries;

- 1,231,183 warrants lapsed due to their beneficiaries no longer being employed by the company or because another condition for vesting was not met; and

- 5,402,590 warrants were exercised.

As a result, as of December 31, 2019, there were 5,541,117 warrants outstanding, representing approximately 8.6% of the total number of all our issued and outstanding voting financial instruments.

The table below sets forth the details of all warrants granted under the warrant plans for employees, directors and independent consultants in force as per December 31, 2019, including the plan under which the warrants were granted, the offer date, exercise price, expiry date, number of warrants exercised, number of warrants voided and number of warrants outstanding. Aside from the warrants set forth in the below table, there are currently no other stock options, options to purchase securities, convertible securities or other rights to subscribe for or purchase outstanding securities.

Warrant plan	Offer date	Exercise price (€)	Number of warrants granted	Number of warrants exercised	Number of warrants voided	Number of warrants still outstanding	Exercisable from	Expiry date
2002 Belgium	06/03/2002	4.00	553,705	423,698	130,007	—	01/01/2006	06/03/2010
	02/09/2002	4.00	27,125	14,150	12,975	—	01/01/2006	02/09/2010
	06/03/2003	4.00	5,250	1,287	3,963	—	01/01/2007	31/03/2007
	01/04/2003	4.00	7,500	7,500	—	—	01/01/2007	01/04/2011
	15/06/2004	4.00	2,000	2,000	—	—	01/01/2008	15/06/2012
	09/07/2004	4.00	31,250	31,250	—	—	01/01/2008	01/02/2017
	22/07/2004	4.00	7,500	—	7,500	—	01/01/2008	31/03/2008
	31/01/2005	6.76	159,375	115,000	44,375	—	01/01/2009	01/02/2017
Total			**793,705**	**594,885**	**198,820**	**—**		
2005	04/07/2005	6.91	145,000	145,000	—	—	01/01/2009	03/07/2018
	23/11/2005	8.35	125,000	75,000	50,000	—	01/01/2009	22/11/2018
	15/12/2005	8.60	12,500	12,500	—	—	01/01/2009	14/12/2018
	13/02/2006	8.61	40,000	8,000	32,000	—	01/01/2010	31/03/2010
	13/02/2006	8.73	53,500	50,972	2,528	—	01/01/2010	31/03/2010
	22/11/2006	8.65	82,600	61,285	21,315	—	01/01/2010	21/11/2019
Total			**458,600**	**352,757**	**105,843**	**—**		
2006 BNL	13/02/2006	8.61	112,953	100,662	12,291	—	01/01/2010	12/02/2019
	22/11/2006	8.65	87,090	16,450	70,640	—	01/01/2010	21/11/2019
	14/02/2007	9.57	102,900	9,170	93,730	—	01/01/2011	31/08/2011
	04/05/2007	9.22	17,500	17,500	—	—	01/01/2011	03/05/2020
	28/06/2007	8.65	735	735	—	—	01/01/2011	27/06/2020
	21/12/2007	7.12	25,110	12,121	11,939	1,050	01/01/2011	20/12/2020
Total			**346,288**	**156,638**	**188,600**	**1,050**		
2006 UK	01/06/2006	8.70	302,191	230,963	71,228	—	01/01/2010	30/09/2014
	22/11/2006	8.65	13,965	11,907	2,058	—	01/01/2010	21/11/2014
	19/12/2006	9.18	77,700	31,885	45,815	—	01/01/2010	18/12/2014
	28/06/2007	8.43	30,585	20,085	10,500	—	01/01/2011	27/06/2015
	21/12/2007	7.25	945	945	—	—	01/01/2011	20/12/2015
Total			**425,386**	**295,785**	**129,601**	**—**		
2007	28/06/2007	8.65	108,126	108,126	—	—	01/01/2011	27/06/2015
	28/06/2007	8.65	256,314	203,141	53,173	—	01/01/2011	27/06/2020
Total			**364,440**	**311,267**	**53,173**	**—**		
2007 RMV	25/10/2007	8.65	108,850	88,970	4,900	14,980	01/01/2011	24/10/2020
Total			**108,850**	**88,970**	**4,900**	**14,980**		
2008	26/06/2008	5.60	201,445	192,754	7,326	1,365	01/01/2012	25/06/2021
Total			**201,445**	**192,754**	**7,326**	**1,365**		

Warrant plan	Offer date	Exercise price (€)	Number of warrants granted	Number of warrants exercised	Number of warrants voided	Number of warrants still outstanding	Exercisable from	Expiry date
2008 (B)	26/06/2008	5.60	57,500	50,000	7,500	—	01/01/2012	25/06/2013
Total			**57,500**	**50,000**	**7,500**	**—**		
2009	01/04/2009	5.87	555,000	490,000	65,000	—	01/01/2013	31/03/2017
Total			**555,000**	**490,000**	**65,000**	**—**		
2009 (B)	02/06/2009	7.09	135,100	131,670	3,430	—	01/01/2013	01/06/2014
Total			**135,100**	**131,670**	**3,430**	**—**		
2010	27/04/2010	11.55	466,500	416,750	49,750	—	01/01/2014	26/04/2018
	27/04/2010	11.55	40,000	40,000	—	—	27/04/2014	26/04/2018
Total			**506,500**	**456,750**	**49,750**	**—**		
2010 (B)	27/04/2010	11.55	195,040	190,108	4,932	—	01/01/2014	26/04/2015
Total			**195,040**	**190,108**	**4,932**	**—**		
2010 (C)	23/12/2010	11.74	75,000	75,000	—	—	01/01/2014	22/12/2018
Total			**75,000**	**75,000**	**—**	**—**		
2011	23/05/2011	9.95	561,500	432,500	129,000	—	01/01/2015	22/05/2019
	23/05/2011	9.95	57,500	50,000	7,500	—	23/05/2015	22/05/2019
Total			**619,000**	**482,500**	**136,500**	**—**		
2011 (B)	23/05/2011	9.95	129,220	127,750	1,470	—	01/01/2015	22/05/2016
Total			**129,220**	**127,750**	**1,470**	**—**		
2012	03/09/2012	14.19	448,640	265,450	103,150	80,040	01/01/2016	02/09/2020
	03/09/2012	14.19	32,500	22,500	10,000	—	03/09/2016	02/09/2020
Total			**481,140**	**287,950**	**113,150**	**80,040**		
2013	16/05/2013	19.38	602,790	311,406	170,950	120,434	01/01/2017	15/05/2021
Total			**602,790**	**311,406**	**170,950**	**120,434**		
2013 (B)	18/09/2013	15.18	75,000	30,000	45,000	—	01/01/2017	30/06/2017
Total			**75,000**	**30,000**	**45,000**	**—**		
2014	25/07/2014	14.54	571,660	284,320	35,000	252,340	01/01/2018	24/07/2022
Total			**571,660**	**284,320**	**35,000**	**252,340**		
2014 (B)	14/10/2014	11.93	150,000	150,000	—	—	01/01/2018	13/10/2022
Total			**150,000**	**150,000**	**—**	**—**		
2015	30/04/2015	28.75	532,053	232,580	17,000	282,473	01/01/2019	29/04/2023
Total			**532,053**	**232,580**	**17,000**	**282,473**		
2015 (B)	22/12/2015	49.00	399,000	69,500	—	329,500	02/03/2019	21/12/2023
Total			**399,000**	**69,500**	**—**	**329,500**		
2015 RMV	22/12/2015	49.00	97,500	40,000	—	57,500	02/03/2019	21/12/2023
Total			**97,500**	**40,000**	**—**	**57,500**		
2016	01/06/2016	46.10	514,250	—	10,000	504,250	01/01/2020	31/05/2024
Total			**514,250**	**—**	**10,000**	**504,250**		
2016 RMV	01/06/2016	46.10	120,000	—	—	120,000	01/01/2020	31/05/2024
Total			**120,000**	**—**	**—**	**120,000**		
2016 (B)	20/01/2017	62.50	150,000	**—**	—	150,000	06/04/2020	19/01/2025
Total			**150,000**	**—**	**—**	**150,000**		
2017	17/05/2017	80.57	595,500	**—**	—	595,500	01/01/2021	16/05/2025
Total			**595,500**	**—**	**—**	**595,500**		
2017 RMV	17/05/2017	80.57	127,500	**—**	—	127,500	01/01/2021	16/05/2025
Total			**127,500**	**—**	**—**	**127,500**		
2018	19/04/2018	79.88	1,097,745	**—**	**12,500**	1,085,245	01/01/2022	18/04/2026
Total			**1,097,745**	**—**	**12,500**	**1,085,245**		
2018 RMV	19/04/2018	79.88	137,500	**—**	**—**	137,500	01/01/2022	18/04/2026
Total			**137,500**	**—**	**—**	**137,500**		
2019	10/04/2019	95.11	1,504,940	**—**	**18,250**	1,486,690	01/01/2023	10/04/2027
Total			**1,504,940**	**—**	**18,250**	**1,486,690**		
2019 RMV	10/04/2019	95.11	194,750	**—**	**—**	194,750	01/01/2023	10/04/2027
Total			**194,750**	**—**	**—**	**194,750**		
Grand Total			**12,322,402**	**5,402,590**	**1,378,695**	**5,541,117**		

In addition to the warrant plans for our employees, directors and independent consultants described above, on October 22, 2019, our extraordinary shareholders' meeting approved the issuance of two warrants for the benefit of Gilead Therapeutics A1 Unlimited Company, called the initial warrant A and the initial warrant B. These warrants entitle the holder thereof to subscribe, during the entire term of the respective warrant, upon each exercise of a warrant, for a maximum number of shares that is sufficient to bring the shareholding of Gilead and its affiliates to 25.1% and 29.9%, respectively, of the actually issued and outstanding shares after the exercise of the relevant warrant (rounded down to the nearest whole share). The initial warrant A has a term of one year and an exercise price of €140.59 per share. The initial warrant B has a term of five years and an exercise price per share equal to the greater of (i) 120% multiplied by the arithmetic mean of the 30-day daily volume weighted average trading price of Galapagos' shares as traded on Euronext Brussels and Euronext Amsterdam, and (ii) €140.59.

C. Board practices

Our board of directors can set up specialized committees to analyze specific issues and advise the board of directors on those issues. Except for our executive committee, the committees are advisory bodies only and the decision-making remains within the collegial responsibility of the board of directors. The board of directors determines the terms of reference of each committee with respect to the organization, procedures, policies and activities of the committee.

Our board of directors has set up and appointed an executive committee, an audit committee and a nomination and remuneration committee. The composition and function of all of our committees will comply with all applicable requirements of the Belgian Companies Code (and as from January 1, 2020, the New Belgian Companies Code), the Exchange Act, the exchanges on which the ordinary shares and ADSs are listed, and SEC rules and regulations.

Except the arrangements described in the section of this annual report titled "Item 7.B.—Related-Party Transactions — Agreements with Our Directors and Members of the Executive Committee," there are no arrangements or understanding between us and any of the members of our executive committee or directors providing for benefits upon termination of their employment, other than as required by applicable law. For information regarding the expiration of our directors' current terms of office and the period each director has served in that office, see "Item 6.A.—Directors and Senior Management.—Our Board of Directors."

Director independence

As a foreign private issuer, under the listing requirements and rules of Nasdaq, we are not required to have independent directors on our board of directors, except that our audit committee is required to consist fully of independent directors, subject to certain phase-in schedules. However, our board of directors has determined that, under current listing requirements and rules of Nasdaq and taking into account any applicable committee independence standards, Raj Parekh, Howard Rowe, Peter Guenter, Katrine Bosley, and Mary Kerr are "independent directors." In making such determination, our board of directors considered the relationships that each non-executive director has with us and all other facts and circumstances our board of directors deemed relevant in determining the director's independence, including the number of ordinary shares beneficially owned by the director and his or her affiliated entities (if any).

The independence criteria under the applicable Nasdaq Stock Market Listing Rules differ from the independence criteria set forth in article 526*ter* of the Belgian Companies Code (and as from January 1, 2020, article 7:87 of the New Belgian Companies Code). Under article 526*ter* of the Belgian Companies Code (and as from January 1, 2020, article 7:87 of the New Belgian Companies Code), Howard Rowe, Peter Guenter, Katrine Bosley and Mary Kerr are "independent directors."

Role of the Board in risk oversight

Our board of directors is responsible for the oversight of our risk management activities and has delegated to the audit committee the responsibility to assist our board in this task. While our board oversees our risk management, our management is responsible for day-to-day risk management processes. Our board of directors expects our management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the board of directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face.

Corporate governance practices

Along with our articles of association, we adopted a corporate governance charter in accordance with the recommendations set out in the Belgian Corporate Governance Code issued on March 12, 2009 by the Belgian Corporate Governance Committee (the "2009 Belgian Corporate Governance Code"). In light of the New Belgian Companies Code, the Belgian Corporate Governance Committee adopted a new 2020 Belgian Corporate Governance Code, published on May 9, 2019. Our board of directors has adopted the 2020 Belgian Corporate Governance Code for the reporting period beginning on January 1, 2020. Subject to approval of the new articles of association by the extraordinary shareholders' meeting of April 28, 2020, our board of directors will approve an updated corporate governance charter.

The Belgian Corporate Governance Code is based on a "comply or explain" system: Belgian listed companies are expected to follow the Belgian Corporate Governance Code, but can deviate from specific provisions and guidelines (though not the principles) provided they disclose the justification for such deviations.

For the reporting year beginning on January 1, 2019, our board of directors strove to comply with the Belgian Corporate Governance Code as much as possible. At the same time, the board of directors believes that certain deviations from its provisions were justified in view of our particular situation. These deviations included the grant of warrants to non-executive directors. In this way, we had additional possibilities to attract competent non-executive directors and to offer them an attractive additional remuneration without the consequence that this additional remuneration weighs on our financial results. Furthermore, the grant of warrants has been a commonly used method in the sector in which we operate. Without this possibility, we would have been subject to a considerable disadvantage compared to competitors who do offer warrants to their non-executive directors. Our board of directors is of the opinion that the grant of warrants had no negative impact on the functioning of the non-executive directors. Nevertheless, as from January 1, 2020, Galapagos will no longer grant any warrants to non-executive directors. Going forward, Galapagos will thus comply with provision 7.6 of the 2020 Belgian Corporate Governance Code.

Our board of directors reviews its corporate governance charter from time to time and makes such changes as it deems necessary and appropriate. Additionally, our board of directors adopted written terms of reference for each of the executive committee, the audit committee and the nomination and remuneration committee, which are part of the corporate governance charter.

Board committees

The board of directors has established an audit committee and a nomination and remuneration committee, which operate pursuant to the written terms of reference for each of the audit committee and the nomination and remuneration committee that are part of the corporate governance charter adopted by our board of directors. The composition and functioning of all of our committees will comply with all applicable requirements of the Belgian Companies Code (and as from 1 January 2020, the New Belgian Companies Code) and the 2009 Belgian Corporate Governance Code (to be replaced by the 2020 Belgian Corporate Governance Code), the Exchange Act, the exchanges on which the ordinary shares and ADSs are listed, and SEC rules and regulations, taking into account the differences set out below and the company's status as a foreign private issuer.

The Listing Rules of the Nasdaq Stock Market include certain accommodations in the corporate governance requirements that allow foreign private issuers, to follow "home country" corporate governance practices in lieu of the otherwise applicable corporate governance standards of the Nasdaq Stock Market. The application of such exceptions requires that we disclose each of the Nasdaq Stock Market Listing Rules that we do not follow and describe the Belgian corporate governance practices we do follow in lieu of the relevant Nasdaq Stock Market corporate governance standard.

We follow Belgian corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Stock Market in respect of the following rules applicable to board committees:

- ***Compensation committee***. Nasdaq Stock Market Listing Rule 5605(d)(2) requires that compensation of officers must be determined by, or recommended to, the board of directors for determination, either by a majority of the independent directors, or a compensation committee comprised solely of independent directors. Nasdaq Stock Market Listing Rule 5605(e) requires that director nominees be selected, or recommended for selection, either by a majority of the independent directors or a nominations committee comprised solely of independent directors. Under Belgian law, we are not subject to such composition requirements. Pursuant to article 526*quater* of the Belgian Companies Code (and as from January 1, 2020, article 7:100 of the New Belgian Companies Code) and the principles and guidelines of the 2009 Belgian Corporate Governance Code (to be replaced by the 2020 Belgian Corporate Governance Code), we are required to set up a remuneration committee within our board of directors. In addition, the 2009 Belgian Corporate Governance Code (to be replaced by the 2020 Belgian Corporate Governance Code) provides that the board of directors should set up a nomination committee, which can be combined with the remuneration committee. Our board of directors has set up and appointed a nomination and remuneration committee.

- ***Charters***. Nasdaq Stock Market Listing Rules 5605(c)(1), (d)(1) and (e)(2) require that each committee of the board of directors must have a formal written charter. Pursuant to the Belgian Corporate Governance Code, our board of directors has drawn up a corporate governance charter including, amongst others, the internal rules of our committees. The corporate governance charter will be updated upon approval by the extraordinary shareholders' meeting of April 28, 2020 of the proposed changes to our articles of association, implementing certain provisions of the New Belgian Companies Code.

Audit committee

Our audit committee consists of three members: Howard Rowe (Chairman), Mary Kerr and Peter Guenter (as from June 18, 2019). He replaced Werner Cautreels, whose mandate as a director ended on April 30, 2019.

Our board of directors has determined that all members of our audit committee are independent under Rule 10A-3 of the Exchange Act and the applicable rules of the Nasdaq Stock Market and that Howard Rowe qualifies as an "audit committee financial expert" as defined under the Exchange Act.

Our audit committee assists our board of directors in overseeing the accuracy and integrity of our accounting and financial reporting processes and audits of our statutory and consolidated financial statements, the implementation and effectiveness of an internal control system and our compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of the independent auditors.

Our audit committee's duties and responsibilities to carry out its purposes include, among others:

- ensuring the integrity of our financial reporting, including review of periodic information before it is made public;
- evaluating our system of internal controls set up by our executive committee, including evaluation and approval of the explanatory notes on internal controls in our annual reports;
- reviewing the functions of our internal risk management system and the efficacy of these systems;
- assessing the necessity for setting up an internal audit function; and
- supervising our relationship with our external auditors during the external audit process, including evaluation of our auditors' independence.

The committee regularly reports to our board of directors on the discharge of its functions. It informs our board of directors about all areas in which action or improvement is necessary in its opinion and produces recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review cover us and our subsidiaries as a whole. The members of the audit committee are entitled to receive all information which they need for the performance of their function, from our board of directors, executive committee and employees. Every member of the audit committee shall exercise this right in consultation with the chairman of the audit committee.

Starting in 2019, the audit committee also reviews Corporate Social Responsibility (CSR) initiatives, as included in the CSR report 2019, ensuring that we implement our planned initiatives and communicate them effectively and accurately to our employees and shareholders. The CSR report 2019 provides the non-financial information required by article 96 § 4 and article 119 § 2 of the Belgian Companies Code (and as from January 1, 2020, article 3:6 §4 and article 3:32 §2 of the New Belgian Companies Code); a copy of our CSR report 2019 is available on our company website at http://www.glpg.com/financial-reports (this website does not form part of this annual report on Form 20-F).

Nomination and remuneration committee

Our nomination and remuneration committee consists of three members: Raj Parekh (Chairman), Katrine Bosley and Howard Rowe.

Our board of directors has determined that all members of our nomination and remuneration committee are independent under the applicable rules of the Nasdaq Stock Market.

Concerning our company's nomination policy, this committee's duties and responsibilities to carry out its purposes include, among others:

- making and evaluating proposals to our board of directors with regard to the election and re-election of non-executive directors;

- advising on the size and composition of the board of directors periodically;
- making selection criteria and nomination procedures for members of the board of directors and/or of the executive committee; and
- advising on proposals relating to the appointment or dismissal of the members of the executive committee.

Concerning our company's remuneration policy, this committee's duties and responsibilities to carry out its purposes include, among others:

- making and evaluating proposals to our board of directors with regard to the remuneration policy for non-executive directors and the proposals which have to be submitted to the shareholders;
- making and evaluating proposals to our board of directors relating to the remuneration policy for members of our executive committee;
- making proposals relating to individual remuneration, including bonuses; and
- discussing and evaluating the operations and performance of the executive committee at least once a year.

D. Employees

As of December 31, 2019 we had 1,003 employees. Our employees in France, the Netherlands and Croatia are represented by a labor union and/or covered by a collective bargaining agreement. We have never experienced any employment-related work stoppages, and we consider our relations with our employees to be good. We have also engaged and may continue to engage independent contractors to assist us with our clinical activities. At each date shown, we had the following employees, broken out by department and geography:

	December 31,		
	2019	2018	2017
Function:			
Executive officers	5	5	5
Research	266	245	236
Development	300	207	149
Research services	159	154	122
Commercial	40	—	—
Corporate and support	233	114	88
Total	**1,003**	**725**	**600**
Geography:			
Leiden, the Netherlands	127	81	52
Mechelen, Belgium	486	303	252
Romainville, France	181	163	152
Zagreb, Croatia	158	154	139
Boston, United States	12	8	3
Basel, Switzerland	31	10	2
Cambridge, United Kingdom	8	6	—
Total	**1,003**	**725**	**600**

E. Share Ownership

For information regarding the share ownership of our directors and members of our executive committee, see "Item 6.B.—Compensation" and "Item 7.A.—Major shareholders."

Item 7 Major shareholders and related party transactions

A. Major shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 15, 2020 for:

- each person who is known by us to own beneficially more than 5% of our outstanding ordinary shares;
- each member of our board of directors;
- our executive committee, excluding our chief executive officer, as a group; and
- all members of our board of directors and executive committee as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include ordinary shares that can be acquired within 60 days of March 15, 2020. The percentage ownership information shown in the table is based upon 64,666,802 ordinary shares outstanding as of March 15, 2020.

Except as otherwise indicated, all of the shares reflected in the table are ordinary shares or ADSs, and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. The information is not necessarily indicative of beneficial ownership for any other purpose.

In computing the number of ordinary shares beneficially owned by a person and the percentage ownership of that person, we deemed outstanding ordinary shares subject to warrants held by that person that are immediately exercisable or exercisable within 60 days of March 15, 2020. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than 1% is denoted with an asterisk (*). The information in the table below is based on information known to us or ascertained by us from public filings made by the shareholders. Except as otherwise indicated in the table below, addresses of the directors, members of our executive committee and named beneficial owners are in care of Galapagos NV, Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium.

	Shares beneficially owned	
Name of beneficial owner	**Number**	**Percentage**
5% shareholders:		
Gilead Sciences, Inc.	16,707,477 (1)(2)	25.84 %
Van Herk Investments B.V.	6,071,472 (1)(3)	9.39 %
Directors and members of executive committee:		
Raj Parekh, MA, DPhil	15,000 (4)	*
Onno van de Stolpe	1,005,163 (5)	1.54 %
Howard Rowe, JD	25,080 (6)	*
Katrine Bosley	17,520 (7)	*
Mary Kerr, Ph.D.	—	—
Peter Guenter	—	—
Daniel O'Day	—	—
Linda Higgins	—	—
Executive committee excluding Onno van de Stolpe	730,357 (8)	1.12 %
All members of our board of directors and executive committee as a group (13 persons)	1,793,120 (9)	2.72 %

(1) At the time of the most recent transparency notification or filing of a statement of beneficial ownership with the SEC.
(2) Consists of 16,707,477 shares held by Gilead Therapeutics A1 Unlimited Company, which is a subsidiary of Gilead Sciences Ireland Unlimited Company, which is in turn a subsidiary of Gilead Biopharmaceutics Ireland Unlimited

Company, which is in turn a subsidiary of Gilead Biopharmaceutics US, LLC, which is in turn a subsidiary of Gilead Sciences, Inc., which has the sole voting and investment power with respect to these shares. The address of Gilead Sciences, Inc. is 333 Lakeside Drive, Foster City, CA 94404, United States of America.

(3) Consists of 6,071,472 shares held by Van Herk Investments B.V., as reported in a Schedule 13G/A filed on February 14, 2020 by (i) Van Herk Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands ("VHI"), with respect to Common Stock (as defined below) beneficially owned by it, (ii) Van Herk Investments THI B.V., a private company with limited liability incorporated under the laws of the Netherlands ("VHIT"), with respect to Common Stock beneficially owned by VHI, (iii) Van Herk Private Equity Investments B.V., a private company with limited liability incorporated under the laws of the Netherlands ("VHPI"), with respect to Common Stock beneficially owned by VHI and VHIT, (iv) Stichting Administratiekantoor Penulata, a foundation organized under the laws of the Netherlands ("Penulata"), with respect to Common Stock beneficially owned by VHI, VHIT and VHPI, (v) Van Herk Management Services B.V., a private company with limited liability incorporated under the laws of the Netherlands ("VHMS"), with respect to Common Stock beneficially owned by VHI, VHIT and VHPI, (vi) Onroerend Goed Beheer- en Beleggingsmaatschappij A. van Herk B.V., a private company with limited liability incorporated under the laws of the Netherlands ("OGBBA"), with respect to Common Stock beneficially owned by VHI, VHIT, VHPI and VHMS, (vii) A. van Herk Holding B.V., a private company with limited liability incorporated under the laws of the Netherlands ("Holdings"), with respect to Common Stock beneficially owned by VHI, VHIT, VHPI, VHMS and OGBBA, (viii) Stichting Administratiekantoor Abchrys, a foundation organized under the laws of the Netherlands ("Abchrys"), with respect to Common Stock beneficially owned by VHI, VHIT, VHPI, VHMS, OGBBA and Holdings, and (ix) Adrianus van Herk ("Mr. van Herk") with respect to Common Stock beneficially owned by VHI, VHIT, VHPI, VHMS, OGBBA, Holdings, Penulata and Abchrys. Mr. van Herk is (i) an investor, (ii) the holder of all of the depositary receipts issued by Penulata and Abchrys, (iii) the sole board member of Penulata and Abchrys, and (iv) the sole managing director of VHMS, OGBBA and Holdings. Penulata holds substantially all of the issued and outstanding shares of VHPI. VHPI is the sole shareholder of VHIT. VHIT is the sole shareholder of VHI. VHI is principally engaged in making investments. Abchrys holds substantially all of the issued and outstanding shares of Holdings. Holdings is the sole shareholder of OGBBA. OGBBA is the sole shareholder of VHMS and is principally engaged in making investments. VHMS is the sole managing director of VHI, VHIT and VHPI. Each of Mr. van Herk, VHIT, VHPI, Penulata, VHMS, OGBBA, Holdings and Abchrys disclaims beneficial ownership of the securities covered by such Schedule 13G/A statement. The address of each of Mr. van Herk, VHI, VHIT, VHPI, Penulata, VHMS, OGBBA, Holdings and Abchrys is Lichtenauerlaan 30, 3062 ME Rotterdam, the Netherlands.

(4) Consists of 15,000 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

(5) Consists of (i) 478,289 shares and (ii) 526,874 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

(6) Consists of 25,080 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

(7) Consists of 17,520 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

(8) Consists of (i) 75,357 shares and (ii) 655,000 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

(9) Includes 1,239,474 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2020.

Each of our shareholders is entitled to one vote per ordinary share. All shareholders have identical voting rights per share. We are not aware of any arrangement that may result in a change of control of our company.

As of March 16, 2020, reviewing ownership in Bloomberg of 91% of outstanding shares (ordinary shares and ADSs), approximately 45% of outstanding shares were held are held by institutional investors domiciled in the United States, excluding Gilead Sciences, Inc., or Gilead. We estimate that shares were held in the United States by approximately 171 institutional holders of record, excluding Gilead Sciences, Inc., or Gilead. As of 31 January 2020, there were outstanding 6,924,875 ADSs, each representing one ordinary share, and in the aggregate representing approximately 11% of our outstanding ordinary shares. The actual number of holders is greater than these numbers of record holders, and includes beneficial owners whose ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities.

On January 7, 2020, we received a transparency notice from Gilead Sciences, Inc., who notified that certain changes occurred in the chain of intermediary companies through which Gilead holds its shares in Galapagos, more specifically that (i) on 27 December 2019, Gilead Biopharmaceutics US, LLC, a direct subsidiary of Gilead Sciences, Inc., acquired control over Gilead Biopharmaceutics Ireland UC, and that (ii) on 28 December 2019, Gilead Sciences Ireland UC, a direct subsidiary of Gilead Biopharmaceutics Ireland UC, acquired control over Gilead Therapeutics A1 Unlimited Company, an indirect subsidiary of Gilead Sciences, Inc., who holds 16,707,477 shares, representing 25.84% of our outstanding shares as of March 15, 2020.

On November 13, 2019, we received a transparency notification from Wellington Management Group LLP, who indicated that, following a disposal of ordinary shares, ADRs and equity swaps, the remaining Galapagos shares and equivalent financial instruments held by its entirely-controlled subsidiary Wellington Management Company LLP crossed below the 5% threshold of Galapagos' voting rights. On November 11, 2019, we received a transparency notification from Gilead Sciences, Inc., who notified that Gilead Therapeutics A1 Unlimited Company, an indirect subsidiary of Gilead Sciences, Inc., held 16,207,477 of Galapagos' voting securities as a result of subscribing to a capital increase in the framework of the exercise of the Initial Warrant A on November 6, 2019, representing 25.10% of our then outstanding 64,571,622 shares. On October 22, 2019, we received a transparency notification from Wellington Management Group LLP, who indicated that, following a disposal of ordinary shares, the remaining 3,079,573 ordinary shares held by its entirely-controlled subsidiary Wellington Management Company LLP represented 4.97% of the then outstanding Galapagos shares and thus, with the ordinary shares portion of its total position, crossed below the 5% threshold of our voting rights on October 8, 2019. In addition, through its wholly owned subsidiary Wellington Management Company LLP, it also held 615,676 ADRs and 8,322 equity swaps with expiration in 2020, bringing the total number of voting rights for Wellington Management Group to 3,703,571, which represented 5.98% of the then outstanding shares. On October 4, 2019, we received a transparency notification from Wellington Management Group LLP, who notified that the 3,445,603 Galapagos shares held by its entirely-controlled subsidiary Wellington Management Company LLP represented 5.56% of the then outstanding Galapagos shares. Wellington Management Company LLP thus crossed above the 5% threshold of our voting rights by purchase of voting securities on October 1, 2019. On September 16, 2019, we received a transparency notification from Sands Capital Management, LLC, who notified that it held 2,803,887 ADRs, thus crossing passively below the 5% threshold of our voting rights, due to the share issuance for the benefit of Gilead on August 23, 2019. On August 29, 2019, we received a transparency notification from Van Herk Investments B.V., who notified that it held 5,800,301 of the then outstanding voting rights, thus crossing passively below the 10% threshold of our voting rights due to the share issuance for the benefit of Gilead on August 23, 2019. On August 28, 2019, we received a transparency notification from Gilead, who notified that Gilead Therapeutics A1 Unlimited Company held 13,589,686 of our voting rights, as a result of subscribing to a capital increase and thus receiving 6,828,985 new shares on August 23, 2019. This represented 22.04% of our then outstanding shares. Gilead Therapeutics A1 Unlimited Company thus crossed above the 20% threshold of Galapagos' voting rights. On July 16, 2019, we received a transparency notification from Van Herk Investments B.V., who notified that it held 5,792,737 of our voting rights. This represented 10.57% of our then outstanding shares, thus crossing above the 10% threshold of our voting rights by purchase of voting securities on July 15, 2019. On June 6, 2019, we received a transparency notification from The Capital Group Companies, Inc. who notified that it controlled Capital Research and Management Company, which held 2,772,024 of our voting rights. This represented 5.08% of our then outstanding shares, thus crossing above the 5% threshold of our voting rights by purchase of voting securities on June 5, 2019.

On December 27, 2018, we received a transparency notice from Sands Capital Management, LLC, indicating that by acquiring additional securities on September 13, 2018, it held 3,092,264 of Galapagos NV's voting securities, thus increasing above the lowest 5% notification threshold of Galapagos NV's voting rights. This shareholding represented 5.68% of our then outstanding shares. On June 12, 2018, we received a transparency notice from Van Herk Investments B.V., indicating that by acquiring additional voting securities on June 8, 2018, its shareholding increased above the 10% notification threshold of Galapagos NV's voting rights.

On December 7, 2017, we received a transparency notice from FMR LLC indicating that affiliates under its control sold voting securities, as a result of which its shareholding decreased below the lowest 5% notification threshold of Galapagos NV's voting rights. On December 13, 2017, we received a transparency notification from Gilead, who notified that its subsidiary Gilead Biopharmaceutics Ireland Unlimited Company transferred its holding of 6,760,701 Galapagos shares on December 7, 2017 to its subsidiary Gilead Therapeutics A1 Unlimited Company. This represents no change in the number of shares compared to the previous transparency notification from Gilead on January 20, 2016.

B. Related party transactions

Since January 1, 2019, we have engaged in the following transactions with our directors, members of our executive committee and holders of more than 10% of our outstanding voting securities and their affiliates.

On July 14, 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. Finally, we amended and restated the license agreement for filgotinib that we originally entered into with Gilead on December 16, 2015.

On 23 August 2019, the closing of the transaction took place and we received an upfront payment of $3.95 billion (or €3,569.8 million) and a $1.1 billion (or €960.1 million) equity investment from Gilead.

Share subscription agreement

As part of the research and development collaboration, Gilead entered into a share subscription agreement with us. On August 23, 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.

On October 22, 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 EUR 140.59. On November 6, 2019, Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares.

On October 22, 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 August 23, 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 August 23, 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. 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. 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.

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. If GLPG1690 is approved in the United States, Gilead will pay us an additional $325 million regulatory milestone fee. For GLPG1972, after the completion of the ongoing Phase 2b study in osteoarthritis, Gilead has the option to pay a $250 million fee to license the compound in the United States. If certain secondary efficacy endpoints for GLPG1972 are met, Gilead will pay us up to an additional $200 million. Following opt-in on GLPG1972, we are eligible to receive up to $550 million in regulatory and sales based milestones. 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. With respect to GLPG1690, reimbursement of development costs under the cost split mechanism by Gilead to us amounted to €17.7 million for the year ended December 31, 2019.

For further information on our exclusive option, license and collaboration agreement with Gilead, see the section of this annual report titled “Item 4.B.—Business overview.—Collaborations— Option, License and Collaboration Agreement with Gilead.”

Filgotinib collaboration

Under the revised agreement, we will have 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. We and Gilead will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, we will have an expanded commercial role. We will be the lead commercialization party for filgotinib in France, Italy and Spain for rheumatology indications and Gilead will be the lead commercialization party for gastro indications. In Germany and the United Kingdom, Gilead will lead the rheumatology indications and Galapagos will lead the gastro indications. We retain exclusive commercialization responsibility in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies. The companies will share future global development costs for filgotinib equally until a predetermined level, in lieu of the 80/20 cost split provided by the original agreement. Other terms of the original license agreement remain in effect, including the remaining $640 million in total development and regulatory milestones, $600 million in total sales based milestones and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling $30 million.

Under the original exclusive license and collaboration agreement, we received from Gilead $60.0 million (or €55.1 million) in milestone payments in the year ended December 31, 2016, $10.0 million (or €9.4 million) in milestone payments in the year ended December 31, 2017, and $15.0 million (or €12.4 million) in milestone payments in the year ended December 31, 2018.

We incurred €100.0 million in development costs for the year ended December 31, 2019 for the development of filgotinib in collaboration with Gilead: these costs relate to the Phase 2b and Phase 3 trials and mainly consist of costs recharged by Gilead as we were co-funding 20%, and as of August 23, 2019, 50% of the global development activities, as well as costs paid to CROs in conjunction with clinical trials, costs for production of the compound for clinical testing, and, to a smaller extent, personnel costs and consultancy costs. The reimbursement of research and development costs under the cost split mechanism by us to Gilead amounted to €72.0 million for the year ended December 31, 2019. The reimbursement of research and development costs under the cost split mechanism by Gilead to us amounted to nil for the year ended December 31, 2019. For further information on our exclusive license and collaboration agreement with Gilead, see the section of this annual report titled “Item 4.B.—Business overview.—Collaborations—Exclusive collaboration agreement with Gilead for filgotinib.”

Transactions with related companies

From time to time, in the ordinary course of our business we may contract for services from companies in which certain of the members of our executive committee or directors may serve as director or advisor. The cost of these services is negotiated on an arm’s length basis and none of these arrangements is material to us.

Agreements with our Directors and members of the Executive Committee

Employment and management arrangements

As from January 1, 2020, all members of the executive committee will provide their services under a management agreement with Galapagos NV, subject to Belgian law, that contains a notice period of six months and no other severance payments. The paragraphs below set forth the main terms of the agreements that applied until December 31, 2019.

Onno van de Stolpe

On March 1, 2002, we entered into a management agreement, subject to Belgian law, with Onno van de Stolpe for the position of Managing Director and Chief Executive Officer for an indefinite period. Effective March 1, 2011, Mr. Van de Stolpe's management agreement with Galapagos NV was reduced from a full-time basis to a part-time basis, for approximately 40% of his time, at which time he entered into (1) an employment agreement, subject to Dutch law, with Galapagos B.V. on a part-time basis, for approximately 35% of his time, and (2) a management agreement, subject to French law, with Galapagos SASU for approximately 25% of his time. For the year ended December 31, 2019, Mr. Van de Stolpe received (1) a base remuneration from Galapagos NV of €258,664.27, (2) a base salary from Galapagos B.V. of €210,000 and (3) a base salary from Galapagos SASU of €112,476.29.

Bart Filius

On September 15, 2014, Galapagos B.V. entered into an employment agreement, subject to Dutch law, with Bart Filius for the position of Chief Financial Officer, starting December 1, 2014 for an indefinite period. Effective December 1, 2014, Mr. Filius' employment agreement with Galapagos B.V. was reduced from a full-time basis to a part-time basis, for approximately 60% of his time, and he entered into a management agreement, subject to Belgian law, with Galapagos NV for approximately 40% of his time. In addition to his role as Chief Financial Officer, Mr. Filius has served as Chief Operating Officer since September 2017. For the year ended December 31, 2019, Mr. Filius received (1) a base remuneration from Galapagos NV of €160,000, and (2) a base salary from Galapagos B.V. of €240,000.

Andre Hoekema

On January 31, 2005, Galapagos B.V. entered into an employment agreement, subject to Dutch law, with Andre Hoekema for the position of Senior Vice President Corporate Development and member of the executive committee, for an indefinite period. Dr. Hoekema has served as Chief Business Officer since September 2017. For the year ended December 31, 2019, Dr. Hoekema received a base remuneration from Galapagos B.V. of €360,000.

Piet Wigerinck

On February 28, 2008, we entered into a management agreement, subject to Belgian law, with Piet Wigerinck, for an indefinite period. Dr. Wigerinck was appointed Chief Scientific Officer effective March 1, 2012. The management agreement stipulates that Dr. Wigerinck shall perform his duties thereunder on an independent basis. For the year ended on December 31, 2019, Dr. Wigerinck received a base remuneration from Galapagos NV of €400,000.

Walid Abi-Saab

On October 27, 2016, Galapagos NV entered into a management agreement, subject to Belgian law, with Walid Abi-Saab for the position of member of Galapagos' executive committee and Chief Medical Officer, starting March 1, 2017, for an indefinite period. Effective March 1, 2017, Dr. Abi-Saab's management agreement with Galapagos NV was reduced from a full-time basis to a part-time basis, for approximately 95% of his time, and he entered into an employment agreement, subject to Dutch law, with Galapagos B.V. for approximately 5% of his time. On January 16, 2018, the management agreement between Galapagos NV and Dr. Abi-Saab and the employment agreement between Galapagos B.V. and Dr. Abi-Saab were terminated by mutual agreement with effect from December 31, 2017. On January 16, 2018, Galapagos GmbH and Dr. Abi-Saab entered into an employment agreement, subject to Swiss law and effective from January 1, 2018, under which Dr. Abi-Saab continues to perform his duties as Chief Medical Officer, for an indefinite period. For the year ended on December 31, 2019, Dr. Abi-Saab received a base remuneration from Galapagos GmbH of €400,000.

Severance payments upon change of control

The abovementioned agreements with the members of our executive committee do not provide for severance compensation. They do not contain notice periods that exceed six months. However, we entered into undertakings with the members of our executive committee providing that, in case their contract with us is terminated as a result of a change of control of our company, they would be entitled to a severance compensation of 12 months' base salary for our chief executive officer and nine months' base salary for the other executive committee members.

Director and Executive Committee compensation

See the sections of this annual report in "Item 6.B.—Compensation." titled "—Compensation of Our Board of Directors" and "—Compensation of Members of the Executive Committee" and the section titled "Item 7.A.—Major Shareholders." for information regarding compensation of our directors and members of our executive committee.

Equity awards

Since January 1, 2019, we have granted warrants and RSUs to certain of our directors and members of our executive committee.

See the sections of this annual report in "Item 6.B.—Compensation." titled "—Compensation of Our Board of Directors" and "—Compensation of Members of the Executive Committee" and the section titled "Item 7.A.—Major Shareholders." for information regarding equity awards to our directors and members of our executive committee.

Bonus plans

See the section of this annual report titled "Item 6.B.—Compensation.—Compensation of Members of the Executive Committee" for information regarding bonus plans for members of our executive committee.

Related-party transactions policy

Article 524 of the Belgian Companies Code (and as from 1 January 2020, article 7:97 of the New Belgian Companies Code) provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions or transactions between us and our affiliates that are not one of our subsidiaries. Prior to any such decision or transaction, our board of directors must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction, quantify its financial consequences and determine whether the decision or transaction causes a disadvantage to us that is manifestly illegitimate in view of our policy. If the committee determines that the decision or transaction is not illegitimate but will prejudice us, it must analyze the advantages and disadvantages of such decision or transaction and set out such considerations as part of its advice. Our board of directors must then make a decision, taking into account the opinion of the committee. Any deviation from the committee's advice must be justified. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote. The committee's advice and the decision of the board of directors must be notified to our auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the board of directors and the opinion by the auditor must be included in our annual report. This procedure does not apply to decisions or transactions in the ordinary course of business under customary market conditions and security documents, or to transactions or decisions with a value of less than 1% of our net assets as shown in our consolidated annual accounts.

In addition to this, our corporate governance charter provides for guidelines for transactions between our company and our directors or members of the executive committee. According to such guidelines:

- it is expected from all directors and members of the executive committee that they avoid all acts, standpoints or interests which are conflicting with, or which give the impression that they are conflicting with, the interests of our company;

- all transactions between our company and our directors, members of the executive committee or representatives need the approval of our board of directors. Such transactions could only be allowed at arm's length (normal market conditions);

- our directors and members of the executive committee are, by way of example, not allowed, directly or indirectly, to enter into agreements with our company which relate to supply of materials or delivery of services (other than in the framework of their mandate for our company), except with the explicit approval of our board of directors;

- in the event our directors, members of the executive committee or their permanent representatives are confronted with a potential conflict of interest with regard to a decision or a transaction of our company, they shall immediately inform the chairman of the board of directors thereof. Conflict of interest means a conflict of proprietary interest, but also functional conflict of interest or conflicts of a family nature (up to second degree);

- in the event article 523 of the Belgian Companies Code applies, our director or the member of the executive committee shall not participate in the deliberation on the subject matter; and

- in the event article 523 of the Belgian Companies Code does not apply, the existence of the conflict of interest shall be written down in the minutes (but shall not be published) and the director or the member of the executive committee shall not vote.

We have adopted a related-party transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related-party transactions. For purposes of our policy only, a related-party transaction is a transaction in which we are a participant and a related party has a direct or indirect material interest. For purposes of this policy, a related party is any executive officer, director (or nominee for director) or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a related-party transaction, our audit committee will review and consider information regarding the related-party transaction. In reviewing any related-party transaction, the committee will take into account, among other factors it deems appropriate, (i) whether the transaction is on terms no less favorable to us than terms generally available in a transaction with an unaffiliated third party under the same or similar circumstances; and (ii) the extent of the related party's interest in the related-party transaction. Additionally, we will provide the audit committee with all material information regarding the related-party transaction, the interest of the related party, and any potential disclosure obligations in connection therewith. In addition, under our Code of Business Conduct and Ethics, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

C. Interests of experts and counsel

Not applicable.

Item 8 Financial information

A. Consolidated statements and other financial information

Consolidated financial statements

Our consolidated financial statements are appended at the end of this annual report, starting at page F-1, and incorporated herein by reference.

Legal proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Dividend distribution policy

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying cash dividends on our equity securities in the foreseeable future and intend for the foreseeable future to retain all available funds and any future earnings for use in the operation and expansion of our business. In general, distributions of dividends proposed by our board of directors require the approval of our shareholders at a shareholders' meeting with a simple majority vote, although our board of directors may declare interim dividends without shareholder approval, subject to the terms and conditions of the Belgian Companies Code.

Pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of our non-consolidated statutory financial accounts. In addition, under the Belgian Companies Code, we may declare or pay dividends only if, following the declaration and issuance of the dividends, the amount of our net assets on the date of the closing of the last financial year according to our statutory annual accounts (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and expansion and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. Finally, prior to distributing dividends, we must allocate at least 5% of our annual net profits (under our non-consolidated statutory accounts prepared in accordance with Belgian accounting rules) to a legal reserve, until such legal reserve amounts to 10% of our share capital.

B. Significant changes

None.

Item 9 The offer and listing

A. Offer and listing details

The ADSs have been listed on the Nasdaq Global Select Market, or Nasdaq, under the symbol "GLPG" since May 14, 2015. Prior to that date, there was no public trading market for the ADSs. Our ordinary shares have been trading on Euronext Amsterdam and Euronext Brussels under the symbol "GLPG" since May 6, 2005. Prior to that date, there was no public trading market for the ADSs or our ordinary shares. Our global offering in May 2015 was priced at $42.05 per ADS and €37.00 per ordinary share based on an exchange rate of $1.1365 per euro.

B. Plan of distribution

Not applicable.

C. Markets

The ADSs have been listed on Nasdaq under the symbol "GLPG" since May 14, 2015, and our ordinary shares have been listed on Euronext Amsterdam and Euronext Brussels under the symbol "GLPG" since May 6, 2005.

D. Selling shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

Item 10 Additional information

A. Share capital

Not applicable.

B. Memorandum and Articles of Association

The information set forth in our Registration Statement on Form F-3ASR (File No. 333-230639), automatically effective upon filing with the SEC on March 29, 2019, under the heading “Description of Share Capital”, as further supplemented by Exhibit 2.3 to this Annual Report (“Description of Securities”), is incorporated by reference.

C. Material contracts

We entered into an underwriting agreement among Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC, as representatives of the underwriters, on May 13, 2015, with respect to the ADSs and ordinary shares sold in our global offering. In addition, we entered into an underwriting agreement with Morgan Stanley & Co. LLC, as representative of the underwriters, on April 17, 2017, with respect to the ADSs sold in our follow-on offering. Finally, we entered into an underwriting agreement with Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., as representatives of the underwriters, on September 12, 2018, with respect to the ADSs sold in our second follow-on offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities. For additional information on our material contracts, please see the sections of this annual report titled “Item 4—Information on the Company” and “Item 7—Major shareholders and related party transactions.”

D. Exchange controls

There are no Belgian exchange control regulations that impose limitations on our ability to make, or the amount of, cash payments to residents of the United States.

We are in principle under an obligation to report to the National Bank of Belgium certain cross-border payments, transfers of funds, investments and other transactions in accordance with applicable balance-of-payments statistical reporting obligations. Where a cross-border transaction is carried out by a Belgian credit institution on our behalf, the credit institution will in certain circumstances be responsible for the reporting obligations.

E. Taxation

Certain material U.S. federal income tax considerations to U.S. holders

The following is a summary of certain material U.S. federal income tax considerations relating to ownership and disposition of ADSs by a U.S. holder (as defined below). This summary addresses only the U.S. federal income tax considerations for U.S. holders of the ADSs and that will hold such ADSs as capital assets for U.S. federal income tax purposes. This summary does not address all U.S. federal income tax matters that may be relevant to a particular U.S. holder. This summary does not address all tax considerations that may be applicable to a holder of ADSs that may be subject to special tax rules including, without limitation, the following:

- banks, financial institutions or insurance companies;
- brokers, dealers or traders in securities, currencies, commodities, or notional principal contracts;
- tax-exempt entities or organizations, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or 408A of the Code (as defined below), respectively;
- real estate investment trusts, regulated investment companies or grantor trusts;

- persons that hold the ADSs as part of a “hedging,” “integrated” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or persons that will hold the ADSs through such an entity;
- certain former citizens or long-term residents of the United States;
- holders that own directly, indirectly, or through attribution 10% or more of the voting power or value of the ADSs and shares; and
- holders that have a “functional currency” for U.S. federal income tax purposes other than the U.S. dollar.

Further, this summary does not address the U.S. federal estate, gift, or alternative minimum tax considerations, or any U.S. state, local, or non-U.S. tax considerations of the ownership and disposition of the ADSs.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code; existing, proposed and temporary U.S. Treasury Regulations promulgated thereunder, administrative and judicial interpretations thereof; and the income tax treaty between Belgium and the United States in each case as of and available on the date hereof. All the foregoing is subject to change, which change could apply retroactively, and to differing interpretations, all of which could affect the tax considerations described below. There can be no assurances that the U.S. Internal Revenue Service, or the IRS, will not take a contrary or different position concerning the tax consequences of ownership and disposition of the ADSs or that such a position would not be sustained. Holders should consult their own tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning, and disposing of the ADSs in their particular circumstances.

For the purposes of this summary, a “U.S. holder” is a beneficial owner of ADSs that is (or is treated as), for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity that is treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds ADSs, the U.S. federal income tax consequences relating to an investment in the ADSs will depend in part upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor regarding the U.S. federal income tax considerations of owning and disposing of the ADSs in its particular circumstances.

In general, a U.S. holder who owns ADSs will be treated as the beneficial owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will generally be recognized if a U.S. holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom ADSs are released before shares are delivered to the depositary (“pre-release”), or intermediaries in the chain of ownership between holders and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Belgian taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each described below, could be affected by actions taken by such parties or intermediaries.

As indicated below, this discussion is subject to U.S. federal income tax rules applicable to a "passive foreign investment company," or a PFIC.

Persons considering an investment in the ADSs should consult their own tax advisors as to the particular tax consequences applicable to them relating to ownership and disposition of the ADSs, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Distributions. Although we do not currently plan to pay dividends, and subject to the discussion under "—Passive Foreign Investment Company Considerations" below, the gross amount of any distribution (before reduction for any amounts withheld in respect of Belgian withholding tax) actually or constructively received by a U.S. holder with respect to ADSs will be taxable to the U.S. holder as a dividend to the extent of the U.S. holder's pro rata share of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce, the U.S. holder's adjusted tax basis in the ADSs. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as either long-term or short-term capital gain depending upon whether the U.S. holder has held the ADSs for more than one year as of the time such distribution is received. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Non-corporate U.S. holders may qualify for the preferential rates of taxation with respect to dividends on ADSs applicable to long-term capital gains (i.e., gains from the sale of capital assets held for more than one year) applicable to qualified dividend income (as discussed below) if we are a "qualified foreign corporation" and certain other requirements (discussed below) are met. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on ADSs which are readily tradable on an established securities market in the United States. The ADSs are listed on the Nasdaq Global Select Market, or Nasdaq, which is an established securities market in the United States, and we expect the ADSs to be readily tradable on Nasdaq. However, there can be no assurance that the ADSs will be considered readily tradable on an established securities market in the United States in later years. We are incorporated under the laws of Belgium, and we believe that we qualify as a resident of Belgium for purposes of, and are eligible for the benefits of, The Convention between the Government of the United States of America and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed on November 27, 2006, or the U.S.-Belgium Tax Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the U.S.-Belgium Tax Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange-of-information program. Therefore, subject to the discussion under "—Passive Foreign Investment Company Considerations" below, such dividends will generally be "qualified dividend income" in the hands of individual U.S. holders, provided that a holding period requirement (more than 60 days of ownership, without protection from the risk of loss, during the 121-day period beginning 60 days before the ex-dividend date) and certain other requirements are met. The dividends will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

A U.S. holder generally may claim the amount of any Belgian withholding tax as either a deduction from gross income or a credit against U.S. federal income tax liability. However, the foreign tax credit is subject to numerous complex limitations that must be determined and applied on an individual basis. Generally, the credit cannot exceed the same proportion of a U.S. holder's U.S. federal income tax liability which such U.S. holder's "foreign source" taxable income bears to such U.S. holder's worldwide taxable income. In applying this limitation, a U.S. holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. Furthermore, Belgian income taxes that are withheld in excess of the rate applicable under the U.S.-Belgium Tax Treaty or that are refundable under Belgian law will not be eligible for credit against a U.S. holder's federal income tax liability. Each U.S. holder should consult its own tax advisors regarding the foreign tax credit rules.

Sale, Exchange or Other Taxable Disposition of the ADSs. A U.S. holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other taxable disposition of ADSs in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or exchange and the U.S. holder's tax basis for those ADSs. Subject to the discussion under "—Passive Foreign Investment Company Considerations" below, this gain or loss will generally be a capital gain or loss. The adjusted tax basis in the ADSs generally will be equal to the cost of such ADSs. Capital gain from the sale, exchange or other taxable disposition of ADSs of a non-corporate U.S. holder is generally eligible for a preferential rate of taxation applicable to capital gains, if the non-corporate U.S. holder's holding period determined at the time of such sale, exchange or other taxable disposition for such ADSs exceeds one year (i.e., such gain is a long-term taxable gain). The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations. Any such gain or loss that a U.S. holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Medicare Tax. Certain U.S. holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ADSs. Each U.S. holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the ADSs.

Passive Foreign Investment Company Considerations. If we are a PFIC for any taxable year, a U.S. holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to the income and assets of its subsidiaries, either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average quarterly value of its total gross assets, for which purpose the total value of our assets may be determined in part by reference to the market value of its ADSs and ordinary shares, which is subject to change) is attributable to assets that produce "passive income" or are held for the production of "passive income."

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of cash, including the funds raised in offerings of the ADSs. If a non-U.S. corporation owns directly or indirectly at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income.

Whether we are a PFIC for any taxable year will depend on the composition of our income and the projected composition and estimated fair market values of our assets in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for any taxable year. The market value of our assets may be determined in large part by reference to the market price of the ADSs and our ordinary shares, which is likely to fluctuate. Based on the foregoing, with respect to our 2019 taxable year, we do not anticipate that we will be a PFIC based upon the expected value of our assets, including any goodwill, and the expected composition of our income and assets, however, as previously mentioned, we cannot provide any assurances regarding our PFIC status for the current, prior or future taxable years.

If we are a PFIC for any taxable year, then unless you make one of the elections described below, a special tax regime will apply to both (a) any "excess distribution" by us to you (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period for the ADSs) and (b) any gain realized on the sale or other disposition of the ADSs. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over your holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to you will not qualify for the lower rates of taxation applicable to long-term capital gains discussed above under "—Distributions."

Certain elections exist that would result in an alternative treatment (such as mark-to-market treatment) of the ADSs. If a U.S. holder makes the mark-to-market election, the U.S. holder generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. holder makes the election, the U.S. holder's tax basis in the ADSs will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). The mark-to-market election is available only if we are a PFIC and the ADSs are "regularly traded" on a "qualified exchange." The ADSs will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter (subject to the rule that trades that have as one of their principal purposes the meeting of the trading requirement as disregarded). Nasdaq is a qualified exchange for this purpose and, consequently, if the ADSs are regularly traded, the mark-to-market election will be available to a U.S. holder.

If we are a PFIC for any year during which a U.S. holder holds the ADSs, we must generally continue to be treated as a PFIC by that U.S. holder for all succeeding years during which the U.S. holder holds the ADSs, unless we cease to meet the requirements for PFIC status and the U.S. holder makes a "deemed sale" election with respect to the ADSs. If such election is made, the U.S. holder will be deemed to have sold the ADSs it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences applicable to sales of PFIC shares described above. After the deemed sale election, the U.S. holder's ADSs with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

The tax consequences that would apply if we were a PFIC would also be different from those described above if a U.S. holder were able to make a valid "qualified electing fund," or QEF, election. However, we do not currently intend to provide the information necessary for U.S. holders to make a QEF election if we were treated as a PFIC for any taxable year and prospective investors should assume that a QEF election will not be available. U.S. holders should consult their tax advisors to determine whether any of these above elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we are determined to be a PFIC, the general tax treatment for U.S. holders described in this section would apply to indirect distributions and gains deemed to be realized by U.S. holders in respect of any of our subsidiaries that also may be determined to be PFICs ("lower-tier PFICs").

If a U.S. holder owns ADSs during any taxable year in which we are a PFIC, the U.S. holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the company and any lower-tier PFICs, generally with the U.S. holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

The U.S. federal income tax rules relating to PFICs are complex. Prospective U.S. investors are urged to consult their own tax advisers with respect to ownership and disposition of the ADSs, the consequences to them of an investment in a PFIC, any elections available with respect to the ADSs and the IRS information reporting obligations with respect to ownership and disposition of the ADSs.

Backup Withholding and Information Reporting. U.S. holders generally will be subject to information reporting requirements with respect to dividends on ADSs and on the proceeds from the sale, exchange or disposition of ADSs that are paid within the United States or through U.S.-related financial intermediaries, unless the U.S. holder is an "exempt recipient." In addition, U.S. holders may be subject to backup withholding on such payments, unless the U.S. holder provides a correct taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax, and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Asset Reporting. Certain U.S. holders who are individuals and certain entities controlled by individuals may be required to report information relating to an interest in the ADSs, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the ADSs.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ADSS IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Belgian tax consequences

The following paragraphs are a summary of material Belgian tax consequences of the ownership and disposal by an investor of ADSs representing our shares. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this prospectus supplement, all of which are subject to change, including changes that could have retroactive effect.

The summary only discusses Belgian tax aspects which are relevant to U.S. holders of ADSs representing our shares, or "**Holders**". This summary does not address Belgian tax aspects which are relevant to persons who are fiscally resident in Belgium or who are engaged in a business in Belgium through a permanent establishment or a fixed base in Belgium to which the ADSs are effectively connected.

This summary does not purport to be a description of all of the tax consequences of the ownership and disposal of ADSs representing our shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe all tax consequences of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, ADSs representing our shares as a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions. Investors should consult their own advisers regarding the tax consequences of an investment in ADSs representing our shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

In addition to the assumptions mentioned above, it is also assumed in this discussion that for purposes of the domestic Belgian tax legislation, the owners of ADSs will be treated as the owners of the ordinary shares represented by such ADSs. However, the assumption has not been confirmed by or verified with the Belgian Tax Authorities.

Dividend withholding tax

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the ordinary shares represented by the ADSs is generally treated as a dividend distribution. By way of exception, the repayment of fiscal capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to the fiscal capital (subject to certain conditions and the pro rata rule, see below). This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid-up issuance premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates. However, for any decision of capital reduction, in accordance with the Belgian Companies Code, the amount of the capital reduction will be deemed to be derived proportionally (a) from the fiscal capital of our company, on the one hand and (b) on the other hand, from certain reserves (i.e., and in the following order: (i) certain taxed reserves incorporated in the capital of our company, (ii) certain taxed reserves not incorporated into the capital of our company and (iii) certain tax-exempt reserves incorporated into the capital of our company). Only the part of the capital reduction that is deemed to be paid out of the fiscal capital may, subject to certain conditions, not be considered as a dividend distribution for Belgian tax purposes. The part of the capital reduction that is deemed to be derived from the abovementioned taxed (irrespective of whether they are incorporated into the capital) and/or tax-exempt reserves incorporated into the capital will be treated as a dividend distribution from a tax perspective and be subject to Belgian withholding tax, if applicable. Such portion is determined on the basis of the ratio of the taxed reserves (except for the legal reserve up to the legal minimum and

certain unavailable retained earnings) and the tax-exempt reserves incorporated into the capital (with a few exceptions) over the aggregate of such reserves and the fiscal capital.

As a general rule, a withholding tax of 30% is levied on the gross amount of dividends paid on or attributed to the ordinary shares represented by the ADSs, subject to such relief as may be available under applicable domestic or tax treaty provisions. In case of a redemption by us of our own shares represented by ADSs, the redemption distribution (after deduction of the portion of fiscal capital represented by the redeemed shares) will be treated as a dividend which in principle is subject to the withholding tax of 30%, subject to such relief as may be available under applicable domestic or tax treaty provisions. In case of a liquidation of our company, any amounts distributed in excess of the fiscal capital will also be treated as a dividend, and will in principle be subject to a 30% withholding tax, subject to such relief as may be available under applicable domestic or tax treaty provisions. No Belgian withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions. For non-residents the dividend withholding tax, if any, will be the only tax on dividends in Belgium, unless the non-resident is engaged in a business in Belgium through a fixed base in Belgium or a Belgian permanent establishment to which the ADSs are effectively connected. Prospective Holders should consult their own advisors regarding the tax consequences in case the ADSs are effectively connected to a fixed base or a permanent establishment in Belgium.

Relief of Belgian Dividend Withholding Tax

Under the U.S.-Belgium Tax Treaty, under which we are entitled to benefits accorded to residents of Belgium, there is a reduced Belgian withholding tax rate of 15% on dividends paid by us to a U.S. resident which beneficially owns the dividends and is entitled to claim the benefits of the U.S.-Belgium Tax Treaty under the limitation of benefits article included in the U.S.-Belgium Tax Treaty, or "**Qualifying Holders**".

If such Qualifying Holder is a company that owns directly at least 10% of our voting stock, the Belgian withholding tax rate is further reduced to 5%. No withholding tax is however applicable, if the Qualifying Holder does not carry on a business in Belgium through a permanent establishment situated therein, with which our shares, represented by the ADSs, are effectively connected and is either of the following:

- a company that is a resident of the United States that has directly owned our shares, represented by the ADSs, representing at least 10% of our capital for a twelve-month period ending on the date the dividend is declared, or

- a pension fund in the meaning of Article 3, (1), (k) of the U.S.-Belgium Tax Treaty, that is a resident of the United States, provided that such dividends are not derived from the carrying on of a business by the pension fund or through an associated enterprise.

Under the normal procedure, we or our paying agent must withhold the full Belgian withholding tax, without taking into account the reduced U.S.-Belgium Tax Treaty rate. Qualifying Holders may then make a claim for reimbursement for amounts withheld in excess of the rate defined by the U.S.-Belgium Tax Treaty. The reimbursement form (Form 276 Div-Aut.) can be obtained as follows:

- by letter from Centrum Buitenland - Team 6 - 17P, Kruidtuinlaan 50, mailbox 3429, B-1000 Brussels, Belgium;

- by telephone at +32 (0)257 740 40;

- via e-mail at foreigners.team6@minfin.fed.be; or at

- https://financien.belgium.be/nl/ondernemingen/internationaal/terugbetaling-van-de-roerende-voorheffing#q1.

The reimbursement form is to be sent to Centrum Buitenland - Team 6 - 17P, Kruidtuinlaan 50, mailbox 3429, B-1000 Brussels, Belgium as soon as possible and in each case within a term of five years starting from the first of January of the year the withholding tax was paid to the Belgian Treasury.

Qualifying Holders may also, subject to certain conditions, obtain the reduced U.S.-Belgium Tax Treaty rate at source. Qualifying Holders should deliver a duly completed Form 276 Div-Aut. to us no later than ten days after the date on which the dividend has been paid or attributed (whichever comes first).

Additionally, pursuant to Belgian domestic tax law, dividends paid or attributed to non-resident individuals who do not use our shares represented by ADSs in the exercise of a professional activity may be exempt from non-resident individual income tax up to the amount of 812 EUR (for income year 2020). Consequently, if Belgian withholding tax has been levied on dividends paid or attributed to our shares represented by ADSs, such Belgian non-resident may request in his or her non-resident income tax return that any Belgian withholding tax levied on dividends up to the amount of EUR 812 (for income year 2020) be credited and, as the case may be, reimbursed. However, if no Belgian non-resident income tax return has to be filed by the non-resident individual, any Belgian withholding tax levied on dividends up to such an amount could in principle be reclaimed by filing a request thereto addressed to the designated tax official. Such a request has to be made at the latest on 31 December of the calendar year following the calendar year in which the relevant dividend(s) have been received, together with an affidavit confirming the non-resident individual status and certain other formalities which are determined by Royal Decree. For the avoidance of doubt, all dividends paid or attributed to the non-resident individual are taken into account to assess whether the maximum amount of EUR 812 (for income year 2020) is reached (and hence not only the amount of dividends paid or attributed on our shares represented by ADSs).

Additionally, pursuant to Belgian domestic tax law, dividends distributed to corporate Holders that qualify as a parent company will be exempt from Belgian withholding tax, provided that the shares which are represented by ADSs held by the Holder amount to at least 10% of our share capital upon payment or attribution of the dividends and such minimum participation is held or will be held during an uninterrupted period of at least one year, and provided the general anti-abuse provision does not apply. A Holder qualifies as a parent company (i) if it has a legal form similar to the ones listed in the annex to the EU Parent-Subsidiary Directive of 30 November 2011 (2011/96/EU)as amended from time to time, (ii) if it is considered to be a tax resident according to the laws of the United States of America and the U.S.-Belgium Tax Treaty, and (iii) if it is subject to a tax similar to the Belgian corporate income tax without benefiting from a tax regime that derogates from the ordinary tax regime. Please note that this withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements ("*rechtshandeling of geheel van rechtshandelingen*"/"*acte juridique ou un ensemble d'actes juridiques*") for which the Belgian Tax Administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine ("*kunstmatig*"/"*non authentique*") and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the Parent-Subsidiary Directive in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

In order to benefit from this exemption, the Holder must provide us or our paying agent with a certificate confirming its qualifying status and the fact that it satisfies the abovementioned conditions.

If the Holder holds the above-mentioned minimum participation for less than one year, at the time the dividends are paid on or attributed to the shares represented by the ADSs, we must levy the withholding tax but we do not need to transfer it to the Belgian Treasury provided that the Holder provides us or our paying agent, at the latest upon the attribution of the dividends, its qualifying status, with a certificate confirming – in addition to its qualifying status and the fulfilment of the relevant conditions – , the date as of which the Holder has held the minimum participation, and the Holder's commitment to hold it for an uninterrupted period of at least one year. The Holder must also inform us or our paying agent when the one-year period has expired or if its shareholding drops below 10% of our share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the dividend withholding tax which was temporarily withheld will be paid to the Holder.

Dividends paid or attributed to a corporate Holder will be exempt from withholding tax, provided that (i) the Holder is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime, (ii) upon the date of payment or attribution of the dividends, the Holder holds a participation in us with an acquisition value of at least € 2,500,000, but representing less than 10% of our capital, (iii) the dividends relate to shares represented by the ADSs which are or will be held in full ownership for at least one year without interruption, (iv) the Holder has a legal form similar to the ones listed in the annex to the EU Parent-Subsidiary Directive of 30 November 2011 (2011/96/EU), as amended from time to time and (v) the general anti-abuse provision is not be applicable. The exemption from withholding tax is only applicable to the extent that the ordinary Belgian withholding tax, which would be due in the absence of said exemption, is, in principle, neither creditable nor reimbursable in the hands of the Holder.

In order to benefit from the above exemption of withholding tax, the corporate Holder must provide us or our paying agent with a certificate confirming (i) that it has a legal form as described above, (ii) that it is subject to corporate income tax or a similar tax without benefiting from a tax regime that deviates from the ordinary domestic tax regime, (iii) that it holds a participation of less than 10% in our capital, but with an acquisition value of at least € 2,500,000 upon the date of payment or attribution of the dividend, (iv) that the dividends relate to shares in us represented by the ADSs which it has held or will hold in full legal ownership for an uninterrupted period of at least one year, (v) to which extent it could in principle, in case this exemption would not exist, credit the levied Belgian withholding tax or obtain a reimbursement thereof according to the legal provisions applicable on December 31st of the year preceding the year of the payment or attribution of the dividends, and (vi) its full name, legal form, address and fiscal identification number, if applicable. Furthermore, we or our paying agent may also request confirmation from the Holder that the Holder commits to keep the participation with an acquisition value of at least € 2,500,000 until the completion of the minimum holding period of one year and that the Holder immediately notifies us or our paying agent of the completion of said one year holding period.

Withholding tax is also not applicable, pursuant to Belgian domestic tax law, on dividends paid to a U.S. pension fund which satisfies the following conditions:

(i) to be a legal entity with separate legal personality and fiscal residence in the United States,

(ii) whose corporate purpose consists solely in managing and investing funds collected in order to pay legal or complementary pensions,

(iii) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit making aim,

(iv) which is exempt from income tax in the United States, and

(v) provided that it (save in certain particular cases as described in Belgian law) is not contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage our shares or ADSs, nor obligated to pay a manufactured dividend with respect to our shares or ADSs under a securities borrowing transaction.

The exemption will only apply if the U.S. pension fund provides an affidavit confirming that it is the full legal owner or usufruct holder of our shares or ADSs and that the above conditions are satisfied. The organization must then forward that affidavit to us or our paying agent.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements ("*rechtshandeling of geheel van rechtshandelingen*"/"*acte juridique ou un ensemble d'actes juridiques*") for which the Belgian Tax Administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine ("*kunstmatig*"/"*non authentique*") and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the Parent-Subsidiary Directive in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality. There is a rebuttable presumption that dividends are deemed to be connected to an artificial transaction if the shares have not been held by the pension fund in full legal ownership for an uninterrupted period of at least 60 days within 15 days from the date of the attribution or payment of the income.

Prospective Holders are encouraged to consult their own tax advisers to determine whether they qualify for an exemption or a reduction of the withholding tax rate upon payment of dividends and, if so, the procedural requirements for obtaining such an exemption or a reduction upon the payment of dividends or making claims for reimbursement.

Capital gains and losses

Pursuant to the U.S.-Belgium Tax Treaty, capital gains and/or losses realized by a Qualifying Holder entitled to claim the benefits of the U.S.-Belgium Tax Treaty under the limitation of benefits article in the U.S.-Belgium Tax Treaty from the sale, exchange or other disposition of our shares represented by ADSs are exempt from tax in Belgium.

Capital gains realized on our shares represented by ADSs by a corporate Holder who is not such a Qualifying Holder are generally not subject to taxation in Belgium unless these ADSs are held in connection with a business conducted in Belgium through a Belgian permanent establishment or a fixed place in Belgium to which the ADSs are effectively connected (in which case a 25% (applicable as of January 1, 2020) or 0% tax on the capital gain may apply, depending on the particular circumstances).

Capital losses are generally not tax deductible in Belgium. Private individual Holders who are not such Qualifying Holders and who are holding our shares represented by ADSs as a private investment and within the bounds of the normal management of one's private estate will, as a rule, not be subject to tax in Belgium on any capital gains arising out of a disposal of our shares represented by ADSs.

Capital losses will, as a rule, not be tax deductible in Belgium. Capital gains realized by a Holder upon the redemption of shares represented by ADSs or upon our liquidation will generally be taxable as a dividend. See "— Dividend Withholding Tax" above.

Estate and gift tax

There is no Belgium estate tax on the transfer of our shares represented by ADSs on the death of a Belgian non-resident. Donations of our shares represented by ADSs made in Belgium may or may not be subject to gift tax depending on the modalities under which the donation is carried out.

Belgian tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration by a Holder of existing shares represented by ADSs (secondary market transactions) is subject to the Belgian tax on stock exchange transactions ("*taks op de beursverrichtingen*" / "*taxe sur les opérations de bourse*") if it is entered into or carried out in Belgium through a professional intermediary. The tax on stock exchange transactions is not due upon the issuance of new shares represented by ADSs (primary market transactions). The tax on stock exchange transactions is levied at a rate of 0.35% of the purchase/sales price, capped at € 1,600 per transaction and per party. A separate tax is due by each party to any such transaction, and both taxes are in principle collected by the professional intermediary.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, existing shares represented by ADSs in Belgium for their own account through a professional intermediary may be exempt from the stock exchange tax if they deliver a certificate to the financial intermediary in Belgium confirming their non-resident status.

In addition to the above, no tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2, 9° and 10° of the Law of August 2, 2002, (ii) insurance companies described in Article 2, §1 of the Law of July 9, 1975 (as replaced by Article 5 of the Law of March 13, 2016 on the status and supervision of insurance and reinsurance undertakings), (iii) professional retirement institutions referred to in Article 2, §1 of the Law of October 27, 2006 relating to the control of professional retirement institutions, (iv) collective investment institutions, or (v) regulated real estate companies, (vi) the aforementioned non-residents (upon delivery of a certificate of non-residency in Belgium).

No stock exchange tax will thus be due by Holders on the subscription, purchase or sale of existing shares represented by ADSs, if the Holders are acting for their own account. In order to benefit from this exemption, the Holders must deliver a certificate to their financial intermediary in Belgium confirming their non-resident status for Belgian tax purposes.

The European Commission has published a proposal for a Directive for a common financial transactions tax (the "**FTT**"). The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

Common Reporting Standard

Following recent international developments, the exchange of information is governed by the Common Reporting Standard ("**CRS**"). On 24 December 2019, the total of jurisdictions that have signed the multilateral competent authority agreement ("**MCAA**") amounts to 108. The MCAA is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications.

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which include trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU and replaces the EC Council Directive 2003/48EC on the taxation of savings income (commonly referred to as the "**Savings Directive**") as from 1 January 2016. Austria has been nonetheless allowed to exchange information under DAC2 as from 1 January 2017.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005. As of 1 January 2017, financial institutions in the EU and Switzerland apply the due diligence procedures envisaged under the new agreement to identify customers who are reportable persons, i.e., for Switzerland residents of any EU Member State. This data was exchanged for the first time in autumn 2018.

As a result of the Law of 16 December 2015, the mandatory automatic exchange of information applies in Belgium (i) as of income year 2016 (first information exchange in 2017) towards the EU Member States (including Austria, irrespective of the fact that the automatic exchange of information by Austria towards other EU Member States is only foreseen as of income year 2017), (ii) as of income year 2014 (first information exchange in 2016) towards the US and (iii), with respect to any other non-EU States that have signed the MCAA, as of income year 2016 (first information exchange in 2017) for a first list of 18 countries, as of income year 2017 (first information exchange in 2018) for a second list of 44 countries, and as of income year 2018 (first information exchange in 2019) for a third list of 1 country.

Investors who are in any doubt as to their position should consult their professional advisers.

Proposed Financial Transactions Tax

On February 14, 2013 the EU Commission published a proposal (the "**FTT Proposal**") for a Council Directive on a common Financial Transaction Tax (the "**FTT**"). Earlier negotiations for a common transaction tax among all 28 EU Member States had failed. The current negotiations between Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**") are seeking a compromise under "enhanced cooperation" rules, which require consensus from at least nine nations. Earlier Estonia dropped out of the negotiations by declaring it would not introduce the FTT.

The FTT Proposal currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force.

However, the FTT Proposal remains subject to negotiations between the Participating Member States. It may therefore be altered prior to any implementation, of which the eventual timing and outcome remains unclear. Additional EU Member States may decide to participate or drop out of the negotiations. If the number of Participating Member States would fall below nine, it would put an end to the legislative project.

Until recently, the FTT Proposal was at a standstill at the level of the European Council. Following the meeting of the Council of the EU of 14 June 2019, the FTT currently being considered by the FTT Participating Member States would be levied on the acquisition of shares or similar instruments of listed companies which have their head office in a member state of the EU (and market capitalisation in excess of EUR 1 billion on 1 December of the preceding year), rather than on any type of financial instrument. In order to reach a final agreement among the FTT Participating Member States, further work in the Council and its preparatory bodies will be required in order to ensure that the competences, rights and obligations of non-participating EU Member States are respected.

Prospective investors should consult their own professional advisors in relation to the FTT.

F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

We are subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers and under those requirements will file reports with the SEC. Those reports may be inspected without charge at the locations described below. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. Nevertheless, we will file with the SEC an annual report containing financial statements that have been examined and reported on, with and opinion expressed by an independent registered public accounting firm.

We maintain a corporate website at *www.glpg.com*. We intend to post a link to our annual report on Form 20-F as filed with the SEC on our website promptly following it being filed with the SEC. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report. We have included our website address in this annual report solely as an inactive textual reference.

You may also review a copy of this annual report, including exhibits and any schedule filed herewith, and obtain copies of such materials at prescribed rates, at the SEC's Public Reference Room in Room 1580, 100 F Street, NE, Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding registrants, such as Galapagos NV, that file electronically with the SEC.

With respect to references made in this annual report to any contract or other document of Galapagos NV, such references are not necessarily complete and you should refer to the exhibits attached or incorporated by reference to this annual report for copies of the actual contract or document.

I. Subsidiary information

Not applicable.

Item 11 Quantitative and qualitative disclosures about market risk

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 financial markets risk, credit risk, liquidity risk and currency risk. There are no other important risks, such as interest rate risk, because we have nearly no financial debt and have a strong cash position. We do not buy or trade financial instruments for speculative purposes. For additional information on general risk factors, please see the section of this annual report titled "Item 3.D.—Risk Factors."

Liquidity risk

Our cash and cash equivalents and current financial investments amounted to respectively €1,861.6 million and €3,919.2 million on December 31, 2019. Cash generated in operating activities amounted to €3,208.6 million for the year ended December 31, 2019, but included net cash inflow from the Gilead collaboration of €3,497.1 million. Management forecasts our liquidity requirements to ensure that there is sufficient cash to meet operational needs. Based upon our current expected level of operating expenditures and our existing cash and cash equivalents, we believe that we will be able to fund our operating expenses and capital expenditure requirements for the coming years (and at least for a period of 12 months). We have no credit lines. Such forecasting is based on realistic assumptions with regards to milestone and upfront payments to be received, taking into account our past track record, including the assumption that not all new projects that are being planned will be realized.

All our 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.

Credit risk

The term "credit risk" refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

Our 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, a policy of only dealing with creditworthy counterparties has been developed.

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 receivables are considered collectable.

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 are still considered collectable:

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
60 - 90 days	€ 87	€ 236	€ —
90 - 120 days	—	12	1
more than 120 days	€ —	€ —	€ —

Our cash and cash equivalents are invested primarily in savings and deposit 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 short-term bond funds and money market funds with credit ratings ranging from AAA to A- at the beginning of the investment. All of these current financial investments are investments in a basket of funds so there is no individual credit risk involved.

Interest rate risk

The only variable interest-bearing financial instruments are cash and cash equivalents and current financial investments.

Changes in interest rates may cause variations in interest income and expenses resulting from short term interest-bearing assets. Management does not expect the short term interest rates to decrease significantly in the immediate foreseeable future, which limits the interest exposure on our cash and cash equivalents and current financial investments.

Effect of interest rate fluctuation

A 100 basis point increase in interest rates at balance sheet date would have increased profit or loss, and equity, by approximately €57.8 million (2018: €12.9 million, 2017: €11.5 million); a 100 basis point decrease in interest rates would have decreased profit or loss, and equity, by approximately €57.8 million (2018: €12.9 million, 2017: €11.5 million).

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 business partners Gilead and AbbVie 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 the euro. In addition, contracts closed by our different entities are mainly in the functional currencies of that entity, except for the collaboration agreements signed with Gilead and AbbVie 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:

	December 31,		
	2019	2018	2017
Net book value		(Euro, in thousands)	
Increase in Euros - U.S. Dollars	€ (133,373)	€ (27,200)	€ (21,083)
Increase in Euros - GB Pounds	113	100	122
Increase in Euros - CH Francs	538	208	203
Increase in Euros - HR Kunas	650	611	(185)
Increase in U.S. Dollars - GB Pounds	€ (894)	€ (923)	€ (831)

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 (we only have lease liabilities as of December 31, 2019), 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 contract research organizations, the ability to establish new alliance or collaboration agreements, the capital expenditures, market developments and any future acquisition.

Neither we nor any of our subsidiaries are subject to any externally imposed capital requirements, other than those imposed by generally applicable company law requirements.

Item 12 Description of securities other than equity securities

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American Depositary Shares

Citibank, N.A., as depositary, registers and delivers ADSs. Each ADS represents one ordinary share (or a right to receive one ordinary share) deposited with Citibank International Limited (located at EGSP 186, 1 North Wall Quay, Dublin 1, Ireland) or any successor, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary in respect of the depositary facility. The depositary's corporate trust office at which the ADSs are administered is located at 388 Greenwich Street, New York, New York 10013.

A deposit agreement among us, the depositary and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

Fees and charges

Pursuant to the terms of the deposit agreement, the holders of ADSs will be required to pay the following fees:

Service	*Fees*
Issuance of ADSs	Up to U.S. $0.05 per ADS issued
Cancellation of ADSs	Up to U.S. $0.05 per ADS canceled
Distribution of cash dividends or other cash distributions	Up to U.S. $0.05 per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights.	Up to U.S. $0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. $0.05 per ADS held
ADS Services	Up to U.S. $0.05 per ADS held on the applicable record date(s) established by the depositary

The holders of ADSs will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs and ADRs; and
- the fees and expenses incurred by the depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) deposit of ordinary shares against issuance of ADSs and (ii) surrender of ADSs for cancellation and withdrawal of ordinary shares are charged to the person to whom the ADSs are delivered (in the case of ADS issuances) and to the person who delivers the ADSs for cancellation (in the case of ADS cancellations). In the case of ADSs issued by the depositary into the Depositary Trust Company, or DTC, or presented to the depositary via DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs or the DTC participant(s) surrendering the ADSs for cancellation, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account(s) of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

PART II

Item 13 Defaults, dividend arrearages and delinquencies

Not applicable.

Item 14 Material modifications to the rights of security holders and use of proceeds

Not applicable.

Item 15 Controls and procedures

Disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of December 31, 2019. While there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon our evaluation, as of December 31, 2019, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures, in accordance with Exchange Act Rule 13a-15(e), (i) are effective at that level of reasonable assurance in ensuring that information required to be disclosed in the reports that are filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and (ii) are effective at that level of reasonable assurance in ensuring that information to be disclosed in the reports that are filed or submitted under the Exchange Act is accumulated and communicated to the management of our company, including our Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed, under the supervision of our Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly, reflect transactions and dispositions of assets, provide reasonable assurance that transactions are recorded in the manner necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are only carried out in accordance with the authorization of our management and directors, and provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of the effectiveness of internal control to future periods are subject to a risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of internal control over financial reporting based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, our management has concluded that our internal control over financial reporting as of December 31, 2019 was effective.

The effectiveness of internal control over financial reporting as of December 31, 2019 has been audited by Deloitte Bedrijfsrevisoren CVBA, our independent registered public accounting firm. Their audit report, including their opinion on management's assessment of internal control over financial reporting, is included in our audited consolidated financial statements included in this annual report.

Changes in internal control over financial reporting

During the period covered by this annual report, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 15T. Controls and procedures

Not applicable.

Item 16 Reserved

Not applicable.

Item 16A Audit Committee financial expert

Our board of directors has determined that Howard Rowe is an audit committee financial expert as defined by SEC rules and has the requisite financial sophistication under the applicable rules and regulations of the Nasdaq Stock Market. Mr. Rowe is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the Nasdaq Stock Market.

Item 16B Code of Ethics

We have adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that is applicable to all of our employees, members of our executive committee and directors. The Code of Conduct is available on our website at www.glpg.com. Our board of directors is responsible for administering the Code of Conduct and will be required to approve any waivers of the Code of Conduct for directors or members of our executive committee. Any waivers of the Code of Conduct for other employees may also be made by the compliance officer. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed on our website.

Item 16C Principal Accountant fees and services

Deloitte Bedrijfsrevisoren CVBA has served as our independent registered public accounting firm for 2019 and 2018. Our accountants billed the following fees to us for professional services in each of those fiscal years:

	Year ended December 31,	
	2019	2018
	(Euro, in thousands)	
Audit Fees	€ 1,406.8	€ 442.1
Audit-Related Fees	101.3	92.1
All Other Fees	194.8	134.8
Total	**€ 1,702.9**	**€ 669.0**

"Audit Fees" are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.

"Audit-Related Fees" are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit and are not reported under Audit Fees.

"All Other Fees" are any additional amounts billed for products and services provided by the principal accountant. For the year ended December 31, 2019, they relate to non-audit fees, in particular related to the preparation of the commercial launch.

Audit and non-audit services pre-approval policy

The audit committee has responsibility for, among other things, appointing, setting compensation of and overseeing the work of our independent registered public accounting firm, or external auditor. In recognition of these responsibilities, the audit committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by our external auditor to ensure that the provision of such services does not impair the external auditor's independence from us and our management. Unless a type of service to be provided by our external auditor has received general pre-approval from the audit committee, it requires specific pre-approval by the audit committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the audit committee.

Pursuant to its pre-approval policy, the audit committee may delegate its authority to pre-approve services to the chairperson of the Audit Committee. The decisions of the chairperson to grant pre-approvals must be presented to the full audit committee at its next scheduled meeting. The audit committee may not delegate its responsibilities to pre-approve services to the management.

The audit committee has considered the non-audit services provided by Deloitte Bedrijfsrevisoren CVBA as described above and believes that they are compatible with maintaining Deloitte Bedrijfsrevisoren CVBA's independence as our external auditor. In accordance with Regulation S-X, Rule 2-01, paragraph (c)(7)(i), no fees for professional services were approved pursuant to any waivers of the pre-approval requirement.

Item 16D Exemptions from the listing standards for Audit Committees

Not applicable.

Item 16E Purchases of equity securities by the issuer and affiliated purchasers

Not applicable.

Item 16F Change in registrant's certifying accountant

Not applicable.

Item 16G Corporate governance

As a Belgian naamloze vennootschap / société anonyme, we are subject to various corporate governance requirements under Belgian law. In addition, as a foreign private issuer listed on the Nasdaq Global Select Market, we will be subject to Nasdaq corporate governance listing standards. However, the Nasdaq Global Select Market's listing standards provide that foreign private issuers are permitted to follow home country corporate governance practices in lieu of the Nasdaq rules, with certain exceptions. We intend to rely on certain exemptions for foreign private issuers and follow Belgian corporate governance practices in lieu of the Nasdaq corporate governance rules.

Recently, the New Belgian Companies Code entered into force. For existing companies like us there is a transition regime providing for a staggered applicability of the new provisions. Certain parts of the New Belgian Companies Code apply to us as of January 1, 2020. The full transition must be completed by the earlier of (i) the next extraordinary shareholders' meeting that amends our articles of association or (ii) January 1, 2024. On the date of this report, we have not yet implemented any changes as a result of such New Belgian Companies Code. Our extraordinary shareholders' meeting, to be held on April 28, 2020, shall decide on the amendment of our articles of association, implementing the provisions of the New Belgian Companies Code. For a more detailed discussion of the changes, see the section of this annual report titled "Item 6 Directors, senior management and employees—A. Directors and senior management—Our Board of Directors".

Differences between our corporate governance practices and the listing rules of the Nasdaq stock market

The following are the significant ways in which our corporate governance practices differ from those required for U.S. companies listed on Nasdaq:

- **Quorum At Shareholder Meetings.** Nasdaq Stock Market Listing Rule 5620(c) requires that for any shareholders' meeting, the quorum must be no less than 33 1/3 % of the outstanding ordinary shares. There is no quorum requirement under Belgian law for our shareholders' meetings, except as provided for by law in relation to decisions regarding certain matters.

- **Committees.** Nasdaq Stock Market Listing Rule 5605(d)(2) requires that compensation of officers must be determined by, or recommended to, the board of directors for determination, either by a majority of the independent directors, or a compensation committee comprised solely of independent directors. Nasdaq Stock Market Listing Rule 5605(e) requires that director nominees be selected, or recommended for selection, either by a majority of the independent directors or a nominations committee comprised solely of independent directors. Under Belgian law, we are not subject to such composition requirements. Pursuant to Article 526*quater* of the Belgian Companies Code (and as from 1 January 2020, Article 7:100 of the New Belgian Companies Code) and the principles and guidelines of the Belgian Corporate Governance Code, we are required to set up a remuneration committee within our board of directors. In addition, the Belgian Corporate Governance Code provides that the board of directors should set up a nomination committee, which can be combined with the remuneration committee. Our board of directors has set up and appointed a nomination and remuneration committee.

- **Executive Session.** Nasdaq Stock Market Listing Rule 5605(b)(2) requires that independent directors must have regularly scheduled meetings at which only independent directors are present. We do not intend to require our independent directors to meet separately from the full board of directors on a regular basis or at all, although the board of directors is supportive of its independent members voluntarily arranging to meet separately from the other members of our board of directors when and if they wish to do so.

- **Committee Charters.** Nasdaq Stock Market Listing Rules 5605(c)(1), (d)(1) and (e)(2) require that each committee of the board of directors must have a formal written charter. Pursuant to the Belgian Corporate Governance Code, our board of directors has drawn up a corporate governance charter including, amongst others, the internal rules of our committees.

- **Shareholder Approval for Certain Issuances of Securities.** Nasdaq Stock Market Listing Rule 5635 requires that a company obtains shareholder approval prior to making certain issuances of securities. Pursuant to the New Belgian Companies Code and subject to the conditions set forth therein and in our articles of association, our board of directors is allowed to issue shares through the use of authorized capital limited to the maximum amount of our share capital. The authorized capital may however not be used for (i) capital increases by contribution in kind exclusively reserved for one of our shareholders holding shares to which more than 10% of the voting rights are attached, (ii) the issuance of shares with multiple voting rights, (iii) the issuance of a new class of securities, or (iv) the issuance of warrants intended mainly for one or more specified persons other than our or our subsidiaries' staff. Restrictions on the use of the authorized capital also exist in case a public take-over bid on us has been announced.

Item 16H Mine safety disclosure

Not applicable.

PART III

Item 17 Financial statements

Not applicable.

Item 18 Financial statements

See pages F-1 through F-68 of this annual report.

Item 19 Exhibits

The Exhibits listed in the Exhibit Index at the end of this annual report are filed as Exhibits to this annual report.

Index to Financial Statements

FINANCIAL SECTION

Audited consolidated financial statements as of and for the years ended December 31, 2019, 2018 and 2017

Contents

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Galapagos NV

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Galapagos NV and subsidiaries (the "Company") as of 31 December, 2019, 2018, and 2017 the related consolidated statements of operations, comprehensive income, changes in equity and cash flows, for each of the three years in the period ended 31 December, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December, 2019, 2018, and 2017, and the results of its operations and its cash flows for each of the three years in the period ended 31 December, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of 31 December, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 27 March 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination and allocation of the transaction price as a result of the Transformative Research and Development Collaboration - Refer to Notes 2, 4, 6, and 24 to the financial statements

Critical Audit Matter Description

The Company entered into a Transformative Research and Development Collaboration with Gilead (“the Collaboration”), resulting in the receipt of an upfront payment of EUR 3.65 billion and an equity investment of EUR 960 million, including the proposed issuance of warrant A and warrant B (jointly referred to as “the Financial Instruments”) by the Company to Gilead, subject to shareholder approval. The timing of this being recognized prior to shareholder approval was a critical judgement as it impacted the determination of the transaction price and whether the transaction was within the scope of IFRS 9 – Financial Instruments.

As part of the IFRS-15 analysis, the Company concluded the transaction price was impacted by the Subscription Agreement, including contractual warrant A and warrant B that had been entered into simultaneously. The Company identified three performance obligations capable of being distinct in the context of the contract, for which the stand-alone selling price was determined, using valuation models, including both observable and unobservable inputs. The revenue related to these performance obligations is recognized either at a point in time or over time, based on the Company's conclusion on the satisfaction of the respective performance obligation-patterns.

The evaluation of the reasonableness of management's estimates and assumptions related to these specific critical judgements and accounting estimates require a high degree of auditor judgement and a significant degree of extra audit effort, including the need to involve our accounting and valuation specialists.

The determination of the transaction price, together with the allocation to those distinct performance obligations and the subsequent revenue recognition pattern is complex and required critical judgements in the following areas:

Determination of the transaction price

- Interdependency between the Financial Instruments and the transaction price in the Collaboration

Identification of distinct performance obligations

- Assessment of the existence of a significant financing component related to the Drug Discovery Platform.

Allocation of the transaction price to the distinct performance obligations

- Determination of the stand-alone selling price of GLPG1690, including the appropriateness of the valuation model and the unobservable inputs.
- Determination of the stand-alone selling price of the Filgotinib amendment, including the appropriateness of the margin, being a non-cash consideration, included in the cost-plus margin approach.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures to address all critical judgements related to the Collaboration included reading the Subscription Agreement, Option, License and Collaboration Agreement and the First Amendment to the License and Collaboration Agreement and management's accounting position paper to understand the terms of each contract and evaluate management's conclusions.

In relation to management's critical judgements related to the Collaboration, our audit procedures included the following:

Determination of the transaction price

- We tested the effectiveness of controls over the determination of the transaction price, as part of management's controls over the application of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, including the interdependency of warrant A, and warrant B, jointly "the Financial Instruments".
- With the assistance of our accounting specialists, we evaluated the impact of the interdependency and the timing of recognition of the Financial Instruments (IFRS 9 – Financial instruments) on the transaction price in the Collaboration (IFRS 15 – revenue from Customers), including the impact of subsequent re-measurement of these Financial instruments on the transaction price.

Identification of distinct performance obligations

- We tested the effectiveness of controls over the identification of distinct performance obligations, as part of management's controls over the application of IFRS 15 – Revenue from Contracts with Customers, including those controls addressing the existence of a significant financing component.
- We tested management's identification of distinct performance obligations by evaluating whether the underlying goods, services, or both were highly interdependent and interrelated and the absence of a significant financing component for the Drug Discovery Platform performance obligation. We read minutes of committee meetings and management's position papers to understand the customer's intended use of the licenses and other obligations included in the Collaboration and whether or not the elements included in the Collaboration give rise to a significant financing component for the Drug Discovery Platform performance obligation.

Allocation of the transaction price to the distinct performance obligations

- We tested the effectiveness of controls over the allocation of the transaction price to the distinct performance obligations, including management's controls over the valuation of GLPG1690 and the Filgotinib amendment.

- With the assistance of our valuation specialists, we evaluated the reasonableness of the (i) valuation methodology and (ii) unobservable inputs of most significance to the valuation, being estimated market share and size, peak sales and probability of success, used to determine the stand-alone selling price by comparing our independent estimates, derived from external data on the disease area and competitive landscape, to those included by management in the valuation model of GLPG1690. We performed sensitivity analysis on the variances identified to determine whether the Company's valuation was within an acceptable range.

- We tested management's valuation methodology on the Filgotinib amendment, by assessing the appropriateness of the non-cash consideration, being the increased involvement in the global strategy of filgotinib and the broader commercialization role in the Benelux and EU5 countries, reflected as margin in the cost-plus-margin approach. We have read minutes of committee, management position papers, and have inquired with management, in order to (i) understand management basis for conclusion on the appropriateness of the non-cash consideration, (ii) assess any contradictory evidence.

Fair Value Measurement of the Financial Instruments arising from the Collaboration - Refer to Notes 2, 4, 6, and 9 to the financial statements

Critical Audit Matter Description

As a result of the Collaboration, the Company committed to issue warrant A and warrant B, jointly referred to as "the Warrants", to Gilead.

As the fair value measurement of the Warrants is based on complex models and unobservable inputs, these are classified as Level 3 assets or liabilities.

The valuation of the Warrants classified as Level 3 is inherently subjective, and involves the use of complex models, including the Longstaff-Schwartz Monte Carlo model, and various unobservable inputs, including the discount for lack of marketability and estimated strike price.

Given management uses complex models and unobservable inputs to estimate the fair value of Level 3 assets and liabilities, this required a high degree of auditor judgement and a significant incremental audit effort, including the need to involve our valuation specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included the following:

- We tested the effectiveness of controls over management's valuation of the Warrants, including those related to assessing the appropriateness of the unobservable inputs and the valuation model applied.

- With the assistance of our valuation specialists, we (i) evaluated the appropriateness of the valuation model, (ii) evaluated the appropriateness of unobservable inputs determined by management (discount for lack of marketability), and (iii) developed independent fair value estimates.

Zaventem, Belgium, 27 March 2020

The statutory auditor

/s/ Gert Vanhees

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
CVBA / SCRL
Represented by Gert Vanhees

We have served as the Company's auditor since 2000.

Report of independent registered public accounting firm

To the shareholders and the board of directors of Galapagos NV

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Galapagos NV and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated March 27, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Zaventem, Belgium, March 27, 2020

The statutory auditor

/s/ Gert Vanhees

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
CVBA / SCRL

Represented by Gert Vanhees

We have served as the Company's auditor since 2000.

Consolidated Statement of Financial Position

	December 31,			
	2019	2018	2017	Notes
	(Euro, in thousands)			
Assets				
Intangible assets	€ 24,927	€ 3,632	€ 2,495	13
Property, plant and equipment	66,052	23,137	16,692	14
Deferred tax assets	4,205	2,514	1,978	21
Non-current R&D incentives receivables	93,407	73,443	64,001	16
Other non-current assets	14,091	7,919	3,461	15
Non-current assets	**202,682**	**110,645**	**88,627**	
Trade and other receivables	54,009	18,609	27,966	17
Current R&D incentives receivables	21,949	11,203	11,782	16
Current financial investments	3,919,216	—	—	18
Cash and cash equivalents	1,861,616	1,290,796	1,151,211	19
Other current assets	9,138	8,244	6,688	17
Current assets	**5,865,927**	**1,328,851**	**1,197,647**	
Total assets	**€ 6,068,609**	**€ 1,439,496**	**€ 1,286,274**	
Equity and liabilities				
Share capital	€ 287,282	€ 236,540	€ 233,414	20
Share premium account	2,703,583	1,277,780	993,025	20
Other reserves	(4,842)	(735)	(1,260)	
Translation differences	(1,142)	(1,557)	(1,754)	
Accumulated losses	(109,223)	(297,779)	(211,441)	
Total equity	**2,875,658**	**1,214,249**	**1,011,983**	
Retirement benefit liabilities	8,263	3,764	3,582	
Non-current lease liabilities	19,558	—	—	22
Other non-current liabilities	6,989	1,578	1,662	23
Non-current deferred income	2,586,348	—	97,348	24
Non-current liabilities	**2,621,158**	**5,342**	**102,592**	
Current lease liabilities	5,826	—	9	22
Trade and other liabilities	143,434	68,928	48,281	23
Current tax payable	2,037	1,175	865	11
Current financial instruments	6,198	—	—	9
Current deferred income	414,298	149,801	122,544	24
Current liabilities	**571,793**	**219,905**	**171,699**	
Total liabilities	**3,192,951**	**225,247**	**274,291**	
Total equity and liabilities	**€ 6,068,609**	**€ 1,439,496**	**€ 1,286,274**	

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

Consolidated Statement of Operations

	Year ended December 31,			
	2019	2018	2017	Notes
	(Euro, in thousands, except per share data)			
Revenues	€ 844,985	€ 288,836	€ 127,087	6
Other income	50,905	29,009	28,830	6
Total revenues and other income	**895,890**	**317,845**	**155,918**	
Research and development expenses	(427,320)	(322,875)	(218,502)	7
General and administrative expenses	(73,701)	(35,631)	(24,415)	7
Sales and marketing expenses	(24,577)	(4,146)	(2,803)	7
Total operating expenses	**(525,597)**	**(362,652)**	**(245,720)**	
Operating income/loss (-)	**370,292**	**(44,807)**	**(89,802)**	
Fair value re-measurement of share subscription agreement and warrants	(181,644)	—	—	9
Other financial income	21,482	18,335	4,877	10
Other financial expenses	(60,071)	(2,737)	(30,582)	10
Income/loss (-) before tax	**150,060**	**(29,209)**	**(115,507)**	
Income taxes	(214)	(50)	(198)	11
Net income/loss (-)	**€ 149,845**	**€ (29,259)**	**€ (115,704)**	12
Net income/loss (-) attributable to:				
Owners of the parent	149,845	(29,259)	(115,704)	
Basic income/loss (-) per share	**€ 2.60**	**€ (0.56)**	**€ (2.34)**	12
Diluted income/loss (-) per share	**€ 2.49**	**€ (0.56)**	**€ (2.34)**	12

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

Consolidated Statement of Comprehensive Income/Loss (-)

	Year ended December 31,			Notes
	2019	2018	2017	
	(Euro, in thousands)			
Net income/loss (-)	**€ 149,845**	**€ (29,259)**	**€ (115,704)**	
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of defined benefit obligation	(4,107)	(94)	(40)	
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of financial assets available-for-sale	—	—	(220)	
Translation differences, arisen from translating foreign activities	415	197	(664)	
Other comprehensive income/loss (-), net of income tax	**(3,692)**	**103**	**(924)**	
Total comprehensive income/loss (-) attributable to:				
Owners of the parent	€ 146,154	€ (29,155)	€ (116,629)	

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

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
			(Euro, in thousands)			
On January 1, 2017	**€ 223,928**	**€ 649,135**	**€ (1,090)**	**€ (1,000)**	**€ (112,272)**	**€ 758,701**
Net loss					(115,704)	(115,704)
Other comprehensive loss			(664)	(260)		(924)
Total comprehensive loss			**(664)**	**(260)**	**(115,704)**	**(116,629)**
Share-based compensation					16,536	16,536
Issue of new shares	23,331	340,593				363,924
Share issue costs	(15,837)					(15,837)
Exercise of warrants	1,992	3,296				5,288
On December 31, 2017	**€ 233,414**	**€ 993,025**	**€ (1,754)**	**€ (1,260)**	**€ (211,441)**	**€ 1,011,983**
Change in accounting policy (modified retrospective application IFRS 15)					(83,220)	(83,220)
Change in accounting policy (modified retrospective application IFRS 9)				619	(619)	—
Restated total equity at January 1, 2018	**233,414**	**993,025**	**(1,754)**	**(641)**	**(295,280)**	**928,766**
Net loss					(29,259)	(29,259)
Other comprehensive income/loss (-)			197	(94)		103
Total comprehensive income/loss (-)			**197**	**(94)**	**(29,259)**	**(29,155)**
Share-based compensation					26,757	26,757
Issue of new shares	16,021	280,167				296,188
Share issue costs	(15,964)					(15,964)
Exercise of warrants	3,069	4,588				7,657
On December 31, 2018	**€ 236,540**	**€ 1,277,780**	**€ (1,557)**	**€ (735)**	**€ (297,779)**	**€ 1,214,249**
Change in accounting policy (modified retrospective application IFRS 16)					416	416
Restated total equity at January 1, 2019	**236,540**	**1,277,780**	**(1,557)**	**(735)**	**(297,363)**	**1,214,665**
Net income					149,845	149,845
Other comprehensive income/loss (-)			415	(4,107)		(3,692)
Total comprehensive income/loss (-)			**415**	**(4,107)**	**149,845**	**146,154**
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 warrants	4,082	13,085				17,167
On December 31, 2019	**€ 287,282**	**€ 2,703,583**	**€ (1,142)**	**€ (4,842)**	**€ (109,223)**	**€ 2,875,658**

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

Consolidated Statement of Cash Flows

	2019	2018	2017	Notes
	(Euro, in thousands)			
Net income/loss (-)	**€ 149,845**	**€ (29,259)**	**€ (115,704)**	
Adjustment for non-cash transactions	248,027	21,753	48,301	25
Adjustment for items to disclose separately under operating cash flow	(7,731)	(4,389)	(1,912)	25
Adjustment for items to disclose under investing and financing cash flows	(5,061)	(668)	—	25
Change in working capital other than deferred income	12,698	19,922	(12,862)	25
Increase / decrease (-) in deferred income	2,804,202	(153,312)	(65,722)	24
Cash generated/used (-) in operations	**3,201,980**	**(145,953)**	**(147,899)**	
Interest paid	(1,158)	(1,063)	(273)	
Interest received	7,852	4,558	1,341	
Income taxes paid	(57)	(8)	(199)	
Net cash flows generated/used (-) in operating activities	**3,208,617**	**(142,466)**	**(147,030)**	
Purchase of property, plant and equipment	(22,385)	(10,392)	(5,312)	14
Purchase of and expenditure in intangible fixed assets	(23,300)	(3,325)	(2,125)	13
Proceeds from disposal of intangible assets	—	1	—	13
Proceeds from disposal of property, plant and equipment	—	—	7	14
Increase in current financial investments	(4,787,284)	—	—	18
Interest received related to current financial investments	5,059	—	—	18
Decrease in current financial investments	1,063,344	—	—	18
Decrease in restricted cash	—	—	6,510	
Acquisition of financial assets held at fair value through profit or loss	(177)	(4,559)	—	15
Proceeds from sale of financial assets held at fair value through profit or loss	82	2,361	372	15
Net cash flows used in investing activities	**(3,764,660)**	**(15,914)**	**(549)**	
Payment of lease liabilities and other debts	(5,091)	(5)	(65)	22
Proceeds from capital and share premium increases, gross amount	960,087	296,188	363,924	20
Issue cost paid, related to capital and share premium increases	(4,447)	(15,964)	(15,790)	20
Proceeds from capital and share premium increases from exercise of warrants	17,167	7,657	5,288	20
Proceeds from capital and share premium increases from exercise of warrant A by Gilead	368,035	—	—	20
Net cash flows generated in financing activities	**1,335,751**	**287,876**	**353,357**	
Increase in cash and cash equivalents	**€ 779,708**	**€ 129,497**	**€ 205,779**	
Cash and cash equivalents at beginning of year	**€ 1,290,796**	**€ 1,151,211**	**€ 973,241**	19
Transfer to current financial investments	**(198,922)**	**—**	**—**	
Increase in cash and cash equivalents	**779,708**	**129,497**	**205,779**	
Effect of exchange rate differences on cash and cash equivalents	**(9,966)**	**10,089**	**(27,808)**	
Cash and cash equivalents at end of year	**€ 1,861,616**	**€ 1,290,796**	**€ 1,151,211**	19

	December 31,			
	2019	2018	2017	Notes
	(Euro, in thousands)			
Current financial investments	€ 3,919,216	€ —	€ —	18
Cash and cash equivalents	1,861,616	1,290,796	1,151,211	19
Current financial investments and cash and cash equivalents	**€ 5,780,832**	**€ 1,290,796**	**€ 1,151,211**	

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

Notes to 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 research and development ("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 1 BV and Galapagos Real Estate 2 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); Fidelta d.o.o. (Zagreb, Croatia); Galapagos, Inc. and its subsidiary Xenometrix, Inc. (United States); BioFocus DPI AG and 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 operations had 1,003 employees as at December 31, 2019 working in the operating facilities in Mechelen (the Belgian headquarters), the Netherlands, France, Croatia, Switzerland, the United States and United Kingdom.

2. Summary of significant transaction

On July 14, 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, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform.

The transaction was subject to certain closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and receipt of merger control approval from the Austrian Federal Competition Authority. On August 23, 2019 all approvals were obtained and the transaction was closed.

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 November 6, 2019 Gilead exercised warrant A, which resulted in an additional equity investment of €368.0 million. We will use the proceeds to expand and accelerate our research and development programs. 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, until we reach the new, increased, joint predetermined level of costs, 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. We refer to the Critical accounting judgments and key sources of estimation uncertainty section (note 4) explaining critical judgments in applying accounting policies.

Gilead also proposed two individuals for our board of directors, which were nominated during the special general meeting of shareholders of October 22, 2019.

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. On top, a final term extension can be granted in certain circumstances. If GLPG1690 is approved in the United States, Gilead will pay us an additional $325 million regulatory milestone fee.

For GLPG1972, after the completion of the ongoing Phase 2b study in osteoarthritis, Gilead has the option to pay a $250 million fee to license the compound in the United States. If certain secondary efficacy endpoints for GLPG1972 are met, Gilead will pay us up to an additional $200 million. Following opt-in on GLPG1972, we are eligible to receive up to $550 million in regulatory and sales based milestones. 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.

Filgotinib collaboration
Under the revised agreement, we will have 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. We and Gilead will co-commercialize filgotinib in France, Germany, Italy,
Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, we will have an expanded commercial role. We will be the lead commercialization party for filgotinib in France, Italy and Spain for rheumatology indications and Gilead will be the lead commercialization party for gastro indications. In Germany and the United Kingdom, Gilead will lead the rheumatology indications and Galapagos will lead the gastro indications. We retain exclusive commercialization responsibility in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies. The companies will share future global development costs for filgotinib equally until a predetermined level, in lieu of the 80/20 cost split provided by the original agreement. Other terms of the original license agreement remain in effect, including the remaining $640 million in development and regulatory milestones, sales-based milestone payments of up to $600 million and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling $30 million.

Terms of the equity investment
As part of the research and development collaboration 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 at July 14, 2019 a 20% premium to Galapagos' 30-day, volume-weighted average price. This equity subscription took place at closing of the transaction, on August 23, 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 October 22, 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 November 6, 2019 Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares. Gilead further increased its ownership to 25.84% at December 31, 2019.

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), issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IASB's International Financial Reporting Interpretation Committee. 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:

IFRS 16 Leases

We adopted IFRS 16 on January 1, 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 January 1, 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 January 1, 2019. Our weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.55%.

The differences between our total operating lease commitments as reported in note 26 of our consolidated financial statements of December 31, 2018 and the total lease liabilities recognized in our statement of financial position as at January 1, 2019 are summarized below.

		(Euro, in thousands)
Operating lease commitments disclosed as at December 31, 2018	**€**	**27,704**
Less : discounting effect using the lessee's incremental borrowing rate at the date of initial application		(1,223)
Less : other		(569)
Lease liability recognized as at January 1, 2019		**25,912**
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 January 1, 2019 as follows:

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

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 January 1, 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 January 1, 2019 did not have any impact on our consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS APPLIED FOR THE ANNUAL PERIOD BEGINNING ON JANUARY 1, 2018

IFRS 15 Revenue from Contracts with Customers

We adopted IFRS 15 on January 1, 2018, using the modified retrospective transition method. The adoption of the new standard resulted in a timing difference of revenue recognition between prior accounting standards and IFRS 15. The cumulative effect of initially applying the new revenue standard was recognized as an adjustment to the opening balance of accumulated deficit and deferred income.

To determine revenue recognition for arrangements that we determine are within the scope of IFRS 15, we perform the following five steps: (i) identify the contract; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

As a consequence of the adoption of IFRS 15 on January 1, 2018, our consolidated accumulated losses and deferred income were both increased by €83.2 million, reflecting the impact of the new standard on the revenue recognition of the considerations received related to our ongoing license and collaboration agreements. Differences in accounting treatment compared to the former standard were identified for (i) the milestones payments previously received in the scope of our license and collaboration agreement for filgotinib with Gilead, and (ii) the upfront and milestone payments received related to the license and collaboration agreement with AbbVie for cystic fibrosis, which were fully recognized in revenue in the previous years under the former applicable IFRS standard. The collaboration agreement with AbbVie for cystic fibrosis was modified in 2016. Under IAS 18 this modification was accounted for as a separate contract. However, based on the contract modification guidance under IFRS 15 we determined that the upfront payment should be recognized over the term of the modified contract. Finally, the deferred income balance related to the license fee received from Servier in the scope of our license and collaboration agreement in the field of osteoarthritis was fully reclassified to equity as a consequence of the adoption of the new standard. We refer to the note 6 “Total revenues and other income” for further detail.

The impact of the adoption of IFRS 15 on the consolidated financial statements for the year ended December 31, 2018 is detailed in the table below and is due to changes in the accounting policy for revenue recognition compared to prior accounting standards.

Statement of operations	**(Euro, in thousands, except per share data)**		
	Year ended December 31, 2018		
	As reported	**Balances in accordance with IAS 18**	**Effect of change higher / lower (-)**
Revenues	€ 288,836	€ 232,800	€ 56,036
Loss before tax	(29,209)	(85,245)	56,036
Income taxes	(50)	(50)	—
Net loss	**€ (29,259)**	**€ (85,295)**	**€ 56,036**
Basic & diluted loss per share	**€ (0.56)**	**€ (1.64)**	**€ 1.08**
Statement of financial position	**December 31, 2018**		
Deferred income	€ 149,801	€ 122,617	€ 27,184
Accumulated losses	€ (297,779)	€ (270,595)	€ (27,184)

IFRS 9 Financial Instruments

The only financial instrument held by the group subject to change in accounting treatment following the adoption of IFRS 9 – Financial Instruments, was the equity investment in a listed company classified as an available-for-sale financial asset. At December 31, 2017, our balance sheet held shares of this company which were acquired in 2016. The closing price of the share on Euronext as at the end of the year 2017 led to cumulative fair value loss amounting to €0.6 million recognized in other comprehensive income following the accounting treatment applied under IAS 39. Following the adoption of IFRS 9 on January 1, 2018 and considering that the financial asset should be classified and measured at fair value, with changes in fair value recognized in profit or loss, the cumulative fair value loss of €0.6 million previously recognized in other comprehensive income was reclassified to accumulated losses.

Other new standards and interpretations applicable for the annual period beginning on January 1, 2018 did not have any impact on our consolidated financial statements.

STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON JANUARY 1, 2019

A number of new standards are effective for annual periods beginning on or after January 1, 2020 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.

- IFRS 17 Insurance contracts (applicable for annual periods beginning on or after January 1, 2021, but not yet endorsed in the EU)
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable for annual periods beginning on or after January 1, 2020)
- Definition of a Business (Amendments to IFRS 3) (applicable for annual periods beginning on or after January 1, 2020, but not yet endorsed in the EU)
- Definition of Material (Amendments to IAS 1 and IAS 8) (applicable for annual periods beginning on or after January 1, 2020)

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (applicable for annual periods beginning on or after January 1, 2020)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (applicable for annual periods beginning on or after January 1, 2022, but not yet endorsed in the EU)

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 statement of operations 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

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 don’t own products that have obtained regulatory approval and this has resulted in all development costs being recognized as an expense in the period in which they are incurred.

Intellectual property, which comprises patents, licenses and rights, is measured internally at purchase cost and is amortized on a straight-line basis over the estimated useful life as from the time they are available for use, generally on the following bases:

- Customer relationships: 1–10 years

- In process technology: 3–5 years

- Software & databases: 3–5 years

- Brands, licenses, patents & know how: 5–15 years

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 usefull 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.

PROPERTY, PLANT AND EQUIPMENT

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

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.

LEASEHOLD IMPROVEMENTS

Leasehold improvements are depreciated over the term of the lease, unless a shorter useful life is expected.

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 December 31, 2019. Additionally, we don’t have financial debts at December 31, 2019.

(i) Financial assets

Financial assets are initially recognized either at fair value or at their transaction price. All recognized financial assets will subsequently be 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 and cash and cash equivalents).

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss if we manage such investments and make purchase and sale decisions based on their fair value in accordance with the 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, which qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

Current financial investments

Current financial investments include financial assets measured at fair value through profit or loss and 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. These financial assets are used by us in the management of our short-term commitments.

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.

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 and are used by us in the management of our short-term commitments.

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. These financial assets are used by us in the management of our short-term commitments.

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 its 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 statement of operations.

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 statement of operations 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 and non-refundable upfront fees received in connection with collaboration and license agreements. We also generate revenue from our fee-for-service activities.

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 over time, revenue is then 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. We estimate the amount to be included in the transaction price using the most likely amount method, where milestone payments are included in the transaction price upon achievement of the milestone event. The transaction price is then allocated to each performance obligation on a stand-alone selling price basis, for which 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 such milestones and any related constraint, and if necessary, 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 FTEs 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 payment 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 the 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 judgments in applying accounting policies for more information.

Contract costs

Contract costs are those costs we incur in order 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.

Revenue recognition policies applicable to periods ended December 31, 2017 and prior

The revenue recognition policies applicable to periods ended December 31, 2017 and prior, can be summarized as *follows:*

Upfront payments

Non-refundable, upfront payments received in connection with research and development collaboration agreements are deferred and recognized over the relevant, required periods of our involvement. The payments and our involvement relate to a contractually defined phase of the project. At inception, management estimates the period of our involvement as well as the cost involved in the project. Upfront payments are recognized over the estimated period of involvement, either on a straight line basis or based on the cost incurred under the project if such cost can be reliably estimated. Periodically we reassess the estimated time and our cost to complete the project phase and adjust the time period over which the revenue is deferred accordingly.

Milestone payments

Research milestone payments are recognized as revenues when achieved. In addition, the payments have to be acquired irrevocably and the milestone payment amount needs to be substantive and commensurate with the magnitude of the related achievement. Milestone payments that are not substantive, not commensurate or that are not irrevocable are recorded as deferred revenue. Revenue from these activities can vary significantly from period to period due to the timing of milestones.

Reimbursement income

Cost reimbursements resulting from license and collaboration agreements with our commercial partners are recognized as reimbursement income in revenue as the related costs are incurred and upon agreement by the parties involved. The corresponding expenses are included in research and development expenditure.

Cost reimbursements from collaboration in which we share equally in the risks and benefits associated with development of a specific drug with a collaboration partner are recognized as decrease of the related incurred research and development expenditure.

Licenses

Revenues from term licenses are spread over the period to which the licenses relate, reflecting the obligation over the term, to update content and provide ongoing maintenance. Revenues from perpetual licenses are recognized immediately upon sale to the extent that there are no further obligations.

Royalties

Royalty revenues are recognized when we can reliably estimate such amounts and collectability is reasonably assured. As such, we generally recognize royalty revenues in the period in which the licensees are reporting the royalties to us through royalty reports, that is, royalty revenues are generally recognized in arrears, i.e. after the period in which sales by the licensees occurred. Under this accounting policy, the royalty revenues we report are not based upon our estimates and such royalty revenues are typically reported in the same period in which we receive payment from our licensees.

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 statement of operations, 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

a/ Defined contribution plans

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

b/ 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 the 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.

c/ Staff bonus plan

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

d/ Management bonus plan

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

The executive committee 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

The possible payment of the deferred component of the Senior Management Bonus Schemes within three years is recognized 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.

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

The executive committee 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

a/ Equity-settled share based payments

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

b/ Long-term incentive plans in RSU's (Restricted Stock Units)

Executive committee members and other employees were granted RSU's in 2019. 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 RSU's are measured based on the 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 RSU's 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.

LEASES

As explained in the beginning of this note, we adopted IFRS 16 on January 1, 2019, resulting in a change in our accounting policy.

Accounting policy as from January 1, 2019

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 will be 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.

Accounting policy until January 1, 2019

Until the end of 2018, leases of property, plant and equipment were classified as either finance or operating leases.

Leases were classified as finance leases whenever the terms of the lease substantially transferred all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Assets held under finance leases were recognized as our assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. These assets held under finance leases were depreciated over their useful lives on the same bases as owned assets or, where shorter, over the term of the related lease agreement. The corresponding liability to the lessor was included in the balance sheet as a finance lease obligation. The payments were divided proportionally between the financial costs and a diminution of the outstanding balance of the obligation, so that the periodic interest rate on the outstanding balance of the obligation would be constant. Interest was recognized in the income statement, unless it was directly attributable to the corresponding asset, in which case it was capitalized.

Rents paid on operating leases were charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease were also spread on a straight-line basis over the lease term.

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 statement of operations.

(ii) Property, plant and equipment and intangible assets

At each balance sheet date, we review 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 warrants, if any.

SEGMENT REPORTING

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment. We don’t report assets and liabilities by segment as this information is not regularly provided to the chief operating decision maker. We have only two segments (see note 5).

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 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

Accounting for warrant A and warrant B granted to Gilead

Warrant A and warrant B were granted to Gilead in combination with the signing of the collaboration agreement on July 14, 2019. As the issuance of warrants A and B was subject to the approval of our shareholders, management concluded that a financial instrument as defined under IAS 32 could not be recognized until such approval was received. We considered that the transaction price included a premium paid by Gilead (through the upfront payment) to acquire the warrants in the future, upon approval by the shareholders.

On August 23, 2019, the closing date of the transaction, we received from Gilead the upfront payment that included a premium for the future issuance of the warrants. In accordance with IFRS 15, on August 23, 2019, we recorded a contract liability ("warrant issuance liability") for the expected value of the warrants. 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 until the time the warrants are approved and issued.

The issuance of warrant A and initial warrant B was approved by the extraordinary general meeting of shareholders of October 22, 2019. Upon issuance of warrant A and initial warrant B, on October 22, 2019, the part of the contract liability related to warrant A and initial warrant B was reclassified into a financial liability (derivative) measured at fair value through profit or loss in accordance with IFRS 9.

Had management concluded warrant A and warrant B could have been recognized as derivatives upon closing of the transaction changes in the fair value of the derivatives would have been recognized through profit and loss rather than as an adjustment to the transaction price. This would have resulted in an increase of fair value re-measurement for the warrants by €12.9 million (fair value gain), and a decrease of the deferred income at December 31, 2019 by €28.6 million, resulting in a decrease in revenue recognized in current period by €0.5 million.

As of December 31, 2019, subsequent warrant B is still subject to approval by an extraordinary general meeting of shareholders.

IFRS 15 – Revenue recognition Gilead

Our critical judgments were 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 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. It has been allocated to the drug discovery platform and will be recognized as revenue over the next ten years. Had we concluded that the equity subscription should be accounted for as a separate transaction the entire amount of €85.6 million would have been additionally recorded as equity and future revenue reduced by the same amount.

Performance obligation: 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. Changes in these assumptions would have impacted the estimate of the stand-alone selling price of this performance obligation. This would have resulted in a reallocation of the transaction price between this performance obligation, for which revenue is recognized at a point in time, and the drug discovery platform, for which revenue is recognized on a straight-line basis over ten years.

▪ After granting the license for GLPG1690, we share further development costs equally with Gilead. Gilead is not assessed as a customer but as a collaboration partner, as such this part of the collaboration is not in scope of IFRS 15. Any cost reimbursement from our collaboration partner is not recognized as revenue but accounted for as a decrease of the related expenses. Had management concluded that the transaction was within scope of IFRS 15, the reimbursement from our collaboration partner for the year ended December 31, 2019 of €17.7 million would have been presented as revenue instead of an offset of the related expenses.

Performance obligation: Filgotinib amendment

▪ 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 global strategy of filgotinib and the broader commercialization role in the Benelux and EU5 countries. Had a different margin been estimated the transaction price allocated to the performance obligation from the filgotinib amendment would have been different with a corresponding adjustment to the revenue allocated to the drug discovery platform. This would have resulted in a reallocation of revenue between current periods and future periods, given the transaction price allocated to the performance obligation from the filgotinib amendment will be recognized over a shorter period as compared to the 10-year recognition pattern of the transaction price allocated to the drug discovery platform.

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. Had no financing component been applied for the performance obligation resulting from the filgotinib amendment, this would have resulted in a decrease of €6.9 million in interest expenses, a decrease in revenue recognition of €11.8 million and a decrease in current and non-current deferred income of €4.9 million for the year ended December 31, 2019.

5. Segment information

There are two reportable segments, R&D and fee-for-service business.

Segment information for year 2019

(Euro, in thousands)

	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	€ 834,901	€ 10,084		€ 844,985
Internal revenue		6,742	€ (6,742)	
Other income	50,905	—		50,905
Revenues & other income	**885,806**	**16,826**	**(6,742)**	**895,890**
Segment result	**407,464**	**1,125**		**408,589**
Unallocated expenses [1]				(38,297)
Operating income				**370,292**
Financial (expenses)/income				(220,233)
Result before tax				**150,060**
Income taxes				(214)
Net income				**€ 149,845**

(1) The unallocated expenses of €38,297 thousand comprise warrant costs.

Segment information for year 2018

(Euro, in thousands)

	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	€ 278,666	€ 10,170		€ 288,836
Internal revenue		8,508	€ (8,508)	
Other income	29,000	9		29,009
Revenues & other income	**307,666**	**18,687**	**(8,508)**	**317,845**
Segment result	**(19,734)**	**1,751**		**(17,983)**
Unallocated expenses [1]				(26,824)
Operating loss				**(44,807)**
Financial (expenses)/income				15,598
Result before tax				**(29,209)**
Income taxes				(50)
Net loss				€ **(29,259)**

(1) The unallocated expenses of €26,824 thousand principally comprise of €26,757 thousand of warrant costs.

Segment information for year 2017

(Euro, in thousands)

	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	€ 118,262	€ 8,825		€ 127,087
Internal revenue		5,104	€ (5,104)	
Other income	28,815	15		28,830
Revenues & other income	**147,077**	**13,945**	**(5,104)**	**155,918**
Segment result	**(73,610)**	**86**		**(73,524)**
Unallocated expenses [1]				(16,278)
Operating loss				**(89,802)**
Financial (expenses)/income				(25,705)
Result before tax				**(115,507)**
Income taxes				(198)
Net loss				€ **(115,704)**

(1) The unallocated expenses of €16,278 thousand principally comprise of €16,536 thousand of warrant costs.

Segment assets and liabilities are not information being provided to the chief operating decision maker on a recurring basis. This information is therefore not disclosed in our segment information.

GEOGRAPHICAL INFORMATION

In 2017, 2018 and 2019, our operations were mainly located in Belgium, Croatia, France and the Netherlands.

Following table summarizes the revenues by destination of customer:

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
North America	€ 795,605	€ 117,609	€ 82,050
Europe	49,018	171,113	45,037
Asia Pacific	362	114	—
Total	**€ 844,985**	**€ 288,836**	**€ 127,087**

Following table summarizes the revenues by major customers:

	Year ended December 31,					
	2019		2018		2017	
Spilt up of revenues by major customers	**(Euro, in thousands)**	**%**	**(Euro, in thousands)**	**%**	**(Euro, in thousands)**	**%**
Gilead:						
North America [1]	€ 793,873	94%	€ 116,640	40%	€ 80,687	63%
Europe [1]	(4,570)	-1%	7,793	3%		
AbbVie:						
Europe	26,356	3%	89,936	31%	34,049	27%
Novartis:						
Europe	19,177	2%	55,218	19%		
Les Laboratoires Servier:						
Europe	—	0%	9,000	3%	67	0%
Total revenues from major customers	**€ 834,836**	**99%**	**€ 278,587**	**96%**	**114,804**	**90%**

(1) Following the contract amendment, the revenue recognized for filgotinib for the year ended December 31, 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.

As of December 31, 2019, we held €203 million of non-current assets (€110 million in 2018; €89 million in 2017) distributed as follows:

- Belgium: €133 million (€64 million in 2018; €47 million in 2017)
- France: €54 million (€36 million in 2018; €34 million in 2017)
- Croatia: €7 million (€5 million in 2018; €4 million in 2017)
- The Netherlands: €8 million (€4 million in 2018; €4 million in 2017)
- Switzerland: €1 million (nil in 2018 and 2017)

The increase in non-current assets in 2019 as compared to 2018 was mainly explained by (i) an increase in property, plant & equipment explained by new acquisitions in 2019 but also by the recognition of right-of-use assets following the adoption of IFRS 16 Leases, (ii) an increase in intangible assets due to new acquisitions and capitalization of contract costs linked to the collaboration agreement with Gilead, and (iii) an increase in non-current R&D incentives receivables (see note 16).

6. Total revenues and other income

REVENUES

The following table summarizes the revenues for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Recognition of non-refundable upfront payments and license fees	€ 812,058	€ 196,486	€ 71,971
Milestone payments	2,878	73,394	42,950
Reimbursement income	19,900	8,722	3,273
Other revenues	10,150	10,233	8,893
Total revenues	**€ 844,985**	**€ 288,836**	**€ 127,087**

The following table summarizes details of revenues for the years ended 31 December 2019 and 2018 by collaboration and by category of revenue: upfront payments and license fees, milestone payments, reimbursement income, and other revenues.

	Over time	Point in time	2019 (Euro, in thousands)	2018 (Euro, in thousands)
Recognition of non-refundable upfront payments and license fees			**€ 812,058**	**€ 196,486**
Gilead collaboration agreement for GLPG1690		☐	666,968	-
Gilead collaboration agreement for filgotinib [1]	☐		62,602	96,809
Gilead collaboration agreement for drug discovery platform	☐	☐	80,918	-
AbbVie collaboration agreement for CF	☐		1,569	52,176
Novartis collaboration agreement for MOR106		☐	-	47,500
Milestone payments			**2,878**	**73,394**
Gilead collaboration agreement for filgotinib [1]	☐		(21,187)	27,623
AbbVie collaboration agreement for CF	☐		24,065	36,771
Servier collaboration agreement for osteoarthritis		☐	-	9,000
Reimbursement income			**19,900**	**8,722**
Novartis collaboration agreement for MOR106	☐	☐	19,177	7,718
AbbVie collaboration agreement for CF	☐		723	989
Other reimbursement income		☐	-	16
Other revenues			**10,150**	**10,233**
Fee-for-services revenues	☐	☐	10,084	10,170
Other revenues		☐	66	63
Total revenues			**€ 844,985**	**€ 288,836**

(1) Following the contract amendment, the revenue recognized for filgotinib for the year ended December 31, 2019, included a negative catch-up effect at 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 upfront payment received from Gilead in connection with the Option, License and Collaboration agreement signed on July 14, 2019 of €3,569.8 million ($3.95 billion) and the impact of the initial valuation of the derivative financial instrument triggered by the share subscription agreement with Gilead were allocated to the performance obligations identified as follows:

		(Euro, in thousands)
Allocation of transaction price		
Upfront received	€	3,569,815
Impact initial valuation of share subscription		85,601
		3,655,416
Less :		
Warrants issuance liabilities		
Warrant A		(43,311)
Initial warrant B		(2,545)
Subsequent warrant B		(16,184)
		3,593,376
Allocation to performance obligations		
GLPG1690		666,967
Filgotinib additional consideration [(1)]		641,663
Drug discovery platform (10 years)	€	2,284,747

(1)With regard to the additional consideration received for the extended cost sharing for filgotinib, we assume the existence of a significant financing component estimated to €44.5 million reflecting the time value of money on the estimated recognition period.

On the closing date of the transaction (August 23, 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 reducing 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 (October 22, 2019). The value allocated to the subsequent warrant B reflects the fair value of the underlying liability at December 31, 2019 since this warrant is not yet approved for issuance.

A summary of all current contracts with customers is given below:

Collaboration with Gilead

On July 14, 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, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform. We refer to note 2 Summary of significant transaction for more detailed information.

As part of this deal, our existing license and collaboration agreement for filgotinib with Gilead was also amended. Under this revised filgotinib agreement, we have 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.

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 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.

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.

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 December 31, 2019. As such, future milestones (other than sales based milestones) payments will be included and recognized in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur. Future royalties will be recognized as revenue as the subsequent underlying sales occur.
- After granting the license for GLPG1690, we will share Phase 3 costs equally with Gilead. Any cost reimbursement from Gilead is 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 global strategy of filgotinib and the broader commercialization role in the Benelux and EU5 countries.
- The transaction price is currently composed of a fixed part, being an upfront license fee and a variable part, being milestone payments 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. Sales based milestones and sales based royalties are a part of the arrangement but are not yet included in our revenues as our program is still in Phase 3 of development.
- Revenues 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 predetermined level of costs has increased compared to the original agreement and as a result, the percentage of completion has decreased leading to the recognition in revenue of a negative cumulative catch-up effect in 2019.
- We expect to recognize revenues from the current transaction price over time in future periods until satisfactory of this performance obligation based on the cost-to-cost model.

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.
- Management 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. We will reassess this critical estimate at each year-end based on the evolution of our pipeline.

Collaboration with Servier

In 2010 we signed a license and collaboration agreement with Servier in the field of osteoarthritis. Any increase in the transaction price from future potential development and regulatory milestones, sales based milestones and royalties, will be allocated to the license and will be fully recognized as revenue at a point in time when achieved, as our performance obligation towards Servier has been fully satisfied.

The contract signed with Servier on May 8, 2018 takes over the terms of the previous agreement but additionally includes the framework of a joint Phase 2 clinical trial program in which both parties collaborate, share costs and mutually exchange services. We concluded that this contract modification was not in the scope of IFRS 15 because there is a mutual exchange of services between Servier and Galapagos, Servier is not assessed as a customer but as a collaboration partner. Any cost reimbursement from our collaboration partner is not recognized as revenue but accounted for as a decrease of the related expenses.

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 October 28, 2019, we announced the end of the clinical development program of MOR106 in AtD.

On December 17, 2019, Novartis sent us a termination notice, informing us of its decision to terminate the agreement in its entirety. The notice period for such termination is still ongoing, but we expect that such termination will become effective later this year.

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 has been allocated to the single performance obligation and revenues have been 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 have chosen 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 this license and collaboration agreements.

- The second amended and restated collaboration agreement signed on October 24, 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 revenue 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 is considered being fully satisfied at December 31, 2019.

For the years ended December 31, 2018 and 2017

The following table summarizes the revenue recognition of upfront payments, license fees and milestone payments for the years ended December 31, 2018 and 2017, as well as the impact of the adoption of IFRS 15. The revenues recognized for the years ended December 31, 2018 presented under the IFRS 15 standard as well as under the former applicable IAS 18 standard, with a comparison to the year ended December 31, 2017 under the former applicable IAS 18 standard.

Agreement	Consideration (USD, in thousands)	Consideration (Euro, in thousands)	Collaboration start date	IAS 18 Outstanding balance in deferred income as at December 31, 2017	Deferred income reclassified from equity following adoption of IFRS 15	IFRS 15 Outstanding balance in deferred income as at January 1, 2018	IFRS 15 Revenue recognized, year ended December 31, 2018	IAS 18 Revenue recognized, year ended December 31, 2018	IAS 18 Revenue recognized, year ended December 31, 2017	IFRS 15 Outstanding balance in deferred income as at December 31, 2018
							(Euro, in thousands)			
Revenue recognition of considerations received prior to December 31, 2017										
Gilead collaboration agreement for filgotinib - Upfront payment	$ 300,000	€ 275,558	January 2016	€ 187,449		€ 187,449	€ 84,806	€ 84,806	€ 62,488	€ 102,643
Gilead collaboration agreement for filgotinib - Subscription agreement (*)	N.A.	€ 39,003 (*)	January 2016	€ 26,532		€ 26,532	€ 12,004	€ 12,004	€ 8,845	€ 14,528
Servier collaboration agreement for osteoarthritis - License fee	N.A.	€ 6,000	June 2010	€ 5,362	€ (5,362)	€ —	€ —	€ 1,532	€ 638	€ —
AbbVie collaboration agreement for CF - Upfront payments	$ 45,000	€ 34,001	September 2013	€	€ 14,872	€ 14,872	€ 14,140	€ —	€ —	€ 732
Total upfront payments and license fees:				**€ 219,343**	**€ 9,510**	**€ 228,853**	**€ 110,950**	**€ 98,342**	**€ 71,971**	**€ 117,903**
Gilead collaboration agreement for filgotinib - Milestone payments	$ 70,000	€ 64,435	January 2016		€ 43,832	€ 43,832	€ 19,831	€ —	€ 9,354	€ 24,001
AbbVie collaboration agreement for CF - Milestone payments	$ 77,500	€ 68,310	September 2013		€ 29,878	€ 29,878	€ 28,406	€ —	€ 33,596	€ 1,471
Total milestones:					**€ 73,710**	**€ 73,710**	**€ 48,237**	**€ —**	**€ 42,950**	**€ 25,472**
Total :				**€ 219,343**	**€ 83,220**	**€ 302,563**	**€ 159,187**	**€ 98,342**	**€ 114,921**	**€ 143,375**
Revenue recognition of considerations in the year ended December 31, 2018										
Novartis collaboration agreement for MOR106 - Upfront payment	N.A.	€ 47,500	September 2018				€ 47,500	€ 47,500		€ —
AbbVie collaboration agreement for CF - Upfront payment	$ 45,000	€ 38,874	September 2013				€ 38,037	€ 38,037		€ 837
Total upfront payments and license fees:							**€ 85,537**	**€ 85,537**		**€ 837**
Gilead collaboration agreement for filgotinib - Milestone payments	$ 15,000	€ 12,418	January 2016				€ 7,793	€ 12,418		€ 4,625
AbbVie collaboration agreement for CF - Milestone payments	$ 10,000	€ 8,548	September 2013				€ 8,364	€ 8,548		€ 184
Servier collaboration agreement for osteoarthritis - Milestone payment	N.A.	€ 9,000	June 2010				€ 9,000	€ 9,000		€ —
Total milestones:							€ 25,157	€ 29,966		€ 4,809
Total :							€ 110,694	€ 115,503		€ 5,646
Grand total : upfront payments and license fees and milestones							**€ 269,881**	**€ 213,845**		**€ 149,021**

(*) deferred income of €39 million recognized upon signing of the share subscription agreement with Gilead as required under IAS 39

	IFRS 15 Over time	IFRS 15 Point in time	2018		2017 Over time	2017 Point in time
			(Euro, in thousands)		(Euro, in thousands)	
Recognition of non-refundable upfront payments and license fees			**196,486**	€	**71,971**	
Gilead collaboration agreement for GLPG1690						
Gilead collaboration agreement for filgotinib	☐		96,809		71,333	☐
Gilead collaboration agreement for drug discovery platform	☐					☐
AbbVie collaboration agreement for CF	☐		52,176		-	☐
Novartis collaboration agreement for MOR106		☐	47,500		-	☐ ☐
Servier collaboration agreement for osteoarthritis		☐	-		638	☐
Milestone payments			**73,394**		**42,950**	
Gilead collaboration agreement for filgotinib	☐		27,623		9,354	☐ ☐
AbbVie collaboration agreement for CF	☐		36,771		33,596	☐ ☐
Servier collaboration agreement for osteoarthritis		☐	9,000		-	☐
Reimbursement income			**8,722**		**3,273**	
Novartis collaboration agreement for MOR106	☐	☐	7,718		-	
AbbVie collaboration agreement for CF	☐		989		453	☐
Servier collaboration agreement for osteoarthritis			-		2,816	☐
Other reimbursement income		☐	16		4	☐
Other revenues			**10,233**		**8,893**	
Fee-for-services revenues	☐	☐	10,170		8,825	☐ ☐
Other revenues		☐	63		68	☐
Total revenues			**288,836**	€	**127,087**	

OTHER INCOME

The following table summarizes other income for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
		(Euro, in thousands)	
Grant income	€ 6,549	€ 1,609	€ 1,045
R&D incentives	43,923	26,912	26,808
Other income	433	488	977
Total other income	**€ 50,905**	**€ 29,009**	**€ 28,830**

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 December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
		(Euro, in thousands)	
Personnel costs	€ (124,260)	€ (81,352)	€ (59,950)
Subcontracting	(249,926)	(197,644)	(123,054)
Disposables and lab fees and premises costs	(23,880)	(25,525)	(22,277)
Depreciation	(10,874)	(5,655)	(3,679)
Other operating expenses	(18,380)	(12,699)	(9,542)
Total R&D expenses	**€ (427,320)**	**€ (322,875)**	**€ (218,502)**

All research and development expenditures are tracked against detailed budgets and allocated by individual project. The table below summarizes our research and development expenditure for the years ended December 31, 2019, 2018 and 2017, broken down by program.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Filgotinib program	€ (100,032)	€ (66,138)	€ (53,212)
IPF program on GLPG1690	(75,951)	(72,718)	(16,190)
OA program on GLPG1972	(19,958)	(15,751)	(7,317)
Toledo program	(47,204)	(20,967)	(8,075)
CF program	(3,897)	(30,137)	(46,192)
AtD program on MOR106	(24,051)	(14,999)	(8,404)
Other programs	(156,227)	(102,165)	(79,113)
Total R&D expenses	**€ (427,320)**	**€ (322,875)**	**€ (218,502)**

GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes the general and administrative expenses for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Personnel costs and directors fees	€ (51,906)	€ (25,495)	€ (17,756)
Depreciation	(1,513)	(513)	(606)
Legal and professional fees	(11,775)	(4,284)	(2,427)
Other operating expenses	(8,506)	(5,339)	(3,626)
Total general and administrative expenses	**€ (73,701)**	**€ (35,631)**	**€ (24,415)**

SALES AND MARKETING EXPENSES

The following table summarizes the sales and marketing expenses for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Personnel costs	€ (7,558)	€ (2,282)	€ (2,156)
Depreciation	(61)	—	—
External outsourcing costs	(15,722)	(1,284)	(42)
Other operating expenses	(1,236)	(580)	(604)
Total sales and marketing expenses	**€ (24,577)**	**€ (4,146)**	**€ (2,803)**

8. Staff costs

The following table illustrates the personnel costs for the years 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Wages and salaries	€ (116,408)	€ (61,619)	€ (46,677)
Social security costs	(16,858)	(11,003)	(9,081)
Pension costs	(4,715)	(2,994)	(2,175)
Other personnel costs	(39,109)	(27,375)	(16,465)
Total personnel costs	**€ (177,090)**	**€ (102,991)**	**€ (74,398)**

The other personnel costs mainly related to costs for warrants granted of €32.5 million (2018: €21.3 million, 2017: €11.8 million). For the costs of warrants granted, see note 28.

9. Fair value re-measurement of share subscription agreement and warrants granted to Gilead

Total fair value re-measurement for the year ended December 31, 2019, can be split up as follows:

		Year ended December 31, 2019 (Euro, in thousands)
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		(3,653)
Total fair value re-measurement of share subscription agreement and warrants	**€**	**(181,644)**

Fair value re-measurement of the Gilead share subscription agreement

		(Euro, in thousands)
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 December 31, 2019	**€**	**—**

Fair value re-measurement of the financial instrument related to the issuance of warrant A

		(Euro, in thousands)
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 December 31, 2019	**€**	**—**

Fair value re-measurement of the financial instrument related to the issuance of initial warrant B

		(Euro, in thousands)
Fair value of financial liability at warrant approval date	**€**	**(2,545)**
Change in fair value recorded in profit or loss		(3,653)
Fair value on December 31, 2019	**€**	**(6,198)**

10. Other financial income / expenses

The following table summarizes other financial income and expense for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Other financial income:			
Interest on bank deposit	€ 14,306	€ 5,219	€ 3,045
Effect of discounting long term R&D incentives receivables	93	199	—
Currency exchange gain	850	11,027	1,797
Fair value gain on financial assets held at fair value through profit or loss	5,355	1,203	—
Fair value gain on current financial investments	611	—	—
Gain upon sale of financial assets held at fair value through profit or loss	2	668	—
Other finance income	264	19	34
Total other financial income	**21,482**	**18,335**	**4,877**
Other financial expenses:			
Interest expenses	(1,302)	(780)	(936)
Effect of discounting long term deferred income	(6,900)	—	—
Currency exchange loss	(47,769)	(1,174)	(29,176)
Fair value loss on current financial investments	(3,700)	—	—
Other finance charges	(400)	(782)	(469)
Total other financial expense	**(60,071)**	**(2,737)**	**(30,582)**
Total net other financial expense (-)/ income	**€ (38,589)**	**€ 15,598**	**€ (25,705)**

11. Income taxes

INCOME TAXES

The following table summarizes the income tax recognized in profit or loss for the years ended December 31, 2019, 2018 and 2017.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Current tax	€ (1,372)	€ (584)	€ (218)
Deferred tax	1,158	535	20
Income taxes	**€ (214)**	**€ (50)**	**€ (198)**

TAX LIABILITIES

The below table illustrates the tax liabilities related captions in the consolidated statement of financial positionas at December 31, 2019, 2018 and 2017.

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Current tax payable	€ 2,037	€ 1,175	€ 865
Total tax liabilities	**€ 2,037**	**€ 1,175**	**€ 865**

On December 31, 2018 and December 31, 2019, €1.2 million and €2.0 million of tax liabilities were primarily related to respectively five and four of our subsidiaries operating on a cost plus basis.

TAXES RECOGNIZED IN STATEMENT OF OPERATIONS

For the purpose of the disclosure below corporation tax was calculated at 29.58% (2018: 29.58%, 2017: 34%)—which is the tax rate applied in Belgium—on the estimated assessable profit for the year. The applied tax rate for other territorial jurisdictions was the tax rate that is applicable in these respective territorial jurisdictions on the estimated taxable result of the accounting year.

	Year ended December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Income/loss (-) before tax	€ 150,060	€ (29,209)	€ (115,507)
Income tax debit/credit (-), calculated using the Belgian statutory tax rate on the accounting income/loss (-) before tax (theoretical)	44,388	(8,640)	(39,261)
Tax expenses/income (-) in statement of operations (effective)	214	50	198
Difference in tax expense/income to explain	**€ (44,173)**	**€ 8,690**	**€ 39,458**
Effect of tax rates in other jurisdictions	€ 831	€ 411	€ 14
Effect of non taxable revenues	(13,079)	(11,558)	(11,277)
Effect of share based payment expenses without tax impact	10,318	7,530	5,317
Effect of expenses/income (-) not subject to tax	53,270	382	102
Effect of non tax deductible expenses	795	945	404
Effect of recognition of previously non recognized deferred tax assets	(2,286)	(1,977)	(414)
Effect of change in tax rates	—	—	181
Effect of tax losses (utilized) reversed	(136)	(150)	(763)
Effect of under or over provision in prior periods	30	—	—
Effect of non recognition of deferred tax assets	47,413	13,108	45,895
Effect of derecognition of previously recognized deferred tax assets	106	—	—
Effect of use of IID	(141,435)	—	—
Total explanations	**€ (44,173)**	**€ 8,690**	**€ 39,458**

Non-taxable revenues for the years ended December 31, 2019, 2018 and 2017 related to non-taxable subsidies and tax credits. Expenses/income (-) not subject to tax for the year ended December 31, 2019 mainly consisted of the fair value re-measurement of the derivative financial liabilities related to the share subscription agreement and the warrants granted to Gilead (see note 9). The use of the IID for the year ended December 31, 2019 referred to the “innovation income deduction” regime in Belgium. This 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 tax rate than other revenues. The effective tax rate can thus be reduced up to 4.4% (3.75% as of January 1, 2020).

12. Income/loss (-) per share

Basic income/loss (-) per share is calculated by dividing the net income/loss (-) attributable to shareholders 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 warrants, 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 December 31, 2019 because they were antidilutive.

Income/loss (-) per share

	Year ended December 31,		
	2019	2018	2017
Income/loss (-) per share:			
Net income/loss (-) attributable to owners of the parent (Euro, in thousands)	€ 149,845	€ (29,259)	€ (115,704)
Number of shares (thousands)			
Weighted average number of shares for the purpose of basic income/loss (-) per share	57,614	52,113	49,479
Basic income/loss (-) per share (Euros)	**€ 2.60**	**€ (0.56)**	**€ (2.34)**
Net income/loss (-) attributable to owners of the parent (Euro, in thousands)	€ 149,845	€ (29,259)	€ (115,704)
Number of shares (thousands)			
Weighted average number of shares for the purpose of diluted income/loss (-) per share	57,614	52,113	49,479
Number of dilutive potential ordinary shares	2,498	—	—
Diluted income/loss (-) per share (Euros)	**€ 2.49**	**€ (0.56)**	**€ (2.34)**

As our operations reported a net loss in 2018 and 2017, the outstanding warrants (specified in *note* 28) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share were the same for 2018 and 2017.

13. Intangible assets

	In process technology	Software & databases	Brands, licenses, patents & know-how	Contract costs	Total
			(Euro, in thousands)		
Acquisition value					
On January 1 , 2017	**€ 5,561**	**€ 7,185**	**€ 1,523**	**€ —**	**€ 14,269**
Additions	1,500	623	2		2,125
Sales and disposals		(100)			(100)
Translation differences		(212)			(212)
On December 31, 2017	**7,061**	**7,496**	**1,525**	**—**	**16,082**
Additions		1,561	1,763		3,325
Sales and disposals	(7,061)	(20)	(569)		(7,650)
Translation differences		74			74
On December 31, 2018	**—**	**9,111**	**2,719**	**—**	**11,832**
Additions		5,463	2,453	15,384	23,300
Sales and disposals		(64)			(64)
Translation differences		31			31
On December 31, 2019	**—**	**14,541**	**5,172**	**15,384**	**35,099**
Amortization and impairment					
On January 1 , 2017	**5,561**	**6,182**	**1,501**	**—**	**13,246**
Amortization		644	8		652
Sales and disposals		(99)			(99)
Translation differences		(212)			(212)
On December 31, 2017	**5,561**	**6,514**	**1,509**	**—**	**13,587**
Amortization	417	681	9		1,107
Impairment	1,083				1,083
Sales and disposals	(7,061)	(20)	(569)		(7,650)
Translation differences		74			74
On December 31, 2018	**—**	**7,250**	**949**	**—**	**8,200**
Amortization		816	678	512	2,006
Sales and disposals		(63)			(63)
Translation differences		31			31
On December 31, 2019	**—**	**8,034**	**1,626**	**512**	**10,173**
Carrying amount					
On December 31, 2017	€ 1,500	€ 982	€ 16	€ —	€ 2,495
On December 31, 2018	€ —	€ 1,862	€ 1,771	€ —	€ 3,632
On December 31, 2019	€ **—**	€ **6,507**	€ **3,546**	€ **14,872**	€ **24,927**

On December 31, 2019, our balance sheet did not hold any internally generated assets capitalized as intangible asset.

14. Property, plant and equipment

FULLY OWNED	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
			(Euro, in thousands)		
Acquisition value					
On January 1 , 2017	**€ 4,412**	**€ 29,733**	**€ 2,973**	**€ 505**	**€ 37,624**
Additions	324	3,178	246	1,564	5,312
Sales and disposals		(844)	(17)		(861)
Reclassifications		881		(881)	—
Translation differences		112	7	1	120
On December 31, 2017	**4,736**	**33,060**	**3,209**	**1,189**	**42,195**
Additions	275	4,674	1,039	4,404	10,392
Sales and disposals		(486)	(826)		(1,311)
Reclassifications		753	13	(766)	—
Translation differences		29	16		46
On December 31, 2018	**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)
On December 31, 2019	**5,284**	**44,655**	**4,028**	**17,856**	**71,823**
Depreciations and impairment					
On January 1 , 2017	**2,025**	**18,252**	**2,184**	**203**	**22,663**
Depreciation	316	3,027	234	55	3,633
Sales and disposals		(838)	(17)		(855)
Translation differences	1	53	7		61
On December 31, 2017	**2,342**	**20,495**	**2,407**	**258**	**25,502**
Depreciation	344	3,377	236	17	3,974
Sales and disposals		(485)	(826)		(1,310)
Translation differences		16	2		18
On December 31, 2018	**2,686**	**23,403**	**1,819**	**275**	**28,184**
Depreciation	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)
On December 31, 2019	**3,080**	**25,885**	**2,119**	**31**	**31,117**
Carrying amount					
On December 31, 2017	€ 2,394	€ 12,565	€ 802	€ 930	€ 16,692
On December 31, 2018	€ 2,325	€ 14,628	€ 1,632	€ 4,552	€ 23,137
On December 31, 2019	**€ 2,204**	**€ 18,770**	**€ 1,909**	**€ 17,825**	**€ 40,707**

RIGHT-OF-USE	Land & building	Installation & machinery	Furniture, fixtures & vehicles	Total
		(Euro, in thousands)		
Acquisition value				
On December 31, 2018	**€ —**	**€ —**	**€ —**	**€ —**
Change in accounting policy (modified retrospective application IFRS 16)	24,056	219	2,130	**26,406**
Restated balance on January 1, 2019	**24,056**	**219**	**2,130**	**26,406**
Additions	3,270	84	1,176	**4,530**
Reclassifications to right of use		251		**251**
Translation differences	38			**38**
On December 31, 2019	**27,364**	**554**	**3,307**	**31,225**
Depreciations and impairment				
On December 31, 2018				**—**
Depreciation	4,666	91	867	**5,624**
Reclassifications to right of use		251		**251**
Translation differences	4			**4**
On December 31, 2019	**4,670**	**342**	**867**	**5,879**
Carrying amount				
On December 31, 2019	**€ 22,694**	**€ 212**	**€ 2,440**	**€ 25,345**

Carrying amount on December 31, 2019	
Property, plant and equipment fully owned	€ 40,707
Right-of-use	25,345
Total property, plant and equipment	**€ 66,052**

Due to adoption of IFRS 16 on January 1, 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.

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Non-current restricted cash	€ 1,418	€ 1,276	€ 1,158
Financial assets held at fair value through profit or loss	11,275	6,000	1,754
Other non-current assets	1,399	643	549
Total other non-current assets	**€ 14,091**	**€ 7,919**	**€ 3,461**

Restricted cash on December 31, 2019 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €0.9 million and €0.5 million respectively.

Restricted cash on December 31, 2018 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €0.7 million and €0.6 million respectively.

Financial assets held at fair value through profit or loss consisted of equity instruments of 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 which qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

Fair value changes on financial assets with fair value through profit or loss are recognized directly in profit or loss, in other financial income/other financial expenses.

The table below illustrates these financial assets held at fair value through profit or loss as at December 31, 2019, 2018 and 2017.

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Costs at January 1	€ 4,818	€ 2,373	€ 2,750
Acquisitions of the year	—	4,736	—
Disposals of the year	(82)	(2,291)	(377)
Costs at December 31,	**4,736**	**4,818**	**2,373**
Fair value adjustment at January 1	1,182	(619)	(399)
Cancellation of fair value adjustment following disposal	2	598	55
Fair value adjustment of the year	5,355	1,203	(275)
Fair value adjustment at December 31,	**6,539**	**1,182**	**(619)**
Net book value at December 31,	**€ 11,275**	**€ 6,000**	**€ 1,754**

16. Research and Development incentives receivables

The table below illustrates the R&D incentives receivables related captions in the balance sheet at December 31, 2019, 2018 and 2017:

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Non-current R&D incentives receivables	€ 93,407	€ 73,443	€ 64,001
Current R&D incentives receivables	21,949	11,203	11,782
Total R&D incentives receivables	**€ 115,356**	**€ 84,646**	**€ 75,783**

The R&D incentives receivables are future expected refunds or tax deductions resulting from R&D 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 at December 31, 2019.

Non-current R&D incentives receivables

	December 31, 2019 Maturity date					
	2021	2022	2023	2024	2025-2029	Total
	(Euro, in thousands)					
French non-current R&D incentives receivables - discounted value	€ 9,668	€ 10,223	€ 11,913			€ 31,804
Belgian non-current R&D incentives receivables - discounted value	4,881	5,734	7,534	€ 10,190	€ 33,263	61,603
Total non-current R&D incentives receivables - discounted value	**€ 14,549**	**€ 15,957**	**€ 19,447**	**€ 10,190**	**€ 33,263**	**€ 93,407**

17. Trade and other receivables and other current assets

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Trade receivables	€ 39,603	€ 9,206	€ 22,133
Prepayments	292	142	543
Other receivables	14,114	9,261	5,289
Trade and other receivables	**54,009**	**18,609**	**27,966**
Inventories	255	276	279
Accrued income	4,443	3,863	2,584
Deferred charges	4,439	4,104	3,825
Other current assets	**9,138**	**8,244**	**6,688**
Total trade and other receivables & other current assets	**€ 63,147**	**€ 26,852**	**€ 34,653**

The carrying amount of trade and other receivables approximates their fair value. Other current assets mainly included accrued income from subsidy projects and deferred charges.

On December 31, 2019, we did not have any provision for expected credit losses.

18. Current financial investments

On December 31, 2019, our current financial investments amounted to €3,919.2 million compared to nil at December 31, 2018 and at December 31, 2017. These current financial investments include a short-term bond fund and money market funds. The short-term bond fund has a minimum recommended investment horizon of six months. The money market funds are highly liquid investments that can be readily convertible to cash and are subject to an insignificant risk of changes in value but they cannot be classified as cash equivalents because they are not used by us for meeting short-term cash commitments.

On December 31, 2019, our current financial investments included $850.5 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 31 for more information on these current financial investments.

19. Cash and cash equivalents

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Cash at banks	€ 907,939	€ 358,016	€ 288,052
Term deposits	953,677	733,537	713,446
Money market funds	—	199,243	149,711
Cash on hand	—	—	3
Total cash and cash equivalents	**€ 1,861,616**	**€ 1,290,796**	**€ 1,151,211**

As at December 31, 2019, the money market funds were no longer classified as cash equivalents but as current financial investments because we no longer used them for meeting short-term cash commitments.

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 may allow short term deposits with an original maturity exceeding three months while monitoring all liquidity aspects. Cash and cash equivalents comprised €953.7 million of term deposits which all had an original maturity longer than three 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 savings accounts and current accounts. We maintain our bank deposits in highly rated financial institutions to reduce credit risk.

On December 31, 2019 our cash and cash equivalents included $656.9 million held in U.S.dollars, which could generate a 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.

20. Share capital

	2019	2018	2017
		(Euro, in thousands)	
On January 1	**€ 236,540**	**€ 233,414**	**€ 223,928**
Share capital increase	55,189	19,090	25,323
Costs of capital increase	(4,447)	(15,964)	(15,837)
Share capital on December 31,	**€ 287,282**	**€ 236,540**	**€ 233,414**
Aggregate share capital	€ 349,789	€ 294,600	€ 275,510
Costs of capital increase (accumulated)	(62,507)	(58,060)	(42,096)
Share capital on December 31,	**€ 287,282**	**€ 236,540**	**€ 233,414**

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 January 1, 2017 and December 31, 2019 is as follows:

Date	Share capital increase new shares (in thousands €)	Share capital increase due to warrant exercise (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 €)
January 1, 2017				**46,256**	**€ 250,187**
April 6, 2017		€ 1,337	247		
April 21, 2017	€ 23,331		4,313		
June 20, 2017		281	52		
September 21, 2017		152	28		
November 23, 2017		222	41		
December 31, 2017				**50,937**	**275,510**
March 20, 2018		1,613	298		
June 20, 2018		556	103		
September 17, 2018	16,021		2,961		
October 3, 2018		733	135		
November 23, 2018		167	31		
December 31, 2018				**54,466**	**294,600**
March 20, 2019		808	149		
June 20, 2019		1,127	208		
August 23, 2019	36,945		6,829		
September 18, 2019		1,632	302		
November 6, 2019		14,162	2,618		
November 25, 2019		515	95		
December 31, 2019				**64,667**	**€ 349,789**

On December 31, 2019, Galapagos NV's share capital amounted to €349,789 thousand, represented by 64,666,802 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 the capital increases for the years 2017, 2018 and 2019.

(Euro, in thousands, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price warrants (in Euro/ warrant)	Closing share price on date of capital increase (in Euro/ share)
On January 1, 2017	**46,256,078**	**€ 223,928**	**€ 649,135**	**€ 873,063**		
April 6, 2017 : exercise of warrants	**247,070**	**1,337**	**2,697**	**4,034**	**16.33**	**84.60**
April 21, 2017 : U.S. public offering						
ADSs (fully paid)	4,312,500	23,331	340,593	363,924		**81.34**
Underwriter discounts and offering expenses (paid)		(15,790)		(15,790)		
Offering expenses still to be paid at December 31, 2017		(47)		(47)		
Total U.S. public offering	**4,312,500**	**7,494**	**340,593**	**348,087**		
June 20, 2017 : exercise of warrants	**52,030**	**281**	**350**	**632**	**12.14**	**70.66**
September 21, 2017 : exercise of warrants	**28,100**	**152**	**117**	**269**	**9.55**	**84.62**

(Euro, in thousands, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price warrants	Closing share price on date of capital increase
November 23, 2017 : exercise of warrants	**41,000**	**222**	**132**	**354**	**8.63**	**77.53**
On January 1, 2018	**50,936,778**	**233,414**	**993,025**	**1,226,439**		
March 20, 2018 : exercise of warrants	**298,184**	**1,613**	**2,311**	**3,924**	**13.16**	**83.72**
June 20, 2018 : exercise of warrants	**102,801**	**556**	**781**	**1,337**	**13.01**	**85.00**
September 17, 2018 : U.S. public offering						
ADSs (fully paid)	2,961,373	16,021	280,167	296,188		
Underwriter discounts and offering expenses (paid)		(15,964)		(15,964)		
Total U.S. public offering	**2,961,373**	**57**	**280,167**	**280,224**		**99.68**
October 3, 2018 : exercise of warrants	**135,485**	**733**	**1,281**	**2,014**	**14.86**	**94.32**
November 23, 2018 : exercise of warrants	**30,800**	**167**	**215**	**382**	**12.40**	**88.90**
On December 31, 2018	**54,465,421**	**236,540**	**1,277,780**	**1,514,320**		
March 20, 2019 : exercise of warrants	**149,370**	**808**	**2,673**	**3,481**	**23.30**	**90.32**
June 20, 2019 : exercise of warrants	**208,310**	**1,127**	**3,198**	**4,325**	**20.76**	**113.55**
August 23, 2019 : share subscription by Gilead						
Ordinary shares (fully paid)	6,828,985	36,945	923,142	960,087		**148.90**
Derecognition of financial liability from share subscription agreement			56,749	56,749		
Underwriter discounts and offering expenses (paid)		(4,447)		(4,447)		
Total share subscription by Gilead	**6,828,985**	**32,498**	**979,891**	**1,012,389**		
September 18, 2019 : exercise of warrants	**301,745**	**1,632**	**5,043**	**6,675**	**22.12**	**145.25**
November 6, 2019 : exercise of warrant A by Gilead						
Exercise of warrant A	2,617,791	14,162	353,873	368,035		
Derecognition of financial liability related to warrant A			78,953			
Total exercise of warrant A by Gilead	**2,617,791**	**14,162**	**432,826**	**368,035**	**140.59**	**170.75**
November 25, 2019 : exercise of warrants	**95,180**	**515**	**2,172**	**2,687**	**28.23**	**172.95**
On December 31, 2019	**64,666,802**	**€ 287,282**	**€ 2,703,583**	**€ 2,911,912**		

Other information

	Ordinary shares	Total
Par value of shares (€)	5.41	5.41

The board of directors is authorized for a period of five years starting from the date of publication in the Annexes to the Belgian State Gazette of the shareholders' resolution that granted the renewed authorization, to increase the share capital of Galapagos NV within the framework of the authorized capital through contributions in kind or in cash, with limitation or cancellation of the shareholders' preferential subscription rights. Said authorization can be renewed. The authorized capital of Galapagos 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 October 22, 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. November 13, 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 April 25, 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. May 31, 2017. This specific part of the authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the board of directors that all independent directors (within the meaning of article 526*ter* of the Belgian Companies Code, resp. article 7:87 of the New Belgian Companies Code) approve. The board of directors is currently not authorized to increase the share capital after notification by the FSMA (Financial Services and Markets Authority) of a public takeover bid on Galapagos NV's shares.

As of December 31, 2019, an amount of €67,022,402.04 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

	December 31,		
	2019	**2018**	**2017**
	(Euro, in thousands)		
Recognized deferred tax assets and liabilities			
Assets	**€ 4,205**	**€ 2,514**	**€ 1,978**
Liabilities	**€ —**	**€ —**	**€ —**
Deferred tax assets unrecognized	**€ 289,833**	**€ 223,377**	**€ 164,079**
Deferred taxes in the consolidated statement of operations	**€ 1,158**	**€ 535**	**€ 20**
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	1,537	1,973	414
Deferred tax expenses relating to change in tax rates	—	—	(181)
Deferred tax expenses relating to use of previously recognized deferred tax assets	(379)	(1,438)	(213)

The total amount of tax attributes and deductible temporary differences at December 31, 2019 amounted to €1,179.0 million. This is composed of i) consolidated tax losses carried forward and deductible temporary differences at December 31, 2019 amounting to €953.3 million (2018: €688.7 million; 2017: €567 million), and (ii) innovation income deduction and investment deduction carried forward at December 31, 2019 amounting to €225.7 million (2018: €196.4 million; 2017: €107.4 million).

The available statutory tax losses carried forward that can be offset against future statutory taxable profits amounted to €374.1 million on December 31, 2019. These statutory tax losses can be compensated with future statutory profits for an indefinite period except for an amount of €7.2 million in Croatia and the United States with expiry date between 2020 and 2028. On December 31, 2019, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €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 December 31, 2019, a carried forward tax deduction of €224.7 million (2018: €195.4 million; 2017: €106.4 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 (2018 and 2017: €1 million) that can be offset against future taxable profits. There is no limit in time for the innovation income deduction and investment deduction carried forward.

With the exception of 2019, we have a history of losses. Excluding the impact of possible sales related revenues for filgotinib (which is subject to regulatory approval), 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 December 31, 2019, except for two subsidiaries operating on a cost plus basis and for our fee-for-service business for which deferred tax assets were recognized for €4.2 million (2018: €2.5 million and 2017: €2.0 million).

22. Lease liabilities

On adoption of IFRS 16 on January 1, 2019, we recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under IAS 17.

	December 31,			December 31,		
	2019	2018	2017	2019	2018	2017
	(Euro, in thousands) Lease payments			(Euro, in thousands) Present value of lease payments		
Lease liabilities						
Within one year	€ 6,189	€ 9		€ 5,826	€ 9	
In the second to fifth years inclusive	16,320			15,783		
After five years	3,844			3,775		
	€ 26,353	**-**	**€ 9**	**€ 25,384**	**-**	**€ 9**
Less future finance charges	969					
Present value of lease liabilities	**€ 25,384**	**-**	**€ 9**			
Less amount due for settlement within 12 months				5,826		9
Amount due for settlement after 12 months				**€ 19,558**	**-**	**€ -**

23. Trade and other liabilities

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Trade and other liabilities	€ 142,510	€ 68,038	€ 47,122
Other non-current liabilities	6,989	1,578	1,662
Accrued charges	923	890	1,159
Total trade and other liabilities	**€ 150,422**	**€ 70,506**	**€ 49,942**

24. Deferred income

The table below illustrates the deferred income captions in the balance sheet as at December 31, 2019 and 2018.

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Deferred income related to contracts			
Gilead collaboration agreement for filgotinib	€ 780,261	€ 145,798	€ 213,981
Gilead collaboration agreement for drug discovery platform [1]	2,220,013		
AbbVie collaboration for CF		3,223	
Servier collaboration agreement for osteoarthritis			5,362
Deferred income related to contracts in our fee-for-service segment	362	471	248
Other deferred income (grants)	10	309	301
Total deferred income (long term & current)	**€ 3,000,646**	**€ 149,801**	**€ 219,892**

(1) This amount comprises an issuance liability for subsequent warrant B of €16,184 thousand.

The movement in the non-current and current deferred income is detailed in the table below.

	Total	Gilead collaboration agreement for filgotinib	Gilead collaboration agreement for GLPG1690	Gilead collaboration agreement for drug discovery platform [2]	AbbVie collaboration agreement for CF	Servier collaboration agreement for osteoarthritis	Deferred income related to contracts in our fee-for-service segment	Other
	(Euro, in thousands)							
On Januari 1, 2017	**€ 285,612**	**€ 285,313**					**€ 47**	**€ 252**
Upfront/license fees received	6,000					€ 6,000		
Revenue recognition of upfront/license fees	(71,971)	(71,333)				(638)		
Other movements	250						202	48
On December 31, 2017	**219,892**	**213,981**	**€ —**	**€ —**	**€ —**	**5,362**	**248**	**300**
Reclassified from equity following adoption of IFRS 15	83,220	43,832			44,749	(5,362)		
Upfront received	38,874				38,874			
Milestones received	20,965	12,417			8,548			
Revenue recognition of upfront	(148,985)	(96,809)			(52,176)			
Revenue recognition of milestones	(64,394)	(27,623)			(36,771)			
Other movements	229						222	7
On December 31, 2018	**149,801**	**145,798**	**—**	**—**	**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	6,900	6,900						

	Total	Gilead collaboration agreement for filgotinib	Gilead collaboration agreement for GLPG1690	Gilead collaboration agreement for drug discovery platform [2]	AbbVie collaboration agreement for CF	Servier collaboration agreement for osteoarthritis	Deferred income related to contracts in our fee-for-service segment	Other
	(Euro, in thousands)							
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 [1]	245,883	245,883						
Other movements	(46,262)			(45,856)			(109)	(297)
On December 31, 2019	**€ 3,000,646**	**€ 780,261**	**€ —**	**€ 2,220,013**	**€ —**	**€ —**	**€ 362**	**€ 10**

(1) Following the contract amendment, the revenue recognized for filgotinib for the year ended December 31, 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 at December 31, 2019 comprise the issuance liabilities for the warrants and the upfront payment allocated to the drug discovery platform. Other movements include the derecognition of warrant issuance liabilities through the share premium account.

The outstanding deferred income balance at December 31, 2019 included €780.3 million related to the collaboration agreement with Gilead for filgotinib (€594.7 million classified as long term deferred income), €2,220.0 million, including €16.2 million warrant issuance liability related to subsequent warrant B, related to the collaboration agreement with Gilead for the drug discovery platform (€1,991.6 million classified as long term deferred income) and €0.4 million related to our fee-for-service segment. We refer to note 6 for a detail of the allocation of the transaction price received from Gilead.

The adoption of IFRS 15 on January 1, 2018, resulted in a timing difference of revenue recognition between IAS 18 and IFRS 15 which negatively impacted the accumulated losses and increased the amount of deferred income (contract liabilities) by an amount of €83.2 million.

The outstanding deferred income balance at December 31, 2018 was all short term and included €145.8 million deferred income related to filgotinib, €3.2 million deferred income related to the collaboration agreement with AbbVie for CF, €0.5 million related to our fee-for-service segment, and €0.3 million deferred grant income.

25. Operating Cash Flow

The following table details the adjustments related to the operating cash flow:

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Adjustment for non-cash transactions			
Depreciation and amortization	€ 12,448	€ 5,081	€ 4,285
Impairment loss		1,083	
Share-based compensation expenses	38,297	26,757	16,536
Decrease (-)/increase in retirement benefit obligations and provisions	(156)	99	23
Unrealized exchange losses/gains (-) and non-cash other financial expenses	11,169	(10,063)	27,457
Discounting effect of deferred income	6,900		
Fair value re-measurement of share subscription agreement and warrants	181,644		
Net fair value adjustment current financial investments	3,081		
Fair value adjustment financial assets held at fair value through profit or loss	(5,355)	(1,203)	
Total adjustment for non-cash transactions	**€ 248,027**	**€ 21,753**	**€ 48,301**
Adjustment for items to disclose separately under operating cash flow			
Interest expense	€ 1,302	€ 780	€ 936
Interest income	(9,247)	(5,219)	(3,045)
Tax expense	214	50	198
Total adjustment for items to disclose separately under operating cash flow	**€ (7,731)**	**€ (4,389)**	**€ (1,912)**
Adjustment for items to disclose under investing and financing cash flows			
Gain on sale of assets	€ (2)	€ (668)	€
Interest income on current financial investments	(5,059)		
Total adjustment for items to disclose separately under investing and financing cash flow	**€ (5,061)**	**€ (668)**	**€ —**
Change in working capital other than deferred income			
Decrease in inventories	€ 20	€ 3	€ 22
Increase in receivables	(67,263)	(76)	(27,656)
Increase in liabilities	79,940	19,996	14,772
Total change in working capital other than deferred income	**€ 12,698**	**€ 19,922**	**€ (12,862)**

26. 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 December 31, 2019, we had outstanding obligations for future purchase commitments, which become due as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Purchase commitments	€ 251,670	€ 175,006	€ 70,675	€ 5,989	€ —

On December 31, 2019 we were committed to two leases which have not yet started. The total future cash outflows for leases that had not yet commenced were as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Lease commitments not yet commenced	€ 8,986	€ 5,793	€ 1,502	€ 1,502	€ 188

In addition we have engaged a property developer for the construction of the new building in Leiden.

On December 31, 2018, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Operating lease obligations	€ 27,704	€ 4,722	€ 10,024	€ 6,234	€ 6,724
Purchase commitments (*)	222,033	121,139	81,879	19,014	—
Total contractual obligations & commitments	**€ 249,737**	**€ 125,862**	**€ 91,903**	**€ 25,248**	**€ 6,724**

(*) Subsequent to the issuance of our consolidated financial statements for the year ended December 31, 2018, we noted that the total of our purchase commitments as disclosed in note 26 to our consolidated financial statements for the year ended December 31, 2018 was understated by €22.5 million. In addition, the split based on the expected due date was not presented correctly. Management assessed the materiality of the errors from a quantitative and qualitative perspective and concluded that the correction was not material to our previously issued consolidated financial statements. We elected to adjust the historical consolidated financial information presented in this disclosure note to reflect the correction of this error. Since the revisions were not material, no amendments to previously filed reports were required. The total purchase commitments due within 1 year were understated by €14.6 million, those due within 1-3 year were understated by €29.2 million and the ones becoming due within 3-5 years were overstated by €21.3 million. Each affected item within this line relating to this correction has been adjusted.

On December 31, 2017, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(Euro, in thousands)		
Operating lease obligations	€ 26,346	€ 4,150	€ 7,820	€ 6,010	€ 8,366
Purchase commitments	65,246	53,010	11,233	1,002	—
Total contractual obligations & commitments	**€ 91,592**	**€ 57,160**	**€ 19,053**	**€ 7,012**	**€ 8,366**

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 December 31, 2019 (€74.0 million at December 31, 2018, €129.0 million at December 31, 2017), for which we have direct purchase commitments of €27.5 million at December 31, 2019 (€20.3 million at December 31, 2018, €10.1 million at December 31, 2017) reflected in the tables above.

27. Contingent assets and liabilities

On March 13, 2014, we announced the signing of a definitive agreement to sell the service division operations to Charles River Laboratories International, Inc. or CRL for a total consideration of up to €134 million. CRL agreed to pay us an immediate cash consideration of €129 million. The potential earn-out of €5 million due upon achievement of a revenue target 12 months after transaction closing was not achieved. Approximately 5% of the total consideration, including price adjustments, was being held on an escrow account. Four claims have been introduced by CRL, which have all been settled for a total amount of €1.3 million. In the first half of 2017 the remaining balance of €6.6 million was released in full, as final agreement between the parties was reached.

Following the divestment, we remained guarantor until early February 2017 in respect of the lease obligations for certain U.K. premises. Finally, following common practice, we have given customary representations and warranties which are capped and limited in time (since April 1, 2016, CRL can only introduce a claim covered by the Tax Deed (during a period of 5 years), other claims related to the sale cannot be submitted anymore).

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. Due to the revised license and collaboration agreement related to filgotinib, that became effective in August 2019, we are responsible for funding 50% of the associated global development costs of the program. We have retained a mechanism to give us cost protection as we are no longer obliged to bear any further costs if they exceed the joint predetermined level. In addition, we are eligible to receive $640 million in development and regulatory milestones, sales-based milestone payments of up to $600 million and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling $30 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 are also entitled to an additional milestone for GLPG1690 upon approval in the United States and we are eligible to receive tiered royalties ranging from 20-24% on net sales of GLPG1690 by Gilead in all countries outside Europe.

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, development and sales milestones and royalties.

28. Warrant plans

Presented below is a summary of warrant activities for the reported periods. Various warrant plans were approved for the benefit of our employees, and for directors and independent consultants of Galapagos NV. For warrant plans issued prior to 2011, the warrants offered to the employees and independent consultants vest according to the following schedule: 10% of the warrants vest on the date of the grant; an additional 10% vest at the first anniversary of the grant; an additional 20% vest at the second anniversary of the grant; an additional 20% vest at the third anniversary of the grant; and an additional 40% vest at the end of the third calendar year following the grant.

The warrants granted under warrant plans created from 2011 onwards vest at the end of the third calendar year following the year of the grant, with no intermediate vesting, with the exception of the warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which vest on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants.

The warrants offered to directors vest over a period of 36 months at a rate of 1/36th per month.

Warrants cannot be exercised before the end of the third calendar year following the year of the grant, except for warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which become exercisable on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants. In the event of a change of control over Galapagos NV, all outstanding warrants vest immediately and will be immediately exercisable.

The table below sets forth a summary of warrants outstanding and exercisable at December 31, 2019, per warrant plan:

Warrant plan	Allocation date	Expiry date	Exercise price (€)	Outstanding per January 1, 2019	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding per December 31, 2019	Exercisable per December 31, 2019
2006 BNL	21/12/2007	20/12/2020	7.12	1,050					1,050	1,050
2007	28/06/2007	27/06/2020	8.65	29,374		(29,374)			—	—
2007 RMV	25/10/2007	24/10/2020	8.65	24,550		(9,570)			14,980	14,980
2008	26/06/2008	25/06/2021	5.6	77,100		(75,735)			1,365	1,365
2011	23/05/2011	22/05/2019	9.95	37,500		(37,500)			—	—
2012	03/09/2012	02/09/2020	14.19	110,040		(30,000)			80,040	80,040
2013	16/05/2013	15/05/2021	19.38	195,560		(75,126)			120,434	120,434
2014	25/07/2014	24/07/2022	14.54	347,560		(95,220)			252,340	252,340
2014 (B)	14/10/2014	13/10/2022	11.93	60,000		(60,000)			—	—
2015	30/04/2015	29/04/2023	28.75	515,053		(232,580)			282,473	282,473
2015 (B)	22/12/2015	21/12/2023	49.00	399,000		(69,500)			329,500	329,500
2015 RMV	22/12/2015	21/12/2023	49.00	97,500		(40,000)			57,500	57,500
2016	01/06/2016	31/05/2024	46.10	504,250					504,250	
2016 RMV	01/06/2016	31/05/2024	46.10	120,000					120,000	
2016 (B)	20/01/2017	19/01/2025	62.50	150,000					150,000	
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	1,097,745			(12,500)		1,085,245	
2018 RMV	19/04/2018	18/04/2026	79.88	137,500					137,500	
2019	10/04/2019	09/04/2027	95.11		1,504,940		(18,250)		1,486,690	
2019 RMV	10/04/2019	09/04/2027	95.11		194,750				194,750	
Total				**4,626,782**	**1,699,690**	**(754,605)**	**(30,750)**	—	**5,541,117**	**1,139,682**

	Warrants	Weighted average exercise price (Euro)
Outstanding on January 1, 2017	**3,466,407**	€ **27.1**
Exercisable on December 31, 2016	669,704	10.3
Granted during the period	873,000	77.5
Forfeited during the year	—	
Exercised during the period	(368,200)	14.4
Expired during the year	(400)	19.4
Outstanding on December 31, 2017	**3,970,807**	€ **39.3**
Exercisable on December 31, 2017	763,344	13.7
Granted during the period	1,235,245	79.9
Forfeited during the year	(12,000)	43.2
Exercised during the period	(567,270)	13.5
Expired during the year	—	
Outstanding on December 31, 2018	**4,626,782**	€ **53.3**
Exercisable on December 31, 2018	882,734	14.0
Granted during the period	1,699,690	95.1
Forfeited during the year	(30,750)	88.9
Exercised during the period	(754,605)	22.8
Expired during the year	—	
Outstanding on December 31, 2019	**5,541,117**	€ **70.1**
Exercisable on December 31, 2019	1,139,682	30.2

The table below sets forth the inputs into the valuation of the warrants.

	2019 April 19	2019 RMV April 19	2018 April 18	2018 RMV April 18	2017 May 17	2017 RMV May 17
Exercise Price (€)	€ 95.11	€ 95.11	€ 79.88	€ 79.88	€ 80.57	€ 80.57
Weighted average share price at acceptance date (€)	€ 107.05	€ 107.45	€ 84.88	€ 84.88	€ 68.67	€ 68.67
Weighted average fair value on the acceptance date (€)	€ 40.04	€ 40.05	€ 38.39	€ 38.39	€ 26.86	€ 26.80
Weighted average estimated volatility (%)	35.86	35.63	39.44	39.44	40.06	40.08
Weighted average expected life of the warrant (years)	6	6	8	8	8	8
Weighted average risk free rate (%)	(0.27)	(0.28)	0.51	0.51	0.33	0.29
Expected dividends	None	None	None	None	None	None

Warrant Plans

The exercise price of the warrants is determined pursuant to the applicable provisions of the Belgian Companies Code.

The weighted average estimated volatility is calculated on the basis of the implied volatility of the share price over the expected life of the warrants.

The weighted average expected life of the warrant is calculated as the estimated duration until exercise, taking into account the specific features of the plans.

Our share based compensation expense in 2019 amounted to €38,297 thousand (2018: €26,757 thousand; 2017: €16,536 thousand).

The following table provides an overview of the outstanding warrants per category of warrant holders at December 31, 2019, 2018 and 2017.

Category

	December 31,		
	2019	2018	2017
	(in number of warrants)		
Non-executive directors	222,600	216,780	216,060
Executive team	2,171,874	2,139,374	2,039,374
Other	3,146,643	2,270,628	1,715,373
Total warrants outstanding	**5,541,117**	**4,626,782**	**3,970,807**

The outstanding warrants at the end of the accounting period have an average exercise price of €70.09 (2018: €53.30; 2017: €39.32) and a weighted average remaining expected life of 1,439 days (2018: 1,500 days; 2017: 1,441 days).

29. 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 August 23, 2019. As a result of the equity subscription we received a transparency notification from Gilead on August 28, 2019 confirming they held 22.04% 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' board of directors.

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

	December 31, 2019 (Euro, in thousands)
Trade and other receivables	€ 31,645
Trade and other payables	€ 39,100

The trade and other receivables balances mainly relate to €13.4 million cost reimbursement for GLPG1690 and €18.2 million relating to the development milestone payment triggered by the NDA submission in December 2019. The outstanding liabilities mainly relate to the cross charges relating to the development of filgotinib in the fourth quarter of 2019 (€30.9 million) and €8.2 million related to sales and marketing expenses.

On July 14, 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 (€3.6 billion) and a €960 million ($1.1 billion) equity investment from Gilead (see note 20). In connection with this share subscription agreement, 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 as required under IFRS 9. The deferred income has been added to the transaction price at inception of the agreement. In connection with entering into the option, license and collaboration agreement in July 2019, we also amended certain terms of our existing agreement with Gilead governing filgotinib.

In addition, the extraordinary general meeting of shareholders of October 22, 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 November 6, 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 December 31, 2019.

This has resulted in a total transaction price of €3,655 million that has been allocated to the three performance obligations and the warrant issuance liabilities (see note 6).

During 2019 we already recognized in revenue the entire transaction price allocated to the license on GLPG1690 (€667 million), €81 million relating to the performance obligation for the drug discovery platform and a total of €41 million representing the total impact on our revenues coming from the initial and amended 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.

Furthermore, we recognized €17.7 million of cost reimbursements from Gilead with respect to the development of GLPG1690 as a decrease of the related expenses (on the line research and development expenditure). An amount of €72.0 million relating to cross charges from Gilead relating to filgotinib was recognized as expense on the line research and development expenditure.

Finally, we recognized €8.2 million of sales & marketing expenses relating to our 50/50 cost share mechanism with Gilead for expenses incurred in preparation for the co-promotion activities for filgotinib.

As at December 31, 2019 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 €2.2 billion for the drug discovery platform (including the warrant issuance liability relating to subsequent warrant B) and €780 million for the performance obligation relating to filgotinib.

A detailed explanation of our transactions with Gilead in 2019 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 30 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 our executive committee and the members of our board of directors. All amounts mentioned in this section are based on expenses recognized in the financial statements for the relevant financial year.

Remuneration of key management personnel

On December 31, 2019, our executive committee had five members: Mr. Onno van de Stolpe, Mr. Bart Filius, Dr. Piet Wigerinck, Dr. Andre Hoekema and Dr. Walid Abi-Saab. They provide their services to us on a full-time basis. On December 31, 2019, our board of directors consisted of eight members: Mr. Onno van de Stolpe, Dr. Raj Parekh, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Mary Kerr, Mr. Peter Guenter, Mr. Daniel O'Day and Dr. Linda Higgins. Dr. Werner Cautreels' and Dr. Christine Mummery's mandates as directors expired immediately after the annual shareholders' meeting of April 30, 2019.

Only the CEO is a member of both the executive committee and the board of directors. Our CEO does not receive any special remuneration for his board membership, as this is part of his total remuneration package in his capacity as member of the executive committee.

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

	Year ended December 31,		
	2019	2018	2017
Remuneration of key management personnel:			
Euro, in thousands (except for the number of warrants and RSUs)			
Short-term benefits for executive committee members as a group	**€ 14,129**	**€ 2,909**	**€ 2,477**
Gross salary	2,121	1,920	1,639
Employer social security on gross salary	61	125	31
Cash bonus (*)	1,230	757	697
Exceptional bonus	10,500		
Employer social security on exceptional bonus	108		
Other short-term benefits	109	107	110
Long-term benefits for executive committee members as a group [(1)]	**1,874**	**1,812**	**1,217**
Board fees and other short-term benefits for directors			
Raj Parekh	90	92	91
Harrold van Barlingen [(2)]		15	45
Howard Rowe	55	53	45
Werner Cautreels [(3)]	15	48	55
Katrine Bosley	45	45	45
Christine Mummery [(3)]	13	40	41
Mary Kerr	45	46	41
Peter Guenter [(4)]	30		
Daniel O'Day [(5)]			
Linda Higgins [(5)]			
Post-employment benefits [(6)]	**323**	**305**	**248**
Total benefits excluding warrants and RSUs [(7)]	€ 16,619	€ 5,346	€ 4,305
Number of warrants granted in the year			
Executive committee members as a group	315,000	350,000	475,000
Raj Parekh	15,000	15,000	15,000
Harrold van Barlingen [(2)]			7,500
Howard Rowe	7,500	7,500	7,500
Werner Cautreels [(3)]		7,500	7,500
Katrine Bosley	7,500	7,500	7,500
Christine Mummery [(3)]		7,500	7,500
Mary Kerr	7,500	7,500	7,500
Peter Guenter [(4)]	7,500		
Daniel O'Day [(5)]			
Linda Higgins [(5)]			
Total number of warrants granted in the year	**360,000**	**402,500**	**535,000**
Total cost of warrants granted in the year	**€ 14,236**	**€ 15,507**	**€ 15,699**
Number of RSUs granted in the year [(8)]	183,450		
Total number of RSUs granted in the year	**183,450**		

(1) Only executive committee members are granted long-term benefits. Pursuant to the Senior Management Bonus Scheme, these consist of the deferred part of the bonus from 3 years ago
(2) Dr. Van Barlingen's director's mandate expired on April 24, 2018

(3) Director's mandate expired on April 30, 2019

(4) Mr. Guenter's director's mandate began on April 30, 2019

(5) Director's mandate began on October 22, 2019

(6) Only executive committee members are granted post-employment benefits
(7) For 2018, this amount excludes an amount of €20.1 thousand tax advisory services that is included in the amount of €107 thousand other short-term benefits
(8) This is the sum of the RSUs awarded during financial year 2019, excluding the RSUs representing the deferred portion of the bonus for 2019 (still to be granted). Only executive committee members were awarded RSUs
(*) For 2017, this amount includes an amount of €5 employer social security

OTHER

No loans, quasi-loans or other guarantees were given by Galapagos NV or any of its subsidiaries to members of the board and of the executive committee. We have not entered into transactions with our key management personnel, other than as described above with respect to remuneration arrangements relating to the exercise of their mandates as members of the executive committee and the board of directors.

30. Consolidated companies as of December 31, 2019

		Year ended December 31,			
		2019		2018	2017
Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2019 vs 2018)	% voting right Galapagos NV (directly or indirectly through subsidiaries)	% voting right Galapagos NV (directly or indirectly through subsidiaries)
BioFocus DPI AG in liquidation	Switzerland	100%		100%	100%
Galapagos Biopharma Belgium BV	Belgium	100%	100%		
Galapagos Biopharma Netherlands B.V.	The Netherlands	100%	100%		
Galapagos Biopharma Spain S.L.U	Spain	100%	100%		
Galapagos Biopharma Italy S.r.l.	Italy	100%	100%		
Galapagos Biopharma Germany GmbH	Germany	100%	100%		
Galapagos B.V.	The Netherlands	100%		100%	100%
Galapagos Biotech Ltd. (formerly Inpharmatica Ltd.)	United Kingdom	100%		100%	100%
Galapagos GmbH	Switzerland	100%		100%	100%
Galapagos, Inc. (formerly Biofocus, Inc.)	United States	100%		100%	100%
Galapagos NV	Belgium	Parent company		Parent company	Parent company
Galapagos Real Estate 1 BV	Belgium	100%		100%	
Galapagos Real Estate 2 BV	Belgium	100%		100%	
Galapagos Real Estate Netherlands B.V.	The Netherlands	100%	100%		
Galapagos SASU	France	100%		100%	100%
Fidelta d.o.o.	Croatia	100%		100%	100%
Xenometrix, Inc. in liquidation	United States	100%		100%	100%

In the fourth quarter of 2018 we incorporated two new legal entities in Mechelen, Belgium: Galapagos Real Estate 1 BV and Galapagos Real Estate 2 BV. In 2019 we incorporated the following legal entities: Galapagos Biopharma Belgium BV, Galapagos Biopharma Netherlands B.V., Galapagos Biopharma Spain S.L.U., Galapagos Biopharma Italy S.r.l., Galapagos Biopharma Germany GmbH and Galapagos Real Estate Netherlands B.V.

There are no significant restrictions on the group’s ability to access or use assets and settle liabilities of one of the group’s subsidiaries.

31. 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 financial markets risk, credit risk, liquidity risk and currency risk. There are no other important risks, such as interest rate risk on borrowings, because we have nearly no financial debt and have a 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:

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
Financial assets held at fair value through profit or loss			
Equity instruments	€ 11,275	€ 6,000	€ 1,754
Current financial investments	3,919,216	—	—
Financial assets at amortised cost			
Cash and cash equivalents	1,861,616	1,290,796	1,151,211
Restricted cash (current and non-current)	1,418	1,276	1,158
Trade and other receivables (excl prepayments)	53,717	18,467	27,422
Total financial assets	**€ 5,847,242**	**€ 1,316,539**	**€ 1,181,545**
Financial liabilities held at fair value through profit or loss			
Current financial instruments	€ 6,198	€ —	€ —
Financial liabilities at amortised cost			
Trade & other liabilities	142,510	68,038	47,122
Other non-current liabilities	6,914	1,502	1,597
Lease liabilities	25,384	—	9
Total financial liabilities	**€ 181,006**	**€ 69,540**	**€ 48,727**

The carrying amounts of trade and other payables and trade and other 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 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 adjustment through profit or loss which qualify for level 1 fair value measurement based upon the closing price of the 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.

Current financial investments include a short-term bond fund and money market funds in EUR and USD, which all classify for level 1 fair value measurement.

Liquidity risk

Our current financial investments and cash and cash equivalents amounted to €5,780.8 million on December 31, 2019. Management forecasts our liquidity requirements to ensure that there is sufficient cash to meet operational needs. We have no credit lines. Such forecasting is based on realistic assumptions with regards to milestone and upfront payments to be received, taking into account our past track record, including the assumption that not all new projects that are being planned will be realized.

All our 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.

Credit risk

The term “credit risk” refers to the risk that counterparty will default on its contractual obligations resulting in financial loss.

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, a policy of only dealing with creditworthy counterparties has been developed.

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:

	December 31,		
	2019	2018	2017
	(Euro, in thousands)		
60 - 90 days	€ 87	€ 236	€ —
90 - 120 days	—	12	1
more than 120 days	€ —	€ —	€ —

Our cash and cash equivalents are invested primarily in saving and deposit 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 short-term bond funds and money market funds with credit ratings ranging from AAA to A- at the beginning of the investment. All of these current financial investments are investments in a basket of funds so there is no individual credit risk involved.

Interest rate risk

The only variable interest-bearing financial instruments are cash and cash equivalents and current financial investments. Changes in interest rates may cause variations in interest income and expenses resulting from short term interest-bearing assets. Management does not expect the short term interest rates to decrease significantly in the immediate foreseeable future, which limits the interest exposure on our cash and cash equivalents and current financial investments.

Effect of interest rate fluctuation

A 100 basis point increase in interest rates at balance sheet date would have increased profit or loss, and equity, by approximately €57.8 million (2018: €12.9 million; 2017: €11.5 million); a 100 basis point decrease in interest rates would have decreased profit or loss, and equity, by approximately €57.8 million (2018: €12.9 million; 2017: €11.5 million).

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 collaboration partners Gilead and AbbVie 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 collaboration agreements signed with Gilead and AbbVie 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:

	December 31,		
	2019	2018	2017
Net book value		(Euro, in thousands)	
Increase in Euros - U.S. Dollars	€ (133,373)	€ (27,200)	€ (21,083)
Increase in Euros - GB Pounds	113	100	122
Increase in Euros - CH Francs	538	208	203
Increase in Euros - HR Kunas	650	611	(185)
Increase in U.S. Dollars - GB Pounds	€ (894)	€ (923)	€ (831)

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 (we only have leasing debts as of December 31, 2019), 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, 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.

32. Auditor’s remuneration

The statutory auditor’s fees for carrying out his mandate at group level amounted to €1,406.8 thousand in 2019 (2018: €414.6 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 €29.2 thousand (2018: nil). 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 2019 (2018: €27.5 thousand). Other fees related to audit-related fees, in particular related to legal assignments, which generally the auditor provides, amounted to €43.0 thousand in 2019 (2018: €92.1 thousand). Other fees related to non-audit services executed by the statutory auditor, in particular related to services provided ahead of the commercial phase, amounted to €148.2 thousand in 2019. Other fees related to non-audit services executed by persons related to the statutory auditor amounted to €46.6 thousand in 2019 and related to IT services (2018: €134.8 thousand). The audit committee and the board of directors are of the opinion that these non-audit services do not affect the independence of the statutory auditor in the performance of his audit. The abovementioned additional fees were fully approved by the audit committee in accordance with article 133 §6 of the Belgian Companies Code.

33. Events after balance sheet date

On March 17, 2020, 152,220 warrants were exercised (with an average exercise price of €35.18 per warrant), of which 15,000 warrants were exercised by our CEO, 15,000 warrants by other members of our executive committee, and 17,520 warrants by other members of our board of directors. This resulted in a share capital increase (including issuance premium) of €5,354,538.80 and the issuance of 152,220 new ordinary shares. The closing price of our share on March 17, 2020, was €141.40.

EXHIBIT INDEX

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
1.1#	Articles of Association (English translation), as amended				
2.1	Form of Deposit Agreement	Form F-1/A	333-203435	4.1	04/30/2015
2.2	Form of American Depositary Receipt	424(b)3	333-203584	A	10/15/2018
2.3#	Description of Securities				
4.1	Lease dated June 30, 1999 between the registrant and Innotech N.V., as amended (English translation)	Form F-1	333-203435	10.1	04/15/2015
4.2†	Warrant Plans (English translation)	Form F-1/A	333-203435	10.3	05/11/2015
4.6##	Sale & Purchase Agreement dated March 13, 2014 between the registrant and Charles River Laboratories Holding Limited, as amended	Form F-1	333-203435	10.7	04/15/2015
4.7†	Warrant Plan 2015 (B) (English translation)	Form S-8	333-208697	99.1	12/22/2015
4.8**	License and Collaboration Agreement dated December 16, 2015 by and between the registrant and Gilead Biopharmaceutics Ireland Unlimited Company	Form 6-K	001-37384	10.1	01/19/2016
4.10†	Warrant Plan 2016 (English translation)	Form S-8	333-211834	99.1	06/03/2016
4.11†	Warrant Plan 2016 (B) (English translation)	Form S-8	333-215783	99.1	01/27/2017
4.12†	Warrants Plans 2015 RMV and 2016 RMV (English translation)	Form 20-F	001-37384	4.12	03/23/2017
4.13	Lease Addendum dated April 28, 2016 between the registrant and Intervest Offices & Warehouses NV (English translation)	Form 20-F	001-37384	4.13	03/23/2017
4.14†	Warrant Plan 2017 (English translation)	Form S-8	333-218160	99.1	05/22/2017
4.15†	Warrant Plan 2017 RMV (English translation)	Form 20-F	001-37384	4.15	03/23/2018
4.16	Lease Addendum dated December 12, 2016 between the registrant and Intervest Offices & Warehouses NV (English translation)	Form 20-F	001-37384	4.16	03/23/2018
4.17	Lease Addendum dated July 3, 2017 between the registrant and Intervest Offices & Warehouses NV (English translation)	Form 20-F	001-37384	4.17	03/23/2018
4.18	Lease Addendum dated June 6, 2018 between the registrant and Intervest Offices & Warehouses NV (English translation)	Form 20-F	001-37384	4.18	03/29/2019
4.19	Lease Addendum dated June 20, 2018 between the registrant and Intervest Offices & Warehouses NV (English translation)	Form 20-F	001-37384	4.19	03/29/2019
4.20†	Warrant Plan 2018 (English translation)	Form S-8	333-225263	99.1	05/29/2018
4.21†	Warrant Plan 2018 RMV (English translation)	Form 20-F	001-37384	4.21	03/29/2019
4.22†	Warrant Plan 2019 (English translation)	Form S-8	333-231765	99.1	05/24/2019
4.23#†	Warrant Plan 2019 RMV (English translation)				

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
4.24##	Option, License and Collaboration Agreement dated as of July 14, 2019 by and between the registrant and Gilead Sciences, Inc.	Form 6-K	001-37384	99.2	08/29/2019
4.25##	Amended and Restated License and Collaboration Agreement dated as of August 23, 2019 by and between the registrant and Gilead Biopharmaceutics Ireland UC	Form 6-K	001-37384	99.3	08/29/2019
4.26	Subscription Agreement relating to ordinary shares in the registrant dated as of July 14, 2019 by and between the registrant and Gilead Therapeutics A1 Unlimited Company	Form 6-K	001-37384	99.4	08/29/2019
4.27#†	RSU Discretionary Plan 2019				
4.28#†	RSU Retention Plan				
4.29#†	RSU Transaction Bonus Plan 2019				
4.30#	Lease Addendum dated July 1, 2019 between the registrant and Intervest Offices & Warehouses NV (English translation)				
4.31#	Lease Addendum dated October 17, 2019 between the registrant and Intervest Offices & Warehouses NV (English translation)				
4.32#	Deed of purchase between the registrant and NMBS (English translation)				
8.1#	List of subsidiaries of the registrant				
12.1#	Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
12.2#	Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
13.1*	Certification by the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
13.2*	Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
15.1#	Consent of Deloitte Bedrijfsrevisoren CVBA				
101.INS#	XBRL Instance Document				
101.SCH#	XBRL Taxonomy Extension Schema Document				
101. CAL#	XBRL Taxonomy Extension Calculation Linkbase Document				

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
101. DEF#	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB#	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document				

Filed herewith.
* Furnished herewith.
† Indicates a management contract or any compensatory plan, contract or arrangement.
Certain exhibits and schedules to these agreements were omitted from the registration statement pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish copies of any of the exhibits and schedules to the U.S. Securities and Exchange Commission upon request.
** Confidential treatment status has been granted as to certain portions thereto, which portions are omitted and filed separately with the U.S. Securities and Exchange Commission.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GALAPAGOS NV

/s/ Onno van de Stolpe
By: Onno van de Stolpe
Title: Chief Executive Officer (Principal Executive Officer)

Date: March 27, 2020

Free translation from Dutch
For information purposes only

GALAPAGOS

Limited Liability Company
With registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium
Judicial district of Mechelen (Belgium)
Registered with the Register of Legal Entities under number 0466.460.429

****

Coordination of the Articles of Association
per 17 March 2020

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Incorporated pursuant to a deed enacted by notary public Aloïs Van den Bossche, in Vorselaar, on 30 June 1999, published in the annexes to the Belgian State Gazette under number 990717-412.

[*This paragraph is an abbreviation from the Dutch version*] The articles of association were modified at several occasions, and most recently pursuant to a deed enacted by notary public Matthieu Derynck, in Brussels, on 17 March 2020, filed for publication in the annexes to the Belgian State Gazette.

This document is an English translation of a document prepared in Dutch. It is made for purposes of convenience. In preparing this translation, an attempt has been made to translate as literally as possible without jeopardizing the overall continuity of the text. Inevitably, however, differences may occur in translation and if they do, the Dutch text will govern by law. In this translation, Belgian legal concepts are expressed in English terms and not in their original Dutch terms. The concepts concerned may not be identical to concepts described by the terms as such terms may be understood under the laws of other jurisdictions. The history of modification of the articles of association, as set forth on this first page, is an abbreviation from the Dutch text and indicates only the latest modification.

Title I – Name – Registered Office – Purpose – Duration

1 Form and Name

The company has the form of a limited liability company ("*naamloze vennootschap*"/"*société anonyme*") and has the capacity of a company that calls or has called upon public savings within the meaning of the Companies Code.

The company bears the name "GALAPAGOS". This name should always be preceded or followed by the words "naamloze vennootschap" or the abbreviation "NV", or in French "société anonyme" or the abbreviation "SA", in all deeds, invoices, announcements, publications, letters, orders and other documents issued by the company.

2 Registered Office

The company's registered office shall be located in the Flemish Region or in the Brussels Region. The board of directors can relocate the registered office to any other place in the Flemish Region and the Brussels Region without a modification of the articles of association or a decision of the shareholders' meeting of the company being required. It caters for the publication of each change of the registered office of the company in the Annexes to the Belgian State Gazette.

The board of directors is also empowered to incorporate branch offices, corporate seats and subsidiaries in Belgium and abroad.

3 Purpose

The company's purpose consists of:

(a) the development, the construction and exploitation of gene libraries for functional genomics research;

(b) the research for the development of health products for human beings and animals, pharmaceutical products and other products relating thereto;

(c) the development, testing, scaling up, and exploitation of gene therapy procedures, as well as the development, evaluation and exploitation of clinical applications of such procedures;

(d) for its own account or for the account of third parties, the performance of research in the field of or in connection with biological and industrial technology, genetics and human and animal life in general;

(e) the acquisition, sale and licensing of patents, trademarks, industrial and intellectual property, whether or not secret, and licenses.

For such purposes the company may, in Belgium and abroad, acquire or lease any license, movable or immovable property necessary or useful for its commercial or industrial purpose, operate, sell or lease same, build factories, establish subsidiaries and branches, and establish premises. It may engage in all operations with banks, post cheque, invest capital, contract or grant loans and credit facilities, whether or not mortgaged. The company may, by means of contribution, participation, loans, credit facility,

subscription of shares, acquisition of shares and other commitments, participate in other companies, associations or enterprises, both existing as to be incorporated, and whether or not having a purpose similar to the purpose of the company. The company may merge with other companies or associations.

The company may incorporate subsidiaries both under Belgian as under foreign law.

The company may acquire or establish any property that is necessary or useful for its operations or its corporate purpose.

4 Duration

The company is incorporated for an unlimited duration.

Except for dissolution by court, the company can only be dissolved by the extraordinary shareholders' meeting in accordance with the provisions of the Companies Code concerning the winding-up of companies.

Title II – Capital

5 Registered Capital

The registered capital amounts to EUR 350,612,693.52. It is represented by 64,819,022 shares without nominal value.

Each share represents an equal part of the registered capital of the company.

6 Amendment of the Registered Capital

The shareholders' meeting, deliberating in accordance with the provisions applicable to a modification of the articles of association, may increase or reduce the registered capital. The issuance price and the conditions of the issue of new shares are determined by the shareholders' meeting upon a proposal by the board of directors.

The shares that are subscribed in cash, are to be offered first to the shareholders, in proportion to the part of the registered capital that is represented by their shares during a period of fifteen days as of the day the subscription is opened.

The shareholders' meeting determines the subscription price and the manner in which the preferential subscription right may be exercised.

The shareholders' meeting or, as the case may be, the board of directors in the framework of the authorized capital, may decide to increase the registered capital for the benefit of the employees, subject to the provisions of article 609 of the Companies Code.

Subject to the relevant provisions set forth by law, the preferential subscription right may, in the interest of the company, be restricted or cancelled by the shareholders' meeting in accordance with the provisions of article 596 of the Companies Code.

In the event of a reduction of the registered capital, the shareholders who find themselves in equal circumstances are to be treated equally, and the applicable provisions set forth by law are to be respected.

7 Call for Paying Up

The board of directors decides at its discretion on the calling for paying up on shares. The commitment to pay up on a share is unconditional and indivisible.

In the event that shares that are not fully paid up belong in joint ownership to several persons, each of them is liable for the paying up of the full amount of the payments that are due and called for.

In case a shareholder has not made the paying up on his shares that is called for within the period of time set by the board of directors, the exercise of the voting rights attached to such shares are suspended by operation of law as long as such paying up is not made. Furthermore, the shareholder shall, by operation of law, bear an interest equal to the legal interest increased by two percent as of the due date on the amount of funds called for and not paid up.

In the event the shareholder does not act upon a notice sent by the board of directors by registered letter upon expiry of the period of time set by the board of directors, the latter may have the relevant shares sold in the most appropriate manner, without prejudice to the right of the company to claim from the shareholder the funds not paid up as well as compensation for damages.

The proceeds of such sale, up to an amount equal to the sum of the called up funds, the interests and the incurred costs, will belong to the company. The exceeding proceeds, if any, will be delivered to the defaulting shareholder, provided that he is not a debtor of the company for any other reason. If the proceeds of the sale are not sufficient to cover the obligations of the defaulting shareholder, the latter will owe the company for the difference.

The shareholder may not pay up his shares without the prior approval of the board of directors.

8 Notification of Important Interests

For the application of the articles 6 through 17 of the Law of 2 May 2007 relating to the disclosure of important interests, the applicable quota are established at five percent and multiples of five percent.

9 Nature of the Shares

The shares are registered shares until they are fully paid up. The fully paid up shares are registered shares or dematerialized shares, according to the preference of the shareholder. The company may issue dematerialized shares, either by a capital increase or by the conversion of existing registered shares into dematerialized shares. Each shareholder may ask the conversion of his shares, by written request to the board of directors and at its own cost, into registered shares or into dematerialized shares.

The bearer shares that have been issued by the company and that are on a securities account on 1 January 2008, exist in dematerialized form as of that date. As of 1 January 2008, the other bearer shares will also automatically become dematerialized to the extent that they are credited to a securities account. Pursuant to the Law of 14 December 2005 abolishing bearer securities, the bearer shares that were not yet converted by 31 December 2013 at the latest, have been automatically converted into dematerialized shares. These shares have been credited to a securities account in the name of the company, without the company acquiring the capacity of owner of such shares. The exercise of the rights attaching to these shares shall be suspended until a person that has been able to lawfully evidence his capacity of titleholder, requests and obtains that the relevant shares are registered in his name in the register of registered shares or credited to a securities account.

10 Exercise of Rights Attached to the Shares

Vis-à-vis the company, the shares are indivisible. If a share belongs to different persons or if the rights attached to a share are divided over different persons, or if different persons hold the rights in rem to the shares, the board of directors may suspend the exercise of the rights attached thereto until one single person has been designated as shareholder vis-à-vis the company and notification thereof has been given to the company. All convocations, notifications and other announcements by the company to the different persons entitled to one share are made validly and exclusively to the designated common representative.

11 Acquisition and Disposal of Own Shares by the Company

The shareholders' meeting may resolve to acquire the company's own shares or to dispose thereof in accordance with article 620 and following of the Companies Code.

12 Bonds and Warrants

The board of directors is entitled to issue bonds at the conditions it deems appropriate, whether or not such bonds are guaranteed by a mortgage or otherwise.

The shareholders' meeting may resolve to issue convertible bonds or warrants in accordance with the provisions of the Companies Code.

Title III – Administration and supervision

13 Composition of the Board of Directors

The board of directors is composed of minimum five and maximum nine members, who need not be a shareholder, of which at least three are independent directors. The independent directors need to meet the criteria determined in article 524 §4 of the Companies Code. Half of the members of the board are non-executive directors.

The directors are appointed by the shareholders' meeting. The duration of their mandate may not exceed four years. Directors whose mandate has come to an end may be reappointed.

However, as long as the shareholders' meeting does not fill a vacancy, for any reason whatsoever, the directors whose mandate has expired remain in their position.

The shareholders' meeting may dismiss a director at any time.

If a legal entity is appointed as director of the company, such legal entity shall appoint a permanent representative, in accordance with the applicable legal provisions.

14 Casual Vacancy

In the event of a casual vacancy in the board of directors, the remaining directors have the right to temporarily fill such vacancy until the shareholders' meeting appoints a new director. To this end, the appointment shall be put on the agenda of the first following shareholders' meeting. Each director appointed this way by the shareholders' meeting shall complete the mandate of the director he replaces, unless the shareholders' meeting decides otherwise.

15 Chair

The board of directors elects a chairman from among its members.

16 Meetings of the Board of Directors

The board of directors is convened by its chairman or by two directors or by a person entrusted with the day-to-day management, each time the interests of the company so require.

The notices mention the place, date, hour and agenda of the meeting and, except in the event of emergency (which is to be motivated in the minutes), are sent in writing at least four calendar days prior to the meeting.

If the chairman is unable to attend, the board of directors is chaired by the director entrusted with the day-to-day management.

The validity of the convening cannot be challenged if all directors are present or validly represented.

17 Deliberation

The board of directors may validly deliberate only if at least half of its members are present or represented. If this quorum is not satisfied, a new meeting may be convened with the same agenda, which will be able to validly deliberate and resolve provided that at least two directors are present or represented.

Board members can be present at the meeting of the board of directors by electronic communication means, such as, among others, phone- or videoconference, provided that all participants to the meeting can communicate directly with all other participants. The same applies to meetings of the board of directors to be held in the presence of a notary public, it being understood, however, that in such case at least one director or the meeting's secretary shall physically attend the meeting in the presence of the notary public. The minutes of the meeting shall mention the manner in which the directors were present.

With respect to items that were not mentioned in the agenda, the board of directors can deliberate validly only with the consent of the entire board of directors and insofar all directors are present *in persona*. Such consent is deemed to be given if no objection is made according to the minutes.

Each director can give a power of attorney to another director to represent him at a meeting of the board of directors, by normal letter, telegram, telex, telefax or any other means of communication replicating a printed document.

The resolutions of the board of directors are taken by majority of the votes cast. Blank and invalid votes are not included in the votes cast. In case of a tie, the chairman has the casting vote.

In exceptional cases, where the urgency of the matter and the interest of the company so require, board resolutions may be approved by unanimous written consent of the directors.

This procedure may, however, not be used for the drawing-up of the annual accounts, the use of the authorized capital or for any other matter that is excluded by the articles of association.

The directors need to respect the provisions and formalities set forth in article 523 of the Companies Code.

If at a meeting of the board of directors the required quorum to validly deliberate is present and one or more of the directors need to abstain pursuant to article 523 of the Companies Code, then the resolutions are validly taken by a majority of the other directors present or represented, even if as a result of such abstentions the abovementioned quorum is no longer satisfied.

If all directors need to abstain according to article 523 of the Companies Code the board of directors must promptly convene a shareholders' meeting, which shall resolve itself or appoint an *ad hoc* director, which will be entrusted with the taking of the decision.

All decisions of the board of directors, or all acts performed to execute a decision that relates to:

(a) the relationship of the company with another company that is related to the company with the exception of the own subsidiaries of the company;

(b) the relationship between a subsidiary of the company and the companies related to such subsidiary with the exception of the own subsidiaries of the company;

should, in accordance with the provisions of article 524 §1 through §3 of the Companies Code, be subject to the prior assessment of a committee of three independent directors, assisted by one or more independent experts appointed to this end by the committee of three independent directors, except for:

(i) the usual decisions and acts that take place at conditions and against guarantees that are market practice for similar transactions;

(ii) decisions and acts representing less than one percent (1%) of the net assets of the company as they appear in the consolidated annual accounts.

18 Minutes

The deliberations of the board of directors are enacted in minutes that are signed by the chairman and by the members of the board of directors who wish to do so. The powers of attorney are attached to the minutes. If a member expressly refuses to sign the minutes, this shall be reflected in the minutes with the motivation of such refusal.

The copies or extracts, to be submitted in legal proceedings or otherwise, shall be signed by two directors or by a person entrusted with the day-to-day management. This authority may be delegated to a proxy.

19 Powers of the Board of Directors

The board of directors is vested with the most extensive powers to perform all acts necessary or useful for the realization of the purpose of the company. The directors shall act as a collegial body.

It is authorized to perform all acts that are not reserved by law or by the articles of association to the shareholders' meeting.

The board of directors may delegate part of its powers for specific and determined matters to a proxy, which needs not be a shareholder or a director.

20 Remunerations of the Directors

The shareholders' meeting may grant fixed and variable remunerations to the directors. The board of directors is empowered to distribute amongst the directors the global remuneration granted by the shareholders' meeting.

21 Delegation of Authorities

(1) Executive committee

The board of directors may, upon a proposal by the director entrusted with the day-to-day management, delegate its management powers to an executive committee, provided however that such delegation may relate neither to the company's general policy nor to those matters which are reserved by law to the board of directors. When an executive committee is established, the board of directors is entrusted with the supervision of such committee.

This delegation of powers can be revoked at any time.

If one or more members of the executive committee have an interest of patrimonial nature that is conflicting with a decision or an act that belongs to the authority of the executive committee, such decision will be taken by the board of directors.

The executive committee consists of two or more persons, who need not be directors and who are appointed by the board of directors, which also determines the terms and conditions of their appointment, dismissal, remuneration, the duration of their mandate and the operating procedures of the executive committee.

The establishment of an executive committee is enforceable vis-à-vis third parties, subject to the conditions set forth in the Companies Code. The publication contains an explicit reference to the relevant article of the Companies Code.

Possible restrictions or internal allocations of activities that the members of the executive committee have agreed upon are not enforceable vis-à-vis third parties, even if they have been published.

(2) Day-to-day management

The board of directors is authorized to delegate the day-to-management as described in article 525 of the Companies Code and the representation powers pertaining to such management to one or more persons, who need not be directors. The board of directors appoints and revokes the person(s) entrusted with such management and determines the remuneration linked to this mandate. If the person to whom the day-to-day management is delegated also exercises a directorship within the company, this person is called managing director ("*gedelegeerd bestuurder*"). If this person is not a director, this person is called general manager ("*algemeen directeur*").

If several persons are appointed, they form a board that is called management committee ("*executief comité*"). The board of directors determined the operating procedures of the management committee.

Limitations of the representation powers of the members of the management committee with regard to the day-to-day management, other than those relating to the joint signatory authority, are not enforceable vis-à-vis third parties, even if they are published.

(3) Special powers

The board of directors, the executive committee or the person(s) entrusted with the day-to-day management may, within the limits of the powers delegated to them, grant specific and determined powers to one or more persons of their choice.

22 Representation

(1) General authority

Without prejudice to the general representation authority of the board of directors acting as a collegial body, the company is validly represented in dealings with third parties and in legal proceedings by two directors acting jointly or by one director acting jointly with a member of the executive committee who do not have to submit evidence of a prior resolution of the board of directors.

(2) Delegated management authorities

Without prejudice to the aforementioned representation authority the company is also validly represented, within the limits of the powers that can legally be transferred to the executive committee, by two members of the executive committee acting jointly.

Within the limits of the day-to-day management, the company is furthermore validly represented in dealings with third parties and in legal proceedings by the managing director(s) acting jointly or individually in accordance with the delegation by the board of directors.

Moreover, the company is validly bound by special attorneys-in-fact within the limits of the powers granted to them.

When the company is appointed as director, manager, member of the executive committee or liquidator of another company, it will appoint amongst its shareholders, directors or employees a permanent representative who is entrusted with the execution of the mandate for and on behalf of the company.

23 Committees within the Board of Directors

The board of directors establishes an audit committee and a remuneration and nomination committee.

The board of directors may create amongst its members, and under its responsibility, one or more advisory committees, of which it determines the composition and the missions.

24 Control

To the extent required by law, the control of the financial situation, of the annual accounts and of the regularity from point of view of the Companies Code and the articles of association of the activities to be reflected in the annual accounts, are assigned to one or more statutory auditors ("*commissarissen*") who are appointed by the shareholders' meeting amongst the members of the Institute of Company Auditors ("*Instituut van Bedrijfsrevisoren*") and who carry the title of statutory auditor ("*commissaris*").

The shareholders' meeting determines the number of statutory auditors and fixes their remuneration.

The statutory auditors are appointed by the shareholders' meeting, in accordance with the applicable legal provisions, for a renewable period of three years. On penalty of indemnity, they may be dismissed during their mandate by the shareholders' meeting for legal reasons only, subject to compliance with the procedure described in the Companies Code.

The expiring mandate of a statutory auditor ceases immediately after the annual shareholders' meeting.

In the absence of a statutory auditor whilst such appointment is required by law or when all statutory auditors are in the impossibility to perform their mandates, the board of directors immediately convenes the shareholders' meeting to arrange for their appointment or replacement.

The statutory auditors are granted a fixed remuneration by the shareholders' meeting; this amount is established at the beginning of their mandate. This amount may be changed only by consent of the parties.

25 Task of the Statutory Auditor

The statutory auditors have, jointly or severally, an unlimited right of supervision over all activities of the company. They may review all books, correspondence, minutes and in general all documents of the company at the premises of the company.

Each semester, the board of directors provides them with a status report summarizing the assets and liabilities of the company.

The statutory auditors may arrange to be assisted in the performance of their task, at their costs, by employees or other persons for whom they are responsible.

Title IV – Shareholders' meetings

26 Composition and Authorities

The regularly composed shareholders' meeting represents the entirety of the shareholders. The resolutions of the shareholders' meeting are binding upon all shareholders, even those absent or those who voted against.

27 Meeting

The annual shareholders' meeting is held on the last Tuesday of the month of April at 2:00 p.m. CET. If such day is a public holiday in Belgium or in The Netherlands, the shareholders' meeting will be held on the following day that is a business day in both Belgium and The Netherlands, at 2:00 p.m. CET.

The annual shareholders' meeting deals with the annual accounts and, after approval thereof, resolves by separate votes on the release from liability of the directors and the statutory auditor.

An extraordinary shareholders' meeting may be convened each time the interest of the company so requires and is to be convened each time shareholders representing together one fifth of the registered capital so request.

The shareholders' meetings take place at the registered office of the company or at any other place that is mentioned in the convening notice.

28 Notice

The shareholders' meeting assembles pursuant to a convening notice issued by the board of directors or by the statutory auditor(s).

The invitations to a shareholders' meeting are made in accordance with article 533 §2, article 535 and other provisions of the Companies Code.

The convening notice for a shareholders' meeting contains at least the information set forth in article 533*bis* §1 of the Companies Code.

On the day of publication of the convening notice and uninterruptedly until the day of the shareholders' meeting, the company makes available to its shareholders the information set forth in article 533*bis* §2 of the Companies Code. This information remains accessible on the company's website for a period of five years as from the date of the shareholders' meeting to which it relates.

The foregoing does not prejudice the possibility of one or more shareholders possessing together at least 3% of the registered capital to have items to be dealt with put on the agenda of the shareholders' meeting and table proposals of resolutions with respect to items on the agenda or items to be put on the agenda, subject to compliance with the relevant provisions of article 533*ter* of the Companies Code. This does not apply in case a shareholders' meeting is called with a new notice because the quorum required for the first convening was not satisfied, and provided that the first notice complied with the provisions of the law, the date of the second meeting is mentioned in the first notice and no new item is put on the agenda. The company must receive such requests ultimately on the 22nd day before the date of the shareholders' meeting. The items to be dealt with and the proposed resolutions pertaining thereto to be added to the agenda, as the case may be, will be published in accordance with the provisions of the Companies Code. If a proxy form has already been submitted to the company before the publication of the completed agenda, the proxy holder will need to comply with the relevant provisions of the Companies Code. The items to be dealt with and the proposed resolutions pertaining thereto that have been added to the agenda pursuant to the foregoing, shall only be discussed if all relevant provisions of the Companies Code have been complied with.

29 Admission

The right to participate in a shareholders' meeting and to vote is only granted based on an accounting registration of the shares on the name of the shareholder, on the 14th day before the shareholders' meeting, at midnight (CET), either by their registration in the register of registered shares of the company, or by their registration on the accounts of a recognized account holder or of a clearing institution, irrespective of the number of shares the shareholder possesses at the day of the shareholders' meeting.

The day and time referred to in the first paragraph form the record date.

The shareholder notifies the company, or the person appointed by the company for this purpose, ultimately on the 6th day before the date of the meeting, that he wants to participate in the shareholders' meeting.

The financial intermediary or the recognized account holder or the clearing institution provides the shareholder with a certificate evidencing the number of dematerialized shares registered in the shareholder's name on his accounts on the record date, for which the shareholder has indicated his desire to participate in the shareholders' meeting.

In a register designated by the board of directors, the name and address or registered office of each shareholder who has notified the company of its intention to participate in the shareholders' meeting are noted, as well as the number of shares he possessed on the record date and for which he has indicated to be participating in the shareholders' meeting, and the description of the documents demonstrating that he was in possession of the shares on said record date.

An attendance list, mentioning the names of the shareholders and the number of shares they represent, must be signed by each of them or by their proxy holders before entering the meeting.

The holders of profit sharing certificates ("*winstbewijzen/parts bénéficiaires*"), non-voting shares, bonds, warrants or other securities issued by the company, as well as the holders of certificates issued with collaboration of the company and representing securities issued by the company (if any such

exist), may attend the shareholders' meeting with advisory vote insofar permitted by law. They may only participate in the vote in the cases determined by law. They are in any event subject to the same formalities as those imposed on the shareholders, with respect to notice of attendance and admission, and the form and submission of proxies.

30 Representation – Remote Voting – Remote Attendance

Each shareholder with voting rights may participate in the meeting in person or may have himself represented by a proxy holder in accordance with the provisions of the Companies Code.

A person acting as proxy holder may carry a proxy of more than one shareholder; in such case he may vote differently for one shareholder than for another shareholder.

The appointment of a proxy holder by a shareholder must be in writing or by means of an electronic form and must be signed by the shareholder, as the case may be with an electronic signature within the meaning of the applicable Belgian law provisions.

The notification of the proxy to the company must be in writing, as the case may be by electronic means, to the address mentioned in the convening notice. The company must receive the proxy ultimately on the 6th day before the date of the meeting.

The board of directors may determine the text of the proxies provided that the liberty of the shareholder to vote must be respected and that the modalities do not diminish the shareholder's rights.

The board of directors has the possibility to provide in the convening notice that the shareholders can vote remotely, prior to the shareholders' meeting, by letter or electronically, by means of a form made available by the company.

In case of remote voting by letter, any forms that have not been received by the company ultimately on the 6th day before the date of the meeting shall not be taken into account.

In case of remote voting by electronic means, assuming the convening notice allows this, the modalities permitting the shareholder to vote by such means will be established by the board of directors, who will ensure that the applied communication means are able to implement the mandatory legal statements, to supervise compliance with the required timing of receipt and to control the capacity and identity of the shareholder. Electronic voting is possible until the day prior to the shareholders' meeting.

The shareholder who uses distant voting, either by letter, or, as the case may be, by electronic way, must comply with the requirements for admission as set forth in article 29 of the articles of association.

The board of directors can offer the shareholders the possibility to participate in the shareholders' meeting remotely, by means of a communication mechanism made available by the company. With respect to the compliance with the conditions relating to attendance and majority, the shareholders who participate in the shareholders' meeting by such means, as the case may be, are deemed to be present at the location where the shareholders' meeting is held. If the board of directors offers the possibility to participate remotely in the shareholders' meeting by such means, the board determines the conditions applicable hereto in accordance with the relevant provisions of the Companies Code. The board of directors may extend this possibility (if it is offered) to the holders of profit sharing certificates, bonds, warrants or certificates issued with collaboration of the company, taking into account the rights attached thereto and in accordance with the relevant provisions of the Companies Code.

31 Bureau

Every shareholders' meeting is chaired by the chairman of the board of directors or, absent any chairman or if the chairman cannot attend, by another director thereto appointed by his colleagues.

The chairman of the meeting appoints the secretary, who does not necessarily need to be shareholder or director.

If the number of shareholders so allows the shareholders' meeting elects two vote counters. The directors who are present complete the bureau.

32 Adjournment

The board of directors has the right to adjourn each shareholders' meeting one time, for five weeks, irrespective of the agenda items and without having to justify this decision. The board may use this right at any time, but only after the opening of the meeting. The decision of the board must be communicated to the assembly before the closing of the meeting and must be mentioned in the minutes. Such adjournment nullifies every decision taken. The formalities for admission need to be complied with again. The existing proxies and permissions to attend the adjourned meeting cease to be valid. At the meeting that will be held in continuation of the adjourned meeting the same agenda will be entirely tabled again and finished.

33 Number of Votes – Exercise of the Voting Right

Each share carries one vote.

34 Deliberation

The shareholders' meeting cannot deliberate on items that are not mentioned in the agenda, unless all shareholders are present or represented at the meeting and they unanimously decide to deliberate on these items.

The directors answer the questions they are asked by the shareholders, during the meeting or in writing, relating to their report or to the agenda items, insofar the communication of information or facts is not of such nature that it would be detrimental to the business interests of the company or to the confidentiality to which the company or its directors are bound. The statutory auditors answer the questions they are asked by the shareholders, during the meeting or in writing, relating to their report, insofar the communication of information or facts is not of such nature that it would be detrimental to the business interests of the company or to the confidentiality to which the company, its directors or the statutory auditors are bound. In case several questions relate to the same subject matter, the directors and the statutory auditors may respond in one answer. As soon as the convening notice is published, the shareholders may ask their questions in writing, which will be answered during the meeting by the directors or the statutory auditors, as the case may be, insofar such shareholders have complied with the formalities to be admitted to the meeting. The questions may also be directed to the company by electronic way via the address that is mentioned in the convening notice for the shareholders' meeting. The company needs to receive these written questions ultimately on the 6th day before the meeting.

Except when otherwise provided for by legal provisions or by the articles of association, the resolutions are taken by simple majority of the votes cast, irrespective of the number of shares represented at the meeting. Blank and invalid votes are not included in the votes cast.

If for a resolution pertaining to an appointment no candidate obtains the absolute majority of the votes cast, a new vote will be organized between the two candidates who obtained the most votes. If such new vote results in a tie, the elder candidate is elected.

The votes cast during the meeting are taken by raising hands or by calling off names, unless the shareholders' meeting decides otherwise by simple majority of the votes cast.

A change of the articles of association can only be validly deliberated and resolved by an extraordinary shareholders' meeting in the presence of a notary and in compliance with the provisions of the articles 558 and following of the Companies Code.

35 Minutes

The minutes of the shareholders' meeting are signed by the members of the bureau and by the shareholders who ask to do so. The attendance list, and as the case may be, reports, proxies and/or written votes shall remain attached to the minutes.

Except when otherwise provided for by law, extracts to be submitted in legal proceedings or otherwise, are signed by one or more directors.

The minutes shall mention, for every resolution, the number of shares for which valid votes are cast, the percentage of the registered capital that these shares represent, the total number of votes validly cast, and the number of votes cast in favor or against each resolution, as well as the number of abstentions, if any. In the minutes of the shareholders' meetings with possibility of remote attendance (if this possibility is offered) the technical problems and incidents (if any) that have hindered or disturbed the participation by electronic means, shall be mentioned. This information will be published by the company on its website, within 15 days as from the shareholders' meeting.

Title V – Annual Accounts – Distribution of Profits

36 Annual Accounts

The financial year commences on the first of January and ends on the thirty first of December of each calendar year.

At the end of each financial year the board of directors draws up an inventory as well as the annual accounts. To the extent required by law, the directors also draw up a report in which they account for their management.

This report contains a comment on the annual accounts in which a true overview is given of the operations and of the position of the company, as well as the information prescribed by article 96 of the Companies Code.

37 Approval of the Annual Accounts

The annual shareholders' meeting takes note of, as the case may be, the annual report and the report of the statutory auditor(s) and resolves on the approval of the annual accounts.

After approval of the annual accounts, the shareholders' meeting resolves, by separate vote, on the release from liability of the directors and, as the case may be, of the statutory auditor(s). This release from liability is only valid if the annual accounts do not contain omissions or false statements which cover up the true situation of the company, and, with respect to acts in violation of the articles of association, only if these acts are specifically pointed out in the convening notice.

The board of directors ensures that the annual accounts and, as the case may be, the annual report and the other documents mentioned in article 100 of the Companies Code are filed with the National Bank of Belgium within thirty days after the approval of the annual accounts.

38 Distribution

Each year an amount of five percent (5%) of the net profits mentioned in the annual accounts is allocated to constitute a legal reserve; such allocation ceases to be mandatory once the legal reserve amounts to one tenth of the registered capital.

Upon a motion of the board of directors, the shareholders' meeting resolves with simple majority of the votes cast on the destination of the balance of the net profits, subject to the provisions of the Companies Code.

39 Dividend Payments

The payment of dividends occurs at the date and place determined by the board of directors.

Subject to the provisions of the Companies Code, the board of directors may distribute interim dividends out of the current financial year's results.

Title VI – Dissolution – Winding-Up

40 Early Dissolution

When, as a result of losses incurred, the net assets have decreased to a level of less than half of the registered capital, the directors must submit a motion on the dissolution of the company and, as the case may be, other measures to the shareholders' meeting, who will deliberate in accordance with article 633 of the Companies Code.

When the net assets, as a result of losses incurred, have decreased to a level of less than one fourth of the registered capital, a resolution to dissolve the company can be taken by one fourth of the votes cast at the shareholders' meeting.

When the net assets have decreased to a level of less than the legal minimum amount, every party having an interest may petition the court to dissolve the company in accordance with article 634 of the Companies Code. As the case may be the court may allow the company a period to regularize its situation.

41 Dissolution

A motion to dissolve the company voluntarily can be resolved only by an extraordinary shareholders' meeting and is subject to the applicable legal provisions.

After its winding-up, and until the closing of its liquidation, the company continues to exist by operation of law as a legal entity for the purposes of its liquidation.

42 Winding-Up

In case of winding-up of the company, for any reason or at any time whatsoever, the winding-up is performed by liquidators appointed by the shareholders' meeting, and absent such appointment, the winding-up is performed by the board of directors acting in capacity of winding-up committee.

Except if otherwise resolved, the liquidators act jointly. To this effect, the liquidators have the most extensive powers in accordance with the articles 186 and following of the Companies Code, subject to restrictions imposed by the shareholders' meeting.

The shareholders' meeting determines the compensation of the liquidators and their powers.

43 Apportionment

Following settlement of all debts, charges and costs of the liquidation, the net assets are first used to pay back, in cash or in kind, the fully paid-up and not yet paid back amount of the shares.

The balance, as the case may be, is divided in equal parts among all shares. The profit sharing certificates are not entitled to a part of the liquidation balance.

If the net proceeds are not sufficient to pay back all shares, the liquidators will first pay back these shares that are paid-up to a higher extent until they are at a level equal to the shares that are paid-up to a lesser extent, or they call for an additional paying-up of capital for the latter shares.

Title VII – General Provisions

44 Election of Domicile

Each director, executive and liquidator having its official residence abroad, elects domicile for the duration of his mandate at the registered office of the company, where writs of summons and notifications concerning company matters and the responsibility for its management can be validly made, with the exception of the notice to be made pursuant to these articles of association.

The holders of registered shares are obliged to notify the company of every change in domicile. Absent such notification, they are deemed to have elected domicile at their previous domicile.

45 Legal Provisions Incorporated in these Articles of Association

The provisions of these articles of association that literally set forth the contents of the provisions of the Companies Code, are mentioned for information purposes only and do not acquire thereby the character of statutory provision ("*statutaire bepaling*").

46 Applicable Law

For all matters that are not expressly regulated in these articles of association, or for the legal provisions from which would not be deviated validly in these articles of association, the provisions of the Companies Code and the other provisions of Belgian law apply.

47 Indemnification

To the extent permitted by law, the company will be permitted to indemnify its directors, employees and representatives for all damages they may be due, as the case may be, to third parties as a result of breach of their obligations towards the company, managerial mistakes and violations of the Companies Code, with the exclusion of damages that are due as a result of gross or intentional misconduct.

Temporary provisions of the articles of association

Authorized capital

The board of directors has been granted the authority to increase the share capital of the Company, in accordance with articles 603 to 608 of the Companies Code of 7 May 1999 (as amended or replaced), in one or several times, to the extent set forth hereafter. This authorization is valid for a period of five years from the date of publication of this authorization in the Annexes to the Belgian State Gazette.

Without prejudice to more restrictive rules set forth by law and without prejudice to the specific authorization for specific circumstances granted by the extraordinary shareholders' meeting of 25 April 2017 as mentioned in the section "Use of authorized capital in specific circumstances" of the articles of association of the Company, the board of directors can increase the share capital of the Company in one or several times with an amount of up to €67,022,402.04, i.e. 20% of the share capital at the time of the convening of the shareholders' meeting granting this authorization. In accordance with article 607 of the Companies Code of 7 May 1999 (as amended

or replaced), the board of directors cannot use the aforementioned authorization after the Financial Services and Markets Authority (FSMA) has notified the Company of a public takeover bid for the Company's shares.

The capital increases within the framework of the authorized capital may be achieved by the issuance of shares (with or without voting rights, and as the case may be in the context of a warrant plan for the Company's or its subsidiaries' personnel, directors and/or independent consultants), convertible bonds and/or warrants exercisable by contributions in cash or in kind, with or without issuance premium, and also by the conversion of reserves, including issuance premiums. Aforementioned warrant plans can provide that, in exceptional circumstances (among others in the event of a change in control of the Company or decease), warrants can be exercised before the third anniversary of their award, even if the beneficiary of such warrants is a person referred to in article 520ter, 524bis or 525 of the Belgian Companies Code of 7 May 1999 (as amended or replaced).

When increasing the share capital within the limits of the authorized capital, the board of directors may, in the Company'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 Company or its subsidiaries.

The board of directors can ask for an issuance premium when issuing new shares in the framework of the authorized capital. If the board of directors decides to do so, such issuance premium is to be booked on a non-available reserve account that can only be reduced or transferred by a decision of the shareholders' meeting adopted in the manner required for amending the articles of association.

The board of directors is authorized to bring the Company's articles of association in line with the capital increases which have been decided upon within the framework of the authorized capital, or to instruct a notary public to do so.

Use of authorized capital in specific circumstances

The board of directors has been granted the authority to increase the share capital of the Company, in accordance with articles 603 to 608 of the Companies Code, in one or several times, to the extent set forth hereafter. This authorization is valid for a period of five years from the date of publication of this authorization in the Annexes to the Belgian State Gazette.

Without prejudice to more restrictive rules set forth by law, but also without prejudice to any other less restrictive authorizations granted by the extraordinary shareholders' meeting of 25 April 2017, the board of directors can increase the share capital of the Company in one or several times with an amount up to €82,561,764.93, i.e. 33% of the share capital at the time of the convening of the shareholders' meeting granting this authorization, upon a resolution of the board of directors that all independent directors (within the meaning of article 526ter of the Companies Code) approved and relating to (i) the entire or partial financing of a transaction through the issue of new shares of the Company, whereby "transaction" is defined as an acquisition (in shares and/or cash), a corporate partnership, or an in-licensing deal, (ii) the issue of warrants in connection with Company's remuneration policy for its and its subsidiaries' employees, directors and independent advisors, (iii) the financing of the Company's research and development programs or (iv) the strengthening of the Company's cash position. In accordance with article 607 of the Companies Code, the board of directors cannot use the aforementioned authorization after the Financial Services and Markets Authority (FSMA) has notified the Company of a public takeover bid for the Company's shares. The maximum amount with which the share capital can be increased in the framework of the authorized capital as mentioned in this

temporary provision of the articles of association, is to be reduced by the amount of any capital increase realized in the framework of the authorized capital as mentioned in the preceding temporary provision of the articles of association (if any).

The capital increases within the framework of the authorized capital may be achieved by the issuance of shares (with or without voting rights, and as the case may be in the context of a warrant plan for the Company's or its subsidiaries' personnel, directors and/or independent consultants), convertible bonds and/or warrants exercisable by contributions in cash or in kind, with or without issuance premium, and also by the conversion of reserves, including issuance premiums. Aforementioned warrant plans can provide that, in exceptional circumstances (among others in the event of a change in control of the Company or decease), warrants can be exercised before the third anniversary of their award, even if the beneficiary of such warrants is a person referred to in article 520ter, 524bis or 525 of the Belgian Companies Code.

When increasing the share capital within the limits of the authorized capital, the board of directors may, in the Company'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 Company or its subsidiaries.

The board of directors can ask for an issuance premium when issuing new shares in the framework of the authorized capital. If the board of directors decides to do so, such issuance premium is to be booked on a non-available reserve account that can only be reduced or transferred by a decision of the shareholders' meeting adopted in the manner required for amending the articles of association.

The board of directors is authorized to bring the Company's articles of association in line with the capital increases which have been decided upon within the framework of the authorized capital, or to instruct a notary public to do so.

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Exhibit 2.3

DESCRIPTION OF SECURITIES

The following description of the securities registered under Section 12 of the Securities Exchange Act of 1934 of Galapagos NV ("Galapagos," "us," "our," "we" or the "Company") is a summary of the rights of our ordinary shares and certain provisions of our articles of association in effect as of March 17, 2020. This summary does not purport to be complete and is qualified in its entirety by the provisions of our articles of association previously filed with the Securities and Exchange Commission and incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit 2.3 is a part, as well as to the applicable provisions of Belgian legislation on stock corporations. We encourage you to read our articles of association and applicable Belgian legislation on stock corporations carefully.

Articles of association and other share information

Corporate profile

Our legal and commercial name is Galapagos NV. We are a limited liability company incorporated in the form of a *naamloze vennootschap / société anonyme* under Belgian law. We are registered with the Register of Legal Entities (Antwerp, division Mechelen) under the enterprise number 0466.460.429. Our principal executive and registered offices are located at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium and our telephone number is +32 15 342 900. Our agent for service of process in the United States is C T Corporation System, located at 28 Liberty Street, New York, New York 10005, United States of America.

We were incorporated in Belgium on June 30, 1999 for an unlimited duration. Our fiscal year ends December 31.

Share capital

Share capital and shares

Our share capital consists of ordinary shares without par value and is fully paid-up. Our shares are not separated into classes. As of December 31, 2019, our issued and paid-up share capital €349,789,183.32, represented by 64,666,802 ordinary shares without par value, each representing an identical fraction of our share capital. As of December 31, 2019, we had eight shareholders who held shares in registered form, representing 14.5% of our ordinary shares. The remainder of our ordinary shares are in dematerialized form. As of December 31, 2019, neither we nor any of our subsidiaries held any of our own shares.

As of March 16, 2020, we estimated that approximately 45% of our outstanding ordinary shares and ADS were held in the United States by an estimated 171 institutional holders of record, excluding Gilead Sciences, Inc.

Other outstanding securities

In addition to the shares already outstanding, we have granted warrants, which upon exercise will lead to an increase in the number of our outstanding shares. A total of 5,541,117 warrants (where each warrant entitles the holder to subscribe for one new ordinary share) were outstanding and granted as of December 31, 2019, which represent approximately 8.6% of the total number of all our issued and outstanding voting financial instruments and warrants as of December 31, 2019.

Form and transferability of our shares

All of our shares belong to the same class of securities and are in registered form or in dematerialized form. All of our outstanding shares are fully paid-up and freely transferable, subject to any contractual restrictions.

Currency

Our share capital, which is represented by our outstanding ordinary shares, is denominated in euros.

Changes to our share capital

Changes to our share capital are decided by our shareholders, which may at any time resolve to increase or decrease our share capital. Any such resolution must satisfy the quorum and majority requirements that apply to an amendment of the articles of association, as described in "Description of Securities—Ordinary Shares—Right to Attend and Vote at Our Shareholders' Meeting—Quorum and Majority Requirements." No shareholder is liable to make any further contribution to our share capital other than with respect to shares held by such shareholder that would not be fully paid-up.

Share capital increases by our board of directors

Subject to the quorum and majority requirements described in "Description of Securities—Ordinary Shares—Right to Attend and Vote at Our Shareholders' Meeting—Quorum and Majority Requirements," our shareholders' meeting may authorize our board of directors, within certain limits, to increase our share capital without any further approval being required from our shareholders' meeting. Such pre-authorized capital increase is referred to as authorized capital. This authorization can only be granted for a renewable period of a maximum of five years and may not exceed the amount of the registered share capital at the time of the authorization.

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 October 22, 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. November 13, 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 April 25, 2017 (i.e. EUR 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. May 31, 2017. This specific part of the authorized capital can, however, only be used upon a resolution of the board of directors that all independent directors (within the meaning of article 526*ter* of the Belgian Companies Code, as replaced by article 7:87 of the New Belgian Companies Code) approve and relating to (i) the entire or partial financing of a transaction through the issue of new shares of the Company, whereby "transaction" is defined as an acquisition (in shares and/or cash), a corporate partnership, or an in-licensing deal, (ii) the issue of warrants in connection with Company's remuneration policy for its and its subsidiaries' employees, directors and independent advisors, (iii) the financing of the Company's research and development programs or (iv) the strengthening of the Company's cash position.

As of the date of this annual report, our board of directors may decide to issue up to 12,388,614 ordinary shares pursuant to the general authorization and 2,535,661 ordinary shares pursuant to the specific authorization, without taking into account however subsequent issuances under our warrant programs or otherwise.

Preferential subscription rights

In the event of a share capital increase for cash through the issuance of new shares, or in the event we issue convertible bonds or warrants, our existing shareholders have a preferential right to subscribe, pro rata, to the new shares, convertible bonds or warrants. These preferential subscription rights are transferable during the subscription period. Our board of directors may decide that preferential subscription rights that were not exercised by any shareholders shall accrue proportionally to the other shareholders that have already exercised their preferential subscription rights and may fix the practical terms for such subscription.

Our shareholders' meeting may resolve to limit or cancel this preferential subscription right, subject to special reporting requirements. Such resolution must satisfy the same quorum and majority requirements as the decision to increase our share capital.

Shareholders may also decide to authorize our board of directors to limit or cancel the preferential subscription right within the framework of the authorized capital, subject to the terms and conditions set forth in the

Belgian Companies Code. Our board of directors currently has the authority to increase the share capital within the framework of the authorized capital, and to limit or cancel the preferential subscription right within the framework of the authorized capital, for a period of five years from the date of publication of the relevant renewed authorization in the Annexes to the Belgian State Gazette, i.e. November 13, 2019 for the general authorization and May 31, 2017 for the specific authorization. See also "—Share Capital Increases by Our Board of Directors" above.

Under the DGCL, stockholders of a Delaware corporation have no preemptive rights to subscribe for additional issues of stock or to any security convertible into such stock unless, and to the extent that, such rights are expressly provided for in the corporation's certificate of incorporation.

Purchases and sales of our own shares

We may only repurchase our own shares pursuant to an authorization of our shareholders' meeting taken under the conditions of quorum and majority provided for in the Belgian Companies Code. Pursuant to the Belgian Companies Code, such a decision requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a majority of at least 75% of the share capital present or represented. If there is no quorum, a second meeting must be convened. No quorum is required at the second meeting, but the relevant resolution must be approved by a majority of at least 75% of the share capital present or represented.

Within such authorization, we may only repurchase our own shares if the amount that we would use for repurchase is available for distribution. Currently we have no such an authorization and we neither have any funds available for distribution, nor own any of our own shares.

Under the DGCL, a Delaware corporation may purchase or redeem its own shares, unless the capital of the corporation is impaired or the purchase or redemption would cause an impairment of the capital of the corporation.

Belgian legislation

Disclosure of significant shareholdings

The Belgian Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market requires each person or legal entity acquiring or transferring our shares (directly or indirectly, by ownership of ADSs or otherwise, and including equivalent financial instruments) to notify us and the Belgian FSMA each time they cross (upwards or downwards) a threshold of 5% of the total number of outstanding voting rights or a multiple thereof.

Similarly, if as a result of events changing the breakdown of voting rights, the percentage of the voting rights reaches, exceeds or falls below any of the above thresholds, disclosure is required even when no acquisition or disposal of shares or ADSs has occurred (e.g., as a result of a capital increase or a capital decrease). Finally, disclosure is also required when persons acting in concert enter into, modify or terminate their agreement resulting in their voting rights reaching, exceeding or falling below any of the above thresholds.

The disclosure statements must be addressed to the Belgian FSMA and to us at the latest on the fourth trading day following the day on which the circumstance giving rise to the disclosure occurred. Unless otherwise provided by law, a shareholder shall only be allowed to vote at our shareholders' meeting the number of shares such shareholder validly disclosed at the latest twenty days before such meeting.

In accordance with U.S. federal securities laws, holders of our ordinary shares and holders of ADSs will be required to comply with disclosure requirements relating to their ownership of our securities. Any person that, after acquiring beneficial ownership of our ordinary shares or the ADSs, is the beneficial owner of more than 5% of our outstanding ordinary shares or ordinary shares underlying ADSs must file with the SEC a Schedule 13D or Schedule 13G, as applicable, disclosing the information required by such schedules, including the number of our ordinary shares or ordinary shares underlying ADSs that such person has acquired (whether alone or jointly with one or more other persons). In addition, if any material change occurs in the facts set forth in the report filed on Schedule 13D (including a more than 1% increase or decrease in the percentage of the total shares beneficially owned), the beneficial owner must promptly file an amendment disclosing such change.

Disclosure of net short positions

Pursuant to the Regulation (EU) No. 236/2012 of the European Parliament and the Council on short selling and certain aspects of credit default swaps, any person that acquires or disposes of a net short position relating to our issued share capital, whether by a transaction in shares or ADSs, or by a transaction creating or relating to any financial instrument where the effect or one of the effects of the transaction is to confer a financial advantage on the person entering into that transaction in the event of a decrease in the price of such shares or ADSs is required to notify the Dutch AFM (*Stichting Autoriteit Financiële Markten*) if, as a result of such acquisition or disposal his net short position reaches, exceeds or falls below 0.2% of our issued share capital and each 0.1% above that. If the net short position reaches 0.5%, and also at every 0.1% above that, the Dutch AFM will disclose the net short position to the public.

Public takeover bids

The European Takeover Directive 2004/25/EC of 21 April 2004 has been implemented in Belgium through the Law of April 1, 2007 on public takeovers, or the Takeover Law, the Royal Decree of April 27, 2007 on public takeovers and the Royal Decree of April 27, 2007 on squeeze-out bids.

Public takeover bids in Belgium for our shares or other securities giving access to voting rights are subject to supervision by the Belgian FSMA. The Takeover Law determines when a bid is deemed to be public in Belgium. Public takeover bids must be extended to all of our voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus that has been approved by the Belgian FSMA prior to publication.

The Takeover Law provides that a mandatory bid must be launched on all our shares (and our other securities giving access to voting rights), if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for its account, directly or indirectly holds more than 30% of our voting securities (directly or through ADSs).

Squeeze-out

Pursuant to Article 7:82 of the new Belgian Companies Code and the regulations promulgated thereunder, a person or legal entity, or different persons or legal entities acting alone or in concert, that own together with the

company 95% of the securities with voting rights in a public company are entitled to acquire the totality of the securities with voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such an offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the procedure, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value (verified by an independent expert) in order to safeguard the interests of the transferring shareholders.

The DGCL provides for stockholder appraisal rights, or the right to demand payment in cash of the judicially determined fair value of the stockholder's shares, in connection with certain mergers and consolidations.

Limitations on the right to own securities

Neither Belgian law nor our articles of association impose any general limitation on the right of non-residents or foreign persons to hold our securities or exercise voting rights on our securities other than those limitations that would generally apply to all shareholders.

Exchange controls and limitations affecting shareholders

There are no Belgian exchange control regulations that impose limitations on our ability to make, or the amount of, cash payments to residents of the United States.

We are in principle under an obligation to report to the National Bank of Belgium certain cross-border payments, transfers of funds, investments and other transactions in accordance with applicable balance-of-payments statistical reporting obligations. Where a cross-border transaction is carried out by a Belgian credit institution on our behalf, the credit institution will in certain circumstances be responsible for the reporting obligations.

Securities exercisable for ordinary shares

The section titled "Item 6.B.—Compensation—Warrant Plans" in our Annual Report on Form 20-F for the year ended December 31, 2019, incorporated by reference herein, sets forth a description of warrants granted by our board of directors to our directors, members of the executive committee, employees and other service providers as of December 31, 2019.

The section titled "Item 6.B.—Compensation—RSU Plans" in our Annual Report on Form 20-F for the year ended December 31, 2019, incorporated by reference herein, sets forth a description of restricted stock units granted by our board of directors to members of the executive committee and employees, as of December 31, 2019.

Apart from the warrants, warrant plans, RSUs and RSU plans, we do not currently have other stock options, options to purchase securities, convertible securities or other rights to subscribe for or purchase securities outstanding.

Ordinary shares

The following description is a summary of certain information relating to the rights and benefits attached to our ordinary shares, certain provisions of our articles of association and the Belgian Companies Code. Because this description is a summary, it may not contain all of the information important to you. Accordingly, this description is qualified entirely by reference to the description of our share capital and the material terms of our articles of association contained in our most recent Annual Report on Form 20-F as updated by other reports and documents we file with the SEC after the date hereof, together with our articles of association, a copy of which has been filed as an exhibit to our most recent Annual Report on Form 20-F.

Right to attend and vote at our shareholders' meetings

Annual shareholders' meeting

Pursuant to our articles of association, our annual shareholders' meeting is held each year on the last Tuesday of the month of April, at 2 p.m. (Central European Time), at our registered office or at any other place in Belgium mentioned in the convening notice of the meeting. If this date is a public holiday in Belgium or in The Netherlands, the meeting is held on the following day that is a business day both in Belgium and in The Netherlands, at the same time.

Special and extraordinary shareholders' meetings

Our board of directors or the auditor (or the liquidators, if appropriate) may, whenever our interests so require, convene a special or extraordinary shareholders' meeting. Such shareholders' meeting must also be convened when one or more shareholders holding at least one-tenth of our share capital so requests.

Under the DGCL, special meetings of the stockholders of a Delaware corporation may be called by such person or persons as may be authorized by the certificate of incorporation or by the bylaws of the corporation, or if not so designated, as determined by the board of directors. Stockholders generally do not have the right to call meetings of stockholders, unless that right is granted in the certificate of incorporation or the bylaws.

Notices convening shareholders' meetings

Convening notices of our shareholders' meetings contain the agenda of the meeting, indicating the items to be discussed as well as any proposed resolutions that will be submitted at the meeting. One or more shareholders

holding at least 3% of our share capital may request for items to be added to the agenda of any convened meeting and submit proposed resolutions in relation to existing agenda items or new items to be added to the agenda, provided that:

- they prove 1ownership of such shareholding as at the date of their request and record their shares representing such shareholding on the record date; and
    - the additional items for the agenda and any proposed resolutions have been submitted in writing by these shareholders to the board of directors at the latest on the twenty-second day preceding the day on which the relevant shareholders' meeting is held.

The shareholding must be proven by a certificate evidencing the registration of the relevant shares in the share register of the company or by a certificate issued by the authorized account holder or the clearing organization certifying the book-entry of the relevant number of dematerialized shares in the name of the relevant shareholder(s).

The convening notice must be published in the Belgian Official Gazette (*Belgisch Staatsblad / Moniteur belge*) at least thirty days prior to the shareholders' meeting. In the event a second convening notice is necessary and the date of the second meeting is mentioned in the first convening notice, that period is seventeen days prior to the second shareholders' meeting. The notice must also be published in a national newspaper thirty days prior to the date of the shareholders' meeting, except if the meeting concerned is an annual shareholders' meeting held at the municipality, place, day and hour mentioned in the articles of association and its agenda is limited to the examination of the annual accounts, the annual report of the board of directors, the annual report of the auditor, the vote on the discharge of the directors and the auditor and the vote on the items referred to in Article 7:92 and 7:149, third paragraph of the new Belgian Companies Code (*i.e.*, in relation to severance pay and the remuneration report). Convening notices of all our shareholders' meetings and all related documents, such as specific board and auditor's reports, are also published on our website.

Convening notices must also be sent thirty days prior to the shareholders' meeting to the holders of registered shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with our cooperation and to our directors and auditor. This communication is made by ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfillment of such formality.

Under the DGCL, unless otherwise provided in the certificate of incorporation or bylaws, written notice of any meeting of the stockholders of a Delaware corporation must be given to each stockholder entitled to vote at the meeting not less than ten nor more than sixty days before the date of the meeting and shall specify the place, date, hour and, in the case of a special meeting, the purpose of the meeting.

Admission to meetings

A shareholder is only entitled to participate in and vote at a shareholders' meeting, irrespective of the number of shares he owns on the date of the shareholders' meeting, provided that his shares are recorded in his name at midnight (Central European Time) at the end of the fourteenth day preceding the date of the shareholders' meeting, or the record date:

- in case of registered shares, in our register of registered shares; or
- in case of dematerialized shares, through book-entry in the accounts of an authorized account holder or clearing organization.

In addition, we (or the person designated by us) must, at the latest on the sixth day preceding the day of the shareholders' meeting, be notified as follows of the intention of the shareholder to participate in the shareholders' meeting:

- in case of registered shares, the shareholder must, at the latest on the above-mentioned date, notify us (or the person designated by us) in writing of his intention to participate in the shareholders' meeting

and of the number of shares he intends to participate in the shareholders' meeting with by returning a signed paper form, or, if permitted by the convening notice, by sending an electronic form (signed by means of an electronic signature in accordance with the applicable Belgian law) electronically, to us on the address indicated in the convening notice; or

- in case of dematerialized shares, the shareholder must, at the latest on the above-mentioned date, provide us (or the person designated by us), or arrange for us (or the person designated by us) to be provided with, a certificate issued by the authorized account holder or clearing organization certifying the number of dematerialized shares recorded in the shareholder's accounts on the record date in respect of which the shareholder has indicated his intention to participate in the shareholders' meeting.

Each shareholder has the right to attend a shareholders' meeting and to vote at such meeting in person or through a proxy holder. The proxy holder does not need to be a shareholder. A shareholder may only appoint one person as proxy holder for a particular shareholders' meeting, except in cases provided for by law. Our board of directors may determine the form of the proxies. The appointment of a proxy holder must in any event take place in paper form or electronically, the proxy must be signed by the shareholder (as the case may be, by means of an electronic signature in accordance with the applicable Belgian law) and we must receive the proxy at the latest on the sixth day preceding the day on which the shareholders' meeting is held.

Pursuant to Article 7, section 5 of the Belgian Law of May 2, 2007 on the disclosure of significant shareholdings, a transparency declaration has to be made if a proxy holder that is entitled to voting rights above the threshold of 5% or any multiple thereof of the total number of voting rights attached to our outstanding financial instruments on the date of the relevant shareholders' meeting would have the right to exercise the voting rights at his discretion.

Votes

Each shareholder is entitled to one vote per share.

Voting rights can be suspended in relation to shares:

- that were not fully paid up, notwithstanding the request thereto of our board of directors;
- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;
- that entitle their holder to voting rights above the threshold of 5% or any multiple thereof of the total number of voting rights attached to our outstanding financial instruments on the date of the relevant general shareholders' meeting, except to the extent where the relevant shareholder has notified us and the Belgian FSMA at least twenty days prior to the date of such shareholders' meeting of its shareholding reaching or exceeding the thresholds above; or
- of which the voting right was suspended by a competent court or the Belgian FSMA.

Quorum and majority requirements

Generally, there is no quorum requirement for our shareholders' meeting, except as provided for by law in relation to decisions regarding certain matters. Decisions are made by a simple majority, except where the law provides for a special majority.

Under the DGCL, the certificate of incorporation or bylaws of a Delaware corporation may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.

Matters involving special legal quorum and majority requirements include, among others, amendments to the articles of association, issues of new shares, convertible bonds or warrants and decisions regarding mergers and demergers, which require at least 50% of the share capital to be present or represented and approval by a majority of at least 75% of votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum requirement applies. The special majority requirement for voting, however, remains applicable.

Any modification of our corporate purpose or legal form requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a majority of at least 80% of votes cast. If there is no quorum, a second meeting must be convened. At the second meeting, no quorum is required, but the relevant resolution must be approved by a majority of at least 80% of the votes cast.

Right to ask questions at our shareholders' meetings

Within the limits of Article 7:139 of the new Belgian Companies Code, members of our board of directors and our auditor will answer, during the shareholders' meeting, the questions raised by shareholders. Shareholders can ask questions either during the meeting or in writing, provided that we receive the written questions at the latest on the sixth day preceding the shareholders' meeting.

Dividends

All shares participate in the same manner in our profits, if any. Pursuant to the Belgian Companies Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual shareholders' meeting, based on the most recent non-consolidated statutory audited annual accounts, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of our board of directors. The articles of association also authorize our board of directors to declare interim dividends subject to the terms and conditions of the Belgian Companies Code.

Dividends can only be distributed if following the declaration and issuance of the dividends the amount of our net assets on the date of the closing of the last financial year according to the non-consolidated statutory annual accounts (*i.e.*, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and expansion and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, at least 5% of our annual net profit under our non-consolidated statutory accounts (prepared in accordance with Belgian accounting rules) must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.

The right to payment of dividends expires five years after the board of directors declared the dividend payable.

Under the DGCL, a Delaware corporation may pay dividends out of its surplus (the excess of net assets over capital), or in case there is no surplus, out of its net profits for either or both of the fiscal year in which the dividend is declared and the preceding fiscal year (provided that the amount of the capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets). Dividends may be paid in the form of shares, property or cash.

Appointment of directors

Our articles of association provide that our board of directors shall be composed of at least five and a maximum of nine members. The directors are appointed by the shareholders, except in the case of vacancy, when the board of directors may temporarily fill such vacancy until the shareholders appoint a new director.

Liquidation rights

Our company can only be voluntarily dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an extraordinary shareholders' meeting where at least 50% of the share capital is present or represented. In the event the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new convening notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of shares present or represented.

Under the DGCL, unless the board of directors approves the proposal to dissolve, dissolution of a Delaware corporation must be approved by stockholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The DGCL allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

In the event of the dissolution and liquidation of our company, the assets remaining after payment of all debts and liquidation expenses (on a non-consolidated basis) will be distributed to our shareholders, each receiving a sum on a *pro rata* basis.

If, as a result of losses incurred, the ratio of our net assets (on a non-consolidated basis, determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, our board of directors must convene a general shareholders' meeting within two months of the date upon which our board of directors discovered or should have discovered this undercapitalization. At this shareholders' meeting, our board of directors needs to propose either our dissolution or our continuation, in which case our board of directors must propose measures to redress our financial situation. Our board of directors must justify its proposals in a special report to the shareholders. Shareholders representing at least 75% of the votes validly cast at this meeting have the right to dissolve the company, provided that at least 50% of our share capital is present or represented at the meeting. In the event the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of shares present or represented.

If, as a result of losses incurred, the ratio of our net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in that case, shareholders representing 25% of the votes validly cast at the meeting can decide to dissolve the company. If the amount of our net assets has dropped below €61,500, any interested party is entitled to request the competent court to dissolve the company. The court can order our dissolution or grant a grace period during which time we must remedy the situation. Holders of ordinary shares have no sinking fund, redemption or appraisal rights.

ADSs

Citibank, N.A., as depositary, registers and delivers ADSs. Each ADS represents one ordinary share (or a right to receive one ordinary share) deposited with Citibank International Limited (located at EGSP 186, 1 North Wall Quay, Dublin 1, Ireland) or any successor, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary in respect of the depositary facility. The depositary's corporate trust office at which the ADSs are administered is located at 388 Greenwich Street, New York, New York 10013.

A deposit agreement among us, the depositary and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

Fees and charges

Pursuant to the terms of the deposit agreement, the holders of ADSs will be required to pay the following fees:

Service	*Fees*
Issuance of ADSs	Up to U.S. $0.05 per ADS issued
Cancellation of ADSs	Up to U.S. $0.05 per ADS canceled
Distribution of cash dividends or other cash distributions	Up to U.S. $0.05 per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights.	Up to U.S. $0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. $0.05 per ADS held
ADS Services	Up to U.S. $0.05 per ADS held on the applicable record date(s) established by the depositary

The holders of ADSs will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs and ADRs; and
- the fees and expenses incurred by the depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) deposit of ordinary shares against issuance of ADSs and (ii) surrender of ADSs for cancellation and withdrawal of ordinary shares are charged to the person to whom the ADSs are delivered (in the case of ADS issuances) and to the person who delivers the ADSs for cancellation (in the case of ADS cancellations). In the case of ADSs issued by the depositary into the Depositary Trust Company, or DTC, or presented to the depositary via DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs or the DTC participant(s) surrendering the ADSs for cancellation, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account(s) of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by

DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Listing

The ADSs are listed on the Nasdaq Global Select Market under the symbol “GLPG.” Our ordinary shares are trading on Euronext Amsterdam and Euronext Brussels under the symbol “GLPG.”

Transfer agent and registrar

The transfer agent and registrar for the ADSs is Citibank, N.A.

Free translation for information purposes only

Warrant Plan 2019 RMV

GALAPAGOS NV

General Rules

Table of Contents

1 Basis and Purpose

The Board of Directors of Galapagos NV (hereinafter referred to as the "**Company**") has approved the present Warrant Plan 2019 RMV by notarial deed of 10 April 2019.

With the Plan set forth hereafter the Company wants to inform all Beneficiaries (see infra sub 2 ("Definitions: Beneficiary") and sub 4 ("Beneficiaries of the Plan")) of the conditions under which the Company is willing to offer Warrants. The Company thus wants to acknowledge the efforts made by the Beneficiaries to help to develop the Company to a successful enterprise.

2 Definitions

In this Plan the words and terms mentioned hereunder have the meanings given below:

Bad Leaver Situation: the effective date on which one of the following situations occurs:

(i) the termination at the request of the Warrant Holder of his/her employment agreement with the Company or a Subsidiary for any other reason than the effective liquidation of a state pension, irrespective of the fact that such termination is established in a document signed by both the employer and Employee, or

(ii) the termination by the relevant Company or Subsidiary of the employment agreement of a Warrant Holder based on any grounds for dismissal attributable to the Warrant Holder, and/or any breach or insufficiency by the Warrant Holder in the performance of the relevant agreement;

Beneficiary: the Employees of the Company and its Subsidiaries whose name is mentioned in Annex A to this Warrant Plan 2019 RMV;

Board of Directors: the board of directors of the Company;

Company: the limited liability company Galapagos, having its registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium;

Consultant: a natural person who provides services to the Company or a Subsidiary on a contractual basis other than pursuant to an employment agreement (irrespective of whether the contract was entered into directly with the relevant natural person or with a legal entity who has entrusted the performance of the services to such natural person);

Control: the power, *de jure* or *de facto*, to have a decisive influence on the appointment of the majority of the Directors or on the orientation of the management, as set forth in article 5 *et seq*. of the Belgian Companies Code. The terms "**to Control**" and "**Controlled by**" shall be construed accordingly;

Deed of Issuance: the notarial deed enacting (i) the acceptance or refusal of the Warrants and (ii) the unconditional issuance of the Warrants;

Director: a natural person or legal entity who at any moment during the existence of the Company exercises a director's mandate in the Company to which they were appointed by either the Shareholders' Meeting or the Board of Directors by way of cooptation;

Employee: each employee of the Company or a Subsidiary with an employment contract;

Exercise Period: a period of two weeks within the Exercise Term, to be determined by the Board of Directors, during which Warrants can be Exercised;

Exercise Price: the pre-determined price at which a New Share can be acquired when Exercising a Warrant, during one of the Exercise Periods within the Exercise Term;

Exercise Term: the term during which the Warrant Holder can exercise his Warrants to acquire Shares of the Company, taking into account the specific Exercise Periods and the specific exercise conditions as set forth in chapter 6 of this Plan;

Exercise: to make use of the right attached to the Warrants that were acquired by accepting the Offer, to acquire New Shares at the Exercise Price;

Good Leaver Situation: the effective date of the cessation, in other circumstances than those listed in the definition of Bad Leaver Situation, of the employment agreement of the relevant Warrant Holder with either the Company or a Subsidiary (including the relevant employing entity ceasing to be a Subsidiary of the Company), with the exception of a cessation accompanied by a simultaneous (other) employment or appointment of the relevant Warrant Holder (or a company Controlled by the Warrant Holder) as a Consultant, Employee or Director of the Company or a Subsidiary. For clarity, the termination at the request of the Warrant Holder of his/her employment agreement because of the effective liquidation of a state pension by such Warrant Holder shall be considered a Good Leaver Situation;

Grant: the moment on which the Beneficiary accepts the Warrants offered. For the purposes of this Plan (including for Belgian fiscal reasons), the Grant shall be deemed to take place on the sixtieth day following the date of the Offer if the Offer is accepted within sixty days after the date of the Offer;

New Shares: the Shares to be issued pursuant to the exercise of the Warrants under this Plan;

Notice of Acceptance: the form that the Beneficiary receives at the moment of the Offer and that the Beneficiary needs to return, duly executed, to the Company for the acceptance of the Offer;

Offer: the written and dated notification to the Beneficiaries of the Plan as to the opportunity for them to acquire Warrants in accordance with the provisions of this Plan;

Personal Representative(s): the heir(s) of a Warrant Holder upon the latter's decease;

Plan: the present Warrant Plan 2019 RMV approved by the Board of Directors, as amended from time to time by the Board of Directors in accordance with the provisions of this Plan;

Shares: the shares of the Company;

Subsidiary: a company under the Control of the Company, as further set forth in article 6 of the Belgian Companies Code and (in any case) in which the Company holds (directly or indirectly) at least 10% of the share capital and voting rights;

Warrant Agreement: the agreement that may be entered into between the Warrant Holder and the Company;

Warrant: the right to subscribe, within the framework of this Plan, to one New Share within the Exercise Term and the Exercise Period and at the Exercise Price;

Warrant Holder: each Beneficiary who has accepted the Offer and who owns one or more Warrants in accordance with this Plan.

Words and terms denoting the plural shall include the singular and vice versa.

3 Warrants

3.1 General

The number of Warrants issued in the framework of this Plan is maximum 200,750. These Warrants will be designated as "Warrants 2019 RMV". The detail of the number of Warrants per Beneficiary, offered under this Plan, is set forth in Annex A to this Plan.

The Warrants are granted by the Company to the Beneficiaries for free.

Each Warrant entitles the Beneficiary to subscribe to one New Share in accordance with the terms and conditions of the Plan.

Offers under this Plan do not need to be the same for every Beneficiary.

3.2 Number per Beneficiary

The number of Warrants to be offered to the Beneficiaries is determined by the Board of Directors. This number is set forth in Annex A.

3.3 Transfer restrictions

The Warrants received are registered in the name of the Warrant Holder and cannot be transferred *inter vivos* once granted to a Beneficiary.

The Warrant cannot be encumbered by any pledge or in any other manner.

Warrants that, in contravention with the foregoing, are transferred or encumbered shall automatically become null and void.

3.4 Exercise Price

The Exercise Price per Warrant will be determined by or on behalf of the Board of Directors on the day when the Offer of Warrants to the Beneficiaries is made.

As the Shares of the Company are listed or traded on a regulated market at the date of the Offer, the Exercise Price of the Warrants shall be determined by the Board of Directors, and shall be at least equal to the higher of (a) 80% of the average of the closing price of the Share of the Company on Euronext Amsterdam and Brussels during the last twenty (20) trading days preceding the Board of Director's decision and (b) the average of the closing price of the Share of the Company on Euronext Amsterdam and Brussels during the last thirty (30) days preceding the date of the Offer.

Upon Exercise and subsequent capital increase the Exercise Price must be booked as capital for an amount equal to the accounting par value of the Shares at the moment of the establishment of the capital increase resulting from the Exercise. The part of the Exercise Price that exceeds the accounting par value must be booked as an issuance premium.

3.5 Administration of the Warrant Plan

The Company is responsible for the management and the administration of the Plan and ensures that all questions of Beneficiaries or Warrant Holders are answered accurately and rapidly.

4 Beneficiaries of the Plan

Beneficiaries are the individuals as indicated in section 2 (“Definitions - Beneficiary”).

Warrants shall not be granted to Employees holding more than 10% of the Company's share capital.

5 Acceptance or Refusal of the Offer

The Beneficiaries have the possibility to accept the individual Offer in whole, in part or not at all. Each Beneficiary shall receive a Notice of Acceptance form wherein the Beneficiary mentions his/her decision regarding the Offer: (full or partial) Acceptance or Refusal. Acceptance of the Offer has to be formally established by ticking the relevant paragraph in the Notice of Acceptance.

The Notice of Acceptance needs to be returned prior to the ultimate date of response as set forth in the Notice of Acceptance, duly completed and signed, to the address mentioned in the Notice of Acceptance. Such ultimate date of response cannot be later than 140 calendar days after the date of the Offer.

In case the Beneficiary has not accepted the Offer in writing prior to the date mentioned in the Notice of Acceptance, he shall be deemed to have refused the Offer.

For the purposes of this Plan (including for Belgian fiscal reasons), the Warrants shall be deemed to be granted on the sixtieth day following the date of the Offer if the Offer is accepted within sixty days after the date of the Offer.

The Warrants are registered in the name of the Beneficiary. In case of acceptance, the Beneficiary will be recorded as a Warrant Holder in the register of warrant holders of the Company. This register is kept at the registered office of the Company, mentioning the identity of the Warrant Holders and previous warrant holders and the number of Warrants held by them. The Warrant Holder will receive a confirmation of the number of Warrants he has accepted.

The Nomination and Remuneration Committee may decide to replace or complete the Notice of Acceptance by or with a written Warrant Agreement to be signed by the Warrant Holder and the Company and which shall contain the conditions determined by the Nomination and Remuneration Committee, in accordance with this Plan.

The Beneficiary who has accepted the Offer will receive the Warrants as soon as these have been issued by the Deed of Issuance.

6 Exercise and Payment Conditions

6.1 Exercise Term

The Exercise Term is eight (8) years, starting from the date of the Offer.

6.2 Vesting of Warrants

Except to the extent expressly stated otherwise in this Plan or decided otherwise by the Board of Directors in accordance with section 8.4, all granted Warrants will fully vest on the first day of the fourth calendar year following the calendar year in which the Grant was made.

6.3 Exercise Period

Warrants may not be exercised until the end of the third calendar year following the calendar year in which the Grant was made.

As of the commencement of the fourth calendar year following the calendar year in which the Grant was made, all vested Warrants may be exercised, during an Exercise Period.

The Board of Directors will establish at least one Exercise Period of two weeks per semester. The Exercise Periods shall be notified by or on behalf of the Company to the Beneficiaries.

The Board of Directors shall decide, when required, in accordance with the applicable rules relating to abuse of inside information, to establish closed periods during which the Warrants cannot be exercised.

6.4 Conditions of Exercise

Individual Warrants can only be exercised as a whole.

In order to exercise a Warrant, the Warrant Holder needs to submit an appropriate declaration to that effect (the exercise form) to the Board of Directors or to an authorized person designated by the Board of Directors, and to pay the Exercise Price into a bank account designated by the Company and opened in the name of the Company.

On the exercise form, the Warrant Holder needs to mention the number of Warrants he desires to exercise.

In case the bank account is not or not sufficiently credited prior to the end of the Exercise Period, the Warrants will be deemed not to be exercised. The Company will inform the Warrant Holder thereof and will reimburse the amount that was deposited too late or was insufficient as soon as possible within the limits set by law. The Warrants will consequently not be lost and remain exercisable at a later stage insofar as the Exercise Term has not expired.

6.5 Exercise of the Warrants in accordance with the Belgian Companies Code

In case a Warrant, that is not exercisable or cannot be exercised in accordance with the issuance conditions (as specified in the Plan), becomes prematurely exercisable pursuant to article 501 of the

Belgian Companies Code and is thus also prematurely exercised pursuant to article 501 of the Belgian Companies Code, the New Shares that the Warrant Holders receives as a result of such Exercise will not be transferable, except with the explicit prior consent of the Board of Directors, until such time as the Warrant would have become exercisable in accordance with the Plan.

6.6 Change in Control of the Company

Notwithstanding anything to the contrary in this Plan, in the event of a change in Control of the Company, all Warrants that are still outstanding under this Plan at such time shall, in principle, immediately vest (to the extent they had not all vested yet) and become immediately exercisable during an Exercise Period determined by the Board of Directors, provided, however, that in compliance with applicable (tax) laws the Board of Directors is authorized to establish certain conditions for such vesting and/or exercising that will be applicable to some or all of the Warrant Holders involved, and provided further that, in the event a public takeover bid is made on the securities of the Company, the Warrants shall immediately become fully vested and exercisable as from the date of the announcement of such public takeover bid by the FSMA. The Board of Directors shall establish an Exercise Period as soon as practicable following the announcement of such public takeover bid.

Furthermore, the transfer restrictions set forth in section 3.3 are not applicable to transfers of Warrants pursuant to a public takeover bid or a public squeeze-out bid on the securities in the Company.

7 Issuance of New Shares

The Company shall only be obliged to issue New Shares pursuant to the Exercise of Warrants if all exercise conditions set forth in chapter 6 have been complied with.

As soon as these exercise conditions are complied with, the New Shares will be issued, taking into account the time needed to fulfill the required administrative formalities. The Board of Directors shall to this effect timely at a date to be determined by the Board of Directors and at least once per semester have the capital increase established by notary deed.

New Shares participate in the profit of the financial year of the Company that started on the first of January of the year in which the relevant New Shares have been issued.

In view of a rapid delivery of the Shares resulting from the exercise of Warrants, the Company may propose to the Warrant Holders who have complied with the exercise conditions to receive existing Shares awaiting the issuance of New Shares by notary deed. In such case the Warrant Holders will receive an advance of existing Shares subject to the condition that they sign an authorization by which the New Shares will, upon issuance, immediately and directly be delivered to the Company or to any other party who advanced them the existing Shares.

The Board of Directors has granted power of attorney to any two (2) members of the Board of Directors acting jointly, as well as to the managing Director acting individually, with possibility of sub-delegation and the power of subrogation, to take care of the establishment by notary deed of the acceptance of the Warrants offered, the exercise of the Warrants, the issuance of the corresponding number of New Shares, the payment of the exercise price in cash, the corresponding realization of the capital increase, the allocation to the unavailable account “issuance premiums” of the difference between the subscription price for the Shares and the accounting par value, to bring the Articles of Association in accordance with the new situation of the registered capital, to sign and deliver the relevant Euroclear and bank documentation, and to sign and deliver all necessary documents in connection with the delivery of the Shares (acquired as a result of the exercise of the Warrants) to the Beneficiaries.

The Company will take the necessary actions to have the New Shares listed for trading on a regulated market as soon as they have been issued.

8 Cessation of the Relationship

8.1 Cessation before the date of the Deed of Issuance

If a Beneficiary is not in the employ (whether as Employee, Consultant or Director) of the Company or any of its Subsidiaries on the date of the Deed of Issuance, the Beneficiary shall be deemed to have refused the Offer and the Warrants offered to such Beneficiary shall not be issued.

8.2 Good Leaver Situations

If a Good Leaver Situation arises with respect to a Warrant Holder, the Warrants of said Warrant Holder shall continue to vest as set forth in Section 6.2 (if unvested) and, if and when vested, the Exercise Term of the non-exercised Warrants shall remain unchanged and the Warrant Holder will have the time to exercise his non-exercised Warrants during each Exercise Period within the Exercise Term.

As an exception, if the Good Leaver Situation is caused by the decease of the relevant Warrant Holder, all Warrants held by such Warrant Holder shall pass to his Personal Representative(s) and the Personal Representative(s) will be able to exercise the non-exercised Warrants during a six-month period as from the death of the Warrant Holder. All the remaining non-exercised Warrants held by the Personal Representative(s) of the Warrant Holder shall become null and void upon the expiry of such six-month period.

8.3 Bad Leaver Situation

8.3.1 After the end of the third calendar year

In case a Bad Leaver Situation occurs after the end of the third calendar year following the calendar year in which the Grant was made, the relevant Warrant Holder will have time to exercise, during an Exercise Period, his non-exercised Warrants until six months after the date of the Bad Leaver Situation. All his remaining non-exercised Warrants shall become null and void upon the expiry of such six-month period.

8.3.2 Before the end of the third calendar year

In case the Bad Leaver Situation occurs before the end of the third calendar year following the calendar year in which the Grant was made, all granted Warrants shall automatically become null and void.

8.4 Change of employment

8.4.1 In case of a cessation of the employment agreement or consultancy agreement of the relevant Warrant Holder accompanied by a simultaneous (other) employment or appointment of the relevant Warrant Holder (or a company Controlled by the Warrant Holder) as a Consultant, Employee or Director of the Company or a Subsidiary, the Warrants of said Warrant Holder shall continue to vest as set forth in Section 6.2 (if unvested) and, if and when vested, the Exercise Term of the non-exercised Warrants shall remain unchanged and the Warrant Holder will have the time to exercise his non-exercised Warrants during each Exercise Period within the Exercise Term.

8.4.2 If, however, at any time following such change as described in Section 8.3.1:

(i) the employment agreement or mandate as a Director or consultancy agreement of the Warrant Holder with the Company or a Subsidiary is terminated at the Warrant Holder's request for any reason other than the effective liquidation of a state pension by the Warrant Holder; or

(ii) the Company or a Subsidiary terminates the employment agreement or his mandate as a Director or terminates his consultancy agreement because of a breach or insufficiency by the Warrant Holder in the performance of the employment agreement or a breach by the Warrant Holder of his obligations as a Consultant or Director,

then such termination shall also be deemed to be a Bad Leaver Situation and the rules set forth in Section 8.2 shall apply.

8.5 Deviations

The Board of Directors may at its discretion decide to deviate at any time from the provisions set forth in this chapter 8, provided that such provisions comply with compulsory statutory provisions (in particular with article L. 225-183 paragraph 3 of the French Commercial Code).

9 Amendments and Modifications

In case of share capital amortization, share capital decrease, change in the distribution of the profits, allocation of free Company's shares, share capital increase through incorporation of reserves, profits or premiums, distribution of reserves, or any rights issue of shares or other securities in respect of which the existing shareholders are entitled to exercise preferential subscription rights, the Company shall take any necessary measure in order to protect the Beneficiaries' interests in accordance with the applicable provisions of the French Commercial Code.

The Board of Directors is authorized to take appropriate measures to safeguard the interests of the Warrant Holders in case:

- a fundamental change in the Control of the Company occurs;
- a fundamental change in the applicable laws or regulations occurs; or
- a serious and exceptional circumstance jeopardizing the rights of the Beneficiaries occurs.

In addition, the Board of Directors may amend the provisions of this Plan to the benefit of the Warrant Holders, to the extent that the contemplated amendments comply with all applicable laws.

This Plan may, if required by the circumstances, be amended by the Company. The Beneficiary shall be informed of such amendments and will be bound by them. The amendments may in no event affect the essential provisions of the Plan. The amendments may not harm the rights of the existing Warrant Holders under this Plan. In the event the rights of the existing Warrant Holders under this Plan would be harmed, the amendments may not be made without their agreement.

10 Dispute Resolution

All disputes relating to this Plan will be brought to the attention of the Board of Directors, who may propose an amicable settlement for a dispute, as the case may be. If required the dispute will be submitted to Courts and Tribunals competent for the judicial area of Antwerp, department of Mechelen (Belgium) whereby all parties involved shall make election of domicile at the seat of the Company. This Plan is governed by Belgian law.

11 Final Provisions

11.1 Additional Information

The Company will provide the Beneficiary at his request with a copy of the articles of association of the Company and any amendments thereto.

11.2 Taxes and Social Security Treatment

The Company or a Subsidiary shall be entitled, in accordance with the applicable law or customs, to apply a withholding on the cash salary or the compensation for the month in which the taxable moment occurs or on the cash salary or the compensation of any other following month, and/or the Beneficiary shall be obliged to pay to the Company or a Subsidiary (if so required by the Company or by a Subsidiary) the amount of any tax and/or social security contributions due or payable because of the fact of the grant, the acceptance, the fact that Warrants become susceptible of being exercised or of the exercise of the Warrants, or due or payable in respect of the delivery of the New Shares.

The Company or a Subsidiary shall be entitled, in accordance with the applicable law or customs, to prepare the required reports, necessary as a result of grant of the Warrants, the fact that Warrants become susceptible of being exercised, or the delivery of the Shares.

11.3 Costs

Stamp duties, stock exchange taxes and similar charges and taxes levied at the occasion of the exercise of the Warrants and/or the delivery of the New Shares or existing Shares shall be borne by the Warrant Holder.

Costs relating to the issue of the Warrants or to the issue of New Shares shall be borne by the Company.

11.4 Relation to employment agreement

No person has a right to participate in this Plan and participation in this Plan does not give the Beneficiaries a right to future grants of additional Warrants. The grant of Warrants under this Plan does not contain a promise of a continuous employment by the Company or its Subsidiaries.

Notwithstanding any provision of the Plan, the rights and obligations of any individual or entity as determined in the provisions of his/her employment agreement concluded with the Company or a Subsidiary shall not be affected by his/her participation in the Plan or by any right that he/she may have to participate therein.

An individual to whom Warrants are granted in accordance with the Plan shall not be entitled to any damages or compensation as a result of the cessation of his mandate or employment agreement with the Company or a Subsidiary, based on any reason whatsoever (with the exception of abusive or unlawful dismissal in accordance with French case law), to the extent that these rights would arise or might arise based on the cessation of the rights he/she might have or the claims he/she could make concerning the exercise of Warrants pursuant to the Plan because of the cessation of such agreement or by reason of the loss or decrease in value of the rights or benefits.

11.5 Shareholders' Meetings

Warrant Holders have the right to participate in the Shareholders' Meetings of the Company, but without voting right and only with an advisory voice, subject to complying with the formalities set forth in the convocation for the Shareholders' Meeting.

11.6 Communication with Warrant Holders

By accepting Warrants, the Warrant Holder agrees that documentation can be validly communicated by the Company by e-mail, including convocations for Shareholders' Meetings and documentation pertaining to the exercise of Warrants.

11.7 Address Change

Warrant Holders are obliged to keep the Company informed of changes to their address and changes to their e-mail address. Communications sent by the Company to the last known address or e-mail address of the Warrant Holder are validly made.

11.8 Language

In case of discrepancies between the French, Dutch and English versions of the present Warrant Plan, the French language version of the Plan shall prevail.

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Exhibit 4.27

Galápagos

Restricted Stock Units/Discretionary Plan 2019 – Participants' Guide

This Plan is intended to provide certain members of the executive committee of Galapagos the opportunity to receive Restricted Stock Units as an incentive. Its purpose is to retain and encourage Participants to contribute to the performance of Galapagos and its Affiliates by aligning their financial interests with those of the shareholders.

1 Definitions

When used in this document, the following terms shall have the meaning ascribed to them as indicated below, unless expressly indicated otherwise:

Acceptance Form	the form, which may be electronic, in which the Participant confirms, among other things, receipt of the Offer from Galapagos and the Restricted Stock Units;
Acceptance Period	the period during which a Participant must return the completed Acceptance Form to Galapagos, as indicated in the Offer Notification;
Affiliate	any affiliated company (*"société liée" / "verbonden vennootschap"*) as defined under Article 11 of the Belgian Companies Code and 1:20 of the Code of Companies and Associations (as may be amended from time to time) and any other entity in which Galapagos has a direct or indirect interest and which is designated by the Board of Directors as being an Affiliate for purposes of this Plan;
Board of Directors	the board of directors of Galapagos;
Code of Dealing	the code of dealing of Galapagos, as amended from time to time;
Data Controller	Galapagos;
Data Processor	any third party designated by the Data Controller to process Personal Data on behalf of the Data Controller in accordance with Schedule 1 for the implementation, administration and management of the Plan and the Share register and RSU register in electronic form;

Galapagos	Galapagos NV/SA with its registered office at Generaal De Wittelaan L11, Bus A3 2800 Mechelen, Belgium;
GDPR	Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
Offer	the offer of Restricted Stock Units by Galapagos to the Participant as set out in the Offer Notification;
Offer Date	has the meaning given to it in the Offer Notification;
Offer Notification	the notification, either sent via email or made available through the Online Tool, whereby Galapagos communicates the details of the Offer;
Online Tool	a secured website allowing the Participants to have online access to all information relating to their RSUs;
Participant	a member of the executive committee of Galapagos, in each case as designated by Galapagos, who received an Offer Notification, or any Successor to whom Restricted Stock Units have been transferred in accordance with these terms and conditions;
Personal Data	each item of information relating to an identified or identifiable Participant defined as personal data pursuant to the GDPR;
Plan	this Restricted Stock Units/Discretionary Plan 2019;
RSU or Restricted Stock Unit	the right to receive from Galapagos one existing and/or new Share per RSU and/or a payment in cash per RSU, in accordance with these terms and conditions;
Share	an existing or newly issued ordinary share of Galapagos;
Successor	the successor of a Participant as determined under the applicable law of succession and/or the persons designated by a Participant, in accordance with the applicable law of succession, to inherit the rights of the Participant under the Plan after the death of the Participant;
Vesting	a Participant becoming unconditionally entitled to receive one Galapagos Share per Restricted Stock Unit or an equivalent amount in cash, subject to the terms and conditions of this Plan;

Vesting Date	has the meaning given to it in the Offer Notification, it being understood that Vesting Date shall be construed to mean the plural where necessary.

2 Acceptance of the Restricted Stock Units

The Plan forms part of an agreement between the Participant and Galapagos. By accepting the Offer, Participants unconditionally agree to be bound by the contents of this document, the Offer Notification and the Acceptance Form.

A Participant is free to accept or refuse the Offer. The Participant can only accept all the Restricted Stock Units offered in the Offer Notification. Partial acceptance of these terms and conditions shall be deemed to constitute a refusal of the Offer as a whole.

The mode of acceptance of the Offer is set out in the Offer Notification, including the deadline for accepting the Offer. Failure to comply with the mode of acceptance of the Offer shall be deemed to constitute a refusal of the Offer as a whole.

The Restricted Stock Units are offered for no consideration.

3 Nature and characteristics of the Restricted Stock Units

3.1 No shareholder rights

Restricted Stock Units do not confer any shareholder rights. For example, they do not confer any voting or dividend rights or the right to attend shareholders' meetings.

3.2 Transferability

Except for transfers as a result of death (see Clause 7.2), Restricted Stock Units may not be transferred to any third party.

If the Participant is a legal person and if such Participant is going to cease to exist (for example in the event of a dissolution), Galapagos and such Participant will agree in due time on how to deal with such situation.

Restricted Stock Units shall not be encumbered with any security, pledge or other right.

4 Vesting of the Restricted Stock Units

The Restricted Stock Units will vest on the Vesting Date specified in the Offer Notification, subject to the service rules of Clause 7.

If a Participant takes a sabbatical leave of a period exceeding six months, the relevant Vesting Date shall be deferred with a period of one year.

In the event of Vesting and subject to these terms and conditions, Galapagos will, at its own discretion:

(i) deliver one Share per Restricted Stock Unit held by the Participant, as soon as reasonably practicable following the Vesting Date; or

(ii) make a payment in cash to the Participant of an amount equivalent to the volume weighted average price of the Share on Euronext Brussels over the 30-calendar day period preceding the Vesting Date multiplied by the number of Restricted Stock Units, as soon as reasonably practicable following the Vesting Date.

The terms of such delivery and/or payment will be determined by Galapagos in advance of the Vesting Date and will be communicated in due time to each Participant, who will be required to comply with such terms.

5 Nature and characteristics of the underlying Shares

5.1 General

If Galapagos elects to deliver Shares upon Vesting of the Restricted Stock Units, these Shares shall be, at the discretion of Galapagos:

(i) existing ordinary Shares of Galapagos; or

(ii) new Shares to be issued in consideration for the payment by each Participant of a subscription price of 0.01 euro per Share.

Galapagos will, at its discretion, deliver Shares in dematerialised (electronic or book-entry) form or in registered form.

The increase in Galapagos' share capital, if any, corresponding to the issue of new Shares in the framework of the Plan will be recorded by notarial deed. The Participants shall be required to comply with the necessary formalities applicable to the capital increase. These will be communicated in due time in advance of the Vesting.

5.2 Dividends

The Shares delivered upon vesting of the Restricted Stock Units give the right to the dividends paid on such Shares decided by Galapagos after the Vesting Date.

5.3 Transferability

Unless agreed otherwise between the Participant and Galapagos, the Shares delivered upon vesting of the Restricted Stock Units are not subject to any transfer restrictions under the rules of the Plan.

Participants may be offered the choice to conclude a lock-up agreement with Galapagos for a two-year period starting on the Vesting Date, in respect of all or part of the Shares, as this may enable a more beneficial tax and/or social security treatment in some countries. That choice will need to be made before the Vesting Date. Galapagos will contact the Participants in due time before that date to provide them with the necessary information and prepare the lock-up agreement, if the Participants choose to conclude it.

6 Expenses and taxes

6.1 All costs related to the attribution of the Restricted Stock Units and the delivery of the underlying Shares will be borne by Galapagos.

6.2 However, Participants will be solely responsible for any taxes (including but not limited to income taxes, capital gains taxes, stock exchange taxes and taxes on securities accounts) and personal social security charges due in connection with (i) the Offer and Vesting of the Restricted Stock Units and (ii) the delivery and ownership of the underlying Shares, in accordance with applicable tax and social security laws.

The Participants shall also pay a subscription price of 0.01 euro per Share if Galapagos elects to deliver new Shares, in accordance with Clause 5.1.

6.3 Galapagos may either (i) require that the Participants pay, or (ii) withhold from any payment or delivery of Shares at any time any income or social security taxes that are required to be withheld under any applicable law, rule or regulation.

7 Situation upon termination of mandate

7.1 End of employment contract or mandate as self-employed

If a Participant is dismissed, resigns, retires or if his/her employment or management agreement with Galapagos comes to an end and/or is not renewed, all Restricted Stock Units held by the Participant on the date of his/her dismissal, resignation, retirement or the end of employment or management agreement and that have not yet vested will automatically become null and void.

Shares already held by a Participant, as a result of the Vesting of Restricted Stock Units before the date of his/her dismissal, resignation, retirement or the end of employment or management agreement, will not be affected.

7.2 Death or permanent disability

In the event of permanent disability or death, all Restricted Stock Units shall vest in full on the next Vesting Date (or on such earlier date as determined by Galapagos) and the underlying Shares shall be transferred to the Participant, or his/her Successor in the event of death.

The notion of “permanent disability” is to be defined by reference to the law governing the employment relationship and the applicable social security regime, or alternatively, by the pension rules in the relevant jurisdiction or, if applicable, management contract of the Participant.

In the event of a Participant's death, any Successor acquiring the Restricted Stock Units shall inform Galapagos of the Participant's death as soon as possible.

8 Amendment to the capital structure and anti-dilution measures

8.1 Corporate changes

Galapagos expressly reserves the right to proceed with corporate changes that have an impact on its capital, such as capital increases, including by incorporation of reserves in the capital, capital decreases, issuance of convertible bonds, subscription rights or options, stock splits or reverse stock splits, combinations or reclassifications of the Shares, mergers and (partial) demergers, as well as the right to amend the clauses in the articles of association governing the allocation of profits or liquidation *boni*.

In the event that any such corporate change would have a materially unfavourable impact on the Restricted Stock Units, Galapagos may decide in its sole discretion to adjust the Plan for the

purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. The terms of such adjustment will be communicated to the Participants in due time.

8.2 Public takeover bid – Change of control

In any of the following events:

(i) the FSMA publishes a notice stating that a public takeover bid has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on public takeover bids (or any succeeding provision);

(ii) the FSMA publishes a notice stating that a squeeze-out has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on squeeze-outs (or any succeeding provision); or

(iii) the control or the absence of control exercised over Galapagos changes (the notion of control being defined by Articles 1:14 to 1:18 of the Belgian Code of Companies and Associations (or any succeeding provisions),

Galapagos may decide in its sole discretion to adjust the Plan for the purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. Such adjustment may, without limitation and at the discretion of Galapagos, consist in the cancellation of the Restricted Stock Units and the payment of their fair market value to the Participants or in the accelerated Vesting of the Restricted Stock Units.

9 Insider dealing rules

The Participants shall comply at all times with the Code of Dealing, as well as applicable laws prohibiting insider dealing.

10 Electronic register, electronic evidence and electronic delivery

10.1 Electronic Share and register of Restricted Stock Units

The Restricted Stock Units and Shares resulting from the vesting of such Restricted Stock Units will be recorded in a register, which may be in electronic form and the maintenance of which may be delegated by Galapagos to a third party.

10.2 Electronic evidence

Electronic approvals, instructions, orders, statements and communications between a Participant, Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan will have the same legal status as written approvals, instructions, orders, statements and communications. The written recording or the written reproduction of electronic approvals, instructions, orders, statements and communications received by Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan, will constitute conclusive evidence between the Participant, Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan, unless evidence to the contrary is provided by the Participant.

10.3 Electronic delivery

All subsequent information relating to the Restricted Stock Units will be communicated by electronic means, including e-mails to the Participants and postings on Galapagos' website or intranet. Such information may include, amongst others, financial information concerning Galapagos. In order to access such information, Participants will be required to access Galapagos e-mail system, website and/or intranet, unless otherwise specified by Galapagos. By returning the Acceptance Form, Participants are deemed to acknowledge that they have such access to the e-mail system of Galapagos, as well as to Galapagos' website and intranet and ordinarily use them in the ordinary course of their mandate. Participants may obtain paper copies of any such information by submitting a request to receive paper copies to incentives@glpg.com.

11 Modification of the Plan

Galapagos may unilaterally modify at any time the practical and/or accessory modalities of the Plan. It may also unilaterally modify the Plan when such modifications are required to comply with any change in legislation.

12 Nature of the Plan

Notwithstanding any provisions to the contrary included in the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan:

(i) the Offer of Restricted Stock Units and/or the subsequent delivery of Shares to the Participant in the framework of the Plan is unrelated to his/her pension rights or pension claims, if any, unless specifically provided otherwise in applicable legislation or the terms and conditions of the applicable pension plan;

(ii) the Plan, the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan do not confer upon the Participant any right to continued employment or other contractual relationship for any period of specific duration or interfere with or otherwise restrict in any way the rights of Galapagos or its Affiliates to terminate the Participant's employment or other contractual relationship according to the applicable regulations in respect of termination thereof;

(iii) the Offer of Restricted Stock Units cannot be considered as a right acquired for the future; and

(iv) any rights and entitlements pursuant to this Plan are granted on a discretionary basis. Repeated grants do not entitle any Participant to any future grant. Grants remain in the complete discretion of Galapagos. In particular, Galapagos reserves the right to determine the scope of beneficiaries and the conditions of the Plan in relation to any further grant.

13 Privacy and processing of Personal Data

See Schedule 1.

14 Confidentiality

The existence, subject matter and terms of the Plan (or any agreement entered into pursuant to the Plan) are confidential and the Participants are prohibited from disclosing all or anypart of the Plan, or its existence, at any time, unless the disclosure is required by law or by any court of competent jurisdiction.

15 Severability

If any provision in this document is held to be illegal, invalid or unenforceable, in whole or in part, under any applicable law, that provision will be deemed not to form part of this document, and the legality, validity or enforceability of the remainder of this document will not be affected.

16 US Restrictions

The RSUs and the Shares delivered upon Vesting (if any) have not been and will not be registered under the U.S. Securities Act of 1933 (as amended, the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Furthermore, the Shares delivered upon Vesting (if any) are deemed to be restricted securities in accordance with Rule 144 under the Securities Act. As such, the Shares may not be resold on a U.S. market or exchange (including Nasdaq) for a period of six months after Vesting.

17 Applicable law - Jurisdiction

The Restricted Stock Units and these terms and conditions are governed by Belgian law.

Any dispute arising out of or in connection with the Plan, including the Restricted Stock Units, the Offer Notification, the Acceptance Form and the present terms and conditions will be settled by the courts set out in the Offer Notification.

Schedule 1 – Privacy and processing of Personal Data

To enable the proper set-up and management of the Plan and the RSU register, Personal Data about each Participant will need to be collected and used. This Schedule sets out the obligations of Galapagos and the rights of Participants regarding any such collection and use, and provides the legally required information in this respect.

1 Identity of the person responsible for your Personal Data

Galapagos is the so-called "**Data Controller**", which is responsible for the collection and processing of Personal Data as is necessary for the setting-up and management of the Plan and the RSU register of Galapagos in electronic form.

2 Why and how Personal Data is collected and used

The Personal Data will either be collected via the Online Tool or Galapagos' HR IS system. It will be used exclusively for the purposes of the administration of the Plan and the maintenance of the RSU register of Galapagos in electronic form.

The Personal Data collected in the context of the Plan and the RSU Register will be stored for a period of ten years.

The Data Controller and any Data Processor will collect and process the Participants' Personal Data in accordance with the GDPR and this Schedule.

3 Nature of the Personal Data

The following Personal Data relating to the Participants will be collected and used:

(i) their contact details (e.g. names*, private/professional* (e-mail) addresses/phone numbers);

(ii) electronic identification data;

(iii) personal characteristics (i.e. date of birth*);

(iv) financial data (e.g. details regarding bank account); and

(v) details of all information relating to Restricted Stock Units awarded, cancelled, vested, unvested or outstanding.

4 Other persons having access to the Personal Data and purpose thereof

The Data Controller can transfer the Personal Data to the following categories of recipients:

(i) the provider of the Online Tool acting as Data Processor;

(ii) payroll operators acting as Data Processors;

(iii) regulatory authorities for the purposes of complying with legal obligations in connection with the Plan; and

(iv) any member of the Galapagos group for the administration and management of the Plan.

Such recipients may be located in jurisdictions outside the European Economic Area ("**EEA**") that may not provide an adequate level of personal data protection. The Data Controller relies upon standard contractual clauses with the relevant data importer to transfer the data to such jurisdictions, a copy hereof can be obtained through dpo@glpg.com.

5 Legal basis allowing Galapagos to collect and use Personal Data

The processing of Personal Data of the Participants by the Data Controller in the context of this Plan is necessary for the performance of the contractual arrangements between the Participants and the Data Controller referred to in the introduction of this Plan (i.e. providing certain members of the executive committee and certain employees of Galapagos the opportunity to receive Restricted Stock Units as an incentive). Failure by the Participant to provide the necessary Personal Data will result in the impossibility for Galapagos to perform part of its contractual arrangements towards the Participants.

The Data Controller can also process Personal Data of the Participants to comply with its legal obligations towards the regulatory authorities.

6 Rights of the Participants

The Participant can exercise his/her right to request access to and rectification or, in certain circumstances, erasure of his/her Personal Data or restriction of processing concerning the Participant or to object to processing as well as the right to data portability by sending a written request to dpo@glpg.com.

If Participants are not satisfied with how Galapagos processes their Personal Data, they may contact Galapagos through dpo@glpg.com. They also have the right to make a complaint to the Belgian Data Protection Authority.

Exhibit 4.28

Galápagos

Restricted Stock Units/Retention Plan – Participants' Guide

This multi-year Plan is intended to provide certain members of the executive committee and certain employees of Galapagos the opportunity to receive Restricted Stock Units as an incentive. Its purpose is to retain and encourage Participants to contribute to the performance of Galapagos and its Affiliates by aligning their financial interests with those of the shareholders.

1 Definitions

When used in this document, the following terms shall have the meaning ascribed to them as indicated below, unless expressly indicated otherwise:

Acceptance Form	the form, which may be electronic, in which the Participant confirms, among other things, receipt of the Offer from Galapagos and the Restricted Stock Units;
Acceptance Period	the period during which a Participant must return the completed Acceptance Form to Galapagos, as indicated in the Offer Notification;
Affiliate	any affiliated company (*"société liée" / "verbonden vennootschap"*) as defined under Article 11 of the Belgian Companies Code and 1:20 of the Code of Companies and Associations (as may be amended from time to time) and any other entity in which Galapagos has a direct or indirect interest and which is designated by the Board of Directors as being an Affiliate for purposes of this Plan;
Board of Directors	the board of directors of Galapagos;
Code of Dealing	the code of dealing of Galapagos, as amended from time to time;
Data Controller	Galapagos;
Data Processor	any third party designated by the Data Controller to process Personal Data on behalf of the Data Controller in accordance with Schedule 1 for the implementation, administration and management of the Plan and the Share register and RSU register in electronic form;

Galapagos	Galapagos NV/SA with its registered office at Generaal De Wittelaan L11, Bus A3 2800 Mechelen, Belgium;
GDPR	Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
Offer	the offer of Restricted Stock Units by Galapagos to the Participant as set out in the Offer Notification;
Offer Date	has the meaning given to it in the Offer Notification;
Offer Notification	the notification, either sent via email or made available through the Online Tool, whereby Galapagos communicates the details of the Offer;
Online Tool	a secured website allowing the Participants to have online access to all information relating to their RSUs;
Participant	a member of the executive committee of Galapagos or an employee, in each case as designated by Galapagos, who received an Offer Notification, or any Successor to whom Restricted Stock Units have been transferred in accordance with these terms and conditions;
Personal Data	each item of information relating to an identified or identifiable Participant defined as personal data pursuant to the GDPR;
Plan	this Restricted Stock Units/Retention Plan;
RSU or Restricted Stock Unit	the right to receive from Galapagos one existing and/or new Share per RSU and/or a payment in cash per RSU, in accordance with these terms and conditions;
Share	an existing or newly issued ordinary share of Galapagos;
Successor	the successor of a Participant as determined under the applicable law of succession and/or the persons designated by a Participant, in accordance with the applicable law of succession, to inherit the rights of the Participant under the Plan after the death of the Participant;
Vesting	a Participant becoming unconditionally entitled to receive one Galapagos Share per Restricted Stock Unit or an equivalent amount in cash, subject to the terms and conditions of this Plan;

Vesting Date	has the meaning given to it in the Offer Notification, it being understood that Vesting Date shall be construed to mean the plural where necessary.

2 Acceptance of the Restricted Stock Units

The Plan forms part of an agreement between the Participant and Galapagos. By accepting the Offer, Participants unconditionally agree to be bound by the contents of this document, the Offer Notification and the Acceptance Form.

A Participant is free to accept or refuse the Offer. The Participant can only accept all the Restricted Stock Units offered in the Offer Notification. Partial acceptance of these terms and conditions shall be deemed to constitute a refusal of the Offer as a whole.

The mode of acceptance of the Offer is set out in the Offer Notification, including the deadline for accepting the Offer. Failure to comply with the mode of acceptance of the Offer shall be deemed to constitute a refusal of the Offer as a whole.

The Restricted Stock Units are offered for no consideration.

3 Nature and characteristics of the Restricted Stock Units

3.1 No shareholder rights

Restricted Stock Units do not confer any shareholder rights. For example, they do not confer any voting or dividend rights or the right to attend shareholders' meetings.

3.2 Transferability

Except for transfers as a result of death (see Clause 7.2), Restricted Stock Units may not be transferred to any third party.

If the Participant is a legal person and if such Participant is going to cease to exist (for example in the event of a dissolution), Galapagos and such Participant will agree in due time on how to deal with such situation.

Restricted Stock Units shall not be encumbered with any security, pledge or other right.

4 Vesting of the Restricted Stock Units

The Restricted Stock Units will vest on the Vesting Date specified in the Offer Notification, subject to the service rules of Clause 7.

If a Participant takes a sabbatical leave of a period exceeding six months, the relevant Vesting Date shall be deferred with a period of one year.

In the event of Vesting and subject to these terms and conditions, Galapagos will, at its own discretion:

(i) deliver one Share per Restricted Stock Unit held by the Participant, as soon as reasonably practicable following the Vesting Date; or

(ii) make a payment in cash to the Participant of an amount equivalent to the volume weighted average price of the Share on Euronext Brussels over the 30-calendar day period preceding the Vesting Date multiplied by the number of Restricted Stock Units, as soon as reasonably practicable following the Vesting Date.

The terms of such delivery and/or payment will be determined by Galapagos in advance of the Vesting Date and will be communicated in due time to each Participant, who will be required to comply with such terms.

5 Nature and characteristics of the underlying Shares

5.1 General

If Galapagos elects to deliver Shares upon Vesting of the Restricted Stock Units, these Shares shall be, at the discretion of Galapagos:

(i) existing ordinary Shares of Galapagos; or

(ii) new Shares to be issued in consideration for the payment by each Participant of a subscription price of 0.01 euro per Share.

Galapagos will, at its discretion, deliver Shares in dematerialised (electronic or book-entry) form or in registered form.

The increase in Galapagos' share capital, if any, corresponding to the issue of new Shares in the framework of the Plan will be recorded by notarial deed. The Participants shall be required to comply with the necessary formalities applicable to the capital increase. These will be communicated in due time in advance of the Vesting.

5.2 Dividends

The Shares delivered upon vesting of the Restricted Stock Units give the right to the dividends paid on such Shares decided by Galapagos after the Vesting Date.

5.3 Transferability

Unless agreed otherwise between the Participant and Galapagos, the Shares delivered upon vesting of the Restricted Stock Units are not subject to any transfer restrictions under the rules of the Plan.

Participants may be offered the choice to conclude a lock-up agreement with Galapagos for a two-year period starting on the Vesting Date, in respect of all or part of the Shares, as this may enable a more beneficial tax and/or social security treatment in some countries. That choice will need to be made before the Vesting Date. Galapagos will contact the Participants in due time before that date to provide them with the necessary information and prepare the lock-up agreement, if the Participants choose to conclude it.

6 Expenses and taxes

6.1 All costs related to the attribution of the Restricted Stock Units and the delivery of the underlying Shares will be borne by Galapagos.

6.2 However, Participants will be solely responsible for any taxes (including but not limited to income taxes, capital gains taxes, stock exchange taxes and taxes on securities accounts) and personal social security charges due in connection with (i) the Offer and Vesting of the Restricted Stock Units and (ii) the delivery and ownership of the underlying Shares, in accordance with applicable tax and social security laws.

The Participants shall also pay a subscription price of 0.01 euro per Share if Galapagos elects to deliver new Shares, in accordance with Clause 5.1.

6.3 Galapagos may either (i) require that the Participants pay, or (ii) withhold from any payment or delivery of Shares at any time any income or social security taxes that are required to be withheld under any applicable law, rule or regulation.

7 Situation upon termination of mandate

7.1 End of employment contract or mandate as self-employed

If a Participant is dismissed, resigns, retires or if his/her employment or management agreement with Galapagos comes to an end and/or is not renewed, all Restricted Stock Units held by the Participant on the date of his/her dismissal, resignation, retirement or the end of employment or management agreement and that have not yet vested will automatically become null and void.

Shares already held by a Participant, as a result of the Vesting of Restricted Stock Units before the date of his/her dismissal, resignation, retirement or the end of employment or management agreement, will not be affected.

7.2 Death or permanent disability

In the event of permanent disability or death, all Restricted Stock Units shall vest in full on the next Vesting Date (or on such earlier date as determined by Galapagos) and the underlying Shares shall be transferred to the Participant, or his/her Successor in the event of death.

The notion of “permanent disability” is to be defined by reference to the law governing the employment relationship and the applicable social security regime, or alternatively, by the pension rules in the relevant jurisdiction or, if applicable, management contract of the Participant.

In the event of a Participant's death, any Successor acquiring the Restricted Stock Units shall inform Galapagos of the Participant's death as soon as possible.

8 Amendment to the capital structure and anti-dilution measures

8.1 Corporate changes

Galapagos expressly reserves the right to proceed with corporate changes that have an impact on its capital, such as capital increases, including by incorporation of reserves in the capital, capital decreases, issuance of convertible bonds, subscription rights or options, stock splits or reverse stock splits, combinations or reclassifications of the Shares, mergers and (partial) demergers, as

well as the right to amend the clauses in the articles of association governing the allocation of profits or liquidation *boni*.

In the event that any such corporate change would have a materially unfavourable impact on the Restricted Stock Units, Galapagos may decide in its sole discretion to adjust the Plan for the purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. The terms of such adjustment will be communicated to the Participants in due time.

8.2 Public takeover bid – Change of control

In any of the following events:

(i) the FSMA publishes a notice stating that a public takeover bid has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on public takeover bids (or any succeeding provision);

(ii) the FSMA publishes a notice stating that a squeeze-out has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on squeeze-outs (or any succeeding provision); or

(iii) the control or the absence of control exercised over Galapagos changes (the notion of control being defined by Articles 1:14 to 1:18 of the Belgian Code of Companies and Associations (or any succeeding provisions),

Galapagos may decide in its sole discretion to adjust the Plan for the purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. Such adjustment may, without limitation and at the discretion of Galapagos, consist in the cancellation of the Restricted Stock Units and the payment of their fair market value to the Participants or in the accelerated Vesting of the Restricted Stock Units.

9 Insider dealing rules

The Participants shall comply at all times with the Code of Dealing, as well as applicable laws prohibiting insider dealing.

10 Electronic register, electronic evidence and electronic delivery

10.1 Electronic Share and register of Restricted Stock Units

The Restricted Stock Units and Shares resulting from the vesting of such Restricted Stock Units will be recorded in a register, which may be in electronic form and the maintenance of which may be delegated by Galapagos to a third party.

10.2 Electronic evidence

Electronic approvals, instructions, orders, statements and communications between a Participant, Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan will have the same legal status as written approvals, instructions, orders, statements and communications. The written recording or the written reproduction of electronic approvals, instructions, orders, statements and communications received by Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated

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Galapagos may unilaterally modify at any time the practical and/or accessory modalities of the Plan. It may also unilaterally modify the Plan when such modifications are required to comply with any change in legislation.

12 Nature of the Plan

Notwithstanding any provisions to the contrary included in the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan:

(i) the Offer of Restricted Stock Units and/or the subsequent delivery of Shares to the Participant in the framework of the Plan is unrelated to his/her pension rights or pension claims, if any, unless specifically provided otherwise in applicable legislation or the terms and conditions of the applicable pension plan;

(ii) the Plan, the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan do not confer upon the Participant any right to continued employment or other contractual relationship for any period of specific duration or interfere with or otherwise restrict in any way the rights of Galapagos or its Affiliates to terminate the Participant's employment or other contractual relationship according to the applicable regulations in respect of termination thereof;

(iii) the Offer of Restricted Stock Units cannot be considered as a right acquired for the future; and

(iv) any rights and entitlements pursuant to this Plan are granted on a discretionary basis. Repeated grants do not entitle any Participant to any future grant. Grants remain in the complete discretion of Galapagos. In particular, Galapagos reserves the right to determine the scope of beneficiaries and the conditions of the Plan in relation to any further grant.

13 Privacy and processing of Personal Data

See Schedule 1.

14 Confidentiality

The existence, subject matter and terms of the Plan (or any agreement entered into pursuant to the Plan) are confidential and the Participants are prohibited from disclosing all or any part of the Plan, or its existence, at any time, unless the disclosure is required by law or by any court of competent jurisdiction.

15 Severability

If any provision in this document is held to be illegal, invalid or unenforceable, in whole or in part, under any applicable law, that provision will be deemed not to form part of this document, and the legality, validity or enforceability of the remainder of this document will not be affected.

16 US Restrictions

The RSUs and the Shares delivered upon Vesting (if any) have not been and will not be registered under the U.S. Securities Act of 1933 (as amended, the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Furthermore, the Shares delivered upon Vesting (if any) are deemed to be restricted securities in accordance with Rule 144 under the Securities Act. As such, the Shares may not be resold on a U.S. market or exchange (including Nasdaq) for a period of six months after Vesting.

17 Applicable law - Jurisdiction

The Restricted Stock Units and these terms and conditions are governed by Belgian law.

Any dispute arising out of or in connection with the Plan, including the Restricted Stock Units, the Offer Notification, the Acceptance Form and the present terms and conditions will be settled by the courts set out in the Offer Notification.

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To enable the proper set-up and management of the Plan and the RSU register, Personal Data about each Participant will need to be collected and used. This Schedule sets out the obligations of Galapagos and the rights of Participants regarding any such collection and use, and provides the legally required information in this respect.

1 Identity of the person responsible for your Personal Data

Galapagos is the so-called "**Data Controller**", which is responsible for the collection and processing of Personal Data as is necessary for the setting-up and management of the Plan and the RSU register of Galapagos in electronic form.

2 Why and how Personal Data is collected and used

The Personal Data will either be collected via the Online Tool or Galapagos' HR IS system. It will be used exclusively for the purposes of the administration of the Plan and the maintenance of the RSU register of Galapagos in electronic form.

The Personal Data collected in the context of the Plan and the RSU Register will be stored for a period of ten years.

The Data Controller and any Data Processor will collect and process the Participants' Personal Data in accordance with the GDPR and this Schedule.

3 Nature of the Personal Data

The following Personal Data relating to the Participants will be collected and used:

(i) their contact details (e.g. names*, private/professional* (e-mail) addresses/phone numbers);

(ii) electronic identification data;

(iii) personal characteristics (i.e. date of birth*);

(iv) financial data (e.g. details regarding bank account); and

(v) details of all information relating to Restricted Stock Units awarded, cancelled, vested, unvested or outstanding.

4 Other persons having access to the Personal Data and purpose thereof

The Data Controller can transfer the Personal Data to the following categories of recipients:

(i) the provider of the Online Tool acting as Data Processor;

(ii) payroll operators acting as Data Processors;

(iii) regulatory authorities for the purposes of complying with legal obligations in connection with the Plan; and

(iv) any member of the Galapagos group for the administration and management of the Plan.

Such recipients may be located in jurisdictions outside the European Economic Area ("**EEA**") that may not provide an adequate level of personal data protection. The Data Controller relies upon standard contractual clauses with the relevant data importer to transfer the data to such jurisdictions, a copy hereof can be obtained through dpo@glpg.com.

5 Legal basis allowing Galapagos to collect and use Personal Data

The processing of Personal Data of the Participants by the Data Controller in the context of this Plan is necessary for the performance of the contractual arrangements between the Participants and the Data Controller referred to in the introduction of this Plan (i.e. providing certain members of the executive committee and certain employees of Galapagos the opportunity to receive Restricted Stock Units as an incentive). Failure by the Participant to provide the necessary Personal Data will result in the impossibility for Galapagos to perform part of its contractual arrangements towards the Participants.

The Data Controller can also process Personal Data of the Participants to comply with its legal obligations towards the regulatory authorities.

6 Rights of the Participants

The Participant can exercise his/her right to request access to and rectification or, in certain circumstances, erasure of his/her Personal Data or restriction of processing concerning the Participant or to object to processing as well as the right to data portability by sending a written request to dpo@glpg.com.

If Participants are not satisfied with how Galapagos processes their Personal Data, they may contact Galapagos through dpo@glpg.com. They also have the right to make a complaint to the Belgian Data Protection Authority.

Exhibit 4.29

Galápagos

Restricted Stock Units/Transaction Bonus Plan 2019 – Participants' Guide

This Plan is intended to provide certain members of the executive committee of Galapagos the opportunity to receive Restricted Stock Units as an incentive. Its purpose is to retain and encourage Participants to contribute to the performance of Galapagos and its Affiliates by aligning their financial interests with those of the shareholders.

1 Definitions

When used in this document, the following terms shall have the meaning ascribed to them as indicated below, unless expressly indicated otherwise:

Acceptance Form	the form, which may be electronic, in which the Participant confirms, among other things, receipt of the Offer from Galapagos and the Restricted Stock Units;
Acceptance Period	the period during which a Participant must return the completed Acceptance Form to Galapagos, as indicated in the Offer Notification;
Affiliate	any affiliated company (*"société liée" / "verbonden vennootschap"*) as defined under Article 11 of the Belgian Companies Code and 1:20 of the Code of Companies and Associations (as may be amended from time to time) and any other entity in which Galapagos has a direct or indirect interest and which is designated by the Board of Directors as being an Affiliate for purposes of this Plan;
Board of Directors	the board of directors of Galapagos;
Code of Dealing	the code of dealing of Galapagos, as amended from time to time;
Data Controller	Galapagos;
Data Processor	any third party designated by the Data Controller to process Personal Data on behalf of the Data Controller in accordance with Schedule 1 for the implementation, administration and management of the Plan and the Share register and RSU register in electronic form;

Galapagos	Galapagos NV/SA with its registered office at Generaal De Wittelaan L11, Bus A3 2800 Mechelen, Belgium;
GDPR	Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
Offer	the offer of Restricted Stock Units by Galapagos to the Participant as set out in the Offer Notification;
Offer Date	has the meaning given to it in the Offer Notification;
Offer Notification	the notification, either sent via email or made available through the Online Tool, whereby Galapagos communicates the details of the Offer;
Online Tool	a secured website allowing the Participants to have online access to all information relating to their RSUs;
Participant	a member of the executive committee of Galapagos, in each case as designated by Galapagos, who received an Offer Notification, or any Successor to whom Restricted Stock Units have been transferred in accordance with these terms and conditions;
Personal Data	each item of information relating to an identified or identifiable Participant defined as personal data pursuant to the GDPR;
Plan	this Restricted Stock Units/Transaction Bonus Plan 2019;
RSU or Restricted Stock Unit	the right to receive from Galapagos one existing and/or new Share per RSU and/or a payment in cash per RSU, in accordance with these terms and conditions;
Share	an existing or newly issued ordinary share of Galapagos;
Successor	the successor of a Participant as determined under the applicable law of succession and/or the persons designated by a Participant, in accordance with the applicable law of succession, to inherit the rights of the Participant under the Plan after the death of the Participant;
Vesting	a Participant becoming unconditionally entitled to receive one Galapagos Share per Restricted Stock Unit or an equivalent amount in cash, subject to the terms and conditions of this Plan;

Vesting Date	has the meaning given to it in the Offer Notification, it being understood that Vesting Date shall be construed to mean the plural where necessary.

2 Acceptance of the Restricted Stock Units

The Plan forms part of an agreement between the Participant and Galapagos. By accepting the Offer, Participants unconditionally agree to be bound by the contents of this document, the Offer Notification and the Acceptance Form.

A Participant is free to accept or refuse the Offer. The Participant can only accept all the Restricted Stock Units offered in the Offer Notification. Partial acceptance of these terms and conditions shall be deemed to constitute a refusal of the Offer as a whole.

The mode of acceptance of the Offer is set out in the Offer Notification, including the deadline for accepting the Offer. Failure to comply with the mode of acceptance of the Offer shall be deemed to constitute a refusal of the Offer as a whole.

The Restricted Stock Units are offered for no consideration.

3 Nature and characteristics of the Restricted Stock Units

3.1 No shareholder rights

Restricted Stock Units do not confer any shareholder rights. For example, they do not confer any voting or dividend rights or the right to attend shareholders' meetings.

3.2 Transferability

Except for transfers as a result of death (see Clause 7.2), Restricted Stock Units may not be transferred to any third party.

If the Participant is a legal person and if such Participant is going to cease to exist (for example in the event of a dissolution), Galapagos and such Participant will agree in due time on how to deal with such situation.

Restricted Stock Units shall not be encumbered with any security, pledge or other right.

4 Vesting of the Restricted Stock Units

The Restricted Stock Units will vest on the Vesting Date specified in the Offer Notification, subject to the service rules of Clause 7.

If a Participant takes a sabbatical leave of a period exceeding six months, the relevant Vesting Date shall be deferred with a period of one year.

In the event of Vesting and subject to these terms and conditions, Galapagos will, at its own discretion:

(i) deliver one Share per Restricted Stock Unit held by the Participant, as soon as reasonably practicable following the Vesting Date; or

(ii) make a payment in cash to the Participant of an amount equivalent to the volume weighted average price of the Share on Euronext Brussels over the 30-calendar day period preceding the Vesting Date multiplied by the number of Restricted Stock Units, as soon as reasonably practicable following the Vesting Date.

The terms of such delivery and/or payment will be determined by Galapagos in advance of the Vesting Date and will be communicated in due time to each Participant, who will be required to comply with such terms.

5 Nature and characteristics of the underlying Shares

5.1 General

If Galapagos elects to deliver Shares upon Vesting of the Restricted Stock Units, these Shares shall be, at the discretion of Galapagos:

(i) existing ordinary Shares of Galapagos; or

(ii) new Shares to be issued in consideration for the payment by each Participant of a subscription price of 0.01 euro per Share.

Galapagos will, at its discretion, deliver Shares in dematerialised (electronic or book-entry) form or in registered form.

The increase in Galapagos' share capital, if any, corresponding to the issue of new Shares in the framework of the Plan will be recorded by notarial deed. The Participants shall be required to comply with the necessary formalities applicable to the capital increase. These will be communicated in due time in advance of the Vesting.

5.2 Dividends

The Shares delivered upon vesting of the Restricted Stock Units give the right to the dividends paid on such Shares decided by Galapagos after the Vesting Date.

5.3 Transferability

Unless agreed otherwise between the Participant and Galapagos, the Shares delivered upon vesting of the Restricted Stock Units are not subject to any transfer restrictions under the rules of the Plan.

Participants may be offered the choice to conclude a lock-up agreement with Galapagos for a two-year period starting on the Vesting Date, in respect of all or part of the Shares, as this may enable a more beneficial tax and/or social security treatment in some countries. That choice will need to be made before the Vesting Date. Galapagos will contact the Participants in due time before that date to provide them with the necessary information and prepare the lock-up agreement, if the Participants choose to conclude it.

6 Expenses and taxes

6.1 All costs related to the attribution of the Restricted Stock Units and the delivery of the underlying Shares will be borne by Galapagos.

6.2 However, Participants will be solely responsible for any taxes (including but not limited to income taxes, capital gains taxes, stock exchange taxes and taxes on securities accounts) and personal social security charges due in connection with (i) the Offer and Vesting of the Restricted Stock Units and (ii) the delivery and ownership of the underlying Shares, in accordance with applicable tax and social security laws.

The Participants shall also pay a subscription price of 0.01 euro per Share if Galapagos elects to deliver new Shares, in accordance with Clause 5.1.

6.3 Galapagos may either (i) require that the Participants pay, or (ii) withhold from any payment or delivery of Shares at any time any income or social security taxes that are required to be withheld under any applicable law, rule or regulation.

7 Situation upon termination of mandate

7.1 End of employment contract or mandate as self-employed

If a Participant is dismissed, resigns, retires or if his/her employment or management agreement with Galapagos comes to an end and/or is not renewed, all Restricted Stock Units held by the Participant on the date of his/her dismissal, resignation, retirement or the end of employment or management agreement and that have not yet vested will automatically become null and void.

Shares already held by a Participant, as a result of the Vesting of Restricted Stock Units before the date of his/her dismissal, resignation, retirement or the end of employment or management agreement, will not be affected.

7.2 Death or permanent disability

In the event of permanent disability or death, all Restricted Stock Units shall vest in full on the next Vesting Date (or on such earlier date as determined by Galapagos) and the underlying Shares shall be transferred to the Participant, or his/her Successor in the event of death.

The notion of “permanent disability” is to be defined by reference to the law governing the employment relationship and the applicable social security regime, or alternatively, by the pension rules in the relevant jurisdiction or, if applicable, management contract of the Participant.

In the event of a Participant's death, any Successor acquiring the Restricted Stock Units shall inform Galapagos of the Participant's death as soon as possible.

8 Amendment to the capital structure and anti-dilution measures

8.1 Corporate changes

Galapagos expressly reserves the right to proceed with corporate changes that have an impact on its capital, such as capital increases, including by incorporation of reserves in the capital, capital decreases, issuance of convertible bonds, subscription rights or options, stock splits or reverse stock splits, combinations or reclassifications of the Shares, mergers and (partial) demergers, as

well as the right to amend the clauses in the articles of association governing the allocation of profits or liquidation *boni*.

In the event that any such corporate change would have a materially unfavourable impact on the Restricted Stock Units, Galapagos may decide in its sole discretion to adjust the Plan for the purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. The terms of such adjustment will be communicated to the Participants in due time.

8.2 Public takeover bid – Change of control

In any of the following events:

(i) the FSMA publishes a notice stating that a public takeover bid has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on public takeover bids (or any succeeding provision);

(ii) the FSMA publishes a notice stating that a squeeze-out has been launched on Galapagos, as referred to under Article 7 of the Belgian Royal Decree of 27 April 2007 on squeeze-outs (or any succeeding provision); or

(iii) the control or the absence of control exercised over Galapagos changes (the notion of control being defined by Articles 1:14 to 1:18 of the Belgian Code of Companies and Associations (or any succeeding provisions),

Galapagos may decide in its sole discretion to adjust the Plan for the purpose of safeguarding the interests of the holders of Restricted Stock Units, subject to any required action by the Shareholders' Meeting of Galapagos. Such adjustment may, without limitation and at the discretion of Galapagos, consist in the cancellation of the Restricted Stock Units and the payment of their fair market value to the Participants or in the accelerated Vesting of the Restricted Stock Units.

9 Insider dealing rules

The Participants shall comply at all times with the Code of Dealing, as well as applicable laws prohibiting insider dealing.

10 Electronic register, electronic evidence and electronic delivery

10.1 Electronic Share and register of Restricted Stock Units

The Restricted Stock Units and Shares resulting from the vesting of such Restricted Stock Units will be recorded in a register, which may be in electronic form and the maintenance of which may be delegated by Galapagos to a third party.

10.2 Electronic evidence

Electronic approvals, instructions, orders, statements and communications between a Participant, Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan will have the same legal status as written approvals, instructions, orders, statements and communications. The written recording or the written reproduction of electronic approvals, instructions, orders, statements and communications received by Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated

by Galapagos for the administration of the Plan, will constitute conclusive evidence between the Participant, Galapagos, Galapagos affiliates and any third party to which powers have been sub-delegated by Galapagos for the administration of the Plan, unless evidence to the contrary is provided by the Participant.

10.3 Electronic delivery

All subsequent information relating to the Restricted Stock Units will be communicated by electronic means, including e-mails to the Participants and postings on Galapagos' website or intranet. Such information may include, amongst others, financial information concerning Galapagos. In order to access such information, Participants will be required to access Galapagos e-mail system, website and/or intranet, unless otherwise specified by Galapagos. By returning the Acceptance Form, Participants are deemed to acknowledge that they have such access to the e-mail system of Galapagos, as well as to Galapagos' website and intranet and ordinarily use them in the ordinary course of their mandate. Participants may obtain paper copies of any such information by submitting a request to receive paper copies to incentives@glpg.com.

11 Modification of the Plan

Galapagos may unilaterally modify at any time the practical and/or accessory modalities of the Plan. It may also unilaterally modify the Plan when such modifications are required to comply with any change in legislation.

12 Nature of the Plan

Notwithstanding any provisions to the contrary included in the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan:

(i) the Offer of Restricted Stock Units and/or the subsequent delivery of Shares to the Participant in the framework of the Plan is unrelated to his/her pension rights or pension claims, if any, unless specifically provided otherwise in applicable legislation or the terms and conditions of the applicable pension plan;

(ii) the Plan, the terms and conditions, the Offer Notification, the Acceptance Form or any other document relating to the Plan do not confer upon the Participant any right to continued employment or other contractual relationship for any period of specific duration or interfere with or otherwise restrict in any way the rights of Galapagos or its Affiliates to terminate the Participant's employment or other contractual relationship according to the applicable regulations in respect of termination thereof;

(iii) the Offer of Restricted Stock Units cannot be considered as a right acquired for the future; and

(iv) any rights and entitlements pursuant to this Plan are granted on a discretionary basis. Repeated grants do not entitle any Participant to any future grant. Grants remain in the complete discretion of Galapagos. In particular, Galapagos reserves the right to determine the scope of beneficiaries and the conditions of the Plan in relation to any further grant.

13 Privacy and processing of Personal Data

See Schedule 1.

14 Confidentiality

The existence, subject matter and terms of the Plan (or any agreement entered into pursuant to the Plan) are confidential and the Participants are prohibited from disclosing all or any part of the Plan, or its existence, at any time, unless the disclosure is required by law or by any court of competent jurisdiction.

15 Severability

If any provision in this document is held to be illegal, invalid or unenforceable, in whole or in part, under any applicable law, that provision will be deemed not to form part of this document, and the legality, validity or enforceability of the remainder of this document will not be affected.

16 US Restrictions

The RSUs and the Shares delivered upon Vesting (if any) have not been and will not be registered under the U.S. Securities Act of 1933 (as amended, the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Furthermore, the Shares delivered upon Vesting (if any) are deemed to be restricted securities in accordance with Rule 144 under the Securities Act. As such, the Shares may not be resold on a U.S. market or exchange (including Nasdaq) for a period of six months after Vesting.

17 Applicable law - Jurisdiction

The Restricted Stock Units and these terms and conditions are governed by Belgian law.

Any dispute arising out of or in connection with the Plan, including the Restricted Stock Units, the Offer Notification, the Acceptance Form and the present terms and conditions will be settled by the courts set out in the Offer Notification.

Schedule 1 – Privacy and processing of Personal Data

To enable the proper set-up and management of the Plan and the RSU register, Personal Data about each Participant will need to be collected and used. This Schedule sets out the obligations of Galapagos and the rights of Participants regarding any such collection and use, and provides the legally required information in this respect.

1 Identity of the person responsible for your Personal Data

Galapagos is the so-called "**Data Controller**", which is responsible for the collection and processing of Personal Data as is necessary for the setting-up and management of the Plan and the RSU register of Galapagos in electronic form.

2 Why and how Personal Data is collected and used

The Personal Data will either be collected via the Online Tool or Galapagos' HR IS system. It will be used exclusively for the purposes of the administration of the Plan and the maintenance of the RSU register of Galapagos in electronic form.

The Personal Data collected in the context of the Plan and the RSU Register will be stored for a period of ten years.

The Data Controller and any Data Processor will collect and process the Participants' Personal Data in accordance with the GDPR and this Schedule.

3 Nature of the Personal Data

The following Personal Data relating to the Participants will be collected and used:

(i) their contact details (e.g. names*, private/professional* (e-mail) addresses/phone numbers);

(ii) electronic identification data;

(iii) personal characteristics (i.e. date of birth*);

(iv) financial data (e.g. details regarding bank account); and

(v) details of all information relating to Restricted Stock Units awarded, cancelled, vested, unvested or outstanding.

4 Other persons having access to the Personal Data and purpose thereof

The Data Conitroller can transfer the Personal Data to the following categories of recipients:

(i) the provider of the Online Tool acting as Data Processor;

(ii) payroll operators acting as Data Processors;

(iii) regulatory authorities for the purposes of complying with legal obligations in connection with the Plan; and

(iv) any member of the Galapagos group for the administration and management of the Plan.

Such recipients may be located in jurisdictions outside the European Economic Area ("**EEA**") that may not provide an adequate level of personal data protection. The Data Controllerrelies upon standard contractual clauses with the relevant data importer to transfer the data to such jurisdictions, a copy hereof can be obtained through dpo@glpg.com.

5 Legal basis allowing Galapagos to collect and use Personal Data

The processing of Personal Data of the Participants by the Data Controller in the context of this Plan is necessary for the performance of the contractual arrangements between the Participants and the Data Controller referred to in the introduction of this Plan (i.e. providing certain members of the executive committee and certain employees of Galapagos the opportunity to receive Restricted Stock Units as an incentive). Failure by the Participant to provide the necessary Personal Data will result in the impossibility for Galapagos to perform part of its contractual arrangements towards the Participants.

The Data Controller can also process Personal Data of the Participants to comply with its legal obligations towards the regulatory authorities.

6 Rights of the Participants

The Participant can exercise his/her right to request access to and rectification or, in certain circumstances, erasure of his/her Personal Data or restriction of processing concerning the Participant or to object to processing as well as the right to data portability by sending a written request to dpo@glpg.com.

If Participants are not satisfied with how Galapagos processes their Personal Data, they may contact Galapagos through dpo@glpg.com. They also have the right to make a complaint to the Belgian Data Protection Authority.

ADDENDUM 18 TO THE LEASE AGREEMENT dated 06/30/1999 and 02/21/2001 AND ADDENDA

Expansion of Intercity Business Park Offices and Parking Spaces, General de Wittelaan 11A – 1st floor

Extension of underground and above-ground parking spaces on the Mechelen Campus site, located in Mechelen, Schaliënhoevedreef 20

BETWEEN

Intervest Offices & Warehouses NV, public regulated real estate company under Belgian law, with registered office at Uitbreidingstraat 66, 2600 Berchem, with company number 0458.623.918 (Register of Legal Entities Antwerp, Antwerp Department), herewith validly represented by two members of the executive committee, being Jean-Paul Sols, CEO and member of the executive committee and Inge Tas, CFO and member of the executive committee.

Hereinafter referred to as the "**Landlord**",

AND

Galapagos NV, with registered office in 2800 Mechelen, General de Wittelaan L11 A3, registered in the Register of Legal Entities (Antwerp, Mechelen department) under number 0466.460.429, represented here by Xavier Maes, General Counsel.

Hereinafter referred to as the "**Tenant**",

The Lessor and the Tenant will hereinafter jointly also be referred to as "Parties", or each separately as "Party".

Will first be outlined as follows:

A. By private lease of 6/30/1999, followed by the notarial lease of (hereinafter referred to as the "**Basic Lease Agreement**"), and Addenda 1 and 2, the Tenant leased from the then owner, Innotech NV, Mechelen, 1,542m² office space, plus 40 parking spaces, located in the Intercity Business Park in Mechelen-Noord, General de Wittelaan L11 A3, lot 1, on the first floor, for a fixed term of 15 years, starting on 6/1/2000, ending on 5/31/2015.

B. Innotech NV merged with Perifund CVA on 6/29/2001, at which time the name was also changed to Intervest Offices NV.

C. In Agreement "Addendum 3" of 2/13/2004, the Tenant additionally leased 322 m² of office space in the same building plus 7 parking spaces, commencing on 12/1/2003, to end on 5/31/2015.

D. In Addendum 4 of 8/1/2005, the Landlord temporarily made available to the Tenant ± 20 m² of floor space located in a larger warehouse on General De Wittelaan 9 in Mechelen.

E. In Addendum 5 of 3/23/2006, the provision under Addendum 4 was prematurely terminated and the Tenant additionally leased a warehouse of ± 100 m² in the same building on General De Wittelaan L11 A3 in Mechelen, commencing on 3/1/2006, to end on 5/31/2015.

F. In Addendum 6 of 2/6/2007, the Tenant additionally leased warehouse space of ± 213 m² in the same building, commencing on 2/1/2007, to end on 5/31/2015.

G. In Addendum 7 of 1/31/2008, the Tenant additionally leased office space and sanitary facilities of ± 513 m², reception space of ± 116 m² and storage space of ± 27 m² in the same building, along with 24 parking

spaces, commencing on 1/1/2008, to end on 5/31/2015.

H. In Addendum 8 of 7/14/2009, the Tenant additionally leased office space with private kitchen of ± 716 m² in the same building, commencing on 7/1/2009, to end on 5/31/2015.

I. In Addendum 9 of 9/30/2011, the aforementioned Lease Agreements of 6/30/99 and 2/21/2001 and all the Addenda were extended by 9 years, starting from 6/1/2015 to 5/31/2024, with an additional 458 m² of office space leased on the ground floor, and the premature termination of the lease for 716 m² of office space plus kitchen.

J. In Addendum 10 of 9/30/2011, the Tenant leased the following additional spaces in the adjacent building located in Mechelen, General De Wittelaan 21: 753 m² lab space on the 2nd floor, plus ± 83 m² of the common entrance and corridors on the ground floor, plus 2 technical storage rooms of ± 60 m², and +/- 760 m² lab space on the 1st floor, and 10 parking spaces.

K. In Addendum 11 of 5/15/2012, the lease of 30 m² storage space was terminated.

L. In Addendum 12 of 8/8/2013, the Tenant additionally leased in the building located in Mechelen, General De Wittelaan 11A: 398 m² office space, 156 m² storage space and 20 outdoor parking spaces, with effect from 9/1/2013.

M. In Addendum 13 of 428//2016, the Tenant additionally leased in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² office space on the 10th floor, and 433 m² on the 9th floor, as well as 30 indoor and 10 outdoor parking spaces, with effect from 6/1/2016.

N. In Addendum 14 of 12/12/2016, the Tenant additional leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 433 m² on the 9th floor, as well as 16 indoor and 5 outdoor parking spaces, with effect from 1/1/2017.

O. In Addendum 15 of 07/03/2017, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² on the 8th floor, as well as 30 indoor and 10 outdoor parking spaces with phased entrance as of 01/07/2017.

P. In Addendum 16 of 6/06/2018, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² on the 7th floor, as well as 12 indoor parking spaces, with effect from 07/01/2018.

Q. In Addendum 17 of 06/20/2018 the Tenant has additionally leased the following

a. in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² offices (GLA) on the 6th floor consisting of a first part of approximately 433 m² on the east side of the building and a second part of approximately 433 m² on the west side of the building.

b. In the building Intercity Business Park lot 1, located at 2800 Mechelen, General de Wittelaan 11A: 845 m² offices (GLA) on the 1st floor; 21 outside parking spaces nos. 416-426 and nos. 448-457.

Furthermore, the Parties agreed in Addendum 17 to bring the end date of the leased property in the building located in Mechelen, Schaliënhoevedreef 20T forward to 12/31/2021 and to abolish the termination option for these leased properties by 5/31/2020, as well as the related penalty clauses.

R. By means of this Addendum to the Basic Lease Agreement (hereinafter referred to as "Addendum n° 18") the Parties agree to make a number of amendments to the Basic Lease Agreement, and this to the terms and conditions as included in this Addendum n° 18.

IT IS NOW EXPRESSLY AGREED AS FOLLOWS:

Article 1: Restriction of the Scope of This Addendum n° 18

This Addendum n° 18 is an addendum to the Basic Lease Agreement as amended by all previous addenda. The provisions of the Basic Lease Agreement (as amended by all previous addenda) from which this Addendum n° 18 does

not explicitly deviate remain fully applicable.

The defined terms and definitions of the Basic Lease Agreement used in the present Addendum n° 18 shall therefore have the same meaning as in the Basic Lease Agreement, unless this Addendum n° 18 expressly provides otherwise.

Article 2 – The Leased Property

2.1. Parties agree to extend the leased spaces under the Basic Lease Agreement (as amended by Addenda 1 to 17) with effect from 08/01/2019:

1) at the office site "Intercity Business Park" located at the Gen. De Wittelaan 11A in 2800 Mechelen:

(i) 1,056 m² gross leasable area ("GLA") office space, Unit "1/L" on the first floor, incl. a share of common areas, as indicated on the plan in Appendix 1

(ii) 23 outdoor parking spaces nos. 359A + 359 + 427 until 447 as indicated on the plan in Appendix 2

Hereinafter referred to as the "**Leased Property 1**".

2) in the Mechelen Campus Tower building, located at Schaliënhoevedreef 20T in 2800 Mechelen:

(i) 10 underground parking spaces nos. 415-424, as indicated on the plan in Appendix 3;

(ii) 30 above-ground parking spaces nos. 086-091, 91A, 91B, 91C, 092-112 on a temporary basis, as indicated on the plan in Appendix 4

Hereinafter referred to as "**Leased Property 2**".

The Leased Property 1 and the Leased Property 2 are hereinafter collectively referred to as the "**Leased Property**".

2.2. The Leased Property will be leased in the ‘as is’ condition that is known to the Tenant, on the understanding, however, that the Landlord undertakes to carry out the adjustments described in Article 7.1 of this Addendum 18.

Article 3 – Duration

This Addendum n° 18 will enter into force on 08/01/2019 and end on 12/31/2021.

The Tenant will be entitled to terminate the rental of Leased Property 1 subject to this Addendum 18 on 06/30/2021, provided that notice by registered letter is given at least six months in advance. As of 06/30/2021, the rental of the Leased Property 1 from this Addendum 18 may be terminated monthly, subject to at least one month's advance notice by registered letter.

The continued use of the Leased Property after the expiry of the contractual period described above shall under no circumstances be regarded as a sign of acceptance of tacit renewal on the part of the Landlord.

The aforementioned temporary parking spaces, described in Art. 2 as Leased Property 2, may be cancelled at any time by the Parties subject to two months' advance notice.

Article 4 – Additional Rent

The additional annual rent for the "Leased Property 1" and the "Leased Property 2" is fixed at:

1) 95 Euro/m²/year for the offices (both private and common areas) or 100,320 Euro/per year;

2) 450 Euro/year/outdoor parking space or 23,850 Euro/year for 53 outdoor parking spaces, being 23 in Leased Property 1 and 30 in Leased Property 2, as described in Article 2;

3) 875 Euro/year/indoor parking space, or 8,750 Euro/year for 10 underground indoor parking spaces in Leased Property 2, as described in Article 2;

Either 132,920 Euro/year or 33,230 Euro/quarter.

This additional rent, together with the rent payable under the Basic Lease Agreement (as amended by Addendum 1 to 17), will be paid on a quarterly basis.

Article 5 – Indexation of the Rent

The annual indexation of this rent, mentioned in Article 4 of this Addendum 18, will take place on August 1, of each year (and for the first time on August 1, 2020), with base index July 2019.

Article 6 – Deposit

The Tenant shall, within one month after the signing of this Addendum 18, increase the amount of the existing bank guarantee by an amount equal to 6 months lease or €66,460.

Article 7 – Special Provisions

7.1. Work to be carried out

The Leased Property 1 will be leased in the condition in which it is at present, without the Landlord having to make any adjustments. However, the Landlord shall ensure that only the following work shall be carried out at its expense on the shortest reasonable timescale:

- Ø Remove existing décor
- Ø Fit new carpet (T4 anti-static tile carpet)
- Ø Paint fixed walls
- Ø Installation of new ceiling (60x60 mineral fiber tile ceiling)
- Ø Adapt technology (based on the principle of open space)
- Ø General clean up

This and any other work will be described in detail in a turn-key agreement to be concluded separately by the Landlord and the Tenant.

Article 8 - Condition of the Leased Property at the Time of Transfer

The "Leased Property 1" will be rented as from 08/01/2019 in the condition ‘as is’ and known to the Tenant, who declares to have inspected the Leased Property and examined all its details.

A building survey of part of the additional "Leased Property 1", i.e. unit "1/L", to which Parties will definitively be bound, will be drawn up no later than after the Landlord has carried out its part of the works described in Art. 7.1 of this Addendum 18. This building survey will be drawn up at the first request of one of the Parties by Mr. Collin, surveyor and sworn assessor of real estate, who is hereby appointed by mutual agreement by the Parties. Half of the expert's fees shall be borne by each of the Parties. This building survey forms an integral part of the Basic Lease Agreement as amended by this Addendum 18.

Article 9 – Registration

The Landlord will have this Addendum registered, where the registration fees are at the Tenant's expense.

The registration duties amount to 0.20% and are calculated on the combined amount of the lease price and the joint charges for the entire duration of this Agreement. For tax purposes, these joint charges will be imposed based on this Addendum and are estimated at 10% of the additional lease.

Article 10 – Data Protection

If and to the extent that Intervest processes personal data of the Tenant (including Tenant's appointees), Intervest will do so in accordance with the applicable data protection legislation and Intervest's privacy statement. Intervest's privacy statement is annexed to this agreement. The most recent version of Intervest's privacy statement is always available at https://www.intervest.be/nl/privacyverklaring-huurders. The Tenant undertakes to check regularly on this web page whether Intervest's privacy statement has been changed. The Tenant undertakes to communicate Intervest's privacy statement to its appointees

****

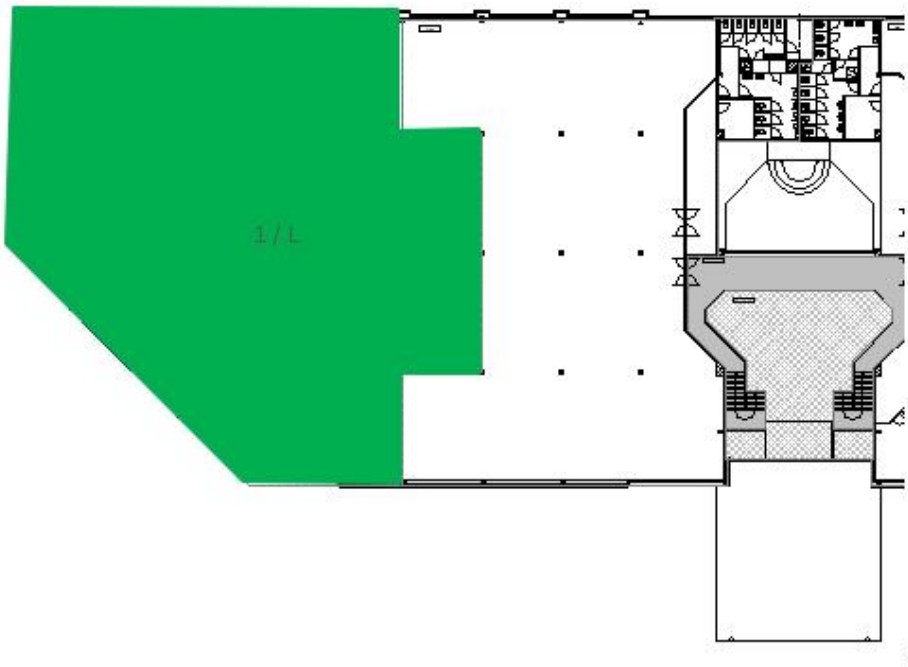
Thus, drawn up in triplicate on July 1, 2019, whereby each party acknowledges having received its copy, with one copy intended for the registration.

/s/	/s/
Intervest Offices & Warehouses NV	Galapagos NV
The Landlord	The Tenant

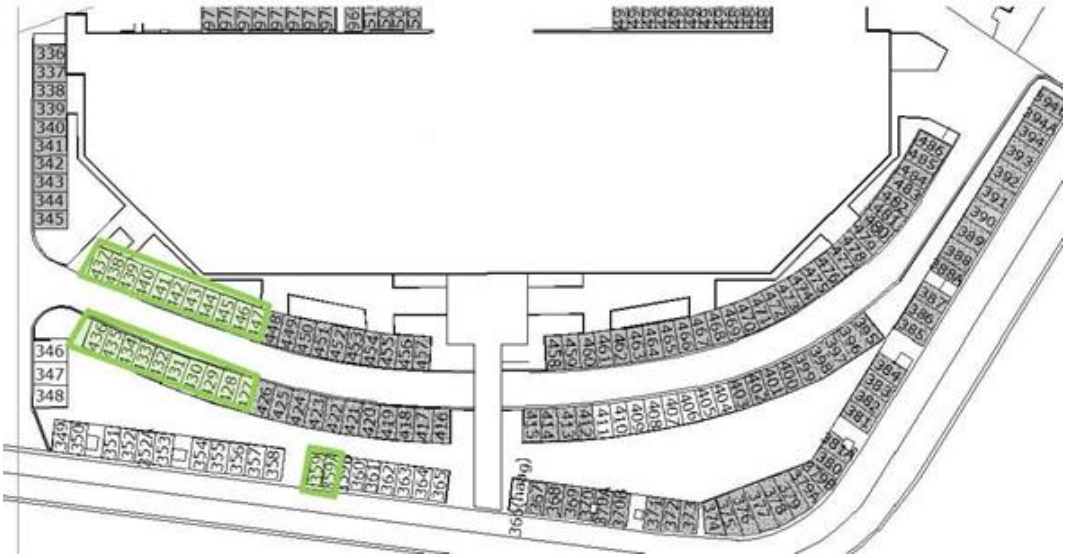
Appendixes:

1. **Office** Plan of “Leased Property 1”
2. **Parking** Plan of “Leased Property 1”
3. **Parking** Plan of Underground Parking Spaces of “Leased Property 2”
4. **Parking** Plan Temporary Above-Ground Parking Spaces of “Leased Property 2”.

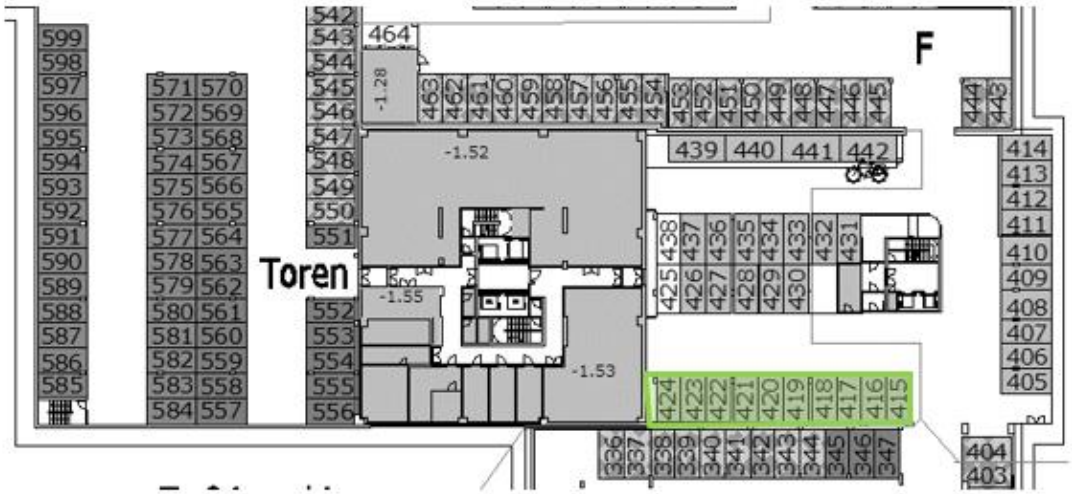
Appendix 1: Plan of the Leased Property



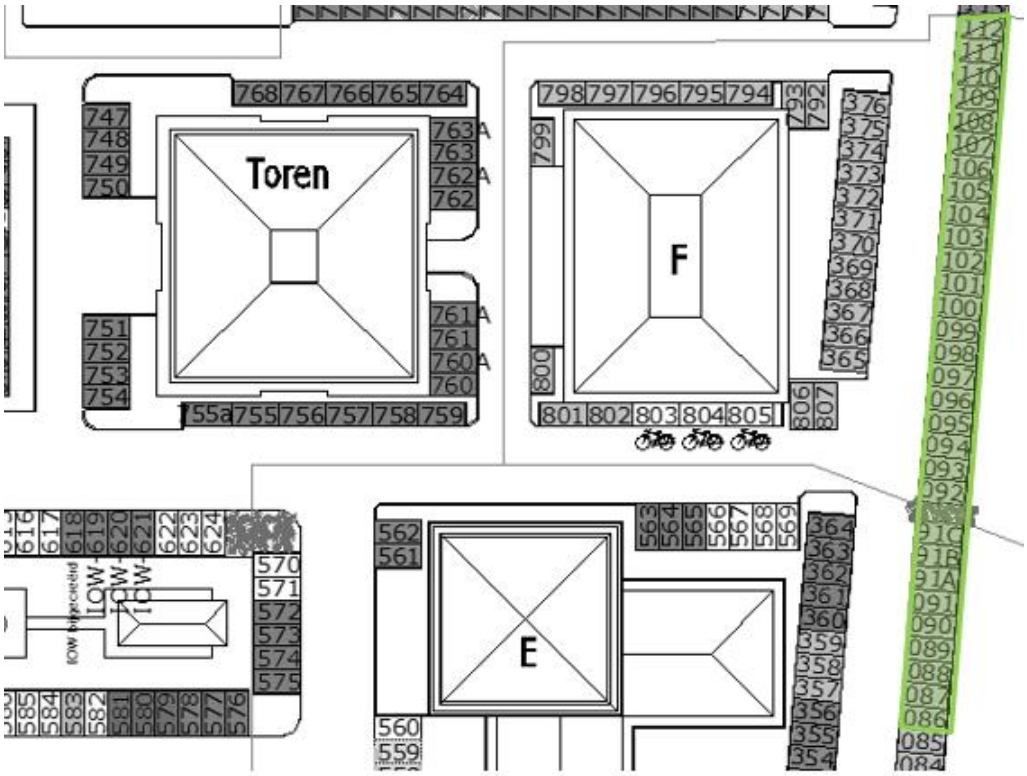
Appendix 2: Plan of the Parking Spaces of "Leased Property 1".



Appendix 3: Parking Plan of the Underground Parking Spaces of "Leased Property 2"



Appendix 4: **Parking** Plan of the Above-Ground Temporary Parking Spaces of "Leased Property 2"



ADDENDUM 19
TO THE LEASE AGREEMENT
dated 06/30/1999 and 02/21/2001 AND ADDENDA

Extension of Offices and Parking Spaces Mechelen Campus Building F

BETWEEN

Intervest Offices & Warehouses NV, public regulated real estate company under Belgian law, with registered office at Uitbreidingstraat 66, 2600 Berchem, with company number 0458.623.918 (Register of Legal Entities Antwerp, Antwerp Department), herewith validly represented by two members of the executive committee, being Jean-Paul Sols, CEO and member of the executive committee and Inge Tas, CFO and member of the executive committee.

Hereinafter referred to as the "**Landlord**",

AND

Galapagos NV, with registered office in 2800 Mechelen, General de Wittelaan L11 A3, registered in the Register of Legal Entities (Antwerp, Mechelen department) under number 0466.460.429, represented here by Mr. Xavier Maes, General Counsel.

Hereinafter referred to as the "**Tenant**",

The Landlord and the Tenant will hereinafter jointly also be referred to as "Parties", or each separately as "Party".

Will first be outlined as follows:

A. By private lease of 6/30/1999, followed by the notarial lease of 02/21/2021 (hereinafter referred to as the "**Basic Lease Agreement**") ,and Addenda 1 and 2, the Tenant took a lease from the then owner, Innotech NV in Mechelen, 1,542m² office space, plus 40 parking spaces, located in the Intercity Business Park in Mechelen-Noord, General de Wittelaan L11 A3, lot 1, on the first floor, for a fixed term of 15 years, starting on 06/1/2000, ending on 05/31/2015.

B. Innotech NV merged with Perifund CVA on 6/29/2001, at which time the name was also changed to Intervest Offices NV.

C. In Agreement "Addendum 3" of 02/13/2004, the Tenant additionally leased 322 m² of office space in the same building plus 7 parking spaces, commencing on 12/01/2003, to end on 05/31/2015.

D. In Addendum 4 of 08/01/2005, the Landlord temporarily made available to the Tenant ± 20 m² of floor space located in a larger warehouse on General De Wittelaan 9 in Mechelen.

E. In Addendum 5 of 03/23/2006, the provision under Addendum 4 was prematurely terminated and the Tenant additionally leased a warehouse of ± 100 m² in the same building on General De Wittelaan L11 A3 in Mechelen, commencing on 3/1/2006, to end on 05/31/2015.

F. In Addendum 6 of 02/06/2007, the Tenant additionally leased warehouse space of ± 213 m² in the same building, commencing on 02/1/2007, to end on 05/31/2015.

G. In Addendum 7 of 01/31/2008, the Tenant additionally leased office space and sanitary facilities of ± 513 m², reception space of ± 116 m² and storage space of ± 27 m² in the same building, along with 24 parking spaces, commencing on 01/01/2008, to end on 05/31/2015.

H. In Addendum 8 of 07/14/2009, the Tenant additionally leased office space with private kitchen of ± 716 m² in the same building, commencing on 07/01/2009, to end on 05/31/2015.

I. In Addendum 9 of 09/30/2011, the aforementioned Lease Agreements of 06/30/99 and 02/21/2001 and all the Addenda were extended by 9 years, starting from 06/01/2015 to 05/31/2024, with an additional 458 m² of office space leased on the ground floor, and the premature termination of the lease for 716 m² of office space plus kitchen.

J. In Addendum 10 of 09/30/2011, the Tenant leased the following additional spaces in the adjacent building located in Mechelen, General De Wittelaan 21: 753 m² lab space on the 2nd floor, plus ± 83 m² of the common entrance and corridors on the ground floor, plus 2 technical storage rooms of ± 60 m², and +/- 760 m² lab space on the 1st floor, and 10 parking spaces.

K. In Addendum 11 of 05/15/2012, the lease of 30 m² storage space was terminated.

L. In Addendum 12 of 08/08/2013, the Tenant additionally leased the following in the building located in Mechelen, General De Wittelaan 11A: 398 m² office space, 156 m² storage space and 20 outdoor parking spaces, with effect from 09/01/2013.

M. In Addendum 13 of 428//2016, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² office space on the 10th floor, and 433 m² on the 9th floor, as well as 30 indoor and 10 outdoor parking spaces, with effect from 06/01/2016.

N. In Addendum 14 of 12/12/2016, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 433 m² on the 9th floor, as well as 16 indoor and 5 outdoor parking spaces, with effect from 01/01/2017.

O. In Addendum 15 of 07/03/2017, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² on the 8th floor, as well as 30 indoor and 10 outdoor parking spaces with phased entrance as of 01/07/2017.

P. In Addendum 16 of 06/06/2018, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² on the 7th floor, as well as 12 indoor parking spaces, with effect from 07/01/2018.

Q. In Addendum 17 of 06/20/2018 the Tenant has additionally leased the following

a. in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² offices (GLA) on the 6th floor consisting of a first part of approximately 433 m² on the east side of the building and a second part of approximately 433 m² on the west side of the building.

b. In the building Intercity Business Park lot 1, located at 2800 Mechelen, General de Wittelaan 11A: 845 m² offices (GLA) on the 1st floor; 21 outside parking spaces nos. 416-426 and nos. 448-457.

Furthermore, the Parties agreed in Addendum 17 to bring the end date of the leased property in the building located in Mechelen, Schaliënhoevedreef 20T forward to 12/31/2021 and to abolish the termination option for these leased properties by 05/31/2020, as well as the related penalty clauses.

R. In Addendum 18 of 01/06/2019 the Tenant additionally leased the following

a. at the office site “Intercity Business Park” located at the General de Wittelaan 11A in 2800 Mechelen, unit 1/L on the first floor; 23 outdoor parking spaces

b. in the Mechelen Campus Tower building, located at Schaliënhoevedreef 20T in 2800 Mechelen, 10 underground and 30 above-ground parking spaces

S. By means of this Addendum to the Basic Lease Agreement (hereinafter referred to as the "Addendum n° 19") the Parties agree to make a number of amendments to the Basic Lease Agreement, and this to the terms and conditions as included in this Addendum n° 19.

IT IS NOW EXPRESSLY AGREED AS FOLLOWS:

Article 1: Restriction on the Scope of this Addendum n° 19

This Addendum n° 19 is an addendum to the Basic Lease Agreement as amended by all previous addenda. The provisions of the Basic Lease Agreement (as amended by all previous addenda) from which this Addendum n° 19 does not explicitly deviate remain fully applicable.

The defined terms and definitions of the Basic Lease Agreement used in this Addendum n° 19 shall therefore have the same meaning as in the Basic Lease Agreement, unless this Addendum n° 19 expressly provides otherwise.

Article 2 – The Leased Property

The parties agree to extend the leased spaces under the Basic Lease Agreement (as amended by Addenda 1 to 18) with effect from 1/01/2020:

at the Mechelen Campus office site at Schaliënhoevedreef 20F in 2800 Mechelen:

(i) 609 m² gross leasable area ("GLA") office space, Unit "0/A" on the ground floor, incl. share of common areas, as indicated on the plan in Appendix 1

(ii) 640 m² gross leasable area ("GLA") office space, Unit "1/A" on the first floor, incl. share of common areas, as indicated on the plan in Appendix 2

(iii) 640 m² gross leasable area ("GLA") office space, Unit "2/A" on the second floor, incl. share of common areas, as indicated on the plan in Appendix 3

(iv) 21 indoor parking spaces nos. 506 until 508 (building F) + 348 until 350 + 354 + 355 + 361 + 362 + 365 + 366 (building E) + 246 until 249 + 299 until 303 (building D), as indicated on the plan in Appendix 4 and Appendix 4bis.

(v) 25 outdoor parking spaces nos. 372 until 376 + 794 until 802 + 806 + 807 (building F) + 345 until 353 (building E); as indicated on the plan in Appendix 5.

Hereinafter referred to as the “Leased Property”.

Article 3 – Duration

This Addendum no. 19 shall commence on 12/01/2019 and end on 12/31/2021. The Tenant will be able to terminate the Leased Property on 06/30/2021, in line with as described in Art. 3.3 of Addendum 17, by registered letter at least 6 months in advance. From 06/30/2021, the Leased Property can be cancelled monthly, subject to at least one month's advance notice by registered letter.

The continued use of the Leased Property after the expiry of the contractual period described above shall under no circumstances be regarded as a sign of acceptance of tacit renewal on the part of the Landlord.

Article 4 – Additional Rent

The additional annual rent for the “Leased Property” will be fixed at:

1) 125 Euro/m²/year for the offices (both private and common areas) or 236,125 Euro/per year;

2) 450 Euro/year/outdoor parking space or 11,250 Euro/year for 25 outdoor parking spaces

3) 875 Euro/year/indoor parking space, or 18,375 Euro/year for 21 underground indoor parking spaces

Either 265,750 Euro/year or 66,437.50 Euro/quarter.

This additional rent, together with the rent payable under the Base Lease Agreement (as amended by Addendum 1 to 18), will be paid on a quarterly basis.

Article 5 – Indexation of the Rent

The annual indexation of the additional rent mentioned in Article 4 of this Addendum 19 is linked to the health index 2013 and will take place on January 1, each year (and for the first time on January 1, 2021), with December 2019 as the base index.

Article 6 – Fees

The Parties agree to increase the provision for charges with effect from 01/01/2020 by EUR 52,982 on an annual basis or EUR 13,223 per quarter.

Article 7 – Deposit

The Tenant shall, within one month after the signing of this Addendum, increase the amount of the existing bank guarantee by an amount equal to 6 months lease or € 132,875.

Article 8 - Condition of the Leased Property at the Time of Transfer

As of 01/01/2020, the Leased Property will be rented in the 'as is' condition which is known to the Tenant, who declares to have inspected the Leased Property and examined it in all its details.

A building survey of the Leased Property, which the Parties will be definitively bound, shall be drawn up no later than the date on which this Agreement comes into effect.

The Parties agree that the Tenant is entitled to remove the current existing partitions without the Tenant being obliged to replace them at the time of return of the Leased Property.

This building survey will be drawn up at the first request of one of the Parties by Mr. Collin, surveyor and sworn assessor of real estate hereby appointed by mutual agreement of the Parties. The expert's fees shall be borne proportionately by both Parties, each for half. This building survey forms an integral part of the Basic Lease Agreement as amended by the present Addendum 19.

Article 9 – Special Provisions

1/The Leased Property shall be leased in the condition in which it currently is in, without the Landlord having to make any adjustments. However, the Landlord shall ensure that only the following work shall be carried out at its expense on the shortest reasonable timescale:

- Fit new carpet (T4 anti-static tile carpet)
- Paint all fixed walls
- Replace damaged tiles
- General clean up
- Adjust technology (HVAC) if it does not function correctly and in conformity in open landscape.
- Put sprinkler System in good working order

2/ The Tenant will have early access to the first floor as from 11/15/2019 to carry out private furnishing works after:

- The building survey has been created
- The deposit has been adjusted in accordance with
- The work of the Landlord described above in Art. 9.1 has been performed.

The Landlord undertakes to deliver the first floor by 11/15/2019 at the latest with the described owner works (Art.9.1).
The rent for this floor is due from the effective date of this Addendum, being 12/01/2019. The charges and taxes for this floor are due as of the early use (11/15/2019 at the earliest).

3/ The Tenant will have early access to the ground floor and the second floor from 12/01/2019 to carry out of private furnishing works. The rent of the ground floor and the 2nd floor is not due until 01/01/2020. The charges and taxes of the ground floor and the 2nd floor are due as of the early use (01/12/2019 at the earliest).

Article 10 – Registration

The Landlord will have this Addendum registered, where the registration fees are at the Tenant's expense.

The registration duties amount to 0.20% and are calculated on the combined amount of the lease price and the joint charges for the entire duration of this Agreement. For tax purposes, these joint charges will be imposed based on this Addendum and are estimated at 10% of the additional lease.

Article 11 – Data Protection

If and to the extent that Intervest processes personal data of the Tenant (including Tenant's appointees), Intervest will do so in accordance with the applicable data protection legislation and Intervest's privacy statement. Intervest's privacy statement is annexed to this agreement. The most recent version of Intervest's privacy statement is always available at https://www.intervest.be/nl/privacyverklaring-huurders. The Tenant undertakes to check regularly on this web page whether Intervest's privacy statement has been changed. The Tenant undertakes to communicate Intervest's privacy statement to its appointees

****

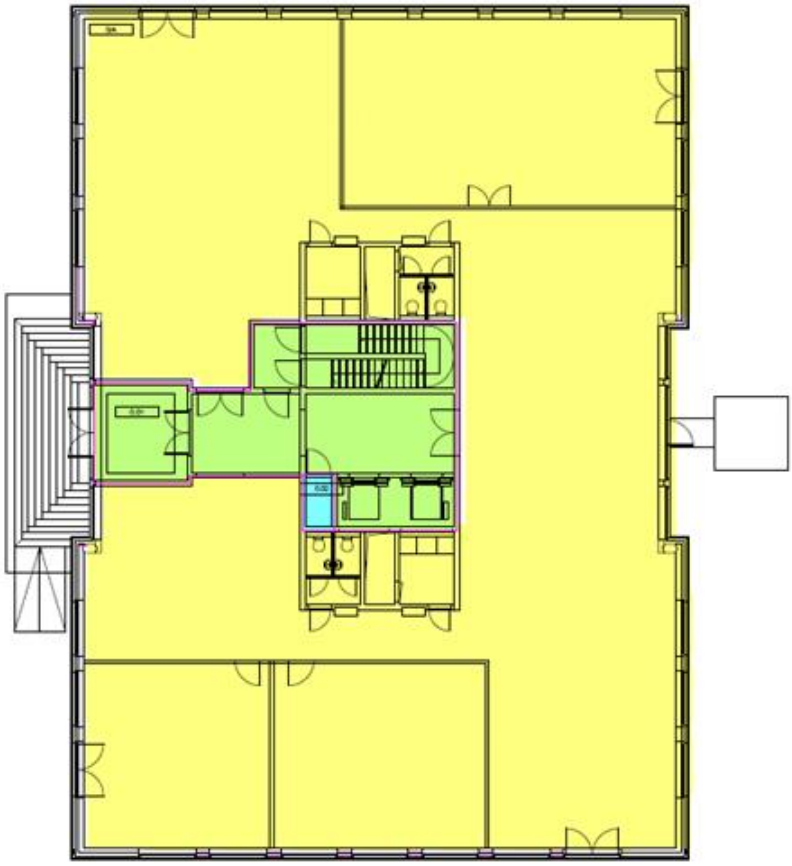
Thus, drawn up in triplicate on October 17, 2019, each Party acknowledging receipt of its copy and one copy being for registration.

/s/	/s/
Intervest Offices & Warehouses NV	Galapagos NV
The Landlord	The Tenant

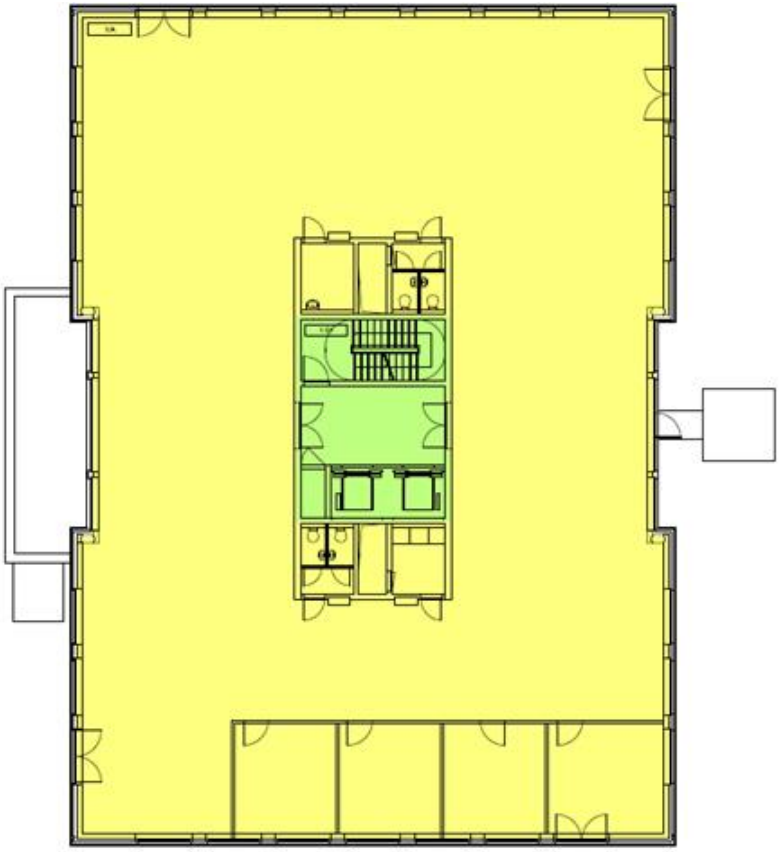
Appendices:

1) Office Plan of the Leased Property 0/A on the Ground Floor
2) Office Plan of the Leased Property 1/A on the First Floor
3) Office Plan of the Leased Property 2/A on the Second Floor
4) and 4 bis) Parking Plan of Indoor Parking Spaces
5) Parking Plan of Outdoor Parking Spaces

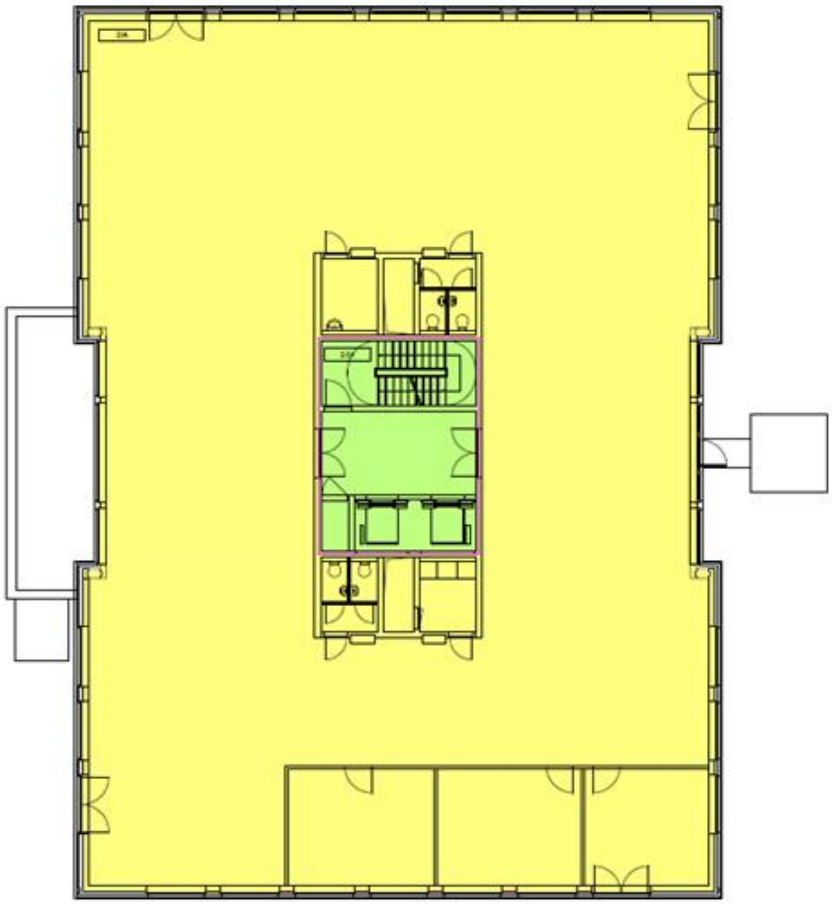
Appendix 1: Floor Plan of Ground Floor Building F



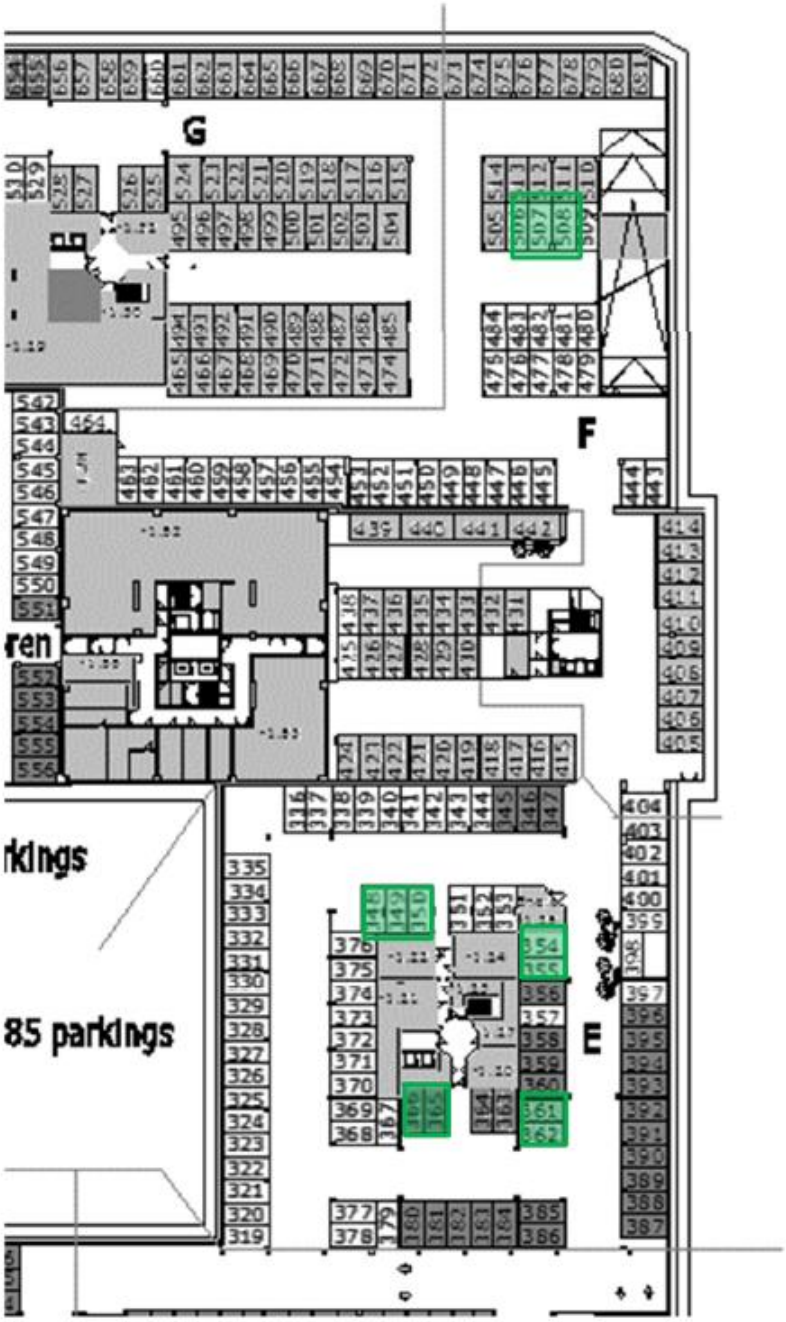
Appendix 2: Floor Plan +1 Building F



Appendix 3: Floor Plan + 2 Building F

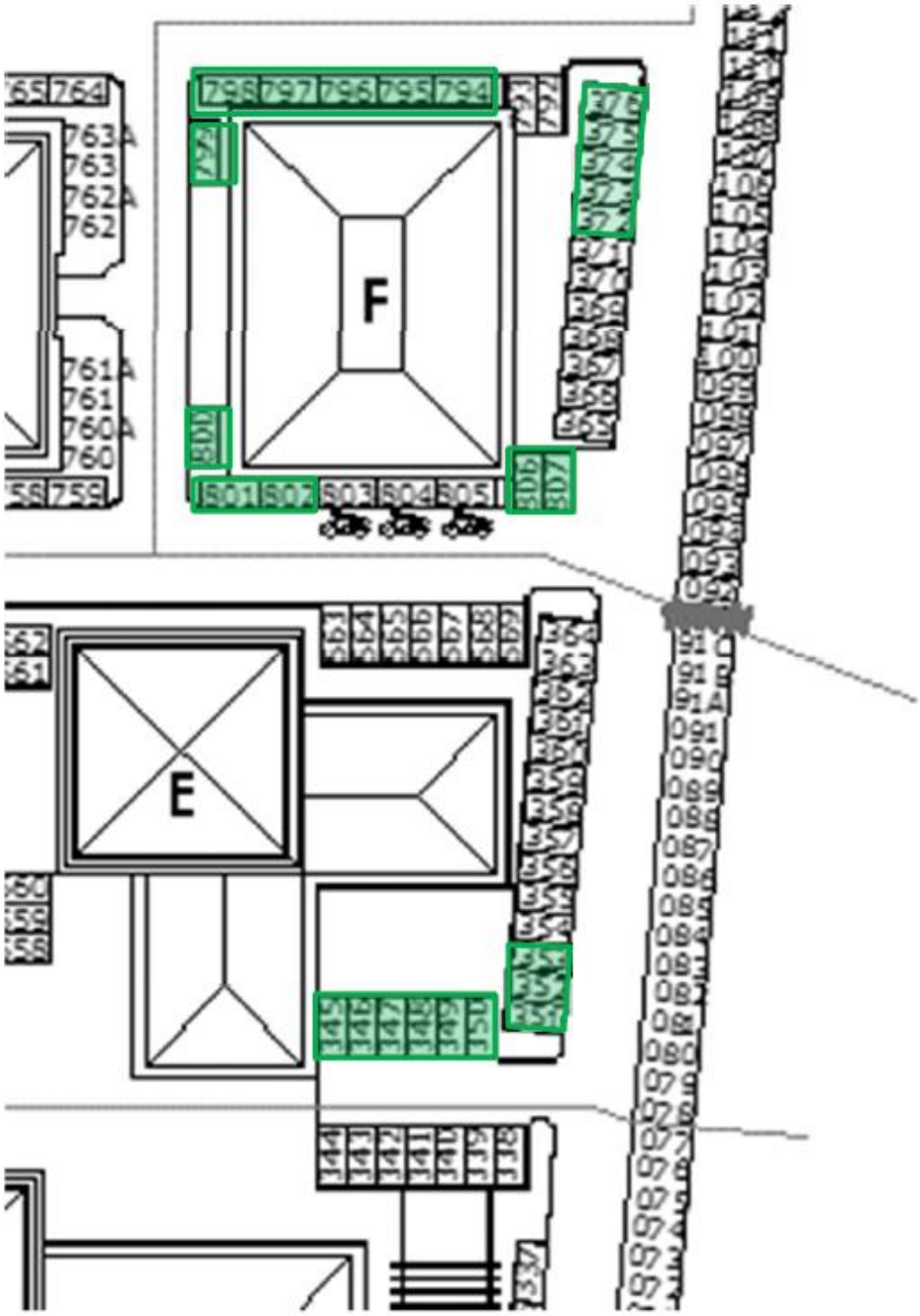


Appendix 4: Indoor Parking Spaces



Appendix 4 a

Appendix 5: Outdoor Parking Spaces



THE YEAR TWO THOUSAND AND NINETEEN

On September the twenty-third
Before Us, mr. **Paul VERHAVERT**, civil law notary in Mechelen (acting on behalf of the BVBA "Notary Paul Verhavert" in Mechelen, Van Benedenlaan 58, VAT BE0643 905 004 RPR Mechelen), holder or the original, with intervention of mr. **Jan BOEYKENS,** civil law notary in Antwerp (who exercises his activity at the company "Boeykens & Guldemont, associated civil law notaries", with its registered office in 2018 Antwerp, Van Breestraat, 7).

HAVE APPEARED:

1. The public company "**National Maatschappij der Belgische Spoorwegen**", abbreviated "**NMBS**, with its registered office in 1060 Brussels, Frankrijkstraat, 56 and registered with the Crossroads Bank for Enterprises in Brussels, department Brussels, under number 0203.430.576.
Founded by Royal Decree of August 7, 1926 pursuant to the law of July 23, 1926 to establish the Nationale Maatschappij der Belgische Spoorwegen, announced in the annexes to the Belgian Official Journal of July 24 thereafter.
Of which the Articles of Association were amended multiple times and by the last time by official report prepared by mr. Tim Carnewal, associated civil law notary in Brussels, on May 30, 2014, approved by Royal Decree of April 28, 2015, published in the Belgian Official Journal of May 4 thereafter.
In this matter represented by Mr. Patrice Marie Simon Jean Ghislain Couchard, chairman-director, residing in […***…] and the Mr. Blanckaert, residing in […***…], both acting under power of attorney granted by a deed executed before civil law notary Daisy Dekegel in Brussels on October 9, 2018, published in the annexes to the Belgian Official Journal of October 29, 2018 under number 2018-10-29/0158553.

2. The public company, "**DE LEEWE II"**, with its registered office in 1070 Anderlecht, Brogniezstraat 54, registered with the Crossroads Bank for Enterprises in Brussels, department Brussels, under the number 0476.491.021.
Founded by deed before civil law notary Annick Dehaene in Gent-Sint Amandsberg, on December 19, 2001, published in the annexes to the Belgian Official Journal January 11, 2002 under number 2002-01-11/099.
Of which the Articles of Association were last amended by a deed executed before civil law notary Catherine Gillardin, in Brussels, on March 6, 2012, published in the annexes to the Belgian Official Journal of March 23 thereafter, under number 061564.

In this matter represented by two directors, acting jointly, being:
- Mr. Patrice Couchard, aforementioned, chairman-director, whose mandate as director was extended by decision of the general assembly dated May 10, 2019, published in the annexes to the Belgian Official Journal of June 26 thereafter, under number 2019-06-26/0084506;
- Mr. Cédric Blanckaert, aforementioned, director, for this purpose appointed by decision of the general assembly dated June 18, 2018, published in the annexes to the Belgian Official Journal of August 3 thereafter, under number 2018-08-03/0121109.

3. The private limited company "**GALAPAGOS REAL ESTATE 1**, abbreviated "**GLPG RE 1**, with its registered office in 2800 Mechelen, Generaal de Wittelaan L11 A3, with company number 0714.965.620.
Founded by deed executed before civil law notary Tim Carnewal, in Brussels, on November 30, 2018, published in the Annexes to the Belgian Official Journal of 4 December thereafter, under number 0338556.
Of which the Articles of Association were not amended to date.
In this matter represented by Ms. Annelies Denecker, residing in […***…], acting pursuant to a power of attorney granted by deed executed before the undersigned notary Verhavert on December the fourteenth two thousand and eighteen, a copy of which will be attached to this deed.
Which persons appearing have outlined to us, notaries, that which follows:

I. PREAMBLE:

The persons appearing explain:
- that the aforementioned persons appearing sub 1 and 2 are full owners of the real estate property described below under II;
- that the person appearing sub 3 intents to establish an office complex with research lab and underground parking garage on the real estate property mentioned below, hereinafter also referred to as "**the Galapagos Project**", and to this end wishes to purchase the real estate property mentioned below from the persons appearing sub 1 and 2;
- that the persons appearing sub 1 and 2 have agreed to their real estate property to the person appearing the person appearing sub 3, with the exception of the parking, however, which is already located underground, property of person appearing sub 1, and which as described below shall remain the whole, exclusive and perpetual property of the person appearing sub 1 and its successors;
- that for this purpose, the persons appearing have appeared before the undersigning civil law notaries with the request

to issue a deed of the following agreements that were expressly concluded between them, being:

II. SALE:

The persons appearing sub 1 and 2, hereinafter referred to as "**the sellers**" declare to sell to the person appearing sub 3, hereinafter referred to as "**the buyer**", who accepts, the full ownership of the real estate property mentioned below.

DESCRIPTION OF THE REAL ESTATE PROPERTY:

City of Mechelen – third department :

a. A plot of land with appurtenances, located at the Hanswijkvaart, known in the land registry in accordance with recent cadastral ledger section D, numbers 0049E4P0001/partially, 0049R4P0001, 0049Z4P0001, and 0049A5P0001/partially, for a surface area according to measurement listed below of seventeen ares and thirty-nine centiare (17a39ca).

According to title known under increased surface area in the land registry as section D, numbers 49/Z/4, 49/E/4, 49/A/5 and 49/R/4.

Measurement:

The aforementioned property is shown under **lot 1B** on a measurement plan prepared by Veerle Wuyts, survey expert, in Rijmenam, on July 14, 2019, a copy of which is attached as Annex 1 to this deed.

Prior identification

The aforementioned property was assigned the reserved plot number **D 49 K 6 P0000** in the land registry.

b. A plot of land, located at the Hanswijkvaart, known in the land registry according to a recent cadastral ledger section D, part of number 0049B6P0000, for a surface area according to the aforementioned measurement of seventy-seven ares and ninety-nine centiare (77a99ca).

According to title under increased surface area known in the land registry as section D, number 0049B6P0000.

Measurement:

The aforementioned property is shown below under **lot 1A** on the aforementioned measurement plan of July 14, 2019.

Prior identification

The aforementioned property was assigned the reserved plot number **D 49 H 6 P0000** in the land registry.

Plan of delimitation

The aforementioned plan dated July 14, 2019 was included in the database of plans of delineation of the General Administration of the Patrimonial Documentation under reference number: 12403-10416.

The undersigned civil law notaries hereby ask for application of article 1, 4th of the mortgage act and article 26 of the Code of Registration Fees/article 3.12.3.0.6 VCF.

The persons appearing certify that the aforementioned plan did not change afterwards.

ORIGIN OF OWNERSHIP.

The aforementioned property sub a. fully belongs to the person appearing sub 2 because it acquired such under the greater surface area, and under condition precedent from the N.M.B.S. Holding pursuant to a deed executed bore civil law notary deed Gérard Indekeu in Brussels on October the twenty-first two thousand and thirteen, was transferred at the mortgage office in Mechelen on October the thirty-first thereafter under reference 56-T-10/31/2013-15178.

By deed executed before the he undersigned Boeykens in Antwerp on December the twenty-first two thousand and eighteen, transferred into at the Office Legal Security in Mechelen on January the third two thousand and nineteen under number 56-T-01/03/2019-00058, the fulfillment of the above condition precedent was established.

The aforementioned property sub b. fully belongs to the person appearing sub 1 by because it acquired such under the greater surface area and together with other property from the public company “Eurostation”, in Anderlecht, pursuant to deeds of merger by takeover executed before civil law notary Tim Carnewal, in Brussels, on October the twenty-sixth two thousand and eighteen, transferred at the Office Legal Security in Mechelen on November the thirteenth thereafter, under number 56-T-11/13/2018-16999 and on December twenty-six two thousand and eighteen.

A. OBJECT OF THE SALE.

The present sale by the sellers to the buyer concerns the sale of the full ownership of the above-mentioned real estate property, both with regard to the land and the surface area, however, with the exception of the structures developed thereon (currently being the underground parking garage) on the plot of land described above under II.b., which thus only concerns the full ownership of the land, the subsurface and top surface of the plot with the exception of the underground parking garage, and whereby the full, exclusive and perpetual ownership of this underground parking garage is expressly reserved by the person appearing sub 1.

The persons appearing sub 1 and 3 certify that as a result of the aforementioned reservation of the person appearing sub 1 of the aforementioned underground parking garage their desire is confirmed to dedicate the property described II.b. for multiple land use and consequently to build a volume plot underground, which concerns the existing underground parking garage (as shaded on the aforementioned plan of land surveyor Veerle Wuyts dated July 14, 2019).

The full exclusive and perpetual right of ownership of the person appearing sub 1 on the already existing underground parking garage under the property described in II.b., as well as the full exclusive and perpetual right of ownership of the person appearing sub 3 to the land, the subsurface and

the top surface of the property described under II.b.. with the exception of the underground parking garage, are essential terms of current purchase-sale, without which respectively the person appearing sub 1 and the person appearing sub 3 would not have agreed with the current purchase-sale.
Therefore, the buyer shall receive the full ownership of the aforementioned real estate property, both with regard to the subsurface and the top surface, with the exception of one volume plot under the ground of the property described under II.b, consisting of the already developed volume (including all appurtenances such as the emergency exists and such) (the “Volume Plot”), which shall remain perpetually and fully in ownership of the person appearing sub 1 and whereby the boundary between the aforementioned full ownership right of the buyer on the property described under II.b. and the Volume Plot that fully belongs to the person appearing sub 1, shall be formed by the top of the roof panel of the current underground parking and the bottom of the floor panel located under the current underground parking.
The person appearing sub 1 and 3 declare that they shall not establish apartment co-ownership between the full ownership right of the buyer and the aforementioned full ownership of the person appearing sub 1 so that there are no joint parts between the two properties. However, easements shall be established hereinafter to facilitate the rational use of both properties.
The persons appearing sub 1 and 3 thereby expressly declare that the aforementioned ownership structure takes place with the following objectives:
- first, to let the person appearing sub 1 retain the full, exclusive and perpetual ownership right of the Volume Plot.
- second, to guarantee to the person appearing sub 3 the full, exclusive and perpetual ownership right of the aforementioned real estate property as described under II. above, both with regard to the subsurface, the land and the top surface, with the exception of the Volume Plot under the ground of the property described under II.b., consisting of the underground parking garage.
- third, to exclude any risk of re-qualification of this full ownership right under any of these persons appearing, whereby the persons appearing sub 1 and 3 base themselves on the classic interpretation of article 553 of the Civil Code, whereby each form of immovable agreement between both owners is hereby expressly refuted.
If, for any reason whatsoever, a part or the all of the agreement as laid down in this deed is disputed or questioned by a third party, the persons appearing sub 1 and 3 commit to make all efforts in order to 1) prevent any re-qualification or limitation of the full, exclusive and

perpetual ownership right of the persons appearing sub 1 and 3 and 2) to find a solution which allows for the realization of the above-mentioned objectives, being the retention for the person appearing sub 1 of the right of the full ownership without time limit to the underground parking garage and the granting to the person appearing sub 3 of a right of full ownership without time limit on the aforementioned property, both with regard to the subsurface, the land and the top surface, with the exception of the Volume Plot under the ground of the property described under II.b. If required, the persons appearing 1 and 3 will perform a property law implementation of the current purchase-sale according to the laws as applicable at that time, so that the aforementioned objectives can be realized.

The persons appearing 1 and 3 also commit toward each other to voluntarily intervene in any proceedings and occasion whereby the ownership right of one of them is disputed, in order to safeguards the rights and interests of the other party in the best possible away.

The persons appearing sub 1 and 3 acknowledge that the commitments made in the previous paragraphs are perpetual and that the fulfillment thereof is an essential condition of the underlying agreement; this in order to ensure the realization and the durability of the projects of the persons appearing 1 and 3. The commitments entered into in the previous paragraphs thus do not only apply for the persons appearing sub 1 and 3, but shall also be imposed on all future owners or holders of rights in rem on the property sold by this deed or the part that is reserved in full ownership by the person appearing sub 1. For this purpose, each of the persons appearing sub 1 and 3 shall commit to impose the aforementioned commitments on all their legal successors, under whatever title, and commit to take over the provisions of this heading A in each deed of transfer of title in the broadest sense of the word or granting/transfer of a right in rem concerning the whole or part of the property described under II.b.

B. CONDITIONS OF THE SALE.

The underlying sale takes place under the following general and special burdens and conditions negotiated and accepted mutually by the parties. The burdens and conditions listed below are binding, insofar as not deviated from in the special conditions.

General burdens and conditions:

1. The property described above, of which the land registry indications only serve as information, is sold:
- **free and unencumbered** of any mortgage, pre-preemptive right, resolutive claim and right of use;
- in the **condition** it was in upon the signing of the sales agreement without guarantee of size, of which any difference did not exceed one twentieth, shall remain for the sole account of the buyer;
- with all their **easements**, advantageous and disadvantageous, visible and invisible, perpetual and non-perpetual, which could be attached to such, without any exception and without any relevant recourse between the sellers.
The sellers themselves declare not to have established or permitted any invisible easements against the property, except for those expressly listed in the deed, and that they are not aware of such, already existing easements other than those possibly mentioned below.
With regard to easements, the deed executed before notary Jan Boeykens, in Antwerp, holder of the original, with the intervention of notary Adrienne Spaepen, in Mechelen, on December the twenty-ninth two thousand and seventeen, states among other things the literal text:
“In the deed executed before notary Jozef Clerens in Mechelen on May 21, 1987, containing the purchase of the public company “Samic”, literally states that which follows:
“Special conditions:
“The buyer declares to have knowledge of the “conditions inserted into the aforementioned deed of notary Schotte in Mechelen on October eighteenth nineteen hundred and seventy-nine.
“- The aforementioned lots 1 and 2, indicated on the floor plan must “give right of access to the public road” as took place until today over a width of six meters and ten centimeters.
“The partition walls on the plan indicated under the numbers “2-3-4-5-6-7 and 32-12-13-14-15-16-17-18-19-20 are joint with the adjoining properties.
“- A part of the warehouse in the north-eastern corner of the plot is developed on the land of the N.M.B.S.
“- All lines and drains may continue to exist as like today.”
“- the deed executed before notary Jozef Clerens in Mechelen on 21 May 1987, containing the sale by the public company “Acomal”, literally states that which follows:
“Special conditions:

“The buyer declares to have knowledge of the special conditions inserted in the aforementioned deed of:
"1- deed of notary Van de Walle in Mechelen on May eighth nineteen hundred and twenty-five;
“2- deed of notary Van Bellinghen in Mechelen dated November nineteenth nineteen hundred and twenty;
“3 - deed of notary Janssens in Willebroek on August second nineteen hundred and forty-one;
“4 - deed of notary Janssens in Willebroek on August twenty-fifth nineteen hundred and forty-one;
“5 - deed executed before the Committee for purchase dated May sixth nineteen hundred and forty-one;
“6- deed of notary Janssens in Willebroek on October twentieth nineteen hundred and fifty-one;
“7- private deed executed on October twenty-fourth nineteen hundred and nineteen;
“8 - deed executed before the Committee for purchase dated July fourth nineteen hundred and fifty-one;
“9- deed notary Janssens in Willebroek on September seventh nineteen hundred and fifty-three;
“10- deed notary Janssens in Willebroek on December twentieth nineteen hundred and fifty-four;
“11- deed notary Janssens in Willebroek on April twenty-ninth nineteen hundred and fifty-five
“12- deed notary Janssens in Willebroek on March twentieth nineteen hundred and fifty-eight;
“13- deed notary Janssens in Willebroek on November third nineteen hundred and fifty-eight;
“14- deed notary Jansen in Leuven on November twenty-ninth nineteen hundred and eighty;
“15 - deed executed before Mr. Commissioner of the “purchase committee Mechelen on January twenty-eight nineteen hundred and eighty-three;
“Of which they declare to have received a copy. “Consequently, they discharge the acting notary from copying these conditions, for which discharge.
“The buyer shall substitute in all rights and obligations of the seller insofar as these special conditions still apply.
“Special conditions:
“The buyer declares to have knowledge of the “conditions inserted into the aforementioned deed of notary Schotte in Mechelen on October eighteenth nineteen hundred and seventy-nine.
“- The aforementioned lots 1 and 2, indicated on the floor plan must “give right of access to the public road” as took place until today over a width of six meters and ten centimeters.

“- The partition walls on the plan indicated under the “numbers 2-3-4-5-6-7 and 32-12-13-14-15-16-17-18-19-20 are joint with the adjoining properties.
“- A part of the warehouse in the north-eastern corner of the plot is developed on the land of the N.M.B.S.
“- All lines and drains may continue to exist as like today.”
“- The deed executed before notary Jozef Clerens in Mechelen on September 8, 1989, contains the following literal text:
“The deed executed before notary Jansen in Leuven contains the following literal text:
“Special conditions - Easements
“The City of Leuven has granted to the public company Acomal, with its registered office in Mechelen, Hanswijkvaart number 10, the precarious permission of an exit road on the right canal dike for its ownership of six meters, the lease of a plot of land measuring six hundred and forty-two square meters, as well as the filling and paving of the plot taken into lease; under certain conditions, this all pursuant to the deed executed before notary Roberti de Winghe in Leuven dated October fourteenth nineteen hundred and sixty-three, copied at the mortgage office in Mechelen on October twenty-fourth thereafter, book 6348, number 29.
“The buyer acknowledges to have received a copy of the respective deed for the execution thereof, for which discharge, and the parties discharge the undersigned notary Jansen of given a description of these easements in the underlying deed.
“The undersigned notary Jansen also refers to the deed executed before notary Maurits Schotte, in Mechelen, containing a sale by the public company “Acomal” in Mechelen to the buyer in this, of an office building and a parking, which deed also contains the aforementioned special conditions.”
Insofar as necessary, the buyer shall substitute in all rights and obligations which could arise from this.
2. The property is sold without guarantee for defects concerning the condition, for defects in the ground or the subsurface, for defects in the facade at the public road; the buyer expressly waives any recourse against the buyers, specifically with regard to that which is provided in the articles 1641 and 1643 of the Civil Code, subject to deceit or knowledge of hidden defects by the buyers.

In this context, the seller declare that they are not aware that the property is affected by a hidden defect and thus have not withheld any information in this regard.
Subsequently, it is transferred without recourse of the buyer towards the sellers due to the condition of the soil and the condition of the buildings.
3. The buyer has **no** claim to **compensation or price reduction** due to a difference of size or due to the existence of any easements, right of way or hidden defects and shall waive any claim to a termination of the purchase as a result thereof.
4. From today, the buyer receives the **ownership, possession and enjoyment** of the property sold by this deed.
5. The sellers declare that the sold property is **not leased**, nor are being edited or have been pledged and are free of any right in rem or personal right of enjoyment.
6. The buyer shall bear and reimburse all **taxes** of any nature which are currently attached to the sold property or could be attached thereon from today.
The sellers declare not to have past-due municipal taxes. With regard to the front road or the sidewalk, they also declare that there are no recourse taxes due. Should these yet exist, they shall pay such.
7. All **costs, rights and remuneration** in this matter are for the account of the buyer. However, the costs related to the transfer obligation of the sellers are for the account of the sellers.

Special burdens and conditions:

As aforementioned, the buyer wishes to construct an office complex with research lab and underground parking area on the property sold by this deed (hereinafter referred to as “the Galapagos Project”).
This project will be part of a much greater redevelopment of the so-called Ragheno site and with expansion of the entire station area of Mechelen, by various parties. Thereby it must be noted that the sellers only act in their capacity as owner/seller of lands and do not have the intention to act as developer.
With regard to the construction of the Galapagos Project and the future development of the surrounding zones, parties wish to make a number of agreements.
The buyer will develop the south-east side of the Galapagos Project (side of the Bautersemstraat) in accordance with annex 2 to the current deed (with the understanding that annex 2 only indicates who the facade of the Galapagos Project will be developed and is not representative for the open area next to the Galapagos Project).
Parties commit to develop the area between the Galapagos Project and the qualitative real estate project which will be developed on the adjacent plot (i.e. the zone non-aedificandi as outlined below), to design it or have it

designed as a high-quality area.
The road on the north-east side of the Galapagos Project will be installed amongst others by the person appearing sub 3 (but thus not for the persons appearing 1 and 2) in accordance with the future environmental permit for the Galapagos Project.
The person appearing sub 1 will, if required, grant the necessary rights to the person appearing sub 3. Subsequently, the installed road will be transferred by the person appearing sub 1 to the City of Mechelen to be included in the public domain.
The sellers give no guarantees with regard to the future destination of the real estate property, the possibility to obtain permits for the Galapagos Project on the real estate property or the activity the buyer and/or Galapagos NV wish to develop on the real estate property. The buyer bears the full development risk with regard to the Galapagos Project, including permits, spatial planning, the effect of a brownfield covenant, installation public domain and (small) road systems, etc.
The buyer declares to have taken note of the conditions with regard to the development of an industrial building on the real estate property, imposed by the City of Mechelen by means of a board decision of March 24, 2017, of which they declare to have received a copy, and commits to comply with these conditions, without any form of recourse against the sellers. The buyer also declares to have taken note of the order given by the City of Mechelen to the design team KCAP ARCADIS OKRA for the preparation of a Global Master Plan “Mechelen Ragheno”.
The buyer commits not to admit a supermarket or pharmacy in the Galapagos Project.
Any residential function for the Galapagos Project is excluded. The buyer is forbidden to give the Galapagos Project a residential function, even for a small part, with the exemption of a caretakers house on the condition that a caretakers house is permitted by the regulations and the permits.
Along the canal and on the part between the real estate property and the Bautersemstraat, a high-quality real estate project will be developed. The buyer will not perform any actions which would materially restrict the possibility to develop or the value of this high-quality real estate project and will also impose this obligation on any third party who would acquire rights on the real estate property and/or the Galapagos Project.

The sellers commit to impose the obligation on any third party to which they would sell land or who shall be responsible for the development of the high-quality real estate project along the Galapagos Project, with the design and the planning of the project around the real estate property, to take into account the Galapagos Project so that no actions are taken which could materially limit the value of the project, without the sellers, however, being able to be held responsible for the non-compliance with these obligations by a third party.
The buyer will be responsible for all obligations concerning earth movement in the context of the Galapagos Project.
Furthermore, the buyer wishes to realize a permanent connection for pedestrians between the Galapagos Project and the (existing and in the future new) train station of Mechelen. Therefore, the sellers commit for the benefit of the currently sold real estate property (dominant tenement) to grant the necessary right of way on the lands of which one of them is the owner (servient tenement). Moreover, the sellers will assist the buyer, if necessary, in their negotiations with third parties who supposedly have rights on the Ragheno site in order to realize such permanent connection, however without acting on behalf of any third parties.
If necessary, the sellers will grant a right of way on the adjacent plots of which one of them is owner, for the installation of utility lines in the context of the Galapagos Project.
The buyer declares to have knowledge of the technical information with regard to the stability of the underground parking in the subsurface of the plot described above under II.b, on which the Galapagos Project will in part be developed. The buyer also declares that the information provided by the seller sub 1 concerning the stability of this parking was also used by its own stability engineers for the technical analysis of the Galapagos Project. The seller sub 1 declares that the information it has provided concerning the stability of the parking is complete and correct, so that the buyer can use this as a basis for the analysis of the stability of the Galapagos Project.
Before the start of the works for the Galapagos Project, a mutual location description will be prepared between the seller and the buyers, by a research agency hired by the buyer and at the expense of the buyer. The buyer will keep the seller sub 1 informed about the scheduling of the works.

The current purchase-sale does not relate to the goods still present on the sold real estate property (even if these could be considered as immovable), such as e.g. light poles, atm's, beams, gates, etc. The person appearing sub 1 commits to remove these goods and to shut off the utility lines no later than six months after the relevant first request by registered letter of the person appearing sub 3. Insofar as needed, the persons appearing sub 1 and 3 will make any other practical agreements that may be needed in this regard.
The buyer will inform the seller sub 1 in a timely manner about the works with regard to the Galapagos Project and will provide the necessary information or where necessary provide access to the plans, and any comments of the seller sub 1 (with the understanding that the seller sub 1 is not obligated to make comments and that the absence of comments by the seller sub 1 cannot be considered as an acceptance), will be communicated and discussed as soon as possible, and to the extent reasonably possible, will be resolved, so that the Galapagos Project will be delayed as little as possible as a result thereof. The buyer also commits to make the necessary agreements with the seller sub 1 with regard to the safety in and around the parking during the works of the Galapagos Project.
Establishment of easements between the real estate property mentioned above and the underground Volume Plot:
For the ownership structures as outlined above, the following easements are established between the real estate property that is the object of the current deed and the Volume Plot on the other hand and without compensation in order to meet the technical necessities and necessities of a normal use of the distinct properties, more specifically:
a. Right of overhang
The property as described above under II.b., has a right of overhang of buildings and works, in whole or in part on or above the Volume Plot.
Passage must be tolerated between both properties of all necessary structural elements both with regard to the beams, the columns, the brickwork, the poles, the support beams and all other (bearing) constructions or elements that are necessary for the stability of every construction.

All structural elements of the (future) constructions on the distinct properties must be manufactured and maintained in such a way that they guarantee the durable continued existence of the constructions on the other property.
As a result of the establishment of this easement, every owner of a property has the right to perform on the property of the other the maintenance, the repair and the update of the elementary structures and constructions owned by it.

b. Rights to install beams and anchoring

The property as described above under II.b. and the Volume Plot by means of a right to install beams, grant the mutual right to install beams in the walls as well as by means of an easement of anchoring to grant the right to take support in each other’s structural elements, this all in accordance with the rules of the art and with a few for the aesthetic look.
All structural elements of the future constructions on the aforementioned properties must be manufactured and maintained in such a way that they guarantee the durable continued existence of the constructions on the other property.

c. Right to use cables and utility lines

The property as described above under II.b. and the Volume Plot establish mutual rights to install cables and utility lines of any kind whatsoever, and also for obtaining access to and connection to underground lines.

d. Right of drainage

The property as described above under II.b. and the Volume Plot grant each other the right of drainage of rainwater and rinse water to the lower drains and sewers.

e. Right of ventilation

The property as described above under II.b. grants to the Volume Plot which remains the property of the person appearing sub 1, under title of a right to ventilation of vapors and gases from the parking garage.

f. Emergency exits (2)

The owner of the property as described above under II.b. by this deed declares to establish right to use the emergency exit for the benefit of the Volume Plot which remains the property of the person appearing sub 1, containing that the owners and/or users of the Volume Plot in case of an emergency may use the existing emergency exists, emergency stairs, etc., as circled in black with the marking “Fire escape corridor” on the plan in annex 3 to this deed. Parties will conclude a separate agreement in which they will make agreements in connection with (i) the access to the emergency exists during the works of the Galapagos Project, (ii) the maintenance of these emergency exits, (iii) the costs of the utilities with regard to these emergency exits (if

applicable) and (iv) the coordination of alarms between the two properties so that the safety will be guaranteed at all times. With the installation of these emergency exits, the person appearing sub 3 will adhere to the conditions regarding fire safety imposed in the applicable regulations, the existing environmental permit for the NMBS parking and the future environmental permit for the Galapagos Project.

g. Construction ban under the Volume Plot

There is a general prohibition in place to perform any work or constructions in the full area under the Volume parcel.

h. Possible connection of the underground parking garage

The person appearing sub 3 declares that it wishes to construct an underground parking garage in the subsurface of the plots described above. The person appearing sub 3 also wishes to realize a direct throughway between these underground parking garage and the Volume Plot (i.e. the underground parking garage which remains the property of the person appearing sub 1). The person appearing sub 1 commits to cooperate with the person appearing sub 3 in order to realize such direct throughway, with the understanding that a possible throughway between both underground parking is only possible on the condition that (i) such throughway is technically/structurally possible, (ii) such throughway does not constitute any risks, (iii) parties will make an agreement in this regard, among other things with regard to the adjusted circulation, (iv) the person appearing sub 3 accepts that this (possible) action may not have any financial consequences for the person appearing sub 1 and that a possible connection of the underground parking garages must take place fully for the account and responsibility of the person appearing sub 3, taking into account the directives, conditions and parking strategy of the person appearing sub 1 and (v) this is permitted by the environmental permit for the Galapagos Project.

If the aforementioned conditions are fulfilled, the persons appearing sub 1 and 3 mutually commit to establish the necessary right of way that would make such throughway possible.

<u>Establishment of easements between the real estate property described above and the adjacent plot (south-east side):</u>

Between the real estate property that is object of the current deed and the adjacent plot on the south-east side of the Galapagos Project, property of the person appearing sub 1, the following perpetual easements are establishment without compensation:

a. Zone non-aedificandi

On the adjacent property on the south-east of the Galapagos Project, property of the person appearing sub 1, by means of an easement a zone non-aedificandi is established as indicated on the plans added as annex 4 to this deed.

b. Right to lights and sights

Pursuant to the current deed, an right to lights and sights is established in favor of the real estate property that is the object of this deed, in order to permit the person appearing sub 3, in the context of the realization of the Galapagos Project, to create the necessary lights and sights (as shown in annex 2 to this deed) in the south-east facade of the Galapagos Project located on the property boundary.

C. ADMINISTRATIVE PROVISIONS

URBAN PLANNING

The sellers declare that the sold goods are not included in the landscape atlas, nor in the inventory archeological zones, the inventory of wood plantings with heritage value or the inventory of historic gardens and parks. They declare that they never received any service or notice about this.

The sellers declare that the sold property is included in the inventory of the architectural heritage, more specifically under ""Stedelijke Industriële Hogeschool (IHAM)".

The undersigned notary Verhavert confirms that the above is also shown from a search in the database that was made available by the Agency Architectural Heritage. The undersigned notary Verhavert refers the persons appearing to the first paragraph of article 4.1.11 of the Architectural Heritage Decree. The undersigned notary informs the buyer of the legal consequences associated with the inclusion in this inventory by referring to chapter 4 of the Architectural Heritage Decree of July 12, 2013.

The buyers declare that for the property that is the object of this deed no building permit was issued nor an urban planning certificate which provides that such permit could be obtained and that therefore no guarantee can be given with regard to the possibility to develop the property or to build any permanent or movable structure thereon, which could be used as residence, subject to that which is mentioned below.

The buyer acknowledges that the undersigned notary Verhavert has pointed out that no structure, nor any permanent or movable structure that can be used as residence may be constructed on the property this deed relates to, as long as the urban planning permit has not been obtained.

If the buyer builds on the property, it must comply with the current laws, the building regulations and the determined sewer lines, without intervention by or possible recourse against the sellers.
The sellers declare that the sold goods are not subject to protection measures issued in the context of the law on monuments, town and village views nor are they located in a ranked landscape.
The sellers declare that they were not served with any expropriation decision with regard to the sold property.
If the goods, object of this deed, are subject to a whole or partial expropriation, line direction concerning front and back construction, urbanization requirements or other government decrees or regulations, the buyer must comply with all those requirements without being able to exercise any recourse towards the sellers for loss of land, rejection of permit, or for any other reason.

FLEMISH CODE OF ZONING LAW

a) Until today, the City of Mechelen has an approved plan and permits register.
The working notary reports and informs, with regard to article 5.2.1. Flemish code of Zoning Law:
1° that no environmental permit for urban actions was issued for the real estate property, with the exception of:

- Case number 12025_2005_2687 (municipal case number 1972/0744) dated December 8, 1972: painting of front facade (white) (plot numbers 0049A5P0001, 0049E4P0001);
- Case number 12025_2005_2684 (municipal case number 1972/0717) dated November 24, 1972: interior renovations (plot number 0049A5P0001);
- Case number 12025_2010_35630 (municipal case number 2010/1070) (case number AROHM SV/127/1073/63) dated April 11, 2011: renovation station and surrounding road systems-building of rail bypass (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0000, 0049R4P0001 and 0049Z4P0001);
- Case number 12025_2004_380 (municipal case number 1989/0249) dated June 2, 1989: renovation of a part of an industrial complex as industrial university + partial demolition (plot number 0049B6P0000);

- Case number 12025_2003_5884 (municipal case number 1996/0196) dated September 6, 1996: finish of freed-up partition wall (plot number 0049B6P0000);
- Case number 12025_2005_6050 (municipal case number 1967/0156) dated March 10, 1967: renovation closing walls and canopy (plot number 0049B6P0000);
- Case number 12025_2005_5303 (municipal case number 1968/0191) dated April 5, 1968: adding of storage location (plot number 0049B6P0000);
- Case number 12025_2003_6538 (municipal case number 1996/0907) dated December 3, 1996: installment of an advertising panel (plot number 0049B6P0000);
- Case number 12025_2005_3035 (municipal case number 1971/0380) dated September 2, 1971: demolition of warehouse + reconstruction of workshop (plot number 0049B6P0000);
- Case number 12025_2005_4545 (municipal case number 1969/0428) dated June 19, 1969: demolition of wooden shed and construction of steel shed (plot number 0049B6P0000);
- Case number 12025_2006_431 (municipal case number 1964/0154) dated February 27, 1964: demolition of existing and reconstruction of temporary dressing room and washing area (plot number 0049B6P0000);
- Case number 12025_2003_714 (municipal case number 1999/0613) dated July 6, 1999: installation of advertising (plot number 0049B6P0000);
- Case number 12025_2009_34229 (municipal case number 2009/1083) (case number AROHM 8.00/12025/1270.1) dated March 31, 2010: technical works (parking) (plot number 0049B6P0000);
- Case number 12025_2017_165 (municipal case number 2017/0094) (case number AROHM 8.00/12025/2127.7) dated July 10, 2017: renovation of train station (plot number 0049B6P0000);
- Case number 12025_2004_659 (municipal case number 1989/0469) dated August 1, 1989: renovation of facade (plot number 0049E4P0001);
- Case number 12025_2003_1689 (municipal case number 2000/0316) dated May 30, 2000: installation of sunscreen (plot number 0049Z4P0001).
- Case number 12025_2003_577 (municipal case number 1999/0507) dated March 2000 (decision Provincial Executive about appeal): installation of 2 lighted advertising signs.

2° that the most recent urban planning purpose of these real estate properties according to the letter from the City of Mechelen dated November twenty-eighth two thousand and eighteen and December fifth two thousand and eighteen is:

- environmentally harmful industries (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0001, 0049R4P0001 and 0049Z4P0001)
- residential area (plot 0049B6P0000)

3° that the real estate properties are not the object of a measure as listed in title VI, chapter III and IV, that there are no pending proceedings for the imposition of such measure

4° that the real estate properties are not subject to a pre-preemptive right as listed in article 2.4.1 VCRO or article 34 of the decree of April 25, 2014 concerning complex projects;

5° that the real estate properties are not subject to an environmental permit for parceling of lands;

6° that the real estate properties are not the object of a preferred decision or project decision and that the real estate property is not subject to a pre-preemptive right as listed in article 2.4.1 or article 34 of the decree of April twenty-fifth two thousand and fourteen concerning complex projects.

The notary refers parties to article 4.2.1 of the Flemish Code of Zoning Law. This provision describes the actions required by the permit.

Insofar as the private agreement concerning the sale, object of this deed, does not meet the requirements of article 5.2.5. Flemish Code for Spatial Planning, confirms the acting notary that any possible infringement with regard to the publicity and/or the private agreement is corrected with this deed. The buyer confirms this and declares that it hereby waives the claim for nullity based on an infringement of the information obligation.

The buyer declares that with regard to the properties it has received the urban planning extracts issued on November twelfth two thousand and eighteen, November twenty-eighth two thousand and eighteen and December fifth two thousand and eighteen.

b) Forms were sent to the City of Mechelen to which they responded with a checklist. With regard to the properties that are the object of this deed it also stated among other things the following:

- the properties are located within the regional land-use plan (GRUP) “Demarcation district Mechelen: approval decision (RUP) (Decision of the Flemish Government 07/18/2008) (plot numbers 0049A5P0001, 0049E4P0001, 0049R4P0001, 0049Z4P0001);

- the properties are located within the municipal spatial implementation plan (RUP) “Arsenaal” (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0001, 0049R4P0001, 0049Z4P0001);
- the properties are located within the special plan of installation (BPA) no. 36/5 (Arsenaal) (Ministerial Decree May 25, 1994) with the purpose: public facilities, SMEs and offices) (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P00001 0049R4P0001, 0049Z4P0001);
- the properties are located in the residential construction area “Arsenaal” (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0001, 0049R4P0001, 0049Z4P0001);
- the properties are located in the residential renovation area “Arsenaal” (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0001, 0049R4P0001, 0049Z4P0001);
- the properties are located in the water purification zone central area (plot numbers 0049A5P0001, 0049B6P0000, 0049E4P0001, 0049R4P0001, 0049Z4P0001);
- Insofar as known, the following environmental permits were issued or received for the properties:

* Decision of April 19, 2013 through April 19, 2033 for a construction project for realization of a road tunnel, railway viaduct, underground parking garage (plot numbers 0049A5P0001, 0049B6P0000, 0049R4P0001)

* Recording of deed of April 1, 2001 for a bowling hall (plot number 0049A5P0001, 0049E4P0001)

* Recording of deed of November 30, 2005 for a sporting complex with drainage of household waste water, 100l cleaning products, 2 polyvalent rooms, heating system of 300 kW to 500 kW (plot number 0049B6P0000)

* Recording of deed of June 18, 1996 for installation parking IHAM (plot number 0049B6P0000)

* Decision College of Mayor and Aldermen of October 11, 1932 for em. with ventilator and drying oven (plot number 0049B6P0000)

* Decision Provincial Executive of June 12, 1935 for a “naphta” storage location 2,300l (plot number 0049B6P0000)

* Decision Provincial Executive of April 7, 1937 for metal and wood working, transformer, storage of wood and flammable materials (plot number 0049B6P0000)

* Decision Provincial Executive of December 30, 1952 for the expansion of gasoline storage location 5,000l (plot number 0049B6P0000)

* Decision Provincial Executive of August 23, 1966 through June 12, 1995 for a construction workhouse with motors of together 567 kW (plot number 0049B6P0000)

* Decision Provincial Executive of August 22, 1967 through June 12, 1995 for propane gas tank 2,300kg (plot number 0049B6P0000)

* Decision Provincial Executive of June 26, 1962 through June 26, 1992 for the manufacture of wooden 32.5 hp and metal furniture 19.25 hp (plot number 0049E4P0001)

* Decision Provincial Executive of February 20, 1923 (end unknown) for the repair of bikes and cars (plot number 0049E4P0001)

* Decision College of Mayor and Aldermen of September 26, 1928 (end unknown) for sawing firewood 1hp (plot number 0049R4P0001)

* Decision governor of February 27, 1940 (end unknown) for a low-pressure steam boiler (plot number 0049Z4P0001)

* Decision College of Mayor and Aldermen of December 6, 1994 through December 31, 1995 for a cheese producing company (plot number 0049Z4P0001).

A copy of these checklists will be handed to the buyers.

DIVISION.

The undersigned notary Verhavert confirm that in accordance with article 5.2.2 of the Flemish Code of Zoning Law, by registered letter of July seventeenth two thousand and nineteen to the College of Mayor and Aldermen of the City of Mechelen has proposed the following division concerning the reported properties.

In response, the College of Mayor and Aldermen of the City of Mechelen have written the following to the undersigned notary Verhavert on August fifth two thousand and nineteen:

"…

Decision:

Article 1

The College of Mayor and Aldermen has the following comment in the context of the present application for division in accordance with article 5.2.2 VCRO of a plot located in Hanswijkvaart ZN, with cadastral information: department 3, section D, plot numbers 49 A5, E4, R4, Z4 and B6:

The Lot 2 concerns a residual plot that may not be transferred.

Only lot 1A and lot 1B may be eligible for sale. Thereby it should be noted that the division does not lead to that the lots 1A and 1B can be developed.

Consequently, not statements are made about the reliability of the lots."

CONVENTIONAL PRE-EMPTIVE RIGHTS - RIGHT OF REPURCHASE.

The sellers declare that they themselves did not allow a pre-preemptive right and are not aware of any conventional pre-preemptive right or right of repurchase which could control the sale of this property.

PROVISIONS REGARDING THE FLEMISH RESIDENTIAL CODE.

The sellers declare that they are **not aware that** the property that is the object of the current sale falls under the application of article 85/1 of the Flemish Residential Code, which states as follows:
“The Flemish Company for Social Living, the social housing companies, the municipalities and the public centers for social wellbeing have a pre-preemptive right on the homes on which they have performed renovation, improvement or modification work with application of article 18/2 and 90.
Without prejudice to the first paragraph, the Flemish Company for Social Living, the social housing companies with their operating area, and the municipalities in their territory, have a pre-preemptive right on:
1) a home that is included in one of the lists of the inventory, as referred to in article 28/1 of the decree on the levy to combat vacancies and dilapidation.
2) a home which was demolished during the period determined by the Flemish Government it was condemned or for which a certificate of conformity was rejected and which no longer qualifies for renovation, improvement or modification work.
3) A plot, intended for residential construction, which is located in a housing renovation area or housing construction are which is recognized as “special area” by an implementing decision of the Flemish Housing Code or by Ministerial Decree.
With regard to the aforementioned Flemish Housing Code, a letter was sent to the City of Mechelen.
By its letter of November nineteenth two thousand and eighteen, November thirtieth two thousand and eighteen and December fifth two thousand and eighteen, the City of Mechelen did not respond to the question whether the aforementioned properties fall under the application of article 85/1 of the Flemish Housing Code.
Searches performed by the undersigned notaries in the Flemish Land Database have shown that the properties that are the object of this deed do not fall under the pre-preemptive right Flemish Housing Code.

PRE-EMPTIVE RIGHT DE VLAAMSE WATERWEG

Searches performed in the Flemish Land Database have shown that the **pre-preemptive right of the Vlaamse Waterweg** applies to the aforementioned properties.
Therefore, the undersigned notary Verhavert has offered the aforementioned pre-preemptive right via the e-notariaat on August eight two thousand and nineteen.
On August thirteenth, two thousand and nineteen, the department de Vlaamse Waterweg responded that it did not wish to exercise its right.

SOIL DECREE.

The sellers declare that no institution is or was located on the lands that are the object of this deed, or an activity

is or was performed that is included in the list of institutions and activities that could cause soil pollution, as referred to in the Soil Decree, with the exception of the aforementioned plots 0049B6P0000, 0049E4P0001 and 0049A5P0001.
In letters from the City of Mechelen dated November nineteenth two thousand and eighteen, November thirtieth two thousand and eighteen and December fifth two thousand and eighteen, it is confirmed that a permit or report is known in connection with a bothersome institution that is or was operated on the following plots:

- plot number 0049B6P0000:
- construction workhouse with motors of together 567 kW (4.3.b.2; 29.5.2.3; 17.3.4.2)
- expansion gasoline storage location (17.3.4.2)
- metal and woodworking, transformer, storage of wood and flammable materials (29.5.2.2)
- “naptha” storage location 2.300l (17.3.4.2)
- construction project (12.1.2; 17.3.4.2.b.1; 17.3.5.2.b; 29.5.2.1.a; 29.5.3.1.a)
- plot number 0049E4P0001:
- manufacturing of woods 32.5 hp and metal furniture 19.25 hp: 29.5.2.1
- repair of bikes and cars: 15.2

The sellers declare that no high-risk institutions were located on the plot numbers 0049A5P0001, 0049B6P0000 and 0049E4P0001 as aforementioned and as is also shown from the aforementioned information provided by the City of Mechelen.
The sold properties in the past were already the object of an exploratory soil survey. The most recent exploratory soil survey report was prepared by ABO nv and is dated December fourteenth two thousand and eighteen. This is less than one year before the transfer which takes place in the context of the sale, object of this deed.
The sellers declare that since that date as far as they know one high-risk institution is located on the sold properties but that since that date no damage event has taken place on the land.
The searches of the notary show that the purpose of the land to be investigated in accordance with the current development plans or zoning plans since the date of the signing of the most recent exploratory survey report has not changed in the sense that a zoning type with a lower soil remediation standard applies.
The zoning description of the investigated soil did not change either.

Consequently, in accordance with article 64 VLAREBO, in response to the sale that is the object of this deed, no new exploratory soil survey had to be performed prior to the transfer.
The contents of the soil certificates that were issued by the OVAM on December nineteenth two thousand and eighteen state as follows:
For plot numbers 0049R4P0001 and 0049Z4P0001:
"2 Content of the soil certificate
"For this land, the OVAM has no relevant information about the quality of the soil.
"This soil certificate replaces all previous soil certificates.
"Comments:
"1 Risk lands can only be transferred if an exploratory soil survey was submitted to the OVAM in advance.
"2 You can find more information about the municipal inventory and the applicability to parts of plots at www.ovam.be/gemeentelijke-inventaris.
"3 Additional information about the transfer regulation: www.overdracht.ovam.be.
"4 If the soil is excavated, disposed or received, the rules of earth movement apply. More information: "www.ovam.be/grondverzet.
"5 More information about the data flows used by the OVAM can be found at http://www.ovam.be/disclaimer.
"6 The OVAM does not guarantee the accuracy of the data that was provided to it.
"In Mechelen, 12/19/2018
"Ann Cuyckens,
"Department Head
For plot number 0049A5P0001:
"2 Content of the soil certificate
"This land is included in the land information register.
"2.1 Information about the municipal inventory
"The OVAM does not have information from the municipal inventory for this land.
"2.2 Decision about the quality of the soil
"According to the Soil Decree, no further measures have to be performed on this land.
"2.2.1 Historic pollution
"According to the Soil Decree, no descriptive soil survey has to be performed on this land For this decision, the OVAM bases itself on the exploratory soil survey of 12/14/2018, and the soil characteristics and function of the land included therein.
"2.3 Documents about the soil quality
"2.3.1 Historic pollution
"DATE: 05/14/2003
"TYPE: Exploratory soil survey

“TITLE: Exploratory Soil Survey, Hanswijkvaart 12 in Mechelen
“AUTHOR: Deckers Milieubeheer BVBA
“DATE: 12/14/2018
“TYPE: Exploratory soil survey
“TITLE: Exploratory soil survey; NMBS, Hanswijkvaart, “2800 Mechelen; OVAM dossier 10238 and 20998
“AUTHOR: ABO NV
“This soil certificate replaces all previous soil certificates.
“Comments:
“1 High-risk lands can only be transferred if an exploratory soil survey was submitted to the OVAM in advance.
“2 You can find more information about the municipal inventory and the applicability to parts of plots at www.ovam.be/gemeentelijke-inventaris.
“3 Additional information about the transfer regulation: www.overdracht.ovam.be.
"4 If the soil is excavated, disposed or received, the rules of earth movement apply. More information: “www.ovam.be/grondverzet.
“5 More information about the data flows used by the OVAM can be found at http://www.ovam.be/disclaimer.
“6 The OVAM does not guarantee the accuracy of the data that was provided to it.
“7 For review of the above-mentioned documents: www.ovam.be/inzage
“In Mechelen, 12/19/2018
“Ann Cuyckens,
“Department Head
For plot number 0049B6P0000:
“2 Content of the soil certificate
“This land is included in the land information register.
“2.1 Information about the municipal inventory
“Municipal information shows that a high-risk institution is or was present on this land. As a result, this land is risk land.
“2.2 Decision about the quality of the soil
"According to the Soil Decree, further measures have to be performed on this land.
“2.2.1 Historic pollution
“According to the Soil Decree, soil remediation must be performed on this land. For this decision, the OVAM bases itself descriptive soil survey of 02/28/2005, and the soil characteristics and function of the land included therein. The soil pollution found during this soil survey was not created on this land. The remediation obligation lies with the owner or use of the land where the soil pollution was created. You can find more information on www.ovam.be/verspreidingsperceel.

“In accordance with the Soil Decree, the following obligations were fulfilled:
– The soil remediation project of 12/21/2010 was submitted to the OVAM on 01/04/2011. In response, the OVAM issued a certificate of conformity.
“According to the Soil Decree, no descriptive soil survey has to be performed on this land. For this decision, the OVAM bases itself on the exploratory soil survey of 12/14/2018, and the soil characteristics and function of the land included therein.
“The soil remediation activities that are described in the soil remediation project of 12/21/2010 were not yet started.
“2.2.2 Mixed predominant historical pollution
“In accordance with the Soil Decree, the following obligations were fulfilled:
“- the end evaluation study of 05/01/2006 was submitted to the OVAM on 05/31/2006. In response, the OVAM issued a final statement. This statement contains the results of the soil remediation activities as described in the soil remediation project dated 02/05/2004. Because of the soil remediation activities that were performed, with regard to the soil remediation outlined in the aforementioned soil remediation project and given the soil characteristics and function of the land contained therein, no further measures are necessary according to the Soil Decree.
“According to the Soil Decree, no descriptive soil survey has to be performed on this land. For this decision, the OVAM bases itself on the exploratory soil survey of 12/14/2018, and the soil characteristics and function of the land included therein.
“2.3 Documents about the soil quality
“2.3.1 Historic pollution
“DATE: 06/16/2000
“TYPE: Descriptive soil survey
“TITLE: Descriptive soil survey, IHAM, Hanswijkvaart 10, in Mechelen (5087/A2082)
“AUTHOR: Geologica NV
“DATE: 05/30/2003
“TYPE: Descriptive soil survey
“TITLE: Update Descriptive Soil Survey - Pollution core 2 - IHAM - Hanswijkvaart 21 - 2800 Mechelen
“AUTHOR: SGS Environmental Services NV
“DATE: 02/28/2005
“TYPE: Descriptive soil survey

“TITLE: Descriptive Soil Survey in connection with Soil Remediation Centrale Werkplaats Mechelen, Leuvensesteenweg 30 in 2800 Mechelen 01-03787
“AUTHOR: ABO NV
“DATE: 12/21/2010
“TYPE: Soil remediation project
“TITLE: Amended Second Phased Soil Remediation Project NMBS Centrale Werkplaats Mechelen – Part: zone buildings A and B + plot number 49 Z 5 (current plot 49 B 6) and zone warehouse C1
“AUTHOR: Mava NV
“DATE: 04/20/2012
“TYPE: Exploratory soil survey
“TITLE: Update Exploratory soil survey - City of Mechelen - Hanswijkvaart/Bautersemstraat, 2800 Mechelen
“AUTHOR: Ecorem NV
“DATE: 12/14/2018
“TYPE: Exploratory soil survey
“TITLE: Exploratory soil survey; NMBS, Hanswijkvaart, “2800 Mechelen; OVAM dossier 10238 and 20998
“AUTHOR: ABO NV
“2.3.2 Mixed predominant historical pollution
“DATE: 09/22/1999
“TYPE: Exploratory soil survey
“TITLE: Exploratory Survey IHAM Hanswijkvaart 10 2800 Mechelen (09/22/1999)
“AUTHOR: Geologica NV
“DATE: 02/21/2000
“TYPE: Exploratory soil survey
“TITLE: Exploratory Survey IHAM Hanswijkvaart 10 2800 Mechelen (09/22/1999) and Addendum to the Exploratory Soil Survey, IHAM, Hanswijkvaart 10 – 2800 Mechelen.
“(995157add/A2009)
“AUTHOR: Geologica NV
“DATE: 06/16/2000
“TYPE: Descriptive soil survey
“TITLE: Descriptive soil survey, IHAM, Hanswijkvaart 10, in Mechelen (5087/A2082)
“AUTHOR: Geologica NV
“DATE: 05/30/2003
“TYPE: Descriptive soil survey
“TITLE: Update Descriptive Soil Survey - Pollution core 2 - IHAM - Hanswijkvaart 21 - 2800 Mechelen
“AUTHOR: SGS Environmental Services NV
“DATE: 02/05/2004
“TYPE: Soil remediation project
“TITLE: Soil Remediation Project Hogeschool IHAM, Hanswijkvaart 21 - Mechelen – 30064/A2556
“AUTHOR: SGS Belgium NV

“DATE: 02/23/2006
“TYPE: Exploratory soil survey
“TITLE: Update Exploratory Soil Survey - AGB Sport Actief Mechelen at the Bautersemstraat 57 and Hanswijkvaart 21 in 2800 Mechelen. Final report (Case number.: B03/1341.004.R1)
“AUTHOR: Ecorem NV
“DATE: 05/01/2006
“TYPE: Final evaluation survey
“TITLE: Final evaluation survey City of Mechelen Supervision soil remediation activities Site Hogeschool IHAM in Mechelen (B01/1341.073.R2)
“AUTHOR: Ecorem NV
“DATE: 04/20/2012
“TYPE: Exploratory soil survey
“TITLE: Update Exploratory soil survey - City of Mechelen - Hanswijkvaart/Bautersemstraat, 2800 Mechelen
“AUTHOR: Ecorem NV
“DATE: 12/14/2018
“TYPE: Exploratory soil survey
“TITLE: Exploratory soil survey; NMBS, Hanswijkvaart, “2800 Mechelen; OVAM dossier 10238 and 20998
“AUTHOR: ABO NV
“This soil certificate replaces all previous soil certificates.
“Comments:
“1 Risk lands can only be transferred if an exploratory soil survey was submitted to the OVAM in advance.
“2 You can find more information about the municipal inventory and the applicability to parts of plots at www.ovam.be/gemeentelijke-inventaris.
“3 Additional information about the transfer regulation: www.overdracht.ovam.be.
"4 If the soil is excavated, disposed or received, the rules of earth movement apply. More information: “www.ovam.be/grondverzet.
“5 More information about the data flows used by the OVAM can be found at http://www.ovam.be/disclaimer.
“6 The OVAM does not guarantee the accuracy of the data that was provided to it.
“7 For review of the above-mentioned documents: www.ovam.be/inzage
“In Mechelen, 12/19/2018
“Ann Cuyckens,
“Department Head
For plot number 0049E4P0001:
“2 Content of the soil certificate
“This land is included in the land information register.
“2.1 Information about the municipal inventory

“The OVAM does not have information from the municipal inventory for this land.

“2.2 Decision about the quality of the soil

"According to the Soil Decree, no further measures have to be performed on this land.

“2.2.1 Historic pollution

“According to the Soil Decree, no descriptive soil survey has to be performed on this land. For this decision, the OVAM bases itself on the exploratory soil survey of 12/14/2018, and the soil characteristics and function of the land included therein.

“2.3 Documents about the soil quality

“2.3.1 Historic pollution

“DATE: 12/14/2018

“TYPE: Exploratory soil survey

“TITLE: Exploratory soil survey; NMBS, Hanswijkvaart, “2800 Mechelen; OVAM dossier 10238 and 20998

“AUTHOR: ABO NV

“This soil certificate replaces all previous soil certificates.

“Comments:

“1 Risk lands can only be transferred if an exploratory soil survey was submitted to the OVAM in advance.

“2 You can find more information about the municipal inventory and the applicability to parts of plots at www.ovam.be/gemeentelijke-inventaris.

“3 Additional information about the transfer regulation: www.overdracht.ovam.be.

"4 If the soil is excavated, disposed or received, the rules of earth movement apply. More information: “www.ovam.be/grondverzet.

“5 More information about the data flows used by the OVAM can be found at http://www.ovam.be/disclaimer.

“6 The OVAM does not guarantee the accuracy of the data that was provided to it.

“7 For review of the above-mentioned documents: www.ovam.be/inzage

“In Mechelen, 12/19/2018

“Ann Cuyckens,

“Department Head

After the buyer was informed about the fact that it can claim nullity of the transfer because the sellers have not complied with the obligations contained in the articles 102 et seq. of the Soil Decree before the transfer, declared in the application of article 116, §2 Soil Decree:

- that the aforementioned obligations were yet complied with before the execution of this deed;
- to expressly waive the claim for nullity.

RISK ZONE FLOODING AREA - THE WATER PARAGRAPH.

1. Pursuant to a search via geopoint on July sixteenth two thousand and nineteen, the undersigned acting notary, with application of article 129 of the Law concerning the insurances, declares that the above-mentioned real estate property is **not located in one of the risk zones for flooding** as determined by the Royal Decree of February 28, 2007 to delineate the risk zones.

2. Pursuant the same search, the undersigned acting notary, with application of article 1.3.3.3.2 of the decree of July 18, 2003 concerning the integral water policy, coordinated on June 15, 2018, that the declares the above-mentioned real estate property:

- is **not** located in a **possible flood prone area**;
- is **not** located in an **effective flood prone area**;
- is **not** located in a **demarcated flood area**;
- is **not** located in a **demarcated bank area**.

FOREST DECREE.

The sellers declare that the sold properties are not woods as referred to in the Forest Decree. Consequently, the obligations provided in article 91 of this decree do not have to be complied with.

NATURE PRESERVATION.

The sellers declare that the sold property is not located within:

- a Flemish ecological network (VEN),
- a nature preserve and its expansion perimeter located within the green and forest areas, the forest expansion areas and all destination areas that are comparable to these areas as indicated on the development plans or the spatial implementation plans that are in force in the spatial planning or the Flemish ecological network;
- a perimeter demarcated by the Flemish government within the green and forest areas and the forest expansion areas and the destination areas that are comparable to these areas as indicated on the development plans or the spatial implementation plans that are in force in the spatial planning within the integral acquisition and supporting network (IVON);
- the demarcation of a nature development project.

Consequently, the pre-preemptive right nature provided in article 37, §1 of the decree of October 21, 1997 concerning the nature preservation and the natural environment does not apply.

FEDERAL CABLES AND LINES INFORMATION REPORTING POINT (KLIM)

The attention of the buyer is called to the necessity to check on the website of the Federal Cables and Lines Information Reporting Point (https://www.klim-cicc.be) whether there are underground gas lines or other lines on

the aforementioned real estate properties, specifically prior to the performance of work on these properties.
In this regard, the undersigned acting notary refers to the letter of Elia Asset Nv of July 5, 2019, of which the buyer declares to have received a copy, in which the aforementioned company states, copied literally below:
“In response to your application via klim of July 4, 2019, we can inform you that at the aforementioned address no underground occupation by Elia. There are high-voltage cables in the underground of the adjacent public domain. In order to guarantee the safety of person, the continuity of the electricity facilities and the safeguarding of all installations involved, one must observe only some legal requirements in the immediate surroundings of our installations. We would also like to inform you of the attached directives you will need to correctly interpret our plans.
The buyer declares to have received a copy of these directives.
PURCHASE PRICE
The undersigned acting notary has read to the persons appearing the articles 3.4.7.0.6 and 3.18.0.0.14 of the Flemish Code Fiscality regarding “price bewimpeling” [listing a lower price in the contract than the actual price], which the persons appearing confirm.
Parties thereafter declared that this sale was concluded for the total price of **TEN MILLION TWO HUNDRED THOUSAND EUROS (EUR 10,200,000.00)**, or:
- for the property described above under II.a.: TWO MILLION TWO HUNDRED AND FOURTEEN THOUSAND FOUR HUNDRED AND TWENTY-NINE EUROS (EUR 2,214,429.00);
- for the property described above under Ii.b.: SEVEN MILLION NINE HUNDRED AND EIGHTY-FIVE THOUSAND FIVE HUNDRED AND SEVENTY-ONE EUROS (EUR 7,985.571).
a) The buyer shall pay the purchase price as follows: an advance of **six hundred thousand euros (EUR 600,000.00)** was paid, before the execution of this deed, by means of a transfer from account number BE15 4185 5057 0130 in name of the buyer to account number BE23 0682 3042 9991 in name of the associated notaries Boeykens & Guldemont.
Prior to the execution of this deed, notary Boeykens transferred this amount to account number BE84 0688 9821 3559 of the undersigned notary Verhavert;
b) on balance, and **nine million six hundred thousand euros (EUR 9,600,000.00)** was paid at the execution of this deed, by means of transfer from account number BE64 7360 5364 9552 in name of the buyer to account number BE84 0688 9821 3559 in name of the undersigned notary Verhavert.

Notary Verhavert is asked by the persons appearing sub 1 and 2 to forward the purchase price as follows to the account numbers that were provided to him today:

a) To the person appearing sub 1: an amount of seven million nine hundred and eighty-five thousand five hundred and seventy-one euros (EUR 7,985,571.00);
b) To the person appearing sub 2: an amount of two million two hundred and fourteen thousand four hundred and twenty-nine euros (EUR 2,214,429.00).

WHEREOF DISCHARGE, in duplicate with any already granted discharge.
The General Administration of the Patrimonial Documentation is discharged to officially perform any registration during the transfer of this.
For this matter the parties elect domicile at their respective company office.

DECLARATION PRO FISCO

Free registration Brownfield Project

The buyer hereby declares that for the legal actions, laid down in this deed, it wishes to invoke the advantage of the cost-free registration, as laid down in article 2.9.6.0.3, 12° of the Flemish Fiscal Code.
In light thereof the document in which the following is confirmed will be attached to this deed:
- that the transfer takes place in view of the realization of a Brownfield Project which is the object of the Brownfield Covenant, called “Brownfieldconvenant 105 Mechelen - Ragheno II”;
- that the real estate properties for which the cost-free registration is requested are part of the Brownfield Project;
- that the object of this sale does not contain any other goods than those that are the object of said Brownfield Project.

AUTHORIZATION.

Parties authorize:
- Mrs. MARNEF Peggy, born in […***…];
- Mr. VRIJDAGHS Dieter, born in […***…];
- Ms. ROBBRECHT An, born in […***…];
- Ms. BLOCK Lynn, born in […***…].

employees of the office of notary Paul Verhavert,
and

- KLAPS Margaretha Joanna Francisca, residing in […***…];
- SPRUYT Annelies, residing in […***…].

employees of the office of notary Jan Boeykens,
to, if necessary, bring the cadastral situation of the respective sold goods and the Volume Plot in line with the ownership situation as is shown from the current deed, including the execution of correcting or additional deed.

CERTIFICATION

In accordance with the Organic Law on Notaries, the acting notary confirms that it knows that parties or that it has verified their identities based on the ID cards.
In accordance with the Mortgage Act, the acting notary with regard to the parties involved in this deed, certifies:
a. for the natural persons: the names, first names, places and dates of birth based on searches in the federal register and the ID card. The federal register numbers were stated with the express agreement of the parties involved.
b. for the legal entities: the name, the legal from, the registered office, the date of incorporation and the VAT number or federal register number.

ORGANIC LAW ON NOTARIES.

The persons appearing declare to us that the parties as well as the intervening persons have taken note of the draft of this deed at least five business days before the execution thereof.
This deed is read integrally with regard to the statements in article 12, paragraph 1 and 2 of the Organic Law on Notaries as well as any changes that were made to the draft of the deed that was provided in advance.
The entire deed was explained by the acting notary for the persons appearing.

FINAL STATEMENT.

The persons appearing declare that this deed is the accurate reflection of their agreement, even if clauses of this deed deviate from those stated in the private deed or other documents.
The parties and any intervening parties confirm that the notary has informed them that article 9 of the law of March 16, 1803 to regular the Notary Profession obligate him to give bipartisan advice; these provisions require the notary that, if he determines that there are conflicting interests or unbalanced clauses, he must inform the parties that they are free to elect their attorney, regardless of whether this is a notary or another legal counsel; the notary is obligated to inform the parties in a bipartisan manner about their rights and obligation. The parties declare, after having been information about this by the notary, that the commitments each of them have made are balance and equal.
In accordance with article 19, paragraph 3 of the Organic Law on Notaries, the persons appearing expressly confirm that

the documents that may be referred in this deed or its possible attachments form one whole in order to together count as authentic deed.

COMPETENCY - ABILITY.

All the persons appearing declare that they are competent and able to perform the legal actions determined by this deed and that they are not affected by any measures which could create an incompetency in this regard, such as bankruptcy, collective debt restructuring, appointment of administrator or other measures with similar consequences.

WHEREOF DEED.

Executed in Mechelen at the office of the undersigned notary Verhavert, acting notary, at the aforementioned date.

After an integral reading of the entire deed and explanation by the undersigned notary Verhavert, the parties, represented as stated, and I, notary, sign.

Fee of fifty euros paid at the request of undersigned notary Paul Verhavert (article 6.3° of the Implementing Decision).

Subsidiaries of Galapagos NV

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Galapagos B.V.	The Netherlands
BioFocus DPI AG in liquidation	Switzerland
Galapagos Biotech Ltd.	United Kingdom
Galapagos SASU	France
Fidelta d.o.o.	Croatia
Galapagos, Inc.	United States
Xenometrix, Inc.	United States
Galapagos GmbH	Switzerland
Galapagos Real Estate 1 BV	Belgium
Galapagos Real Estate 2 BV	Belgium
Galapagos Biopharma Belgium BV	Belgium
Galapagos Real Estate Netherlands B.V.	Netherlands
Galapagos Biopharma Netherlands B.V.	Netherlands
Galapagos Biopharma Spain S.L.U.	Spain
Galapagos Biopharma Italy S.r.l.	Italy
Galapagos Biopharma Germany GmbH	Germany

Exhibit 12.1

Certification by the Principal Executive Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Onno van de Stolpe, certify that:

1. I have reviewed this annual report on Form 20-F of Galapagos NV;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2020

/s/ Onno van de Stolpe
Name:Onno van de Stolpe
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

Certification by the Principal Financial Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bart Filius, certify that:

1. I have reviewed this annual report on Form 20-F of Galapagos NV;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2020

/s/ Bart Filius

Name: Bart Filius
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 13.1

Certification by the Principal Executive Officer pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Galapagos NV (the "Company") on Form 20-F for the fiscal year ended December 31, 2019 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Onno van de Stolpe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2020

/s/ Onno van de Stolpe
Name: Onno van de Stolpe
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 13.2

Certification by the Principal Financial Officer pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Galapagos NV (the "Company") on Form 20-F for the fiscal year ended December 31, 2019 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Bart Filius, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2020

/s/ Bart Filius

Name: Bart Filius
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-230639 on Form F-3 and Nos. 333-231765, 333-225263, 333-218160, 333-215783, 333-211834, 333-208697, 333-204567 on Form S-8 of our reports dated March 27, 2020, relating to the financial statements of Galapagos NV and the effectiveness of Galapagos NV's internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended December 31, 2019.

Zaventem, Belgium, March 27, 2020

/s/ Gert Vanhees

Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises
CVBA/SCRL
Represented by Gert Vanhees