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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, 2017

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
Generaal De Wittelaan L11 A3
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	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, no par value per share	**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: 50,936,778 as of December 31, 2017

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. (Check one):

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, “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 pre-clinical 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 the intellectual property rights and proprietary technology of third parties;

- cost associated with defending against intellectual property infringement, 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.

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.

This annual report contains market data and industry forecasts that were obtained from 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 on page 91 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 consolidated audited 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, 2017, 2016, 2015, 2014, and 2013 from our consolidated audited financial statements. 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,				
	2017	2016	2015	2014	2013
	(Euro, in thousands, except share and per share data)				
Revenues	€ 127,087	€ 129,519	€ 39,563	€ 69,368	€ 76,625
Other income	28,830	22,093	21,017	20,653	19,947
Total revenues and other income	**155,918**	**151,612**	**60,579**	**90,021**	**96,572**
Research and development expenditure	(218,502)	(139,573)	(129,714)	(111,110)	(99,380)
General and administrative expenses	(24,415)	(21,744)	(19,127)	(13,875)	(12,353)
Sales and marketing expenses	(2,803)	(1,785)	(1,182)	(992)	(1,464)
Restructuring and integration costs	—	—	—	(669)	(290)
Total operating expenses	**(245,720)**	**(163,103)**	**(150,023)**	**(126,646)**	**(113,487)**
Operating loss	**(89,802)**	**(11,491)**	**(89,444)**	**(36,624)**	**(16,915)**
Fair value re-measurement of share subscription agreement	—	57,479	(30,632)	—	—
Other financial income	4,877	9,950	1,987	2,291	2,182
Other financial expenses	(30,582)	(1,692)	(1,539)	(867)	(1,402)
Income / loss (-) before tax	**(115,507)**	**54,246**	**(119,627)**	**(35,201)**	**(16,135)**
Income taxes	(198)	(235)	1,218	(2,103)	(676)
Net income / loss (-) from continuing operations	**(115,704)**	**54,012**	**(118,410)**	**(37,303)**	**(16,811)**
Net income from discontinued operations	**—**	**—**	**—**	**70,514**	**8,732**
Net income / loss (-)	**€ (115,704)**	**€ 54,012**	**€ (118,410)**	**€ 33,211**	**€ (8,079)**
Net income / loss (-) attributable to:					
Owners of the parent	(115,704)	54,012	(118,410)	33,211	(8,079)
Basic income / loss (-) per share	**€ (2.34)**	**€ 1.18**	**€ (3.32)**	**€ 1.10**	**€ (0.28)**
Diluted income / loss (-) per share	**€ (2.34)**	**€ 1.14**	**€ (3.32)**	**€ 1.10**	**€ (0.28)**
Basic income/ loss (-) per share from continuing operations	**€ (2.34)**	**€ 1.18**	**€ (3.32)**	**€ (1.24)**	**€ (0.58)**
Diluted income/ loss (-) per share from continuing operations	**€ (2.34)**	**€ 1.14**	**€ (3.32)**	**€ (1.24)**	**€ (0.58)**
Weighted average number of shares - Basic (in '000 shares)	49,479	45,696	35,700	30,108	28,787
Weighted average number of shares - Diluted (in '000 shares)	49,479	47,308	35,700	30,108	28,787

Condensed consolidated statement of financial position:

	December 31,				
	2017	2016	2015	2014	2013
	(Euro, in thousands)				
Cash and cash equivalents	€ 1,151,211	€ 973,241	€ 340,314	€ 187,712	€ 138,175
Total assets	**1,286,274**	**1,083,338**	**442,514**	**270,467**	**287,374**
Share capital	233,414	223,928	185,399	157,274	154,542
Share premium account	993,025	649,135	357,402	114,182	112,484
Total equity	**1,011,983**	**758,701**	**364,999**	**206,135**	**167,137**
Total non-current liabilities	102,592	220,846	5,103	3,976	7,678
Total current liabilities	171,699	103,791	72,412	60,356	112,559
Total liabilities	**274,291**	**324,637**	**77,515**	**64,332**	**120,237**
Total liabilities and equity	**€ 1,286,274**	**€ 1,083,338**	**€ 442,514**	**€ 270,467**	**€ 287,374**

Condensed consolidated statement of cash flows:

	2017	2016	2015	2014	2013
	(Euro, in thousands)				
Cash and cash equivalents at beginning of the period	**€ 973,241**	**€ 340,314**	**€ 187,712**	**€ 138,175**	**€ 94,369**
Net cash flows generated / used (-) in operating activities	(147,030)	239,403	(114,590)	(75,555)	1,846
Net cash flows generated / used (-) in investing activities	(549)	(7,287)	(4,297)	120,606	(11,988)
Net cash flows generated in financing activities	353,357	395,996	271,370	4,214	54,495
Effect of exchange rate differences on cash and cash equivalents	(27,808)	4,816	118	271	(548)
Cash and cash equivalents at end of the period	**€ 1,151,211**	**€ 973,241**	**€ 340,314**	**€ 187,712**	**€ 138,175**

Exchange Rate Information

The following table sets forth, for each period indicated, the low and high exchange rates of U.S. dollars per euro, the exchange rate at the end of such period and the average of such exchange rates on the last day of each month during such period, based on the noon buying rate of the Federal Reserve Bank of New York for the euro. As used in this document, the term “noon buying rate” refers to the rate of exchange for the euro, expressed in U.S. dollars per euro, as certified by the Federal Reserve Bank of New York for customs purposes. The exchange rates set forth below demonstrate trends in exchange rates, but the actual exchange rates used throughout this annual report may vary.

	Year ended December 31,				
	2013	2014	2015	2016	2017
High	1.3816	1.3927	1.2015	1.1516	1.2041
Low	1.2774	1.2101	1.0524	1.0375	1.0416
Rate at end of period	1.3779	1.2101	1.0859	1.0552	1.2022
Average rate per period	1.3281	1.3297	1.1096	1.1070	1.1298

The following table sets forth, for each of the last six months, the low and high exchange rates for euros expressed in U.S. dollars and the exchange rate at the end of the month based on the noon buying rate as described above.

	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018
High	1.2041	1.1847	1.1936	1.2022	1.2488	1.2482
Low	1.1747	1.1580	1.1577	1.1725	1.1922	1.2211
Rate at end of period	1.1813	1.1648	1.1898	1.2022	1.2428	1.2211

On December 29, 2017, the noon buying rate of the Federal Reserve Bank of New York for the euro was €1.00 = U.S.$1.2022. Unless otherwise indicated, currency translations in this annual report reflect the December 31, 2017 exchange rate.

On March 16, 2018, the noon buying rate of the Federal Reserve Bank of New York for the euro was €1.00 = U.S.$1.2280.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Our business faces 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 product candidate filgotinib. We are also dependent on the success of our other late-stage product candidates, such as our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 and MOR106. 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 Phase 3 studies in rheumatoid arthritis, or RA, and in Crohn's disease, or CD, and a Phase 2b/3 trial in ulcerative colitis, or UC, 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, either alone or in a partnership. Our business and future success also depend on our ability to develop successfully, obtain regulatory approval for, and then successfully commercialize our other late-stage product candidates, such as our cystic fibrosis, or CF, candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 and MOR106. We completed Phase 2 trials in certain mutations of CF with potentiator GLPG1837 in 2016; we completed the ALBATROSS and FLAMINGO Phase 2 trials in 2017 with GLPG2222, a CF corrector; we completed Phase 1 trials in 2017 for GLPG2451, a CF potentiator; we completed a Phase 1 trial in 2017 and started the PELICAN Phase 2 patient trial with GLPG2737, a CF corrector; we initiated a Phase 1 study in 2017 with GLPG3221, a CF corrector; we initiated a Phase 1 study in 2017 with GLPG3067, a CF potentiator; we initiated a Phase 1 study in 2017 with GLPG2851, a CF corrector; we completed the FLORA Phase 2a trial for idiopathic pulmonary fibrosis, or IPF, with GLPG1690 in 2017; we completed a Phase 1b trial with GLPG1972 in osteoarthritis, or OA, patients in 2017; and we completed a Phase 1b

trial in 2017 with MOR106, a human monoclonal antibody, in patients with atopic dermatitis, or AtD. 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 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, and we may never receive such regulatory approval for any of our product candidates. We cannot assure you that our clinical trials for filgotinib, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 or MOR106 will be completed in a timely manner, or at all, or that we will be able to obtain approval from the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, 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, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 or MOR106 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 ADSs or our ordinary shares to fall.

Due to our limited resources and access to capital, we must and have in the past decided to prioritize development of certain product candidates; these decisions may prove to have been wrong and may adversely affect our revenues.

Because we have limited resources and access to capital to fund our operations, we must decide which product candidates to pursue and the amount of resources to allocate to each. As such, we are currently primarily focused on the development of filgotinib, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972, and MOR106. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular compounds, product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources away from better opportunities. 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 and other comparable regulatory authorities are lengthy, time consuming and inherently unpredictable, 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 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. We have not obtained regulatory approval for any 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 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 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 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 our CF program and GLPG1972) 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 desired level of efficacy and safety profile;
- the FDA, the EMA or other comparable regulatory authorities may disagree with our interpretation of data from pre-clinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a new drug application, or 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 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 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, our CF compounds (as monotherapies and in combination), GLPG1690, GLPG1972, MOR106, 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 have not previously submitted an NDA, a BLA, a marketing authorization application, or any similar drug approval filing to the FDA, the EMA or any comparable regulatory authority for any product candidate, and 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, CF, OA, and AtD) 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 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, if filgotinib successfully completes the registrational trials. 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, 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 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 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, 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 pre-clinical 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.

In addition, there may be dose limitations imposed for male patients who are prescribed filgotinib, if approved. In connection with the DARWIN clinical program, we agreed with the FDA to exclude the 200 mg filgotinib daily dose for male subjects in the United States; males received a maximum daily dose of 100 mg in the U.S. sites in these trials. This limitation was not imposed by any other regulatory agency in any other jurisdiction in which the Phase 2 DARWIN

clinical program is being conducted. We agreed to this limitation because in both rat and dog toxicology studies, filgotinib induced adverse effects on the male reproductive system and the FDA determined there was not a sufficient safety margin between the filgotinib exposure at the no-observed-adverse-effect-level observed in these studies and the anticipated human exposure at the 200 mg daily filgotinib dose. Accordingly, in connection with the DARWIN 3 open-label, long-term extension clinical trial, in the United States, male subjects are dosed at 100-mg-daily-dose only. Male participants in this study and their partners are required to use highly effective contraceptive measures for the duration of the study and during a washout period thereafter. As an additional safety measure, we monitor clinical laboratory changes in hormone levels for subjects in the DARWIN 3 clinical trial.

More recently generated nonclinical data showed filgotinib did not induce any macroscopic or microscopic findings in the male reproductive system in animals with higher filgotinib exposure versus previous studies.

The Phase 3 FINCH program, led by our collaboration partner Gilead, is evaluating 100 mg and 200 mg filgotinib in both males and females in major RA patient populations worldwide. Men and women in both the Phase 2b/3 SELECTION and Phase 3 DIVERSITY trials in UC and CD, respectively, will be randomized to receive placebo, 100 mg or 200 mg filgotinib. In these SELECTION and DIVERSITY trials in the United States, males may receive 200 mg only if they failed conventional therapy, anti-TNF and vedolizumab. The filgotinib Phase 3 programs also contain a dedicated male patient testicular safety study.

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. Clinical failure can occur at any stage of clinical development. We have never completed a Phase 3 trial or submitted an NDA or BLA.

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 pre-clinical (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 pre-clinical 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 pre-clinical studies and Phase 1, Phase 2a and Phase 2b clinical trials for filgotinib in RA or Phase 2 clinical trials for CD do not ensure that later clinical trials will continue to demonstrate similar results or observations, including the Phase 3 studies in RA, UC, and CD currently ongoing. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical 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 pre-clinical 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, by the IRBs or ethics committees of the institutions in which such trials are being conducted, or by the FDA, the EMA 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 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 RA, CD, and UC and other current and potential indications in which we investigate it; for our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these) in CF; for GLPG1690 in IPF; for GLPG1972 in OA; or for MOR106 in AtD, which could result in a delay, suspension or termination of the ongoing trials of filgotinib (in one or more indications), our CF candidates, GLPG1690, GLPG1972 or MOR106. 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, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972, MOR106 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 dropout 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 nine of our compounds, Phase 2 studies have been initiated. Phase 3 studies in RA and CD and a Phase 2b/3 trial in UC have been initiated by our collaboration partner Gilead for filgotinib.

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. With respect to clinical development of our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), the availability of, for example, Kalydeco®, Orkambi®, and Symdeko™, which are drugs developed by Vertex to be used to treat patients with certain mutations of CF, may cause patients to be less willing to participate in our clinical trial in regions in which therapy has been approved. Since CF is a competitive market in certain regions such as the United States and the European Union 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 CF 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 successfully develop and begin 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.

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 or remain profitable.

If we are not able to maintain 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, 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 currently have no marketing and sales organization. To the extent any of our product candidates for which we maintain commercial rights is approved for marketing, if we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to effectively market and sell any product candidates, or generate product revenues.

We currently do not have a marketing or sales organization for the marketing, sales and distribution of pharmaceutical products. In order to independently commercialize 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, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221, and combinations of these), GLPG1690, GLPG1972, MOR106 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 sales, marketing and distribution capabilities would adversely impact the commercialization of these products. With respect to our product candidates, 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, under which we exercised our co-promotion option with respect to licensed products, we assume a portion of the co-promotion effort in the United Kingdom, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg and share equally in the net profit and net losses in these territories instead of receiving royalties in those territories during the period of co-promotion. In the instance of our CF portfolio of drugs aimed at a triple combination therapy, under our collaboration agreement with AbbVie, if we exercise our co-promotion option with respect to a licensed product, we would assume a portion of the co-promotion effort in the Netherlands, Belgium and Luxembourg and share in the net profit and net losses in these territories instead of receiving royalties in those territories during the period of co-promotion. 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. Government authorities and third-party payers, such as 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 successfully commercialize 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 the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation established Medicare Part D, which expanded Medicare coverage for outpatient prescription drug purchases by the elderly but provided authority for limiting the number of drugs that will be covered in any therapeutic class. The MMA also introduced a new reimbursement methodology based on average sales prices for physician-administered drugs. Any negotiated prices for any of our product candidates, if approved, covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain outside of the Medicare Part D prescription drug plan. Moreover, while Medicare Part D applies only to drug benefits for Medicare beneficiaries, private payers often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment under Medicare Part D may result in a similar reduction in payments from non-governmental payers.

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% (increasing to 70% effective January 1, 2019) point-of-sale discounts 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 manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of 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 and teaching hospitals and of ownership or investment interests held by physicians and their immediate family members in these manufacturers;
- 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.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013. In January 2013, then-President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several types of providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding.

As a result of the 2016 election in the United States, there is great political uncertainty concerning the fate of the ACA and other healthcare laws. The Trump administration and the leadership of the Republican majority in the U.S.

Congress have spoken of their desire to repeal the ACA and may seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the ACA. There have been a number of changes implemented to date, and additional changes may be adopted in the future. The changes that have already been implemented and any future changes will take time to unfold, and could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. Such reforms could have an adverse effect on anticipated revenues from therapeutic candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop therapeutic candidates. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us. We expect that the ACA, as well as other healthcare reform measures that have been and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenues. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other healthcare reforms may compromise our ability to generate revenue, attain profitability or commercialize our products.

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 subject to existing therapies or 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 pre-clinical 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, or 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. 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. We are aware of other JAK inhibitors in development for patients with RA, including a once-daily JAK1/2 inhibitor called baricitinib which is being developed by Lilly, approved by the EMA for RA and expected to be approved by the FDA for RA in 2018, a JAK3/2/1 inhibitor called ASP015k which is being developed in Japan by Astellas, and a JAK inhibitor called ABT-494 which is being developed in Phase 3 in RA by AbbVie. Our collaboration partner Gilead initiated a Phase 3 trial for filgotinib in August 2016. 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 these versions of the therapies.

In the field of inflammatory bowel disease, or IBD, first line therapies are oral (or local) treatments with several low-cost generic compounds like mesalazine, 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, 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 and has

shown efficacy in a Phase 2 trial in UC and CD. There are also several novel oral treatments being explored in Phase 2 and Phase 3, including Pfizer's Xeljanz, which has been filed for approval in UC. The large number of treatments for UC, and somewhat less 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 a Phase 2b/3 trial for filgotinib for UC in December 2016. 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 CF, all but three of the approved therapies to treat CF patients have been designed to treat the symptoms of the disease rather than its cause. Kalydeco, marketed by Vertex, is currently the only approved therapy to address the cause of Class III mutation CF. Kalydeco is a CF transmembrane conductance regulator, or CFTR, potentiator to treat CF in patients with a Class III (G551D) mutation of the CFTR gene. Vertex also markets Orkambi, which is Kalydeco and lumacaftor, a corrector molecule for patients with a Class II (F508del) mutation of the CFTR gene, a broader patient population. Vertex obtained FDA approval in July 2015 for Orkambi in the United States and obtained European Commission Marketing Authorization for Orkambi in Europe in November 2015. Vertex obtained approval for Symdeko, a combination of corrector tezacaftor and potentiator ivacaftor for patients with a Class II (F508del) mutation in February 2018 in the United States. We are also aware of other companies, including Novartis, Pfizer, Proteostasis and ProQR, and not-for-profit organizations like Flatley Discovery Lab, which are actively developing product candidates for the treatment of CF. These typically target the CFTR protein as potentiators, correctors, or other modulators of its activity. We expect that our CF portfolio aimed at a triple combination therapy will compete with all 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 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 Prometic has PBI-4050 in Phase 3 development in IPF.

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.

In the field of AtD, generic drugs are approved standard of care, including immunomodulators cyclosporine and mycophenolate mofetil and topical treatments. Dupilimab (Dupixent), marketed by Sanofi, was approved by FDA and EMA in 2017 for use in AtD. There are disease-modifying biologics and small molecules currently in development.

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 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 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.

Combination therapies involve unique adverse events that could be exacerbated compared to adverse events from monotherapies or could lead to unfavorable drug-drug interactions.

Combination therapies, such as using our wholly-owned product candidates as well as third-party agents, involve unique adverse events that could be exacerbated compared to adverse events from monotherapies or could lead to unfavorable drug-drug interactions. These types of adverse events could be caused by our product candidates or drug interactions and could also cause us, our collaboration partners 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, EMA or other comparable regulatory authority. For example, we or our collaboration partners may voluntarily suspend or terminate clinical trials if at any time one of our product candidates or a combination therapy including any of them presents an unacceptable safety risk to the clinical trial patients. This, in turn, could prevent us or our collaboration partners from commercializing our product candidates. Results of our trials could reveal a high and unacceptable severity or prevalence of adverse events.

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 pre-clinical studies and clinical trials of our product candidates, including filgotinib, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 and MOR106. 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.

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 and may never be profitable.

We have incurred significant operating losses since our inception in 1999. We have incurred net losses of €118.4 million for the year ended December 31, 2015, net profits of €54.0 million for the year ended December 31, 2016, and net losses of €115.7 million for the year ended December 31, 2017. 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. In January 2016, Gilead made an equity investment in Galapagos through a subscription of new ordinary shares, which resulted in a positive non-cash fair value gain of €57.5 million in the financial result of 2016, contributing significantly to net profits recorded in 2016. 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 do not anticipate generating revenues from sales of products for the foreseeable future, if ever. 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 never become profitable. Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to predict the timing or amount of expenses and when we will be able to achieve or maintain profitability, if ever.

We will 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, our CF candidates (including GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 and combinations of these), GLPG1690, GLPG1972 and MOR106. 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.

Our existing cash and cash equivalents will not be sufficient for us to complete advanced clinical development of any of our product candidates or, if applicable, to commercialize any product candidate that is approved. Accordingly, we will 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 and other comparable regulatory authorities to accept our clinical trials and pre-clinical 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 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 cash and cash equivalents, we believe that we will be able to fund our operating expenses and capital expenditure requirements at least for the next two to three years. This period could be shortened 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 will need to raise substantial 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 collaboration partners for one or more of our 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 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 may not be successful in maintaining development and commercialization collaborations, and any collaboration partner may not devote sufficient resources to the development or commercialization of our product candidates or may otherwise fail in development or commercialization efforts, which could adversely affect our ability to develop certain of our product candidates and our financial condition and operating results.

The collaboration arrangements that we have established, and any collaboration arrangements that we may enter into in the future may not ultimately be successful, which could have a negative impact on our business, results of operations, financial condition and growth prospects. If we partner with a third party for development and

commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. It is possible that a collaboration partner may not devote sufficient resources to the development or commercialization of our product candidate or may otherwise fail in development or commercialization efforts, in which event the development and commercialization of such product candidate could be delayed or terminated and our business could be substantially harmed. In particular, we are heavily dependent on Gilead for its further development of our product candidate filgotinib and on AbbVie for its further development of our triple combination product candidates for the treatment of CF. Gilead and AbbVie may not devote sufficient resources or give sufficient priority to the filgotinib program or CF collaboration, respectively. Our collaborators may not elect to advance the product candidates on which we collaborate. Gilead may not be successful in the further development and commercialization of filgotinib, even when they do devote resources and prioritize their efforts for filgotinib. AbbVie may not be successful in the further development and commercialization of our potential triple combination product for the treatment of CF.

In addition, the terms of any collaboration or other arrangement that we establish may not 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 some cases, we may be responsible for continuing development of a product candidate or research program under a collaboration and the payment we receive from our collaboration partner may be insufficient to cover the cost of this development. Moreover, collaborations and sales and marketing arrangements are complex and time consuming to negotiate, document and implement and they may require substantial resources to maintain.

We are subject to a number of additional risks associated with our dependence on collaborations with third parties, the occurrence of which could cause our collaboration arrangements to fail. Conflicts may arise between us and collaboration partners, 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. If any such conflicts arise, a collaboration partner could act in its own self-interest, which may be adverse to our best interests. Any such disagreement between us and a collaboration partner could result in one or more of the following, each of which could delay or prevent the development or commercialization of our product candidates, and in turn prevent us from generating sufficient revenues to achieve or maintain profitability:

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

If our collaborations on research and development candidates do not result in the successful development and commercialization of products or if 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 development and commercialization collaborations, which 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. If we are 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. 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 pre-clinical 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 pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical 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 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 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 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, 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 pre-clinical 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 pre-clinical 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 pre-clinical 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 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 do not control the implementation of the manufacturing process of, and 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 or others, we will not be able to secure and/or maintain regulatory approvals for our products manufactured at these facilities. In addition, we have no control over 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 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. 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.

As part of our strategy to mitigate development risk, we seek to develop product candidates with validated mechanisms of action and we utilize biomarkers to assess potential clinical efficacy early in the development process. This strategy necessarily relies upon clinical data and other results obtained by third parties that may ultimately prove to be inaccurate or unreliable. Further, such clinical data and results may, at times, be based on products or product candidates that are significantly different from our product candidates. 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, CF, IPF, OA, AtD, 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, under our collaboration agreement with AbbVie for CF, AbbVie has the right to control prosecution and maintenance of any patent rights covering inventions that are jointly discovered or developed by us and AbbVie and patent rights that we control which relate to the compounds or products subject to the collaboration. In addition, 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 AbbVie for CF, AbbVie controls the enforcement of the patent rights subject to the agreement, although we may elect to participate in such enforcement proceedings and under our collaboration agreement with Gilead, Gilead controls any litigation on our patents for filgotinib. 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. For example, the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a “first-to-invent” system to a “first-to-file” system, changes to the way issued patents are challenged, and changes to the way patent applications are disputed during the examination process. These changes may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. Substantive changes to patent law associated with the America Invents Act may affect our ability to obtain patents, and if obtained, to enforce or defend them. Accordingly, it is not clear what impact, if any, the America Invents Act will have on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend any patents that may issue from our patent applications, all of which could have a material adverse effect 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. 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 our use of a third-party collaboration partner’s materials where required, or if disputes otherwise arise with respect to the intellectual property developed with the use of a collaboration partner’s samples, 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. For example, an opposition was filed in 2017 requesting revocation of our patent granted via the European Patent Office claiming filgotinib compositions of matter. We cannot guarantee or predict the outcome of this action, and it will likely take many years before the final decision is rendered. 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.

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 personnel. 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, and Andre Hoekema, our chief business officer, 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 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 and development 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, 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 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;

- 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, 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;

- 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; 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, especially when performing impairment tests on intangible and tangible assets. We perform these tests whenever there is an impairment indicator. 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.

We are no longer an "emerging growth company" and we will no longer be able to avail ourselves of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." For example, the Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. 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 potentially to attest to, the effectiveness of our internal control over financial reporting. We previously availed ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. However, we are no longer able to avail ourselves of this exemption. Our independent registered public accounting firm is now required to undertake an assessment of our internal control over financial reporting, and as a result the cost of our compliance with Section 404 will correspondingly increase. 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.

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 fully compensate us 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 collaboration arrangements with our strategic partners may make us an attractive target for potential acquisitions under certain circumstances.

Under certain circumstances, due to the structure of our collaboration arrangements with our strategic partners, our strategic partners may prefer to acquire us rather than paying the milestone payments or royalties under the collaboration arrangements, which may bring additional uncertainties to our business development and prospects.

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.

Recent developments relating to the United Kingdom's referendum vote in favor of withdrawal from the European Union could adversely affect us.

The United Kingdom held a referendum on June 23, 2016 in which a majority voted for the United Kingdom's withdrawal from the European Union (referred to as "Brexit"). As a result of this vote, negotiations commenced, and on March 29, 2017 the United Kingdom formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally and could continue to contribute to instability in global financial and foreign exchange markets. Brexit could also have the effect of disrupting the free movement of goods, services and people between the United Kingdom and the European Union; however, the full effects of Brexit are uncertain and will depend on any agreements the United Kingdom may make to retain access to European Union markets.

In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replicate or replace. If the United Kingdom significantly alters its regulations affecting the pharmaceutical industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. Altered regulations could also add time and expense to the process by which our product candidates receive regulatory approval in the United Kingdom and European Union. Similarly, it is unclear at this time what impact Brexit will have on our intellectual property rights and the process for obtaining, maintaining and defending such rights. It is possible that certain intellectual property rights, such as trademarks, granted by the European Union will cease being enforceable in the United Kingdom absent special arrangements to the contrary, and we are required to refile our trademarks and other intellectual property applications domestically in the United Kingdom.

Lastly, as a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership in the European Union. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations and financial condition could be adversely affected by Brexit is uncertain.

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, 2017, we had cumulative carry forward tax losses of €262.1 million in Belgium, of €59.7 million in France (when taking into account pending tax litigation effect), and €16.8 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 approximately €16.8 million of these tax loss carryforwards in Switzerland, Croatia, the United

States and the Netherlands will expire between 2018 and 2030. 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 €5.3 million for the year ended December 31, 2015, €5.8 million for the year ended December 31, 2016 and €11.2 million for the year ended December 31, 2017. The French tax credit amounted to €8.7 million for the year ended December 31, 2015, €9.5 million for the year ended December 31, 2016 and €10.3 million for the year ended December 31, 2017. 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 rate than other revenues, i.e., 4.4%, and 3.75% as of January 1, 2020.

When taken in combination with tax losses carried forward and research and development incentives mentioned above, we expect that this will result in a long-term low rate of corporation tax for us. It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a de facto minimum taxable base, whereby the existing tax attributes have to be allocated into two so-called "baskets": a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are subject to restrictions. The first basket contains (in order of deduction) the non-taxable items (such as deductible gifts), current year dividends received deduction, or DRD, grandfathered patent income deduction, or PID, current year (IID and investment deduction. The second basket contains (in order of deduction and subject to the restrictions as mentioned hereunder) the current year notional income deduction, or NID, DRD carry-forward, IID carry-forward, tax loss carry-forward, unlimited NID carry-forward and NID carry-forward subject to the seven-year limitation. The taxable base can be reduced without any limitation with the deductions contained in the first basket. Any remaining taxable basis below € 1 million can be fully compensated with deductions contained in the second basket. If the remaining taxable basis exceeds € 1 million, the excess above € 1 million can only be compensated with deductions of the second basket up to 70%. Such minimum taxable basis may have an impact on our future cash flows. At the end of 2017 we had €87.2 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 €29.5 million as of December 31, 2017, 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 incur portions of our expenses, and may in the future 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 results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. 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.

The instability of the euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, which was established on September 27, 2012 to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the expenditures on drugs through reduced volumes and lower prices, which could have a negative impact on the development and commercialization of our product candidates. In addition, the European credit crisis could affect the availability and cost of debt, if and when needed by us to finance our operations and research and development. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

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.

If a claim is introduced by Charles River with regard to our former service division, our results of operations and financial condition may be adversely affected.

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 has not been obtained. Approximately 5% of the total consideration, including price adjustments, was being held on an escrow account. Following common practice, we have given customary representations and warranties with customary caps and limitations 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 five years), other claims related to the sale cannot be submitted anymore). If Charles River makes a claim with respect to the sale of the service division, we could incur significant costs and expenses associated with the claim. 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 from the escrow account, as final agreement between parties was reached.

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.

Comprehensive tax reform legislation could adversely affect our U.S. business and financial condition.

On December 22, 2017, President Trump signed into law legislation known as the "Tax Cuts and Jobs Act" that significantly reforms the Internal Revenue Code of 1986, as amended. The Tax Cuts and Jobs Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and net operating loss carryforwards, allows for the expensing of capital expenditures, and puts into effect the migration from a "worldwide" system of taxation to a territorial system. We continue to examine the impact this tax reform legislation may have on our U.S. business. The impact of this tax reform is uncertain and could be adverse to our U.S. business.

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, together beneficially own approximately 23% 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 15, 2018, 50,936,778 shares were eligible for sale in the public market, 554,385 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 warrants 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).

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. On April 25, 2017, our shareholders authorized our board to increase our share capital (possibly with cancellation or limitation of the preferential subscription rights of our existing shareholders at the discretion of our board), subject to certain limitations, for a period of five years. We refer to this authority for our board to increase our share capital as our authorized capital. As of the date of this annual report, our board of directors may decide to issue up to 14,537,954 ordinary shares pursuant to this 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, 2018.

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. For example, if more than 50% of our securities are held by U.S. residents and more than 50% of the members of our executive committee or members of our board of directors are residents or citizens of the United States, we could lose our foreign private issuer status.

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 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 2017 taxable year and we do not anticipate being a PFIC for the current 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, 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, 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 the 2017 taxable year and we do not anticipate that we will be a PFIC with respect to the current 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 2017 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. 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. 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, 2017. However, we cannot provide any assurances regarding our status as a CFC for the 2017 taxable year or any future taxable years.

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 34 29 00. Our agent for service of process in the United States is C T Corporation System, located at 111 8th Avenue, New York, New York, 10011, United States of America.

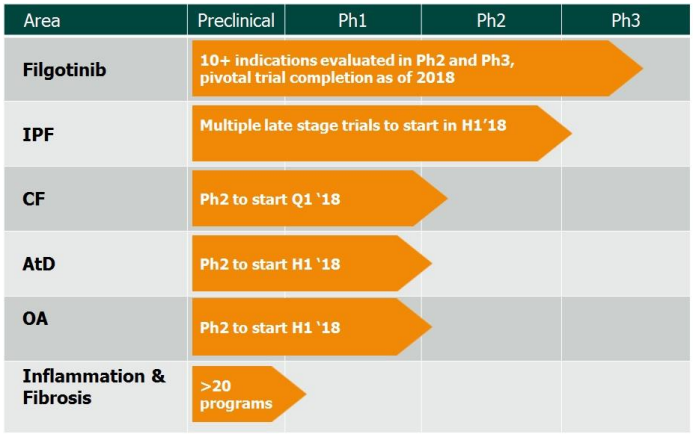
Our fiscal year ends December 31. We also maintain a corporate website at www.glpg.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report. We have included our website address in this annual report solely as an inactive textual reference.

Our actual capital expenditures for the years ended December 31, 2015, 2016 and 2017 amounted to €6.7 million, €4.8 million, and €7.4 million respectively. These capital expenditures primarily consisted of 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 2018 to be financed from our cash reserves. For more information on our capital expenditures, see the section of this annual report titled “Item 6.B.—Liquidity and Capital Resources—Capital Expenditures.”

B. Business 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, cystic fibrosis (CF), 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) and Crohn’s disease (CD), in a Phase 2/3 trial in ulcerative colitis (UC) and in Phase 2 trials in multiple additional indications; GLPG1690, our fully proprietary autotaxin inhibitor, which is expected to initiate pivotal trials for idiopathic pulmonary fibrosis (IPF) in 2018; our CF portfolio of drugs aimed at a triple combination therapy for 90% of CF patients, for which we plan to report interim results from a first triple combination therapy in a Phase 2 clinical trial in 2018; GLPG1972 for OA, which is expected to be dosed in a global Phase 2 trial in OA patients in 2018; and MOR106, which is expected to be dosed in a Phase 2 trial in atopic dermatitis (AtD) patients in 2018. Most of these programs are based on inhibiting targets which were identified using our proprietary target discovery platform. Please see “—Glossary of Terms” for terms used, but not defined, herein.

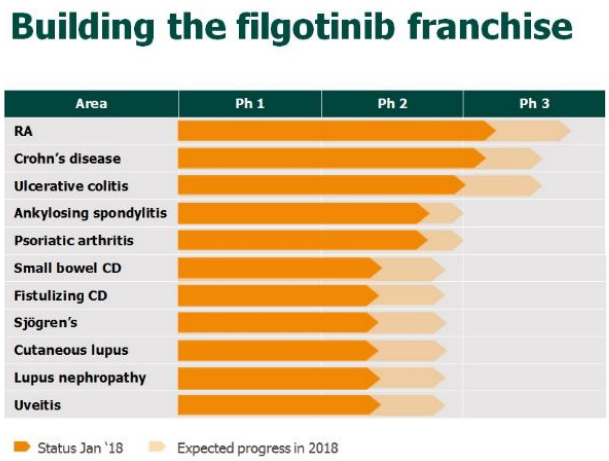
We have collaborations with Gilead for filgotinib, with AbbVie for CF, with Servier for GLPG1972, and with MorphoSys for MOR106. For more information on our collaborations, see “—Collaborations.” The following table highlights key aspects of our development program indication areas at the beginning of 2018:



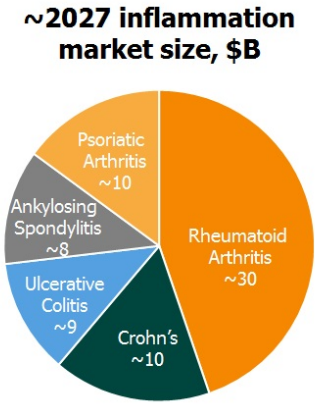
Lead Programs

Filgotinib: Selective JAK1 Inhibitor with a Potential Best-in-class Product Profile

Based on results from our Phase 2 trials, we believe that filgotinib is a promising candidate for the treatment of RA, CD and potentially other inflammatory diseases. We are party to an exclusive collaboration agreement with Gilead to develop and commercialize filgotinib in multiple diseases. Under the terms of the collaboration, Gilead is primarily responsible for development and seeking regulatory approval of the licensed product. We are required to use commercially reasonable efforts as requested by Gilead to assist Gilead with certain development activities. Gilead initiated Phase 3 clinical programs in RA and CD and a Phase 2b/3 program in UC in 2016, and we and Gilead initiated Phase 2 trials with filgotinib in additional indications in 2017. The following table highlights our filgotinib program and anticipated progress in 2018:



Markets for inflammation drugs are 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 market, which we estimate to be approximately $30 billion, with the other main markets representing considerable opportunities as well:



Based on the Phase 2 data observed with filgotinib in RA and CD thus far, we believe that filgotinib has the potential to improve treatment standards substantially in RA and inflammatory bowel diseases. Compared with biologic agents, filgotinib is orally administered, with a rapid onset, sustained response, and potential for monotherapy. American College of Rheumatology (ACR) scores with filgotinib in Phase 2 trials in RA patients are encouraging, and CDAI remission and SES-50 scores are similarly promising with filgotinib in a Phase 2 trial in CD patients who are naïve to

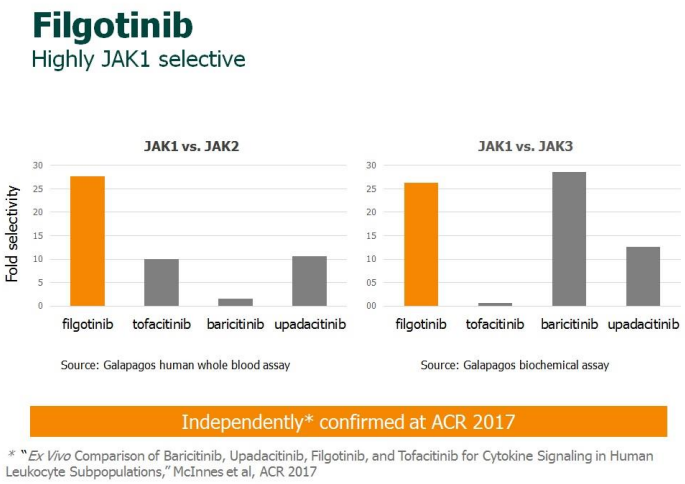
TNF therapy. Filgotinib is highly selective for JAK1, resulting in favorable tolerability so far, including low rates of infection.

Our Filgotinib Program in RA

RA is a chronic autoimmune disease that affects approximately three million patients in the United States and Germany, United Kingdom, France, Spain, and Italy. 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. According to GlobalData, sales of RA therapeutics across the 10 main healthcare markets was $21.7 billion in 2017, with the current market being dominated by injectable, biological therapies. Biologics, mostly TNF therapies, need to be injected and often lose their effect over time, so there continues to be a considerable unmet need with regard to efficacy, safety, and convenience of use with existing treatments.

New oral therapies that target the Janus kinase (JAK) signaling pathway are emerging to treat inflammatory diseases; JAK inhibitors, however, are associated with a range of side effects, including aberrations in low-density lipoprotein, or 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 inhibitor small molecule. In a human whole blood assay we demonstrated that filgotinib, with a nearly 30-fold selectivity for JAK1 over JAK2 and for JAK1 over JAK3, is more selective for JAK1 than any other JAK inhibitor known to us to be either approved for sale or in clinical development in inflammation. These findings were independently corroborated by Dr. Iain McInnes at the 2017 Annual Meeting of the ACR.

We believe the high selectivity of filgotinib for JAK1 may allow for a positive efficacy profile, with an improved safety profile for filgotinib due to the improved selectivity over JAK2 and JAK3.

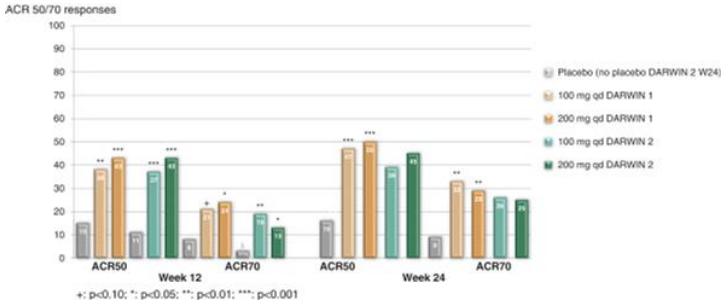


Our Clinical Results for Filgotinib for RA

Clinical trials to date have shown that filgotinib is well-tolerated, with atherogenic index improvement, absence of anemia, low infection rates and low incidence of deep venous thrombosis and pulmonary embolisms. We believe its once-a-day oral dosage and its low risk for drug-drug interactions make it convenient for patient use.

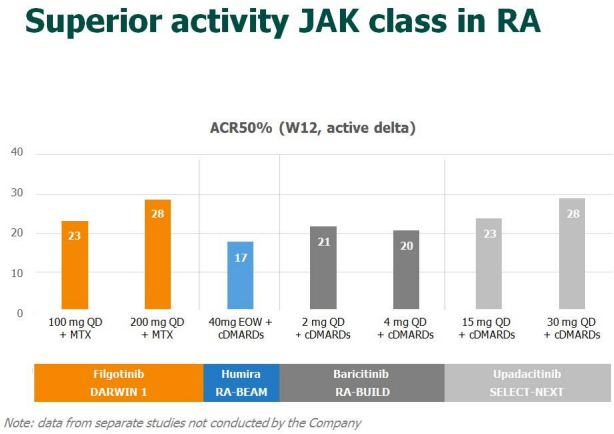
We reported data from DARWIN 1 and DARWIN 2 Phase 2b dose-range finding clinical trials in 2015. Both trials were double-blind, placebo-controlled for 24 weeks of treatment in patients with moderate to severe RA who showed an inadequate response to methotrexate. DARWIN 1 (594 patients) evaluated filgotinib as an addition to methotrexate, as once- and twice-daily administration (once-daily and twice-daily dosing, respectively) at three daily dose levels.

DARWIN 2 (283 patients) evaluated filgotinib as once-daily monotherapy administration (once-daily dosing) at three dose levels. Both trials achieved the primary endpoints (ACR20). Below are the ACR50 and ACR70 scores at 12 and 24 weeks for 100 and 200 mg once-daily in both DARWIN 1 and DARWIN 2:



Overall, there was no statistically relevant difference between the once-daily and twice-daily dosing regimens in DARWIN 1. Both trials showed a rapid onset of activity, as of week one for ACR and DAS28(CRP) responses. In DARWIN 1 (200 mg twice-daily) and in DARWIN 2 (100 mg once-daily) up to 50% of the patients reached low disease activity or remission. The 100 mg and 200 mg once-daily doses achieved similar levels of activity overall.

Below follows information regarding the activity of filgotinib, other JAKs, and another mechanism (anti-TNF) of RA treatment in separate patient trials; JAKs have scored higher on ACR50% in recent trials than anti-TNF, the mechanism most often used today:



Tolerability data in both DARWIN 1 and 2 trials was similarly promising. In dose groups including placebo in both trials, 3.9% of patients stopped treatment during the trial for safety reasons. In DARWIN 1 patients reporting serious (2.5% overall) and non-serious treatment-emergent adverse events were evenly spread over the dose groups including placebo. Serious infections were reported in six patients, including one death on active treatment in the second half of the trial and for which the Data Safety Monitoring Board did not see a reason to pause or change the trial. No opportunistic infections were reported. Herpes zoster infection occurred in five patients, equally spread over placebo and filgotinib groups. In DARWIN 2 a higher discontinuation rate for safety was observed for placebo (5.6%) during the first 12 weeks of the trial compared to filgotinib treated patients (2.5%) up to week 24. Similar incidence of serious and non-serious treatment-emergent adverse events was reported, evenly spread over the dose groups including placebo. A higher rate of infections was observed in filgotinib (19% over 24 weeks) compared to placebo (10% up to week 12), with serious infections remaining limited (1.4% of filgotinib patients). No malignancies, tuberculosis, major adverse cardiac events, opportunistic infections, or deaths were reported in DARWIN 2.

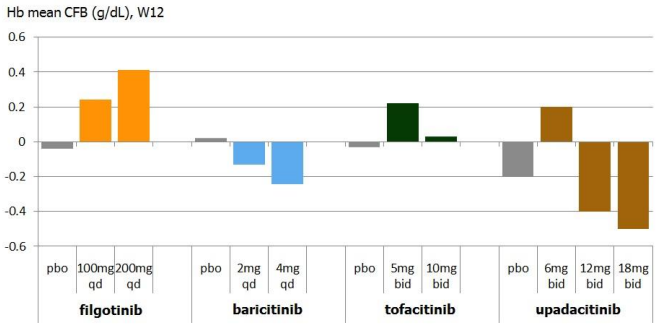
On the basis of pre-clinical findings, males in the United States were restricted by the FDA to the 100 mg dose for DARWIN 1 and 2. Male reproductive hormones consequently were monitored in male patients taking 200 mg in

DARWIN 1 and 2 outside the United States. No clinically significant changes or discontinuations were observed for male reproductive hormones in either trial.

Consistent with its selective JAK1 inhibition, filgotinib treatment led to an improvement in hemoglobin (DARWIN 1 up to 0.5 g/dL, or a 4% increase from baseline, DARWIN 2 up to 0.4 g/dL, or 3.6% increase from baseline). In DARWIN 1, all lipid fractions including HDL and LDL increased, with the largest percentage increase in HDL, while in DARWIN 2 similar increases in LDL and HDL were maintained. Neutrophil levels remained stable after initial decline to mid-normal range at week four. Neither lymphocytes nor liver enzymes were impacted by treatment with filgotinib in either trial.

Filgotinib's improvement in hemoglobin shown in DARWIN 1 and 2 potentially differentiates it when compared to impact on hemoglobin shown by other JAK inhibitors in RA trials:

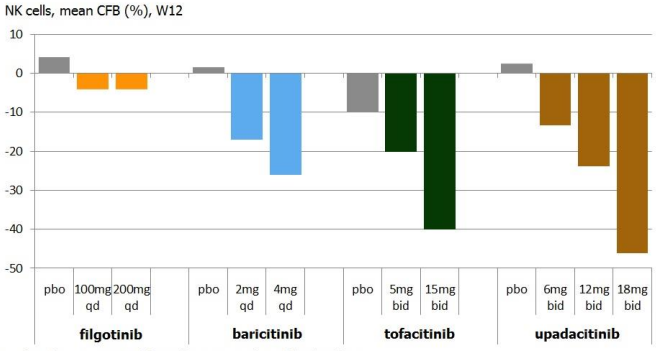
Beneficial hemoglobin profile



Note: data from separate RA studies not conducted by the Company.
filgotinib – Westhovens et al, and Kavanaugh et al, ARD 2016; baricitinib – Dougados et al, Annrheumdis 2016, RA-BUILD; tofacitinib – FDA AdComm briefing document May 2012; upadacitinib – Genovese et al A&R 2016 BALANCE 2.

RA patients experience a decrease in natural killer (NK) cells as a consequence of their disease. Filgotinib's lack of impact on NK cells shown in DARWIN 1 and 2 potentially differentiates it when compared to the impact on NK cells shown by other JAK inhibitors in RA trials:

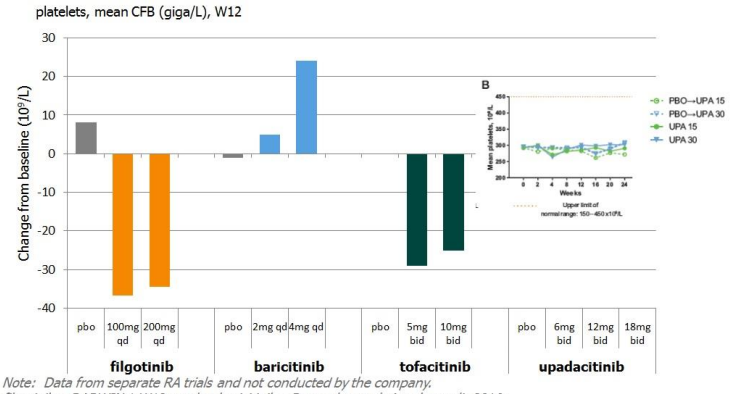
No reduction of NK cells



Note: data from separate RA studies not conducted by the Company.
filgotinib – Westhovens et al, and Kavanaugh et al, ARD 2016; baricitinib – Dougados et al, Annrheumdis 2016, RA-BUILD and Tanaka EULAR 2016 abstract RA-BEAM; tofacitinib – Van Vollenhoven abstract 2013, median CFB at W6; upadacitinib – Genovese et al A&R 2016 BALANCE 2.

RA patients experience platelet elevation as a consequence of their disease. Filgotinib's reduction of platelets to more normal levels, as shown in DARWIN 1 and 2, potentially differentiates it when compared to the impact on platelets shown by other JAK inhibitors in their respective RA trials:

Reduction of platelets



Note: Data from separate RA trials and not conducted by the company.
filgotinib – DARWIN 1 W12 results; baricitinib – Dougados et al, Annrheumdis 2016;
tofacitinib – FDA AdComm briefing document May 2012, upadacitinib – Genovese et al ACR 2017

Also due to its high selectivity for JAK1, filgotinib has shown the lowest rates of infection, deep venous thrombosis (DVT) and pulmonary embolisms (PEs) per 100 patient year experience (PYE) versus other JAKs and other therapy types thus far in RA, based on our review of published studies of such therapies:

Low incidence DVT and infections

Event Per 100 PYE	filgotinib (50-)200mg daily DARWIN 3 Wk 84 *Genovese, ACR2017*	upadacitinib 6 and 12mg BID *Genovese et al., ACR2017*	baricitinib 2 and 4mg QD *Genovese et al, ACR 2017*	tofacitinib 5mg bid *Wollenhaupt et al, ACR 2017*	tocilizumab 4 and 8 mg/kg *Genovese et al, ACR 2012*	adalimumab *Burmester et al, 2011*
Patient year exposure	1,708	725	6,637	5,891	14,994	23,943
Serious infection	1.5	2.3	2.9	2.2	4.5	4.6
Herpes Zoster	1.2	3.7	3.2	3.6	NR	NR
DVT/PEs	2/1,708	5/725	31/6,754	3/1,849*	-	-
N cases/100PY	0.1	0.7	0.5	0.2		

Note: Data from separate RA trials and not conducted by the company.
** DVT/PE data on tofacitinib from Mease et al, ACR2017, 5mg bid*

DARWIN 3 is a multi-center, open-label, long-term follow-up safety and efficacy trial of subjects who have completed either DARWIN 1 or DARWIN 2. All subjects have started the trial at the same dose level, either at 200 mg once per day or at 100 mg twice per day (except for males in the U.S. sites of these trials who receive 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 60 and 84 weeks of treatment in 2017. Promising activity levels were maintained and a favorable tolerability profile were reported. Data from both time points in DARWIN 3 were consistent with the risk/benefit profiles reported in DARWIN 1 and 2. These data were presented by Dr. Mark Genovese at the 2017 Annual Meeting of the ACR.

FINCH Phase 3 Program with filgotinib in RA

In August 2016, Gilead initiated the FINCH global Phase 3 program investigating the efficacy and safety of 100 mg and 200 mg filgotinib once daily, in RA patient populations, ranging from early stage to biologic-experienced patients:

FINCH 1 is a 52-week, randomized, placebo- and adalimumab-controlled trial in combination with methotrexate (MTX) in an expected 1,650 patients who have had inadequate response to MTX. The primary endpoint is ACR20 at week 12. ACR20 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, respectively for 50% and 70% response rates. The trial will also include radiographic assessment at weeks 24 and 52. We expect Gilead to complete recruitment for FINCH 1 in Q2 2018.

FINCH 2 is a 24-week, randomized, placebo-controlled trial in an expected 423 patients who are on conventional disease-modifying anti-rheumatic drugs (cDMARD), and have had an inadequate response to biological treatment. The primary endpoint is ACR20 at week 12. We and Gilead expect to report topline findings from the FINCH 2 trial in H2 2018.

FINCH 3 is a 52-week, randomized trial in an expected 1,200 MTX-naïve patients to study filgotinib in combination with MTX, as well as monotherapy. The primary endpoint is ACR20 at week 24. Radiographic progression will also be assessed. We expect Gilead to complete recruitment for FINCH 3 in Q3 2018.

Gilead is performing a single dedicated male patient safety trial in UC patients concurrent to all Phase 3 programs.

Our Filgotinib Program in Inflammatory Bowel Disease (IBD)

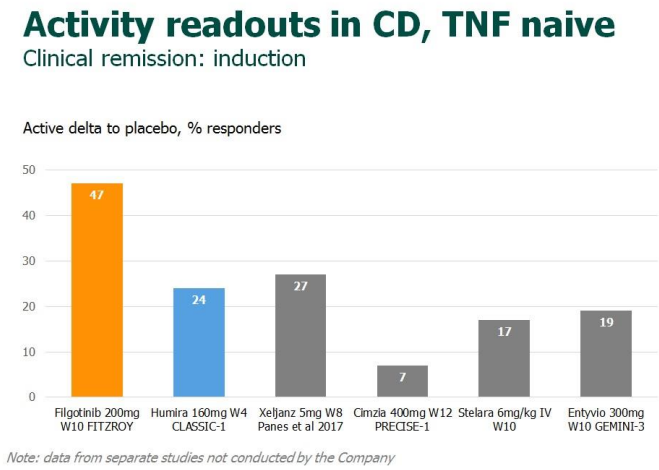
IBD includes CD and UC. We observed high activity and a favorable safety profile in a Phase 2 trial with filgotinib in CD, as reported in *The Lancet* (Vermeire *et al*) in 2016. The profile we saw with filgotinib in this CD patient trial leads us to believe the product candidate may show activity and tolerability in UC patient trials as well. IBD affects approximately two million patients (of which approximately 0.5 million are being treated with biologics) in the United States and Europe, and the market for IBD therapies is approximately $9 billion today, according to GlobalData. Current treatments are dominated by anti-TNF agents, with new biologic products gaining some ground in second line treatment.

CD is an IBD of unknown cause, resulting in chronic inflammation of the gastrointestinal (GI) tract with a relapsing and remitting course. Today, only 10% of CD patients 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 we believe that filgotinib, with its high selectivity for JAK1, is a highly attractive candidate for the treatment of CD. By inhibiting JAK1 but not JAK2, unwanted effects such as anemia may be prevented. This absence of anemia is of particular importance to IBD patients, who frequently experience fecal blood loss.

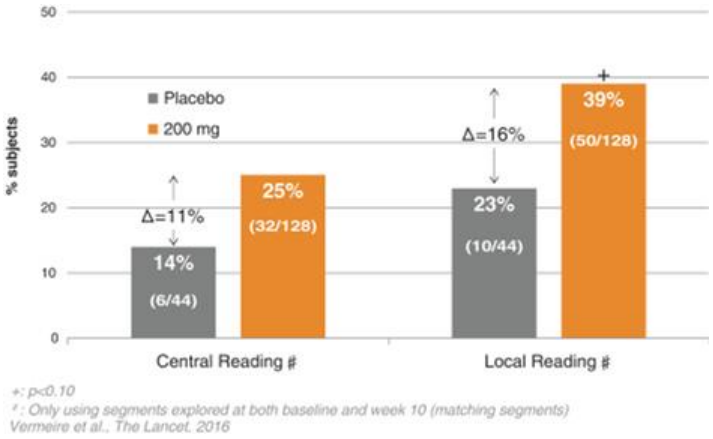
Our Clinical Program with filgotinib in CD

Our FITZROY Phase 2 trial (174 patients) evaluated filgotinib once-daily versus placebo in patients with moderate to severely active CD and mucosal ulceration. Patients recruited were either anti-TNF naïve or anti-TNF failures. FITZROY was the first trial in CD to require endoscopic confirmation of lesions at entry, and also to include a placebo control on endoscopy. The trial comprised two parts, each of 10 weeks duration: the first part investigated the safety and efficacy of filgotinib 200 mg once daily versus placebo, while the second part of the trial investigated continued treatment through 20 weeks in an observational exploratory design. As reported in *The Lancet* (Vermeire *et al*), the FITZROY trial achieved the primary endpoint of clinical remission at 10 weeks: the percentage of patients overall achieving a Crohn’s Disease Activity Index (CDAI) score lower than 150 was statistically significantly higher in patients treated with filgotinib (47%) versus patients receiving placebo (23%). The share of patients achieving 100-points clinical response (60%) also was significant versus those receiving placebo (41%). We believe that the activity observed with

filgotinib in TNF naïve patients in FITZROY compared favorably to that seen with other treatments in other, separate trials:



Improvement in quality of life, histopathology, endoscopy assessment and biomarkers of inflammatory activity were also observed at week 10. Overall mean change in histopathology scores at week 10 for patients treated with filgotinib (-3.5) versus placebo (-0.6) was significantly different, confirming the clinical responses in the tissues of patients. More patients on filgotinib showed >50% improvement in SES-CD (endoscopy) scores versus placebo patients at week 10:



Clinical responses were maintained from week 10 to week 20. Non-responders in the placebo arm from the first ten weeks received filgotinib 100 mg in the second ten weeks and showed improvement in clinical remission during the second part of the trial.

Overall, in the FITZROY trial at 20 weeks of treatment, filgotinib demonstrated a favorable safety profile consistent with the DARWIN trials in RA. An increase in hemoglobin was also observed in FITZROY, without difference between filgotinib and placebo. No clinically significant changes from baseline in neutrophils or liver function tests were observed.

Gilead initiated a Phase 3 trial (DIVERSITY) 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. In the United States, males may receive 200 mg if they failed at least one anti-TNF and vedolizumab, a monoclonal anti-integrin antibody marketed by Takeda. We expect Gilead to complete recruitment for DIVERSITY in the first half of 2019.

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

Our Clinical Program with filgotinib in UC

UC is an inflammatory bowel disease resulting in ulcerations and inflammation of the colon and rectum. Unlike CD, UC involves damaging inflammation of only the colon and rectum. According to GlobalData, there were 1.2 million patients being treated for ulcerative colitis in the 7 major markets, for a combined total sales of just over $5 billion in 2017. 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 and could likely be achieved by a new mechanism of action.

Gilead initiated the 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 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. The SELECTION Phase 2b/3 trial in UC will include a futility analysis, serving as the Phase 2b part of this integrated Phase 2b/3 trial. We expect Gilead to report the outcome of the futility analysis in 2018. Men and women in SELECTION will be randomized to receive placebo, 100 mg or 200 mg filgotinib. In the United States, males may receive 200 mg if they failed at least one anti-TNF and vedolizumab.

Other Clinical Trials With Filgotinib in Patients

In the course of 2017, Gilead initiated clinical trials with filgotinib in Sjögren's disease, cutaneous lupus erythematosus, lupus membranous nephropathy, and uveitis. We initiated patient trials with filgotinib in psoriatic arthritis and ankylosing spondylitis, for which we expect to report topline results in 2018.

Psoriatic Arthritis

Psoriatic arthritis is an inflammatory form of arthritis, affecting up to 30% of psoriasis patients. There are approximately 1 million patients in the U.S. and European Union today, with men and women being affected equally. Psoriatic arthritis can cause swelling, stiffness and pain in and around the joints and cause nail changes and overall fatigue. Studies show that delaying treatment for psoriatic arthritis as little as six months can result in permanent joint damage. Early recognition, diagnosis and treatment of psoriatic arthritis 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.

The EQUATOR Phase 2 trial is 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 psoriatic arthritis. Approximately 124 patients were randomized in the trial in a 1:1 ratio to receive 200 mg or placebo once-daily administered for 16 weeks. EQUATOR was recruited in eight European countries. The EQUATOR trial is fully recruited and we expect trial completion in the second quarter of 2018.

The primary goal of EQUATOR is to evaluate the effect of filgotinib compared to placebo on the signs and symptoms of psoriatic arthritis, as assessed by the ACR20 at week 16. The trial also explores the effects of filgotinib on skin manifestations (psoriasis) as well as other domains like fingers (dactylitis), tendon insertions (tendinitis), spine involvement (spondylitis) and nail involvement.

Ankylosing Spondylitis (AS)

AS, a systemic, chronic, and progressive inflammatory arthritis, is one of the most common rheumatic diseases across the globe, affecting approximately 2 million patients in the U.S., Europe, and Japan today. 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.

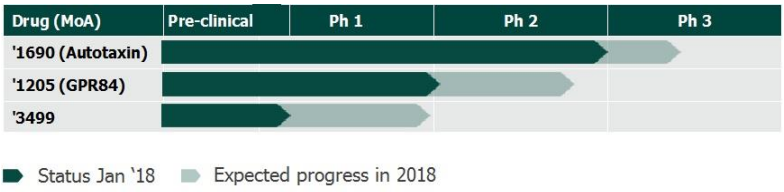
The TORTUGA Phase 2 trial is a multi-center, randomized, double-blind, placebo-controlled trial to assess the safety and efficacy of filgotinib in adult patients with moderate to severe active AS. Approximately 100 patients were randomized in the trial in a 1:1 ratio to receive 200 mg or placebo once-daily administered for 12 weeks. TORTUGA recruited in eight European countries. We expect to complete TORTUGA in the second half of 2018.The primary goal of TORTUGA is to evaluate the effect of filgotinib compared to placebo on the signs and symptoms of AS, as assessed by the Ankylosing Spondylitis Disease Activity Score (ASDAS) at Week 12. The trial also explores signs and symptoms of AS, physical function, spinal mobility, enthesitis, spinal and sacroiliac joint inflammation, and safety.

Our IPF Programs

IPF is a chronic, relentlessly progressive fibrotic disorder of the lungs that typically affects adults over the age of 40. IPF affects approximately 200,000 patients in the United States and Europe and, as such, we have received orphan designation for our product candidate GLPG1690 in this indication from the European Commission and in the United States for our product candidates in IPF. The clinical prognosis of patients with IPF is poor, as survival at diagnosis is two to four years. Currently, no medical therapies have been found to cure IPF. The medical 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 and Ofev 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 $1.1 billion in 2016, with 74% of global revenues being in the United States. These regulatory approvals represent a major breakthrough for IPF patients; yet neither drug improves 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 global sales of approved IPF drugs will grow to nearly $5 billion in 2025.

The following is an overview of our IPF portfolio and their expected clinical development in 2018:



We have developed a portfolio of three drug candidates, each with a distinct, novel mechanism of action aimed toward addressing the root causes of IPF. Having multiple mechanisms of action within our own portfolio of IPF candidates allows the possibility of exploring combinations of therapies as well. These candidates are fully proprietary to us, and we aim to commercialize successful drug candidates ourselves.

GLPG1690

GLPG1690 is a potent and selective inhibitor of autotaxin (ATX). We identified ATX as a potential target for IPF, using an inflammation assay in our target discovery platform. 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.

GLPG1690 completed a Phase 1 first-in-human trial in February 2015. In this trial, GLPG1690 was shown to be well-tolerated in up to 1,000 mg daily dose and demonstrated a favorable pharmacokinetic profile. Moreover, in this trial GLPG1690 demonstrated the ability to reduce plasma lysophosphatidic acid (LPA) levels on a sustained basis, implying ATX engagement.

We completed a Phase 2a trial (called FLORA) in IPF patients and announced topline results in August 2017. FLORA was an exploratory, randomized, double-blind, placebo-controlled trial investigating a once-daily oral dose of GLPG1690. The drug candidate was 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 IPF patients. 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. The baseline characteristics of the recruited population were in line with published data in similarly conducted trials and were balanced between active and placebo, measured as a function of diffusion capacity of the lung for carbon monoxide (DLCO) and forced vital capacity (FVC):

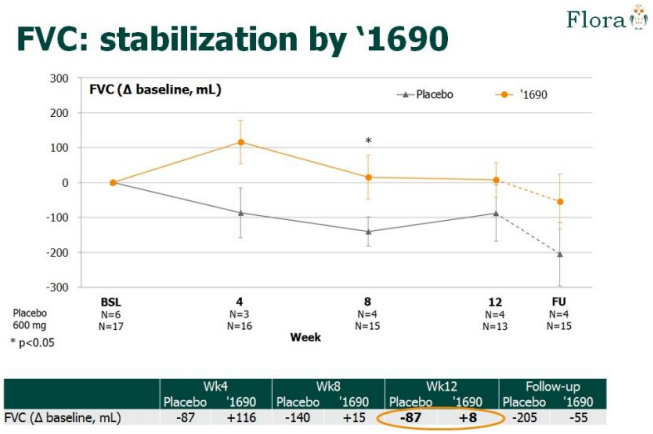
Balanced disease characteristics Flora

Baseline disease characteristics (mean)	Placebo (N=6)	'1690 (N=17)	Total (N=23)
Duration of IPF (yrs)	1.0	1.9	1.7
DLCO (% predicted of normal)	40.6	37.8	38.6
Baseline FVC (L)	2.693	2.777	2.755
Baseline FVC (% predicted of normal)	69.7	75.3	73.8

Balanced patient demographics Flora

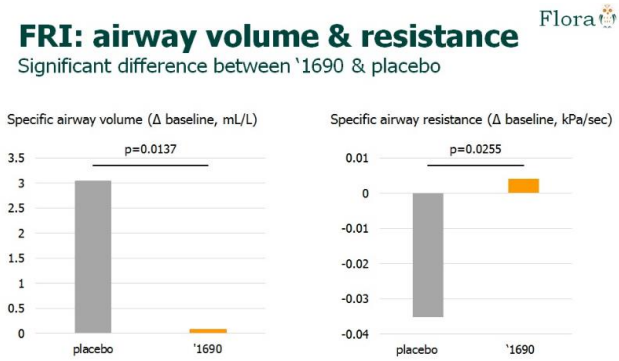
Baseline demographics	Placebo (N=6)	'1690 (N=17)	Total (N=23)
Males (%)	83	59	65
Age (mean, yrs)	62.5	66.6	65.6
BMI (mean, kg/m²)	32.4	29.4	30.2
Smokers (%)			
former	50	35	39
never	50	65	61

Over the 12-week period, patients receiving GLPG1690 showed stabilization of disease, with an FVC increase of 8 mL, while patients on placebo showed an FVC reduction of 87 mL (mean from baseline). Such reductions in FVC in the placebo arm were in line with expectations based on similarly conducted third-party trials in IPF patients.

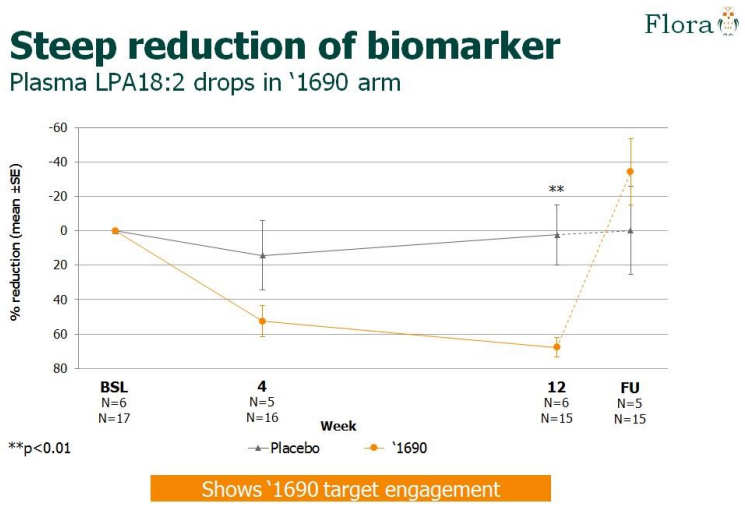


	Wk4		Wk8		Wk12		Follow-up	
	Placebo	'1690	Placebo	'1690	Placebo	'1690	Placebo	'1690
FVC (Δ baseline, mL)	-87	+116	-140	+15	**-87**	**+8**	-205	-55

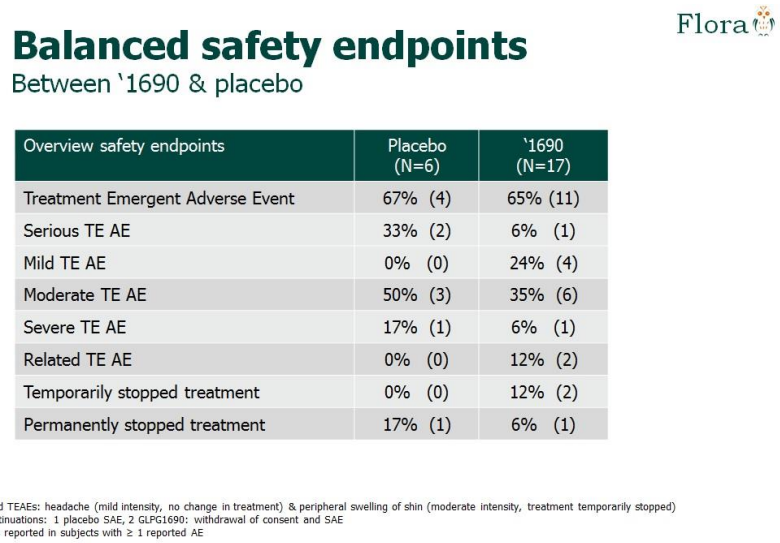
In addition to the demonstrated absence of lung function decline over the 12-week period, more sensitive functional respiratory imaging (FRI) confirmed disease stabilization in the GLPG1690 arm, versus disease progression in the placebo arm, reaching statistical significance on two specific parameters,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



Patients on GLPG1690 showed a clear reduction of serum LPA18:2, a biomarker for ATX 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 trial. Rates of discontinuation due to adverse events, as well as serious adverse event rates, were similar between patients on GLPG1690 and placebo.



Overview safety endpoints	Placebo (N=6)	'1690 (N=17)
Treatment Emergent Adverse Event	67% (4)	65% (11)
Serious TE AE	33% (2)	6% (1)
Mild TE AE	0% (0)	24% (4)
Moderate TE AE	50% (3)	35% (6)
Severe TE AE	17% (1)	6% (1)
Related TE AE	0% (0)	12% (2)
Temporarily stopped treatment	0% (0)	12% (2)
Permanently stopped treatment	17% (1)	6% (1)

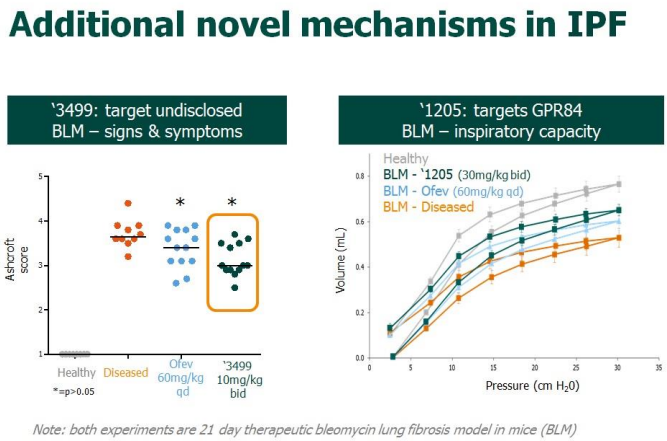
Related TEAEs: headache (mild intensity, no change in treatment) & peripheral swelling of shin (moderate intensity, treatment temporarily stopped)
Discontinuations: 1 placebo SAE, 2 GLPG1690: withdrawal of consent and SAE
All AEs reported in subjects with ≥ 1 reported AE

Following the promising results with GLPG1690 in the FLORA trial, we decided to pursue further development of the compound ourselves. We plan to progress GLPG1690 rapidly into a late stage trial and are in discussions with regulators regarding trial design.

GLPG3499 and GLPG1205

In June 2017, we nominated a new product candidate for IPF, GLPG3499. The novel mechanism of action of GLPG3499 remains undisclosed. This candidate is expected to enter Phase 1 trials in 2018. Pre-clinical data in a bleomycin mouse model for IPF show a numerical advantage with treatment with GLPG3499 over Ofev in reduction of fibrotic scores.

GLPG1205 is a GPR84 inhibitor discovered by us and we have observed favorable tolerability but no effect in UC patients in 2016. We expect to test GLPG1205 in IPF patients starting in 2018. Pre-clinical data in a bleomycin mouse model for IPF show a numerical advantage with treatment with GLPG1205 over Ofev in improvement of respiratory capacity.



Note: both experiments are 21 day therapeutic bleomycin lung fibrosis model in mice (BLM)

Our CF Program

CF is a rare, life-threatening, genetic disease affecting the lungs and the digestive system, impacting approximately 80,000 patients worldwide. CF patients carry a defective CF transmembrane conductance regulator (CFTR) gene and are classified based on their specific mutation of the CFTR gene. The Class II mutation is present in approximately 90% of CF patients, with Orkambi and Symdeko being the only approved therapies for the underlying cause of CF in this mutation. Kalydeco is a disease-modifying treatment for Class III and several residual function mutations, representing about 8% of total CF patients. The market for CF therapies is robust and growing. According to Vertex Pharmaceuticals, approximately 9,000 patients were treated with Vertex therapies in 2016, and this they expect to grow to approximately 75,000 patients by 2024. Combined sales of Kalydeco and Orkambi were approximately $2.2 billion in 2017.

Despite the approval of Kalydeco, Orkambi, and Symdeko, 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.

CF drug developers are focused on two types of disease-modifying CFTR modulators. Potentiator molecules aim to restore the flow of ions through an activated CFTR by influencing the channel's opening. Corrector molecules aim to overcome defective protein processing by restoring proper folding of CFTR and allowing for increased cell surface expression. In order to improve CFTR function meaningfully for the largest patient group with Class II and other mutations, we believe a combination of medicines will be required, comprising a potentiator and two novel corrector (which we refer to as C1 and C2) molecules.

We believe that our CF combination therapy may address the unmet need in CF patients in one or two copies of the F508del mutation. From 2005–2017, we focused on developing novel CF compounds to address the needs of Class II patients, and we believe we validated the potentiator and C1 corrector components in patient trials. In 2018, we expect to validate the final component, the C2 corrector, in a patient trial.

We aim to evaluate a once-daily, oral, triple combination CF therapy in patients starting in Q1 2018, with additional trials with novel CF compounds and triple combinations initiating throughout 2018. We developed a portfolio of lead and backup compounds from which to select the best potentiator and corrector molecules for our triple combination therapies, outlined below.

First Triple Combination

FALCON is a patient trial combining potentiator GLPG2451, C1 corrector GLPG2222, and C2 corrector GLPG2737 into a triple combination in CF patients homozygous for the Class II mutation. We expect to initiate FALCON in Q1 2018.

Second Triple Combination

The first healthy volunteer was dosed with a second novel investigational triple combination therapy comprising potentiator GLPG3067, C1 corrector GLPG2222, and C2 corrector GLPG2737 in a Phase 1 trial in Belgium. The aim of the Phase 1, randomized, double-blinded, placebo-controlled trial is to evaluate the safety, tolerability and pharmacokinetics of multiple ascending doses of this second investigational triple combination therapy in up to 16 healthy volunteers. Topline results from this Phase 1 trial are expected to be presented at a future medical conference. We aim to evaluate this triple combination in patients, pending satisfactory completion of the Phase 1 trial.

Third Triple Combination

We aim to evaluate a third triple combination comprising potentiator GLPG3067, C1 corrector GLPG2222, and C2 corrector GLPG3221 in both healthy volunteers and patients. We currently await the outcome of a Phase 1 trial with GLPG3221, which is expected in 2018.

Our Clinical Results in CF

CF Potentiators

We have two CF potentiators: GLPG2451, and GLPG3067.

We reported favorable tolerability and pharmacokinetics in Phase 1 trials for GLPG2451, and for potentiator GLPG3067 at the North American Cystic Fibrosis Conference (NACFC) in 2017. GLPG2451 and GLPG3067 have potential for once-daily dosing. GLPG2451 has an active metabolite with a half-life of one month. Both GLPG2451 and GLPG3067 were tested separately in combination with C1 corrector GLPG2222, showing favorable tolerability in healthy volunteers.

C1 Correctors

We are developing GLPG2222 and GLPG2851 as C1 correctors.

GLPG2222

We reported that GLPG2222, the first early binding (C1) corrector, showed favorable safety and tolerability in Phase 1 trials in healthy volunteers in June 2016. GLPG2222 was tested in single ascending doses up to 800 mg, and in multiple ascending doses up to 600 mg once-daily for 14 days in a double-blind, randomized, placebo-controlled trial. The product candidate was shown to be well-tolerated and no emerging safety signals were observed in the dose range studied. In 2017, we reported topline data for GLPG2222 from two Phase 1b clinical trials, our ALBATROSS and FLAMINGO trials.

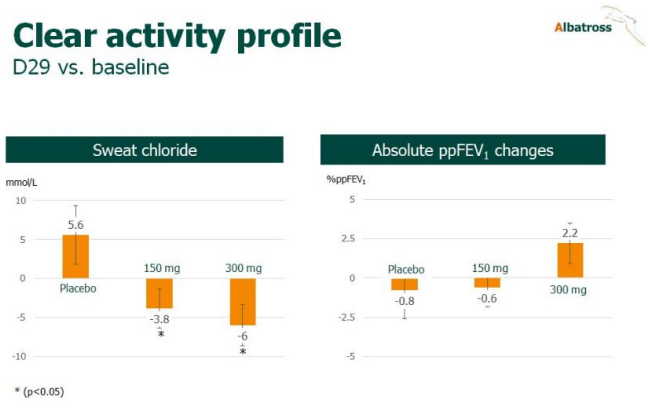
ALBATROSS

The ALBATROSS trial included 37 CF patients with a gating (Class III) mutation on one allele and F508del (Class II) mutation on the other allele. All patients were on long-term stable Kalydeco treatment (150 mg twice-daily) at screening and continued their Kalydeco treatment throughout the trial. The ALBATROSS trial was fully recruited within five months. Primary objectives of this randomized, double-blinded, placebo controlled trial were to evaluate the safety and tolerability and pharmacokinetics of novel C1 corrector GLPG2222 in this CF patient population. Once-daily doses of 150 mg GLPG2222, 300 mg GLPG2222 or placebo were administered.

Overall, GLPG2222 was well tolerated, with observed treatment emergent adverse events being predominantly mild or moderate, and typical for a CF patient population. There were no serious adverse events reported and no discontinuations due to adverse events.

The targeted exposures of GLPG2222 were achieved in this patient trial, further strengthening dosing modelling for the first investigational triple combination. Exposures achieved in patients were in line with those observed in healthy volunteers.

The additional activity observed with treatment with GLPG2222 on top of Kalydeco was in line with what was observed with tezacaftor combined with Kalydeco in a Phase 2 trial in this population. A statistically significant dose-dependent decrease in sweat chloride concentration was observed amounting to a decrease of 6 mmol/L in the 300 mg cohort. Mean percent predicted FEV1 (ppFEV1) levels overall were 70% at screening (prior to treatment with GLPG2222). At the end of treatment with 300 mg GLPG2222, ppFEV1 levels increased by 2.2%.



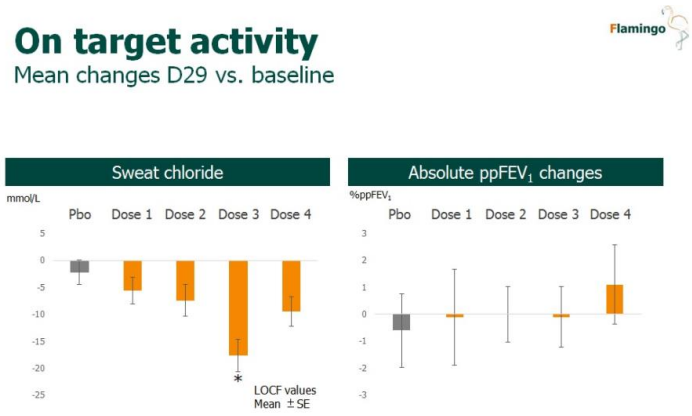
FLAMINGO

The FLAMINGO trial included 59 CF patients with two copies of the Class II F508del mutation and who had not received prior treatment with Orkambi or Symdeko for four weeks prior to dosing of GLPG2222. The FLAMINGO trial was over-recruited within five months. This is our first CF patient trial conducted in both the United States and Europe. Primary objectives of this randomized, double-blinded, placebo controlled trial were to evaluate the safety and tolerability of GLPG2222. Once-daily doses of GLPG2222 (ascending from dose 1 to dose 4) or placebo were administered for a total of four weeks on treatment. All patients completed the full treatment course.

Overall, GLPG2222 was well tolerated, with observed treatment emergent adverse events being predominantly mild or moderate and typical for a CF patient population. A total of four serious adverse events were reported in three patients. Of these, two patients were on placebo, each experiencing pulmonary exacerbations due to infection. One patient was on Dose 2 of GLPG2222 and experienced two pulmonary exacerbations, both with onset during the follow up period; this patient had a significant sweat chloride decrease up to Day 29. There were no discontinuations due to adverse events.

The trial doses achieved the targeted GLPG2222 exposure levels. These will provide support to dose modelling and dose selection for the first investigational triple combination. Consistent with the ALBATROSS trial, exposures achieved in patients were in line with those observed in healthy volunteers.

A statistically significant dose-dependent decrease in sweat chloride concentration was observed with a maximum mean decrease of 18.3 mmol/L in the Dose 3 cohort. Mean percent predicted FEV1 (ppFEV1) levels overall were 63.4% at screening (prior to treatment with GLPG2222). Consistent with our expectations and similar prior VRTX trials conducted by Vertex, there was no significant impact on ppFEV1 levels.



We believe ALBATROSS and FLAMINGO validated our C1 corrector series in patients.

GLPG2851

A Phase 1 trial with backup novel C1 corrector GLPG2851 for CF started in late 2017. The aim of the trial is to evaluate the safety, tolerability and pharmacokinetics of GLPG2851 in healthy volunteers. The randomized, double-blind, placebo controlled, single center trial is being conducted in Belgium.

C2 Correctors

We are developing GLPG2737 and GLPG3221 as C2 correctors.

GLPG2737

We reported favorable tolerability in a Phase 1 trial with our first late binding (C2) corrector GLPG2737, the final component needed for a triple combination therapy, at NACFC 2017.

PELICAN

PELICAN is a patient trial with C2 corrector GLPG2737 in combination with Orkambi, being run in 10 sites in Germany. The aim of the double-blind, placebo-controlled Phase 2 trial is to evaluate the safety and tolerability of novel C2 corrector GLPG2737 in adult CF patients who are homozygous for the Class II F508del mutation. Patients will remain on their stable dose of Orkambi and will receive treatment with GLPG2737 over a period of four weeks, with up to three weeks' follow up. Secondary endpoints include measurements of sweat chloride, and ppFEV%. We expect to report the results of PELICAN in 2018, and we look to this trial to validate our C2 corrector in patients.

GLPG3221

We reported the start of a Phase 1 trial with novel backup C2 corrector GLPG3221 in late 2017. The aim of the Phase 1 trial is to evaluate the safety, tolerability and pharmacokinetics of GLPG3221 in healthy volunteers. The randomized, double-blind, placebo controlled, single center trial is being conducted in Belgium.

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 small joints of the fingers, knees, hips, lower back and neck, and the bases of the thumb and big toe. According to GlobalData, OA will be the fourth leading cause of disability by the year 2020. GlobalData estimates that diagnosed cases will grow to approximately 131 million cases by 2024.

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 inflammatory 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 age 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, with drug sales for OA patients amounting to approximately $4 billion in generic painkillers in 2016.

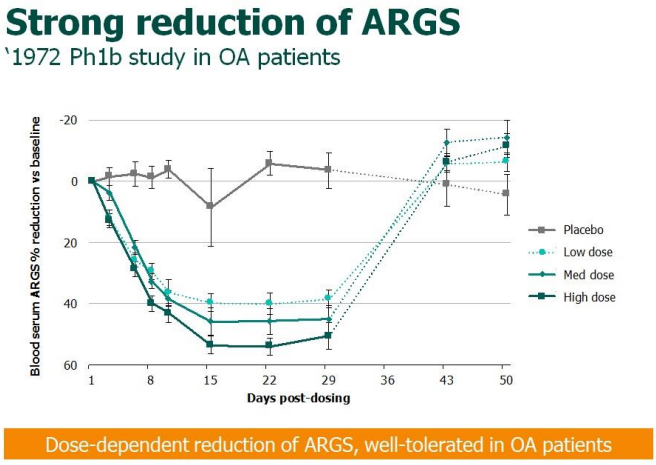
GLPG1972 is a drug candidate developed by us under our collaboration agreement with Servier. GLPG1972 acts on ADAMTS-5, a key aggrecanase involved in the breakdown of aggrecan in joint cartilage. ADAMTS-5 has been validated in the literature in both animal models and human explants, and AGRS, a byproduct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

In June 2016, we announced that GLPG1972, a first-in-class product candidate aimed at treating OA, was generally well tolerated in healthy human volunteers in a Phase 1 first-in-human trial. In this trial, dosing with GLPG1972 reduced ARGS neoepitope, a biomarker for cartilage breakdown via the ADAMTS-5 pathway, by up to 60% in these volunteers within two weeks.

We evaluated GLPG1972 in a randomized, placebo-controlled, double-blind Phase 1b trial in 30 patients aged 50 to 75 years with diagnosis of knee and/or hip OA in the United States. Patients were given one of three doses of GLPG1972 or placebo for a total of four weeks, with a three-week follow-up period. Primary objectives were to evaluate safety, tolerability, and pharmacokinetics of GLPG1972 in patients. A secondary objective was to measure the reduction of ARGS neoepitope, an important cartilage breakdown biomarker.

In this Phase 1b trial in patients, GLPG1972 was well tolerated. There was one treatment discontinuation with reversible abnormal liver function test on day 15 in the highest dose cohort. The pharmacokinetics of GLPG1972 in a population of elderly individuals with OA were similar to those in healthy volunteers, potentially supporting once-daily oral treatment.

Patients on treatment achieved a dose-dependent, reduction of ARGS neoepitope versus placebo:



Dose-dependent reduction of ARGS, well-tolerated in OA patients

We work with Servier to develop GLPG1972. We are eligible to receive milestones and single-digit royalties on potential commercial sales for GLPG1972, while we retain full commercial rights in the United States. In July 2017, Servier licensed GLPG1972 for further development into OA patient trials outside the United States. Both companies are

preparing a global Phase 2 program to evaluate the risk/benefit profile of GLPG1972 in OA patients, expected to be initiated in 2018.

Our AtD Program

Atopic dermatitis (AtD), the most severe and common type of eczema, is a chronic relapsing inflammatory skin disease that causes severe itch, dry skin and rashes, predominantly on the face, inner side of the elbows and knees, and on hands and feet. Scratching of the afflicted skin leads to a vicious cycle causing redness, swelling, cracking, scaling of the skin and an increased risk of bacterial infections. Lichenification, thickening of the skin, is characteristic in older children and adults. The National Eczema Association estimates that AtD affects over 30 million Americans or up to 25% of children and 2-3% of adults. Sixty percent of AtD patients are diagnosed in the first year of life, and 90% of patients have a disease onset before age five. Symptoms commonly fade during childhood, however, approximately 10-30% of the patients will suffer from atopic dermatitis for life. A smaller percentage first develop symptoms as adults.

Generic drugs are the approved standard of care, including immunomodulators cyclosporine and mycophenolate mofetil and topical treatments. There are disease-modifying biologics and small molecules currently in development, with dupilimab (Dupixent, targeting IL-4Rα) most recently approved.

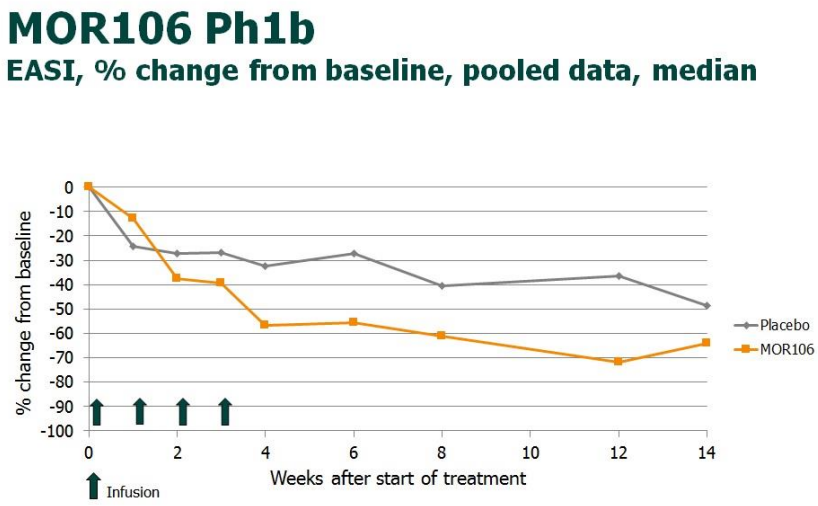
MOR106 is a human monoclonal antibody designed to selectively target IL-17C in clinical development worldwide. IL-17C is a target discovered by us and has been shown to be distinct from other members of the IL-17 cytokine family, playing an important and pro-inflammatory role in certain skin disorders.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

MOR106 arises from an alliance between us and MorphoSys, in which both companies contribute their core technologies and expertise and equally share costs and benefits.

We evaluated MOR106 in a randomized, double-blind, placebo-controlled Phase 1 trial, with the aim to evaluate safety and tolerability. As secondary endpoints, the trial assessed pharmacokinetics and potential immunogenicity of MOR106. The first part of the trial was conducted in a single center in 56 healthy volunteers, evaluating single ascending doses (SAD) as intravenous infusion compared to placebo. MOR106 showed favorable safety and PK results when administered to healthy volunteers in the ongoing trial. Subsequently investigation was started of multiple ascending doses (MAD) compared to placebo in approximately 25 patients with moderate to severe AtD in several European centers. Topline results of the complete trial were reported in September 2017. In the MAD portion with MOR106 in patients, all adverse drug reactions observed were mild-to-moderate and transient in nature and did not lead to clinically relevant safety signals. No serious adverse events and no infusion-related reactions were recorded. MOR106 reported a favorable PK profile with dose-dependent exposure and a half-life in patients in line with what was observed in healthy volunteers.

Even though the trial was not statistically powered to show differences in efficacy between treatment groups, at the highest dose level of MOR106, in 83% of patients (five out of six) an improvement of at least 50% in signs and symptoms of AtD measured by the Eczema Area and Severity Index (EASI-50) was recorded at week four. The onset of activity was rapid and occurred within few weeks and was maintained for over two months after the last treatment. Among patients receiving placebo, in 17% of patients (one out of six) an EASI-50 improvement was seen at week four.

As reported at AAD 2018, the pooled, mean EASI scores over time versus placebo show a sustained effect for weeks after completion of dosing:



We and our collaboration partner MorphoSys are preparing for a Phase 2 trial with MOR106, which is expected to initiate in the first half of 2018.

For a breakdown of our total revenues by activity and geographic market, please see "Note 4—Segment information—Geographical information" in our consolidated financial statements appended to this annual report.

Our Strategy

Our mission is to develop 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 causing diseases. We then aim to develop small molecules that inhibit these targets, restore the balance, and thereby positively influence the course of the disease. This approach addresses the root cause of the disease rather than just treating the symptoms. Our aim is to make a lasting positive contribution to society through discovery of therapies for diseases with large unmet medical need.

Our ambition is to become a fully integrated biopharmaceutical company focused on the development and commercialization of novel medicines which will improve people's lives.

Key elements of our strategy include:

- ***Rapidly advance the development and commercialization of filgotinib with our collaboration partner Gilead in RA, CD, UC, and other inflammatory diseases***

Based on the results from our Phase 2 clinical trials, we believe that filgotinib is a promising candidate for the treatment of RA, CD, UC and other inflammatory diseases. Our collaboration partner Gilead initiated Phase 3 clinical programs in RA, CD and UC in 2016 and multiple Phase 2 clinical programs in additional inflammatory diseases in 2017. We initiated Phase 2 clinical programs in psoriatic arthritis and ankylosing spondylitis in 2017. We exercised an option to co-promote filgotinib with Gilead in the UK, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg. By exercising this option, we aim to build a commercial organization and further progress our ambition to become a fully integrated biopharmaceutical company.

- ***Build an IPF franchise***

We reported positive results with the FLORA Phase 2a trial evaluating GLPG1690 targeting ATX in IPF patients. We directed two additional candidate programs with distinct mechanisms of action toward IPF: we expect to start a Phase 2a trial with GLPG1205 in IPF patients and take GLPG3499 into Phase 1 in 2018. We have worldwide

development and commercialization rights for GLPG1690, GLPG1205, and GLPG3499. We intend to commercialize successful candidates from our IPF franchise.

- ***Work with our collaboration partner AbbVie to develop a CF franchise of triple combination oral therapies***

In order to address the unmet need in CF patients with Class II and other mutations in the CFTR gene, we aim to develop a triple combination therapy comprising a potentiator and two corrector molecules. We validated our *in vitro* assays and dosing modelling for developing a triple combination therapy through successful trials (SAPHIRA, ALBATROSS, FLAMINGO) with our potentiator and C1 corrector compounds. We completed Phase 1 trials for certain components and certain combinations of our triple combination in 2017. We plan to initiate an evaluation of a once-daily, oral, triple combination therapy in CF patients in 2018, with additional trials with novel CF compounds and combinations of these initiating throughout 2018. We have an exclusive collaboration agreement with AbbVie to jointly discover, develop, and commercialize these novel CF modulators.

- ***Advance GLPG1972 in OA patient clinical trials in the United States***

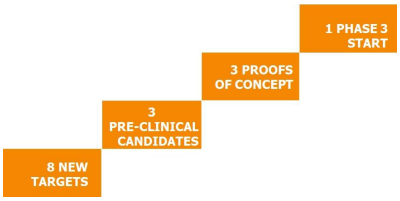
In 2016, we announced that a Phase 1 first-in-human trial of GLPG1972, targeting ADAMTS-5 for the treatment of OA, showed the product candidate reduced ARGS neoepitope in healthy volunteers up to 60% within two weeks. In early 2018, we disclosed that GLPG1972 showed a similar, dose-dependent ARGS neoepitope reduction in OA patients within four weeks. We intend to initiate a global Phase 2 program with GLPG1972 together with collaboration partner Servier in 2018. In 2017, Servier elected to exercise its option to license the compound for further development in OA patient trials outside the United States. We retain all development and commercialization rights to this compound in the United States, where we will also lead all clinical development of GLPG1972.

- ***Advance MOR106 in AtD patient clinical trials with our collaboration partner MorphoSys***

We reported successful completion of the healthy volunteer part of a first-in-human trial and further announced that 83% of AtD patients treated in Phase 1b with the highest dose of MOR106 achieved EASI-50, with the effect being sustained for months after stop of treatment. MOR106 targets IL17-C, a novel antibody target discovered by us. MorphoSys and we share costs and potential benefits equally in this collaboration. We expect to start a Phase 2 trial in AtD patients in 2018.

- ***Maximize and capture the value of our target discovery platform by becoming a fully integrated biotechnology company***

Our platform has yielded many new mode-of-action investigational therapies across multiple therapeutic areas. Our most mature pre-clinical programs are GLPG2534, GLPG3121, GLPG3312, and GLPG3667 for inflammation, which we plan to take into Phase 1 trials in 2018. Additionally, we are exploring the potential of pre-clinical product candidates in AS, psoriatic arthritis, IBD, AtD, lupus, IPF, systemic sclerosis, nonalcoholic steatohepatitis, type 2 diabetes, and hepatitis B. We aim to initiate a Phase 3 trial every other year, while conducting three proof-of-concept trials, delivering three pre-clinical product candidates and eight new validated targets every year. We aim to select promising programs for internal development and commercialization and establish ourselves as a fully integrated biopharmaceutical company.



Our Proprietary Target Discovery Platform

Our target discovery platform provides a significant and substantial competitive advantage in our portfolio of novel mode of action product candidates 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 the optimal point to intervene in a disease pathway by knocking down of a given protein in these assays
- 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

Our product candidate filgotinib acts on a target whose role in the specific disease was discovered by us using our discovery platform and we believe is a proof of success of this approach. Further proof of this approach was shown in 2017 with autotaxin inhibitor GLPG1690 in IPF patients, and with fully human monoclonal antibody MOR106 directed toward IL-17C in AtD patients. Autotaxin and IL-17C are targets we discovered for these diseases.

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 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 may increase the chances of success in bringing new mode of action drugs to the market. Since 2009, we have generated 37 pre-clinical candidates of which 27 have novel modes of action. Of these, 17 have entered the clinic, 11 with novel modes of action.

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 CF, we are exploring new modes of action in AS, psoriatic arthritis, IBD, AtD, lupus, IPF, systemic sclerosis, nonalcoholic steatohepatitis, type 2 diabetes, and hepatitis.

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 March 16, 2018, patent rights held by Galapagos NV relating to our product candidates include the following:

Filgotinib Product Candidate: We have five U.S. patents claiming filgotinib compositions of matter and methods of treatment using filgotinib, and one pending U.S. patent application. We have one patent granted via the European Patent Office (EPO) and one application pending at the EPO, an opposition has been filed against the granted patent. Counterpart patent applications are also pending in Australia, Canada, and other foreign countries. The five 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 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 pending U.S. application, with counterpart applications pending in other foreign countries, related to the use of our filgotinib product candidate in cardiovascular disorders, and a pending U.S. application, with counterpart applications pending in other foreign countries related to the specific use of our filgotinib product candidate at particular doses in inflammatory conditions. Any patents, if granted, based on these patent applications are estimated to expire in 2036. We additionally have rights in a pending application under the Patent Cooperation Treaty, or PCT, which relate 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 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 three 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.K. application relating to methods for treating lung disorders using GLPG1690, any patents, if granted, based on this patent application are estimated to expire in 2039.

GLPG2222 Product Candidate: We have rights in one granted U.S. patent, one pending U.S. patent application, and counterpart foreign patent applications that are pending in Australia, Canada, Europe and other foreign countries which claim GLPG2222 compositions of matter and methods of treatment using GLPG2222, in particular in CF. 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.

GLPG2451 Product Candidate: We have rights in one pending U.S. patent application, and counterpart foreign patent applications that are pending in Australia, Canada, Europe and other foreign countries which claim GLPG2451 compositions of matter and methods of treatment using GLPG2451, in particular in 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.

GLPG2737 Product Candidate: We have rights in a pending U.S. patent application, a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG2737 compositions of matter and methods of treatment using GLPG2737, in particular in 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.

GLPG3067 Product Candidate: We have rights in a pending U.S. patent application relating to GLPG3067, a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3067 compositions of matter and methods of treatment using GLPG3067, in particular in CF. Patents, if any, that issue, based on these pending patent applications are estimated to expire in 2037, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions.

GLPG2851 Product Candidate: We have rights in a granted U.S. patent, a pending U.S. patent application, and counterpart foreign patent applications that are pending in Australia, Canada, Europe and other foreign countries which claim GLPG2851 compositions of matter and methods of treatment using GLPG2851, in particular in 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.

GLPG3221 Product Candidate: We have rights in a pending U.S. patent application relating to GLPG3221, a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG3221 compositions of matter and methods of treatment using GLPG3221, in particular in CF. Patents, if any, that issue, based on these pending patent applications are estimated to expire in 2037, not including any potential extensions that may be available for the marketed product via supplementary protection certificates or patent term extensions.

GLPG1972 Product Candidate: We have rights, jointly with our alliance partner Servier, in two pending U.S. applications and counterpart foreign patent applications that are pending in Australia, Europe 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.

MOR106 Product Candidate: We have rights in a pending patent application under the PCT, as well as patent applications pending in Taiwan 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 European application 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.

GLPG2534 Product Candidate: We have a pending patent application under the PCT, as well as patent applications pending in Taiwan and other foreign countries claiming GLPG2534 compositions of matter and methods of treatment using GLPG2534. Patents, if any, that issue based on this pending patent application 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 a pending patent PCT application related to the use of a combination

of GLPG2534 with other Galapagos proprietary compounds. Any patents, if granted, based on this patent applications are estimated to expire in 2038.

GLPG1205 Product Candidate: We have two 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 applications are also pending in Australia, Canada, and other foreign countries. These patents and patent applications claim GLPG1205 compositions of matter and methods of treatment using GLPG1205. The two 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 U.K. application 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.

GLPG3499 Product Candidate: We have a pending U.K. patent application claiming GLPG3499 compositions of matter and methods of treatment using GLPG3499. 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.

GLPG1837 Product Candidate: We have three 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 Australia, Canada, Europe and other foreign countries. These patents and applications claim GLPG1837 compositions of matter and methods of treatment using GLPG1837, in particular in CF. 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 rights in a pending patent application under the PCT which claims methods of treatment using GLPG1837. Patents, if any, that issue based on this pending patent application are estimated to expire in 2037.

We have three families of issued patents related to our target discovery platform. The first covers the construction of recombinant adenoviral libraries and their use in an arrayed format for functional genomics applications. This family includes granted patents in the United States, Australia, Canada, Europe (validated in France, Germany, Switzerland, the United Kingdom, Ireland, Luxembourg and Monaco), Japan, Mexico and New Zealand. This family is expected to expire by 2019. The second family, a U.S. patent expected to expire in 2020, 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 third 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 approximately $1,017.5 million in cash at December 31, 2017 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 following alliances with AbbVie and Gilead:

Amended and Restated Collaboration with AbbVie for CFTR Modulators (CF)

On September 23, 2013, we entered into a global collaboration agreement with AbbVie focused on the discovery and worldwide development and commercialization of potentiator and corrector molecules for the treatment of CF. In connection with our entry into the collaboration agreement we received a one-time, non-refundable, non-creditable upfront payment in the amount of $45 million. On April 28, 2016, we and AbbVie entered into the amended and restated agreement which expanded the parties' CF collaboration by amending and restating the collaboration agreement to, among other things, increase the remaining total milestones under the amended and restated agreement up to approximately $600 million from $350 million. As amended, the collaboration will provide for the potential development and commercialization of triple combination products consisting of a potentiator molecule, a corrector 1 molecule and a corrector 2 molecule to treat specified populations of patients with CF. As of the date of this annual report, we have achieved $77.5 million as milestones under this agreement, in addition to the $45 million upfront payment.

The collaboration is managed by a set of joint committees comprised of equal numbers of representatives from each party. The joint steering committee oversees and coordinates the overall conduct of the collaboration. The joint research committee, or JRC, oversees and coordinates the discovery phase of the collaboration. The joint development committee, or JDC, oversees and coordinates the development phase of the collaboration. The joint commercialization committee will oversee and develop the strategies for commercialization of co-promoted licensed products in the Netherlands, Belgium and Luxembourg if we elect to exercise our co-promotion option, as described below.

Under the terms of the collaboration, both parties are required to use commercially reasonable efforts to identify and deliver a specified number of potentiator molecules which may be used in combination with a corrector molecule as a dual combination product, a specified number of corrector 1 molecules to be used in combination with a potentiator molecule and a corrector 2 molecule as a triple combination product and a specified number of corrector 2 molecules which may be used in combination with a potentiator molecule and a corrector 1 molecule as a triple combination product. The parties are also required to use commercially reasonable efforts to identify and deliver a specified number of backup molecules for each of the molecules described above. Each of the above molecules is to be measured against agreed-to success criteria.

If (i) the JRC determines that a potentiator molecule, a corrector 1 molecule and/or a corrector 2 molecule have met certain specified criteria by a specified date, or AbbVie otherwise decides to continue development of such molecule(s), and (ii) an investigational new drug application has been accepted for such molecules(s), then we and AbbVie will develop and approve (through the JDC) a plan in connection with development of such molecule and, when appropriate, combination product(s) including such molecule, with the goal of achieving agreed-to proof of concept criteria. We are generally responsible for the costs of such development activities at our expense up to an agreed cost cap, and then each party will be responsible for the excess costs associated with its respective agreed upon development activities.

If the applicable proof of concept criteria are met or AbbVie otherwise decides to continue development, we and AbbVie will develop and approve (through the JDC) a plan in connection with Phase 3 clinical trials for the molecule or molecules, in which we are responsible for a specified percentage of the costs.

Subject to certain exceptions, following approval, AbbVie will have the sole right to commercialize licensed products worldwide, except in China and South Korea, in which we will have the sole right to commercialize licensed products, and further subject to our co-promotion option in the Netherlands, Belgium and Luxembourg. We will be solely responsible for obtaining regulatory and other approvals required for commercialization of licensed products in China and South Korea.

Under the amended and restated agreement, we are still eligible to receive up to $550 million in total additional payments for developmental, regulatory and sales-based milestones. In addition, we will be eligible to receive tiered royalties ranging from 15% to 20% on net sales of licensed products payable on a product-by-product basis. The royalties payable to us under the amended and restated agreement may be reduced under certain circumstances, including if generic competition on an active ingredient of a licensed product in a particular territory results in market

share losses of a certain amount. Our right to receive royalties under the amended and restated agreement expires, on a product-by-product and country-by-country basis, on the later of (1) the last day that at least one valid patent claim subject to the amended and restated agreement and covering the licensed product exists, (2) the expiry of a mutually agreed upon time period after the first commercial sale of the licensed product in the applicable country, or (3) the expiration of regulatory exclusivity for the licensed product in the applicable country. In the event we exercise our co-promotion option with respect to a licensed product, we would assume a portion of the co-promotion effort in the Netherlands, Belgium and Luxembourg and share in the net profit and net losses in these territories instead of receiving royalties in those territories during the period of co-promotion.

Under the amended and restated agreement, subject to certain exceptions, neither party may directly or indirectly (including by means of licensing, acquisition or otherwise), on its own or through a third party, research, develop, commercialize or manufacture any molecule, compound or product that has as one of its primary mechanisms of action modulation of the activity of the CF transmembrane conductance regulator.

The amended and restated agreement will expire upon the expiration of the longest royalty term applicable to licensed products under the agreement as described above. Either party may terminate the amended and restated agreement on a country-by-country basis in their respective jurisdictions if they are unable to secure or maintain regulatory approval for the licensed product. After certain discovery activities, but before the first commercial sale of any licensed product by AbbVie, AbbVie may terminate the amended and restated agreement for convenience in its entirety or on a country-by-country basis upon prior written notice to us. Either we or AbbVie may terminate the agreement for the other party's uncured material breach; however, if such breach relates solely to a breach with respect to our diligence obligations in China or South Korea or AbbVie's commercialization diligence obligations in the United States, France, Italy, Spain, the United Kingdom or Germany, we or AbbVie may only terminate the amended and restated agreement with respect to such country. Either party may terminate the amended and restated agreement in the event of specified insolvency events involving the other party.

If the amended and restated agreement terminates due to our material breach or as a result of a change of control, all rights and licenses granted to AbbVie will become exclusive or non-exclusive at AbbVie's sole option, irrevocable, unrestricted and perpetual, and AbbVie will provide consideration for such rights and licenses in an amount to be mutually agreed between us and AbbVie. If the amended and restated agreement terminates in its entirety for any other reason, all rights and licenses granted by either party will terminate, and we will have an exclusive option to obtain an exclusive or non-exclusive license from AbbVie under certain intellectual property rights to exploit the licensed product that is the subject of development or commercialization at the time of termination. If we exercise such option, we and AbbVie will then negotiate a transition agreement which will, in most termination cases, include reasonable financial consideration to AbbVie.

If the amended and restated agreement is terminated in a specific territory because of AbbVie's material, uncured breach in such territory, or due to an inability by AbbVie to obtain regulatory approval, all rights and licenses granted by us will be deemed amended not to include such territory, and we will have specified rights for, and AbbVie will take specified actions to assist us in continuing the development, manufacture and commercialization of the licensed product in such territory. If the amended and restated agreement is terminated in a specific territory because of our material, uncured breach in such territory, or because of our inability to obtain regulatory approval, all rights and licenses granted to AbbVie with respect to that country will become exclusive or non-exclusive at AbbVie's sole option, irrevocable, unrestricted and perpetual, and AbbVie will provide consideration for such rights and licenses in an amount to be mutually agreed between us and AbbVie. In addition, AbbVie will have specified rights for, and we will take specified actions to assist AbbVie in, continuing the development, manufacture and commercialization of the licensed product in such territory.

Either party may, without the consent of the other party, assign the amended and restated 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 responsible. If we undergo a change in control prior to the first commercial sale of a product, AbbVie has the right to terminate the amended and restated agreement. At any time, if we undergo a change in control, AbbVie may disband all joint committees and undertake exclusive control of their activities, terminate our right to co-promote and/or terminate our rights and licenses in connection with development and sale of any product in China and South Korea.

Exclusive Collaboration Agreement with Gilead for Filgotinib

In September 2015, our exclusive collaboration with AbbVie for JAK1 inhibitors was terminated, following which we regained all unencumbered rights to filgotinib.

In December 2015, we entered into a global collaboration agreement with Gilead to develop and commercialize filgotinib for the treatment of inflammatory indications. On January 13, 2016, the parties announced that the U.S. Federal Trade Commission provided early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and we closed this transaction on January 19, 2016.

In connection with our entry into the collaboration agreement, we received 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. All payments by Gilead to us are made in U.S. dollars. As of the date of this annual report, we have received an additional $70 million as payments under this agreement.

In addition, we will be eligible to receive remaining development and regulatory milestone-based payments of up to $685 million and sales-based milestone payments of up to $600 million. We will be eligible to receive tiered royalty percentages from 20% to 30% on global net sales of licensed products. The royalties payable to us under the collaboration agreement may be reduced under certain circumstances. Our right to receive royalties under the collaboration agreement continues, on a country-by-country basis, until the later to occur of certain specified events. As we exercised our co-promotion option with respect to licensed products in the United Kingdom, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg in December 2017, we assume a portion of the co-promotion effort in these territories and share equally in the net profit and net losses in these territories instead of receiving royalties in these territories during the period of co-promotion.

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 and co-promoted licensed products in co-promotion territories.

Under the terms of the collaboration, Gilead is primarily responsible for development and for seeking regulatory approval of the licensed product. We are required to use commercially reasonable efforts as requested by Gilead to assist Gilead with certain development activities.

The collaboration agreement will expire (a) on a country-by-country basis at the end of the royalty term in such country and (b) at such time as a generic product is first sold in a co-promotion country. Upon expiration of the collaboration agreement, the licenses will become fully-paid, perpetual and irrevocable. Either we or Gilead may terminate the collaboration agreement for the other party’s uncured material breach. Either we or Gilead may terminate the collaboration agreement in the event of specified insolvency events involving the other party. Gilead may also terminate the collaboration 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 the licensed product that is the subject of development or commercialization at the time of termination. If the collaboration 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 collaboration agreement also contains other termination rights specified therein.

Either party may, without the consent of the other party, assign the collaboration 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 collaboration agreement. If we undergo a change in control, Gilead has the right to terminate our right to co-promote, 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.

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 pre-clinical, 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 pre-clinical 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 is the first JAK inhibitor for RA approved for commercial sale in the United States. We are aware of other JAK inhibitors in development for patients with RA, including a once- daily JAK1/2 inhibitor called baricitinib being developed by Lilly which is approved by the EMA for RA and is expected to be approved by the FDA in the course of 2018, and a JAK inhibitor called ABT-494 which is being developed by AbbVie. Filgotinib, which is a selective JAK1 inhibitor currently in three Phase 3 and multiple Phase 2 trials, is being developed in collaboration with Gilead.

We expect that filgotinib, for which we have completed a Phase 2 program in patients with moderate to severe RA who have an inadequate response to MTX, 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 mesalazine, 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 in clinical development for these indications, such as: ustekinumab, developed by Johnson & Johnson, which is in Phase 3 clinical trials, and risankizumab, developed by AbbVie. Celgene has a new oral therapy in development: ozanimod, currently in Phase 3 in UC and Phase 2 in CD. Pfizer's Xeljanz showed activity in Phase 3 and has been filed for approval in UC. The FDA will hold an Advisory Committee meeting in March 2018 to assess this application. The large number of treatments for UC, and somewhat less for CD, presents a substantial level of competition for any new treatment entering the IBD market.

In the field of CF, the approved therapies to treat CF patients have mostly been designed to treat the symptoms of the disease rather than its cause. Kalydeco, Orkambi, and more recently Symdeko, all from Vertex, are currently the only three FDA-approved therapies to address the cause of Class III and Class II mutation CF, respectively. Kalydeco, also approved in Europe, is a CFTR potentiator to treat CF in patients with a Class III (G551D) mutation of the CFTR gene. Vertex also developed lumacaftor, a corrector molecule to address a broader patient population, including patients with a Class II (F508del) mutation of the CFTR gene. Vertex obtained approval in July 2015 in the United States for Orkambi, a combination product (Kalydeco + lumacaftor) and obtained approval in November 2015 in Europe. Vertex recently received approval for Symdeko, comprising tezacaftor, a new corrector, in combination with Kalydeco. In July 2017, Vertex disclosed positive results in CF patient trials with multiple potential triple combination therapies. We are also aware of other companies, including Novartis, Nivalis, Pfizer, Proteostasis, ProQR, and Flatley Discovery Lab, which are actively developing product candidates for the treatment of CF. These typically target the CFTR protein as potentiators, correctors, or other modulators of its activity.

In the field of IPF, there are two approved disease modifying drugs, pirfenidone, marketed by Roche, and nintenanib, 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. In 2017, Fibrogen announced positive Phase 2 trial results with pamrevlumab in IPF patients and intends to start a Phase 3 program in 2018. In 2017, Prometic announced Phase 2 trial results with PBI-4050 in IPF patients and announced the start of a Phase 3 program in 2018.

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.

In the field of AtD, immunomodulators such as cyclosporine and mycophenolate mofetil and topical calcineurin inhibitors tacrolimus, marketed by Astellas, and pimecrolimus, marketed by Meda, have high treatment share. In 2017, Dupilimab, an anti-IL-4 and anti-IL-13 human monoclonal antibody marketed by Sanofi and Regeneron, achieved FDA approval. According to a GlobalData 2015 report, key opinion leaders indicated that a high unmet need remains for a better treatment armamentarium for severe, recalcitrant patients.

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 pre-clinical 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 pre-clinical testing stage. Pre-clinical 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 pre-clinical 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 pre-clinical 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. 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. 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, which was signed into law in December 2016, 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 later of 60 calendar days after the date of enactment of the Cures Act or the first initiation of a Phase 2 or Phase 3 trial of the investigational drug.

U.S. Review and Approval Processes

The results of product development, pre-clinical 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 pre-clinical 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. 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 pre-clinical 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 pre-clinical studies, early phase clinical trials, and/or other clinical development programs. At this time, 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. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved. 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 authorities, 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. 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 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;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, 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 and teaching hospitals and physician ownership and investment interests;

- HIPAA, 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 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.

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 of between $10,781 and $21,563 for each separate false claim, 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 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 50% discount off the negotiated price of branded drugs dispensed to Medicare Part D patients in the coverage gap.

- 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 Affordable Care Act requires pharmaceutical manufacturers to track certain financial arrangements with physicians 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.

- 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 created the Independent Payment Advisory Board which has authority to recommend certain changes to the Medicare program to reduce expenditures by the program that could result in reduced payments for prescription drugs. Under certain circumstances, these recommendations will become law unless Congress enacts legislation that will achieve the same or greater Medicare cost savings.

- The Affordable Care Act established the Center for Medicare and Medicaid Innovation within CMS potentially including prescription drug spending. Funding has been allocated to support the mission of the Center for Medicare and Medicaid Innovation from 2011 to 2019.

Some of the provisions of the Affordable Care Act have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges. In January 2017, Congress voted to adopt a budget resolution for fiscal year 2017, that while not a law, is widely viewed as the first step toward the passage of legislation that would repeal certain aspects of the Affordable Care Act. While Congress has not passed repeal legislation to date, the 2017 Tax Reform Act includes a provision repealing the individual mandate, effective January 1, 2019. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under

the Affordable Care Act to waive, defer, grant exemptions from, or delay the implementation of any provision of the Affordable Care Act 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. Congress also could consider subsequent legislation to replace elements of the Affordable Care Act that are repealed. On October 13, 2017, President Trump signed an Executive Order terminating the cost-sharing subsidies that reimburse insurers under the Affordable Care Act. Several state Attorneys General filed suit to stop the administration from terminating the subsidies, but their request for a restraining order was denied by a federal judge in California on October 25, 2017. In addition, CMS has recently proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the Affordable Care Act for plans sold through such marketplaces. Congress will likely consider other legislation to replace elements of the Affordable Care Act. Thus, the full impact of the Affordable Care Act, any law replacing elements of it, or the political uncertainty surrounding its repeal or replacement on our business remains unclear.

European Union Regulation

European Union Drug Review and Approval

In the EEA (which is comprised of the 28 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'. The EMA is making preparations to ensure that it can continue to deliver on its mission and protect public and animal health after the UK leaves the EU on March 30, 2019, the date currently set by the timeframe provided in Article 50 of the Treaty on European Union. One of the consequences of Brexit is that EMA will relocate to Amsterdam, the Netherlands, where it has to take up its operations on March 30, 2019 at the latest. 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 as of March 30, 2019. 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 pre-clinical 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 2019) 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 28) 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 pre-clinical 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, pre-clinical 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 Investigational 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.

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
ALBATROSS	A Phase 2 trial to evaluate GLPG2222 in ivacaftor-treated CF patients with the Class II mutation on one allele
Anemia	Condition in which the patient has an inadequate number of red blood cells to carry oxygen to the body's tissues
Ankylosing spondylitis (AS)	AS is a systemic, chronic, and progressive spondyloarthropathy primarily affecting the spine and sacroiliac joints, and progressing into severe inflammation that fuses the spine, leading to permanent painful stiffness of the back
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 measure 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
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
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 pre-clinical model involving use of bleomycin (a cancer medication) to induce IPF symptoms
CDAI	Crohn's Disease Activity Index, evaluating patients on eight different factors, each of which has a pre-defined weight as a way to quantify the impact of CD
CDAI remission	In the FITZROY trial, the percentage of patients with CD who showed a reduction of CDAI score to <150
CFTR	Cystic Fibrosis Transmembrane conductance Regulator protein. CFTR is an ion channel that transports chloride and thiocyanate ions across epithelial cell membranes. Mutations in the CFTR gene, that codes for the CFTR protein, cause CF

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
Class II mutation	A genetic mutation in CF resulting in errors in CFTR folding, transport of functional CFTR to the cell membrane, and CFTR channel opening, whereby chloride ion flow at the cell surface in the membrane of affected organs is impacted negatively. About 90% of C patients are carriers of the Class II mutation. It is believed that a potentiator and multiple correctors will be needed to address the CFTR malfunction of Class II mutation patients. Orkambi and Symdeko are the only approved disease-modifying therapies for Class II mutation patients today
Class III mutation	A genetic mutation in CF resulting in errors in CFTR channel opening, whereby chloride ion flow at the cell surface in the membrane of affected organs is impacted negatively. Approximately 8% of CF patients are carriers of the Class III mutation. It is believed that a potentiator is needed to address the malfunction of Class III mutation patients. Kalydeco is the only approved disease-modifying therapy for Class III mutation patients today
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
Corrector drug	Drug that restores the correct protein formation in CF patients. In most CF patients, a potentiator and corrector drug are needed in combination to restore the channel function of the CFTR. Galapagos and AbbVie are planning to combine a potentiator with two correctors to be investigated in CF patients with the most prevalent mutation of CFTR
Crohn's disease (CD)	An IBD involving inflammation of the small and large intestines, leading to pain, bleeding, and ultimately in some cases surgical removal of parts of the bowel
CRP	C-reactive protein is a protein found in the blood, the levels of which rise in response to inflammation
Cystic fibrosis (CF)	A life-threatening genetic disease that affects approximately 80,000 people worldwide. Although the disease affects the entire body, difficulty breathing is the most serious symptom as a result of clogging of the airways due to mucus build-up and frequent lung infections
Cytokine	A category of small proteins which play important roles in signaling in processes in the body

DARWIN	Phase 2 program for filgotinib in RA. Completed and reported in 2015 (except for the currently still ongoing DARWIN 3 study). 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. DARWIN 3 is a long term extension trial currently ongoing; all patients are on 200 mg filgotinib, except for U.S. males who are on 100 mg
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 will be measured in the EQUATOR trial with filgotinib in psoriatic arthritis
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 the score calculation: scores range from 2.0 to 10.0, with scores below 2.6 being considered remission
Development	All activities required to bring a new drug to the market. This includes pre-clinical 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 pre-clinical candidates
Disease-modifying	Addresses the cause of disease and 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

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 which showed activity and favorable tolerability in RA and CD patients in Phase 2 trials. Filgotinib is partnered with Gilead. Galapagos and Gilead are running Phase 3 trials with filgotinib in RA, CD, and UC and Phase 2 trials with filgotinib in additional indications. Filgotinib is an investigational drug and its efficacy and safety have not been established
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
FLAMINGO	A Phase 2 study to evaluate GLPG2222 in patients with CF with two copies of the F508del mutation
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
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

GLPG0634	Molecule number currently known as filgotinib
GLPG1205	A GPR84 inhibitor fully proprietary to us. We plan to initiate a patient trial with GLPG1205 in IPF
GLPG1690	A novel drug targeting autotaxin, with potential application in IPF. Fully proprietary to Galapagos. Topline results from the Phase 2a FLORA trial were reported in August 2017
GLPG1837	A potentiator product candidate which showed activity in the Phase 2 SAPHIRA 1 and 2 trials in Class III CF mutation patients
GLPG1972	A novel mode-of-action product candidate that is part of the OA alliance with Servier. GLPG1972 was in a Phase 1 trial with healthy volunteers. Galapagos reported positive results in a Phase 1b trial with GLPG1972 in OA patients in the United States in 2017
GLPG2222	A C1 (early) corrector drug candidate which completed Phase 1 and showed activity in the ALBATROSS Phase 2 trial in combination with Kalydeco in Class III mutation patients and in the FLAMINGO trial as monotherapy in Class II mutation patients
GLPG2451	A potentiator drug candidate which completed Phase 1, also in combination with C1 corrector GLPG2222
GLPG2534	A pre-clinical candidate with a novel mode of action. GLPG2534 is expected to enter Phase 1 trials in 2018
GLPG2737	A C2 (late) corrector drug candidate which completed a Phase 1 safety trial. GLPG2737 is currently being tested in the PELICAN trial in combination with Orkambi in Class II mutation CF patients
GLPG2851	A C1 (early) corrector drug candidate which entered Phase 1 trials in 2017
GLPG3067	A potentiator drug candidate which completed a Phase 1 trial, in combination with GLPG2222
GLPG3121	A pre-clinical candidate with undisclosed novel mode of action directed toward inflammation
GLPG3221	A C2 (late) corrector drug candidate currently at the pre-clinical stage. GLPG3221 is expected to enter Phase 1 trials in 2017
GLPG3312	A pre-clinical candidate with undisclosed mode of action directed toward inflammation
GLPG3499	A pre-clinical candidate with undisclosed mode of action in the IPF program
GLPG3535	A pre-clinical candidate with undisclosed mode of action directed toward pain in the alliance with Calchan
GLPG3667	A pre-clinical candidate with undisclosed mode of action directed toward inflammation
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
Heterozygous	Genetic term meaning a cell containing different alleles for a gene
Histopathology	Microscopic examination of tissues for manifestations of a disease
Homozygous	Genetic term meaning identical alleles of the gene are present on both homologous chromosomes
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
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
Kalydeco	A potentiator drug (ivacaftor) marketed by Vertex Pharmaceuticals
LDL	Low-density lipoprotein. LDL contributes to heart disease at high levels
Liver enzymes	Inflamed or injured liver cells secrete higher than normal amounts of certain chemicals, including liver enzymes, into the bloodstream

Lymphocyte	Type of white blood cell that is part of the immune system
LPA	Lysophosphatidic acid (LPA) is a signaling molecule involved in fibrosis
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	A novel mode-of-action antibody product candidate currently being evaluated in AtD patients in a Phase 1b trial MOR106 acts on IL-17C, a novel antibody target discovered by Galapagos. MOR106 is part of the alliance with MorphoSys
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
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
Orkambi	A combination potentiator-corrector therapy marketed by Vertex Pharmaceuticals
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
PELICAN	Phase 2 trial of C2 corrector GLPG2737 in combination with Orkambi in Class II mutation CF patients
Pharmacokinetics (PK)	Study of what a body does to a drug; the fate of a substance delivered to a body. This includes absorption, distribution to the tissues, metabolism and excretion. These processes determine the blood concentration of the drug and its metabolite(s) as a function of time from dosing
Phase 1	First stage of clinical testing of an investigational drug designed to assess the safety and tolerability, pharmacokinetics of a drug, usually performed in a small number of healthy human volunteers
Phase 2	Second stage of clinical testing, usually performed in no more than several hundred patients, in order to determine efficacy, tolerability and the dose to use

Phase 3	Large clinical trials, usually conducted in several hundred to several thousand patients to gain a definitive understanding of the efficacy and tolerability of the candidate treatment; serves as the principal basis for regulatory approval
Placebo-controlled	A substance having no pharmacological effect but administered as a control in testing a biologically active preparation
Potentiator drug	Drug that restores the CFTR ion channel opening in CF patients. In most CF patients, a potentiator and corrector drug are needed in combination to restore the genetic defect causing CF. Galapagos and AbbVie are planning to combine a potentiator with two correctors to investigate in CF patients with the most prevalent mutation of CFTR
Pre-clinical	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
Pre-clinical 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 pre-clinical testing and has been selected for development, starting with formal pre-clinical safety evaluation followed by clinical testing for the treatment of a certain disorder in humans
Proof of Concept trial	Phase 2 patient trial 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	Psoriatic arthritis 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
QD dosing	Once-daily dosing (qd from the Latin *quaque die*)
Rheumatoid arthritis (RA)	A chronic, systemic inflammatory disease that causes joint inflammation, and usually leads to cartilage destruction, bone erosion and disability
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
SAPHIRA	A Phase 2 trial of potentiator GLPG1837 in CF patients carrying a Class III mutation
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 2/3 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 measure spondylitis in the EQUATOR trial with filgotinib in psoriatic arthritis
Sweat chloride	The sweat test measures the concentration of chloride that is excreted in sweat. It is used to screen for CF. Due to defective chloride channels (CFTR), the concentration of chloride in sweat is elevated in individuals with CF
Symdeko	A combination potentiator-corrector therapy for CF patients with the Class II mutation; marketed by Vertex Pharmaceuticals
Target	Protein that has been shown to be involved in a disease process and forms the basis of therapeutic intervention or drug discovery
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 measure tendinitis in the EQUATOR trial with filgotinib in psoriatic arthritis
Tezacaftor	C1 corrector for CF therapy developed by Vertex Pharmaceuticals
(anti-)TNF	Tumor necrosis factor. An anti-TNF drug acts by modulation of TNF
TORTUGA	A Phase 2 trial with filgotinib in ankylosing spondylitis patients
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

C. Organizational Structure.

As of December 31, 2017, we had eight 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%
Xenometrix, Inc.	United States	100%

Our Swiss subsidiary, Galapagos GmbH, was incorporated in 2017. Our dormant German subsidiary, Discovery Partners International GmbH, was liquidated in 2017. We anticipate that the liquidation of our dormant Swiss subsidiary, BioFocus DPI AG, will be completed in 2019.

D. Property, Plants and Equipment.

We have our principal executive, operational offices and laboratory space located in Mechelen, Belgium. We believe our current facility is sufficient to meet our current needs, but we intend to expand our facilities in Belgium by 2020 at the earliest in order to meet our future needs. We had a total of four facilities worldwide owned or leased as of December 31, 2017, as set forth in the following table:

Facility location	Use	Approx. size (m2)	Lease expiry
Mechelen, Belgium (leased)	Headquarters, R&D, Operations	7,600 (1)	May 31, 2024
Romainville, France (leased)	R&D	6,000	February 28, 2027
Zagreb, Croatia (leased)	Research Services	6,000	May 4, 2018(2)
Leiden, the Netherlands (leased)	R&D	3,000	September 1, 2025
Basel, Switzerland (leased)	R&D	50	Indefinite term

(1) Approximately 7,600 m² per December 31, 2017, which was increased to approximately 8,000 m² on January 1, 2018.
(2) With the exception of approximately 545 m² of laboratory and office space, for which the lease expires on January 1, 2021

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 4B 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, cystic fibrosis (CF), 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) and Crohn's disease (CD), in a Phase 2/3 trial in ulcerative colitis (UC) and in Phase 2 trials in multiple additional indications; GLPG1690, our fully proprietary autotaxin inhibitor, which is expected to initiate pivotal trials for idiopathic pulmonary fibrosis (IPF) in 2018; our CF portfolio of drugs aimed at a triple combination therapy for 90% of CF patients, for which we plan to report interim results from a first triple combination therapy in a Phase 2 clinical trial in 2018; GLPG1972 for OA, which is expected to be dosed in a global Phase 2 trial in OA patients in 2018; and MOR106, which is expected to be dosed in a Phase 2 trial in atopic dermatitis (AtD) patients in 2018. Most of 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. 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, 2015 until December 31, 2017, we raised net proceeds of €999.3 million from a global offering of ordinary shares in May 2015 and from an equity investment by Gilead in January 2016, and from a U.S. public offering of American Depositary Shares (ADSs) in April 2017. From January 1, 2015 until December 31, 2017 we also received €409.8 million in payments through our collaboration and alliance agreements. These are non-recurring 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 €23.7 million and €46.0 million, respectively. Over the same period, we also received €3.2 million in interest payments. As of December 31, 2017, we had cash and cash equivalents of €1,151.2 million.

For the year ended December 31, 2015, we incurred a net loss of €118.4 million. Due to a non-cash adjustment on a short term financial asset, as described below, with regard to the share subscription agreement with Gilead on January 19, 2016, we realized a net income of €54.0 million for the year ended December 31, 2016. For the year ended December 31, 2017, we incurred a net loss of €115.7 million. Excluding the impact of possible upfront and in-licensing payments we may receive from our collaborations, we forecast to continue incurring losses as we continue to invest in our clinical and pre-clinical development programs and our discovery platform.

In 2015, we recognized a short term financial asset worth €39 million and an offsetting deferred income of €39 million upon signing of the share subscription agreement with Gilead, as required under IAS 39—Financial Instruments: recognition and measurement. This financial asset initially reflected the share premium that Gilead committed to pay above the closing stock price of our ordinary shares on the day of signing of the subscription agreement. Under IAS 39—Financial Instruments: recognition and measurement, the fair value of the financial asset was re-measured at year end and again upon entering into force of the subscription agreement on January 19, 2016, when the financial asset expired. Variations in fair value of the financial asset were recorded in the statement of operations. The decrease in the fair value of the financial asset resulting from the increase in our share price between signing of the subscription agreement and December 31, 2015, resulted in a negative, non-cash fair value charge of €30.6 million in the 2015 financial results. The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between January 1, 2016 and January 19, 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of 2016. The €65.9 million current financial asset from the share subscription agreement reflected the premium that Gilead paid compared to the closing price of our shares on the day of the capital increase. This financial asset expired on January 19, 2016, the effective date of the share subscription agreement and was derecognized and recorded as part of the share premium account.

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 AbbVie and Gilead 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).

Amended AbbVie Collaboration Agreement for CF

In September 2013, we entered into a global collaboration agreement with AbbVie focused on the discovery and worldwide development and commercialization of potentiator and corrector molecules for the treatment of CF. On April 28, 2016, we and AbbVie entered into the amended and restated agreement, which expanded the parties' CF collaboration by amending and restating the collaboration agreement to, among other things, increase the remaining total milestones under the amended and restated agreement up to approximately $600 million from $350 million. As amended, the collaboration will provide for the potential development and commercialization of triple combination products consisting of a potentiator molecule, a corrector 1 molecule and a corrector 2 molecule to treat specified populations of patients with CF. A detailed summary of this collaboration agreement is set forth in the section of this annual report titled "Item 4.B.—Business Overview—Collaborations—Amended and Restated Collaboration with AbbVie for CFTR Modulators (CF)."

Upon execution of the collaboration agreement, we received a one-time non-refundable, non-creditable upfront payment of $45.0 million (€34.0 million), which has been fully recognized as of June 2015. In December 2014, we initiated a Phase 1 trial for GLPG1837 for which we received a milestone payment of $10.0 million (€8.0 million). In November 2015, we initiated a Phase 1 trial for GLPG2222, for which we received a $10.0 million (€8.8 million) payment from AbbVie in January 2016. In April 2016, we initiated a Phase 1 trial for GLPG2451, for which we received a $10.0 million (€8.8 million) payment. In November 2016, we initiated a Phase 1 trial for GLPG2737, for which we received a $10.0 million (€9.1 million) payment. In January 2017, we received IND acceptance in U.S. from FDA for GLPG2222, for which we received a $10.0 million (€9.5 million) payment. In March 2017, we initiated a Phase 1 trial for GLPG3067, for which we received a $7.5 million (€7.1 million) payment. In November 2017, we initiated a Phase 1 trial for GLPG3221, for which we received a $10.0 million (€8.6 million) payment. In December 2017, we initiated a Phase 1 trial for GLPG2851, for which we received a $10.0 million (€8.4 million) payment. All payments by AbbVie to us are made in U.S. dollars.

Under the agreement, we are still eligible to receive up to $550 million in total additional developmental, regulatory, and sales-based milestones. In addition, we will be eligible to receive tiered royalty percentages ranging from 15% to 20% on net sales of licensed products payable on a product-by-product basis. In the event we exercise our co-promotion option with respect to a licensed product, we would assume a portion of the co-promotion effort in the Netherlands, Belgium, and Luxembourg and share in the net profit and net losses in these territories instead of receiving royalties in those territories during the period of co-promotion.

Gilead Collaboration Agreement 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. 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 Collaboration Agreement with Gilead for Filgotinib."

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 (€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. All payments by Gilead to us are made in U.S. dollars. We agreed on a 20%-80% cost split for development costs of the licensed product, i.e. Galapagos will support 20% of all development costs.

In addition, we will be eligible to receive development and regulatory milestone-based payments of up to $685 million and sales-based milestone payments of up to $600 million. We will be eligible to receive tiered royalty percentages

ranging from 20% to 30% on global net sales of licensed products. The royalties payable to us under the collaboration agreement may be reduced under certain circumstances. Our right to receive royalties under the collaboration agreement continues, on a country-by-country basis, until the later to occur of certain specified events. As we exercised our co-promotion option with respect to licensed products in the United Kingdom, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg in December 2017, we assumed a portion of the co-promotion effort in these territories and share equally in the net profit and net losses in these territories instead of receiving royalties in these territories during the period of co-promotion.

Financial Operations Overview

Revenue

Our revenues to date have consisted principally of milestones, reimbursement income, license fees, and upfront payments received in connection with our collaboration and alliance agreements. Additionally, we have generated revenue from our fee-for-service activities and other operating income from various R&D incentives and grants.

Collaboration and alliance agreements with our commercial partners for R&D 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; and royalties on sales.

Our revenue recognition policies are as follows:

Upfront Payments

Non-refundable, upfront payments received in connection with R&D collaboration agreements are deferred and recognized over the relevant period of our involvement. 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 milestones are 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.

License Fees

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 our 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 our 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.

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 (cash rebates equaling 33.99% of 13.5% of the investment value in 2017, 33.99% of 13.5% of the investment value in 2016, or 33.99% of 13.5% of the investment value in 2015). 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 several grants from an agency of the Flemish government to support various research programs focused on 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. 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.

An internally-generated intangible asset arising from our R&D activities would be recognized only when an asset is created that can be identified, it is probable that the asset created will generate future economic benefits, and the development cost of the asset can be measured reliably.

Our Funded R&D Expenditure

Our funded 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 pre-clinical studies or clinical trials, as well as costs associated with safety studies;

- 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.

We expect to increase our investment in our funded R&D in the future as we seek to advance our most promising pipeline product candidates through further clinical development.

Alliance R&D Expenditure

R&D expenditure under alliance represent costs incurred by us in conducting R&D plans under our collaborations and alliance agreements. Our expenses primarily relate to the following key programs:

- Development costs for the development of filgotinib in RA and IBD (currently in collaboration with Gilead, previously with AbbVie): these costs relate to the Phase 2 and Phase 3 trials and mainly consist of costs recharged by our collaboration partner as we are co-funding 20% 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.
- Costs for the CF collaboration with AbbVie: these costs are primarily composed of (1) personnel costs, (2) internal laboratory costs, and (3) costs incurred in carrying out our pre-clinical toxicology, pharmacology, and both *in vitro* and *in vivo* pre-clinical models in the fields of CF.
- Other R&D programs: these expenses primarily consist of personnel costs, costs for production of the pre-clinical compounds, and costs paid to CROs in conjunction with pre-clinical studies and clinical trials.

Our R&D expenses under alliance are expected to increase as we advance our filgotinib program, our CF program and any other alliance product candidate into clinical trials.

Since 2015, we cumulatively have spent approximately €487.8 million on R&D activities which can be split as follows between the key programs:

	Year ended December 31,				
	2017	2016	2015		
	(Euro, in thousands)			cumulative	
Filgotinib program (partnered)	€ (53,212)	€ (22,376)	€ (35,404)	€ (110,991)	23%
CF program (partnered)	(46,192)	(31,203)	(25,634)	(103,029)	21%
IPF program on GLPG1690 (proprietary)	(16,190)	(7,129)	(4,612)	(27,931)	6%
OA program on GLPG1972 (partnered)	(7,317)	(6,538)	(5,832)	(19,687)	4%
AtD program on MOR106 (partnered)	(8,404)	(3,491)	(4,651)	(16,546)	3%
Other	(87,187)	(68,836)	(53,582)	(209,605)	43%
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**€ (129,714)**	**€ (487,789)**	**100%**

As illustrated above the R&D expenditures have shown a growth trend over the three years from €129.7 million for the year ended December 31, 2015 to €218.5 million for the year ended December 31, 2017. The increase 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. Our program filgotinib accounts for 23% of the cumulative spend over the last three years with a total cost of €111.0 million. Costs reported under other programs relate to investments in own funded discovery and development projects, and in our discovery platform, as well as costs related to other collaborations and alliance contracts.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits related to our executive, finance, 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 and the costs of compliance with the day-to-day requirements of being a listed public company in Belgium and the United States, such as:

- Headquarters costs related to investor relations and corporate communications in Belgium and the Netherlands.
- Sales and marketing department in Croatia as from 2013.

Other Financial Expense and Financial Income

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

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

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, 2017, currency exchange loss was primarily due to currency exchange rate differences on our cash held in foreign currency. On December 31, 2017 our cash and cash equivalents included $241.3 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. We expect to use this cash held in U.S.dollars to settle our future payables in U.S.dollars, which will be primarily linked to our global collaboration with Gilead for the development of filgotinib.

Taxation

We have a history of losses. Excluding the impact of possible upfront or milestone payments we may receive from our collaborations, we forecast to continue incurring losses as we continue to invest in our clinical and pre-clinical development programs and our discovery platform. Consequently, we do not have any deferred tax asset on the balance sheet as at December 31, 2017, except for three subsidiaries for which a deferred tax asset was set up for an amount of €2.0 million as of December 31, 2017.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 rate than other revenues, i.e., 4.4% (3.75% as of January 1, 2020).

When taken in combination with tax losses carried forward and research and development incentives mentioned above, we expect that this will result in a long-term low rate of corporation tax for us. It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a *de facto* minimum taxable base, whereby the existing tax attributes have to be allocated into two so-called "*baskets*": a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are

subject to restrictions. The first basket contains (in order of deduction) the non-taxable items (such as deductible gifts), current year dividends received deduction (DRD), grandfathered patent income deduction (PID), current year innovation income deduction (IID) and investment deduction. The second basket contains (in order of deduction and subject to the restrictions as mentioned hereunder) the current year notional income deduction (NID), DRD carry-forward, IID carry-forward, tax loss carry-forward, unlimited NID carry-forward and NID carry-forward subject to the seven-year limitation. The taxable base can be reduced without any limitation with the deductions contained in the first basket. Any remaining taxable basis below € 1 million can be fully compensated with deductions contained in the second basket. If the remaining taxable basis exceeds € 1 million, the excess above € 1 million can only be compensated with deductions of the second basket up to 70%. Such minimum taxable basis may have an impact on our future cash flows.

Operating Segments

In 2015, the IFRS8 Operating Segments threshold of 10% of the combined revenues, external and inter-segment, of all segments was met by the external and internal revenues reported by our fee-for-service business located in Croatia. Consequently, there are two reportable segments in 2015, 2016 and 2017: R&D and fee-for-service business.

Financial information related to our two reportable segments and geographic information is contained in “Note 4—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 Policies and Estimates

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.

Drafting financial statements in accordance with IFRS requires management to make judgments and estimates and to use assumptions that influence the reported amounts of assets and liabilities, the notes on contingent assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

The following are our critical judgments and estimates 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

Revenue Recognition

Evaluating the criteria for revenue recognition with respect to our R&D and collaboration agreements requires management’s judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. In particular, such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, allocation of the contractual price (upfront and milestone payments in connection with a collaboration agreement) to several elements included in an agreement, and the determination of whether the significant risks and rewards have been transferred to the buyer. Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement. All of our revenue-generating transactions have been subject to such evaluation by management.

Critical Accounting Estimates

Share-based Payments Plans

We determine the costs of the share-based payments plans (i.e., our warrant plans) on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated useful life of the warrant and the volatility.

We determine the costs of the deferred component of the Senior Management Bonus Schemes on the basis of the fair value of the liability at each reporting period. Determining the fair value assumes choosing the most suitable valuation model for this liability, in which the characteristics of the Senior Management Bonus plans and the Galapagos share price change relative to the Next Biotech Index have a major influence. This assumes also the input into the valuation model of some relevant judgments, like 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, the applicable discount rates at the end of the reporting period and the probability of the number of beneficiaries assumed to stay with us until maturity of the bonus.

Pension Obligations

The cost of a defined pension arrangement is determined based on actuarial valuations. An actuarial valuation assumes the estimation of discount rates, estimated returns on assets, future salary increases, mortality figures and future pension increases. Because of the long-term nature of these pension plans, the valuation of these is subject to important uncertainties.

Corporate Income Taxes

Significant judgment is required in determining the use of tax loss carry forwards. We recognize deferred tax assets arising from unused tax losses or tax credits only to the extent that we have sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by us. Management's judgment is that such convincing evidence is currently not sufficiently available and a deferred tax asset is therefore not yet recognized, except for two subsidiaries operating intercompany on a cost plus basis and our fee-for-services business for which a deferred tax asset was set up for an amount of €2.0 million as of December 31, 2017.

As of December 31, 2017, we had a total of approximately €338.6 million of statutory tax losses carried forward which may be partially offset by future statutory taxable profits for an indefinite period, except for an amount of approximately €16.8 million in Switzerland, Croatia, the United States and the Netherlands with expiry dates between 2018 and 2030. As of December 31, 2017, the available tax losses carried forward in Belgium amounted to €262.1 million and the available Innovation Income Deduction carried forward amounted to €87.2 million.

Long-term Management Bonus Provision

Our 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 our share price change relative to the Next Biotech Index (which tracks our peers). Our share price and the Next Biotech Index at the start and end of the three-year period is calculated by the average price over the preceding and last month of the three-year period, respectively.

- If our 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 our 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 our share price change is more than 10% worse than the change in the Next Biotech Index, the deferred bonus will be forfeited.

Since the bonus is calculated by reference to our share price, it is accounted for as a cash-settled share-based payment under IFRS 2 Share-based Payment. The liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. Management judgment is required in determining the fair value.

A. Operating Results.

Comparison of Years Ended December 31, 2017 and 2016

The following table summarizes the results of our operations for the years ended December 31, 2017 and 2016, together with the changes to those items.

	Year ended December 31,		% Change
	2017	2016	
	(Euro, in thousands, except share and per share data)		
Revenues	€ 127,087	€ 129,519	(2%)
Other income	28,830	22,093	30%
Total revenues and other income	**155,918**	**151,612**	**3%**
Research and development expenditure	(218,502)	(139,573)	57%
General and administrative expenses	(24,415)	(21,744)	12%
Sales and marketing expenses	(2,803)	(1,785)	57%
Total operating expenses	**(245,720)**	**(163,103)**	**51%**
Operating loss	**(89,802)**	**(11,491)**	**682%**
Fair value re-measurement of share subscription agreement	—	57,479	(100%)
Other financial income	4,877	9,950	(51%)
Other financial expenses	(30,582)	(1,692)	1707%
Income / loss (-) before tax	**(115,507)**	**54,246**	**(313%)**
Income taxes	(198)	(235)	(16%)
Net income / loss (-)	**€ (115,704)**	**€ 54,012**	
Net income / loss (-) attributable to:			
Owners of the parent	(115,704)	54,012	
Basic income / loss (-) per share	**€ (2.34)**	**€ 1.18**	
Diluted income / loss (-) per share	**€ (2.34)**	**€ 1.14**	
Weighted average number of shares - Basic (in '000 shares)	49,479	45,696	
Weighted average number of shares - Diluted (in '000 shares)	49,479	47,308	

Revenues

	Year ended December 31, 2017	2016	% Change
	(Euro, in thousands)		
Recognition of non-refundable upfront payments and license fees	€ 71,971	€ 30,257	138%
Milestone payments	42,950	81,784	(47%)
Reimbursement income	3,273	9,699	(66%)
Other revenues	8,893	7,777	14%
Total revenues	**€ 127,087**	**€ 129,519**	**(2%)**

Total revenues decreased by €2.4 million, or 2%, to €127.1 million for the year ended December 31, 2017, from €129.5 million for the year ended December 31, 2016. The decrease in milestone payments and reimbursement income was partly compensated by an increase in revenue recognition of upfront payments, as explained below.

The global collaboration with Gilead foresees continuous involvement from us, since we will perform certain R&D activities in the development phase of the filgotinib program; therefore, management assessed that the upfront payment of $300 million (or €275.6 million) received in January 2016 from Gilead should be spread in function of the costs incurred for this program, applying the percentage of completion method. In the year ended December 31, 2017, €62.5 million revenues were recognized regarding this upfront payment, compared to €25.6 million in the year ended December 31, 2016.

In connection with the agreement with Gilead, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the share subscription agreement with Gilead, as required under IAS 39—Financial Instruments: recognition and measurement. The deferred income of €39 million will be recognized in function of the costs incurred for this program, applying the percentage of completion method, along with the upfront payment. In the year ended December 31, 2017, €8.8 million revenues were recognized in the statement of operations, compared to €3.6 million in the year ended December 31, 2016.

In July 2017, Servier exercised its option to license our compound in OA which triggered a license fee payment of €6 million. Since we will perform certain R&D activities in the next development phase of the program, management assessed that the license fee payment should be spread over the next development phase on a straight line basis. In the year ended December 31, 2017, €0.6 million were recognized regarding this license fee revenue.

The following table summarizes the upfront payments and license fees recognition for the years ended December 31, 2017 and 2016.

Agreement	Upfront received	Upfront and license fees received	Recognition as from	Revenue recognized, year ended December 31, 2017	Revenue recognized, year ended December 31, 2016	Outstanding balance in deferred income as at December 31, 2017
	(USD, in thousands)	(Euro, in thousands)		(Euro, in thousands)		
Gilead collaboration agreement for filgotinib	$ 300,000	€ 275,558	January 2016	€ 62,488	€ 25,621	€ 187,449
Gilead collaboration agreement for filgotinib	N.A.	€ 39,003 (*)	January 2016	€ 8,845	€ 3,626	€ 26,532
ThromboGenics license agreement for integrin antagonists	N.A.	€ 1,000	April 2016	€ —	€ 1,000	€ —
Sirion Biotech license agreement for RNA interference (RNAi) technologies	N.A.	€ 10	June 2016	€ —	€ 10	€ —
Servier collaboration agreement for osteoarthritis	N.A.	€ 6,000	August 2017	€ 638	€ —	€ 5,362
Total recognition of non-refundable upfront payments and license fees				€ 71,971	€ 30,257	€ 219,343

(*) deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial instruments: recognition and measurement

Milestone revenues decreased by €38.8 million, or 47%, to €43.0 million for the year ended December 31, 2017 compared to €81.8 million for the year ended December 31, 2016. This decrease can be mainly explained by the achievement in 2016 of important milestone of $50 million (€45.7 million) for the initiation of the Phase 3 trial in CD in our filgotinib program. Milestones in 2017 and 2016 were related to the filgotinib program with Gilead and the CF program with AbbVie.

Reimbursement income decreased by €6.4 million or 66%, to €3.3 million for the year ended December 31, 2017 compared to €9.7 million for the year ended December 31, 2016, due to lower reimbursements in relation with the CF program with AbbVie and the filgotinib program with Gilead. In 2017, the reimbursement of certain research and development costs were related to our collaboration agreements with AbbVie and Servier.

Other revenues increased by €1.1 million, or 14%, to €8.9 million for the year ended December 31, 2017 compared to €7.8 million for the year ended December 31, 2016, principally due to higher revenues from fee-for-service activities.

Other Income

The following table summarizes our other income for the years ended December 31, 2017 and 2016, together with the changes to those items.

	Year ended December 31,		% Change
	2017	2016	
	(Euro, in thousands)		
Grant income	€ 1,045	€ 2,329	(55%)
Other income	27,785	19,764	41%
Total other income	**€ 28,830**	**€ 22,093**	**30%**

Total other income was composed of grant income and other income and increased by €6.7 million, or 30%, from €22.1 million for the year ended December 31, 2016 to €28.8 million for the year ended December 31, 2017.

Grant income decreased by €1.3 million, or 55%, from €2.3 million for the year ended December 31, 2016 to €1.0 million for the year ended December 31, 2017. The majority of this grant income was related to grants from a Flemish agency, representing approximately 93% of all reported grant income in 2017 (2016: 88%). 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.

The decrease in grant income was more than offset by an increase in other income of €8.0 million, or 41%, from €19.8 million for the year ended December 31, 2016 to €27.8 million for the year ended December 31, 2017. Other income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €10.3 million of other income for the year ended December 31, 2017 compared to €9.5 million for the year ended December 31, 2016
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €11.2 million of other income for the year ended December 31, 2017 compared to €5.8 million for the year ended December 31, 2016
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €5.3 million of other income for the year ended December 31, 2017 compared to €3.8 million for the year ended December 31, 2016

R&D Expenditure

The following table summarizes our R&D expenditure for the years ended December 31, 2017 and 2016, together with the changes to those items.

	Year ended December 31,		
	2017	2016	% Change
	(Euro, in thousands)		
Personnel costs	€ (59,950)	€ (42,315)	42%
Subcontracting	(123,054)	(65,649)	87%
Disposables and lab fees and premises costs	(22,277)	(20,414)	9%
Other operating expenses	(13,221)	(11,196)	18%
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**57%**

R&D expenditure increased by €78.9 million, or 57%, to €218.5 million for the year ended December 31, 2017, from €139.6 million for the year ended December 31, 2016. This increase, reflecting the increase of our investments to advance our partnered and proprietary R&D programs, was principally due to:

- Increased R&D personnel costs of €17.6 million, or 42%, from €42.3 million for the year ended December 31, 2016 to €59.9 million for the year ended December 31, 2017, which was explained by an enlarged workforce, higher warrant costs and a higher payable for short term and long term management bonus, mainly as a result of the increase of our share price change relative to the Next Biotech Index on Euronext

- Increased subcontracting costs of €57.4 million, or 87%, from €65.6 million for the year ended December 31, 2016 to €123.1 million for the year ended December 31, 2017 mainly due to increased spending in our RA and IBD program on filgotinib and increased spending on our CF program.

- Intensified use of lab consumables being the main driver of the increase in disposables, lab fees and premises costs of €1.9 million, or 9%, from €20.4 million for the year ended December 31, 2016 to €22.3 million for the year ended December 31, 2017

- Increased other operating expenses of €2.0 million, or 18%, from €11.2 million for the year ended December 31, 2016 to €13.2 million for the year ended December 31, 2017

The table below summarizes our R&D expenditure for the years ended December 31, 2017 and 2016, broken down by R&D expenses under alliance and own funded R&D expenses.

	Year ended December 31,		
	2017	2016	% Change
	(Euro, in thousands)		
R&D under alliance	€ (122,663)	€ (71,980)	70%
Galapagos funded R&D	(95,839)	(67,593)	42%
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**57%**

We track all R&D expenditures against detailed budgets and allocated them by individual project. The table below summarizes our R&D expenditure for the years ended December 31, 2017 and 2016, broken down by program.

	Year ended December 31,		
	2017	2016	% Change
	(Euro, in thousands)		
Filgotinib program (partnered)	€ (53,212)	€ (22,376)	138%
CF program (partnered)	(46,192)	(31,203)	48%
IPF program on GLPG1690 (proprietary)	(16,190)	(7,129)	127%
OA program on GLPG1972 (partnered)	(7,317)	(6,538)	12%
AtD program on MOR106 (partnered)	(8,404)	(3,491)	141%
Other	(87,187)	(68,836)	27%
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**57%**

R&D expenditure under alliance increased by €50.7 million, or 70%, from €72.0 million for the year ended December 31, 2016 to €122.7 million for the year ended December 31, 2017, mainly due to increased R&D spending in our RA and IBD program on filgotinib (partnered with Gilead), and increased R&D spending on our CF program in collaboration with AbbVie. We increased our investments in our own funded portfolio by €28.2 million, or 42%, from €67.6 million for the year ended December 31, 2016 to €95.8 million for the year ended December 31, 2017, primarily because of intensified research investments in our proprietary programs on inflammation and fibrosis, as well as increased spending on our proprietary IPF program GLPG1690.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the years ended December 31, 2017 and 2016, together with the changes to those items.

	Year ended December 31,		
	2017	2016	% Change
	(Euro, in thousands)		
Personnel costs and directors fees	€ (17,756)	€ (15,160)	17%
Other operating expenses	(6,659)	(6,584)	1%
Total general and administrative expenses	**€ (24,415)**	**€ (21,744)**	**12%**

General and administrative expenses amounted to €21.7 million for the year ended December 31, 2016 and increased by €2.7 million, or 12%, to €24.4 million for the year ended December 31, 2017. This increase was principally due to higher personnel expenses, which increased by €2.3 million, or 23%, from €10.0 million for the year ended December 31, 2016 to €12.3 million for the year ended December 31, 2017, resulting from various effects, such as increased headcount and increased costs of share-based payments plans (our warrant plans) and increased payables for short and long term management bonus, mainly as a result of the increase of our share price change relative to the Next Biotech Index on Euronext.

Sales and Marketing Expenses

The following table summarizes our sales and marketing expenses for the years ended December 31, 2017 and 2016, together with the changes to those items.

	Year ended December 31,		
	2017	2016	% Change
	(Euro, in thousands)		
Personnel costs	€ (2,156)	€ (1,167)	85%
Other operating expenses	(646)	(618)	5%
Total sales and marketing expenses	**€ (2,803)**	**€ (1,785)**	**57%**

Sales and marketing expenses increased by €1.0 million, or 57%, from €1.8 million for the year ended December 31, 2016 to €2.8 million for the year ended December 31, 2017. This increase was due to higher personnel expenses as in the second half of the year ended December 31, 2017, we started to build our commercial organization in order to prepare for the co-promotion activities for filgotinib with Gilead in the co-promotion territories. In addition,

costs of shared-based payments (our warrant plans) and payables for short and long term management bonus increased for the year-ended December 31, 2017, mainly as a result of the increase of our share price change relative to the Next Biotech Index on Euronext.

Other Financial Income and Expense

The following table summarizes other financial income and expense for the years ended December 31, 2017 and 2016.

	Year ended December 31,		% Change
	2017	2016	
	(Euro, in thousands)		
Other financial income:			
Interest on bank deposit	€ 3,045	€ 1,614	89%
Effect of discounting long term R&D incentives receivables	—	99	(1)
Currency exchange gain	1,797	8,150	(78%)
Other finance income	34	87	(61%)
Total other financial income	**4,877**	**9,950**	**(51%)**
Other financial expenses:			
Interest expenses	(936)	(47)	1876%
Currency exchange loss	(29,176)	(1,453)	1907%
Other finance charges	(469)	(191)	145%
Total other financial expense	**(30,582)**	**(1,692)**	**1707%**
Total other net financial expense (-)/ income	**€ (25,705)**	**€ 8,257**	**(411%)**

Other financial expenses increased significantly by €28.9 million, from €1.7 million for the year ended December 31, 2016 to €30.6 million for the year ended December 31, 2017. The increase primarily related to a currency exchange loss of €27.8 million on deposits held in U.S. dollars. Our cash and cash equivalents includes cash 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.

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.”

Other financial income decreased by €5.1 million, or 51% from €10.0 million for the year ended December 31, 2016 to €4.9 million for the year ended December 31, 2017. Net foreign exchange profit amounted to €6.7 million for the year ended December 31, 2016, compared to a net foreign exchange loss of €27.4 million for the year ended December 31, 2017.

Interest expenses were related to interests on financial lease and on term deposits. Interest income was related to interests on term deposits.

Tax

The following table summarizes our tax result for the years ended December 31, 2017 and 2016.

	Year ended December 31,	
	2017	2016
	(Euro, in thousands)	
Current tax	€ (218)	€ (466)
Deferred tax	20	231
Income taxes	**€ (198)**	**€ (235)**

Current tax representing €0.2 million for the year ended December 31, 2017 and €0.5 million for the year ended December 31, 2016 was related to taxes for subsidiaries operating on cost plus basis.

Deferred tax income of €0.02 million for the year ended December 31, 2017 and of €0.2 million for the year ended December 31, 2016 related to subsidiaries working on a cost plus basis and to our fee-for-service business.

Comparison of Years Ended December 31, 2016 and 2015

The following table summarizes the results of our operations for the years ended December 31, 2016 and 2015, together with the changes to those items

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands, except share and per share data)		
Revenues	€ 129,519	€ 39,563	227%
Other income	22,093	21,017	5%
Total revenues and other income	**151,612**	**60,579**	**150%**
Research and development expenditure	(139,573)	(129,714)	8%
General and administrative expenses	(21,744)	(19,127)	14%
Sales and marketing expenses	(1,785)	(1,182)	51%
Total operating expenses	**(163,103)**	**(150,023)**	**9%**
Operating loss	**(11,491)**	**(89,444)**	**(87%)**
Fair value re-measurement of share subscription agreement	57,479	(30,632)	(288%)
Other financial income	9,950	1,987	401%
Other financial expenses	(1,692)	(1,539)	10%
Income / loss (-) before tax	**54,246**	**(119,627)**	**(145%)**
Income taxes	(235)	1,218	(119%)
Net income / loss (-)	**€ 54,012**	**€ (118,410)**	
Net income / loss (-) attributable to:			
Owners of the parent	54,012	(118,410)	
Basic income / loss (-) per share	**€ 1.18**	**€ (3.32)**	
Diluted income / loss (-) per share	**€ 1.14**	**€ (3.32)**	
Weighted average number of shares - Basic (in '000 shares)	45,696	35,700	
Weighted average number of shares - Diluted (in '000 shares)	47,308	35,700	

Revenues

	Year ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Recognition of non-refundable upfront payments and license fees	€ 30,257	€ 26,419	15%
Milestone payments	81,784	3,835	2033%
Reimbursement income	9,699	3,807	155%
Other revenues	7,777	5,501	41%
Total revenues	**€ 129,519**	**€ 39,563**	**227%**

Total revenues increased by €90.0 million, or 227%, to €129.5 million for the year ended December 31, 2016, from €39.6 million for the year ended December 31, 2015. This increase was mainly driven by a substantial increase in milestone payments, as explained below.

Revenue recognized in 2015 from upfront non-refundable payments related to the CF collaboration agreement with AbbVie signed in September 2013 and the contract signed with AbbVie in February 2012 for our filgotinib program (including the extension signed in March 2013). Those upfront payments were fully recognized into revenues by the end of August 2015.

In September 2015 AbbVie decided not to opt in, which ended the collaboration agreement regarding our filgotinib program and consequently the period of our involvement. There are no outstanding commitments for us regarding this terminated collaboration for our filgotinib program.

On December 16, 2015, we entered into a global collaboration with Gilead Sciences, Inc. for the development and commercialization of the JAK1-selective inhibitor filgotinib for inflammatory indications. On January 19, 2016, we completed the closing of the global collaboration agreement with Gilead, in the framework of which Gilead made a $425 million (or €392 million) equity investment in Galapagos NV by subscribing to new shares at a price of €58.00 per share, including issuance premium. This resulted in Gilead owning 6,760,701 ordinary shares of Galapagos NV, representing 14.75% percent of the then-outstanding share capital of Galapagos. We also received a license fee of $300 million. In addition, we are eligible for payments of up to $685 million in additional remaining development and regulatory milestones and $600 million in sales milestones, with tiered royalties starting at 20% and a profit split in co-promotion territories. Finally, we agreed on a 20-80 cost split for development costs of the licensed product, i.e. we will support 20% of all development costs. As we do not expect to have a statutory taxable base in the foreseeable future, we did not recognize any additional deferred tax asset following the signing of this new collaboration.

The global collaboration with Gilead foresees continuous involvement from us, since we will perform certain R&D activities in the development phase of the filgotinib program; therefore, management assessed that the upfront payment of $300 million (or €275.6 million) received in January 2016 from Gilead should be spread as a function of the costs incurred for this program, applying the percentage of completion method. In the year ended December 31, 2016, €25.6 million revenues were recognized regarding this upfront payment.

In connection with the agreement with Gilead, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the share subscription agreement with Gilead, as required under IAS 39—Financial Instruments: recognition and measurement. The deferred income will be recognized in function of the costs incurred for this program, applying the percentage of completion method, along with the upfront payment. In the year ended December 31, 2016, €3.6 million revenues were recognized in the statement of operations.

In 2016, Galapagos signed a license agreement with ThromboGenics for an integrin antagonist (formerly GLPG0187), for which an upfront payment of €1 million was invoiced and fully recognized, as Galapagos has no further involvement or obligation in the contract.

The following table summarizes the upfront payments recognition for years ended December 31, 2016 and 2015.

Agreement	Upfront received	Upfront and license fees received	Recognition as from	Revenue recognized, year ended December 31, 2016	Revenue recognized, year ended December 31, 2015	Outstanding balance in deferred income as at December 31, 2016
	(USD, in thousands)	(Euro, in thousands)		(Euro, in thousands)		
AbbVie collaboration agreement for CF	$ 45,000	€ 34,001	September 2013	€ —	€ 11,401	€ —
AbbVie collaboration agreement for RA and CD (filgotinib)	$ 150,000	€ 111,582	February 2012	€ —	€ 12,045	€ —
First amendment to AbbVie collaboration agreement for RA and CD (filgotinib)	$ 20,000	€ 15,619	March 2013	€ —	€ 2,973	€ —
Gilead collaboration agreement for filgotinib	$ 300,000	€ 275,558	January 2016	€ 25,621	€ —	€ 249,937
Gilead collaboration agreement for filgotinib	N.A.	€ 39,003 (*)	January 2016	€ 3,626	€ —	€ 35,376
ThromboGenics license agreement for integrin antagonists	N.A.	€ 1,000	April 2016	€ 1,000	€ —	€ —
Sirion Biotech license agreement for RNA interference (RNAi) technologies	N.A.	€ 10	June 2016	€ 10	€ —	€ —
Total recognition of non-refundable upfront payments and license fees				€ 30,257	€ 26,419	€ 285,314

(*) deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement

Milestone revenues increased substantially by €77.9 million, to €81.8 million for the year ended December 31, 2016 compared to €3.8 million for the year ended December 31, 2015. Milestones in 2016 related to the filgotinib program with Gilead in CD and UC, and the CF program in with AbbVie. Milestones in 2015 related to our OA program with Servier.

Reimbursement income increased by €5.9 million or 155%, to €9.7 million for the year ended December 31, 2016 compared to €3.8 million for the year ended December 31, 2015, due to higher reimbursements in relation with the CF program with AbbVie and the filgotinib program with Gilead (which was partnered with AbbVie in 2015). The reimbursement of certain research and development costs related to the development work under our collaboration agreements amounted to €5.9 million for our CF program with AbbVie and €3.5 million for our filgotinib program with Gilead for the year ended December 31, 2016. For the year ended December 31, 2015, €2.2 million and €1.2 million of costs were reimbursed in relation with the CF and filgotinib collaboration agreements with AbbVie, respectively,

Other revenues increased by €2.3 million, or 41%, to €7.8 million for the year ended December 31, 2016 compared to €5.5 million for the year ended December 31, 2015, principally due to higher revenues from fee-for-service activities

Other Income

The following table summarizes our other income for the years ended December 31, 2016 and 2015, together with the changes to those items.

	Year ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Grant income	€ 2,329	€ 3,095	(25%)
Other income	19,764	17,922	10%
Total other income	**€ 22,093**	**€ 21,017**	**5%**

Total other income was composed of grant income and other income and increased by €1.1 million, or 5%, from €21.0 million for the year ended December 31, 2015 to €22.1 million for the year ended December 31, 2016.

Grant income decreased by €0.8 million, or 25%, from €3.1 million for the year ended December 31, 2015 to €2.3 million for the year ended December 31, 2016. The majority of this grant income is related to grants from a Flemish agency, representing approximately 88% of all reported grant income in 2016 (2015: 94%). 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.

The decrease in grant income was more than offset by an increase in other income of €1.8 million, or 10%, from €17.9 million for the year ended December 31, 2015 to €19.8 million for the year ended December 31, 2016. Other income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €9.5 million of other income for the year ended December 31, 2016 compared to €8.7 million for the year ended December 31, 2015
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €5.8 million of other income for the year ended December 31, 2016 compared to €5.3 million for the year ended December 31, 2015

- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €3.8 million of other income for the year ended December 31, 2016 compared to €3.0 million for the year ended December 31, 2015

R&D Expenditure

The following table summarizes our R&D expenditure for the years ended December 31, 2016 and 2015, together with the changes to those items.

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Personnel costs	€ (42,315)	€ (35,875)	18%
Subcontracting	(65,649)	(65,883)	(0%)
Disposables and lab fees and premises costs	(20,414)	(18,696)	9%
Other operating expenses	(11,196)	(9,260)	21%
Total R&D expenditure	**€ (139,573)**	**€ (129,714)**	**8%**

R&D expenditure increased by €9.9 million, or 8%, to €139.6 million for the year ended December 31, 2016, from €129.7 million for the year ended December 31, 2015. This increase was principally due to:

- Increased R&D personnel costs of €6.4 million, or 18%, from €35.9 million for the year ended December 31, 2015 to €42.3 million for the year ended December 31, 2016, which was explained by an enlarged workforce, higher warrant costs and a higher liability for short term and long term management bonus, mainly as a result of the increase of our share price change relative to the Next Biotech Index on Euronext.

- Subcontracting costs were relatively stable and decreased slightly by €0.2 million, or 0.4%, from €65.9 million for the year ended December 31, 2015 to €65.6 million for the year ended December 31, 2016.

- Intensified use of lab consumables was the main driver of the increase in disposables, lab fees and premises costs of €1.7 million, or 9%, from €18.7 million for the year ended December 31, 2015 to €20.4 million for the year ended December 31, 2016.

- Other operating expenses increased by €1.9 million, or 21%, from €9.3 million for the year ended December 31, 2015 to €11.2 million for the year ended December 31, 2016, primarily due to an increase in depreciation of €1.0 million.

The table below summarizes our R&D expenditure for the years ended December 31, 2016 and 2015, broken down by R&D expenses under alliance and own funded R&D expenses.

	Year ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
R&D under alliance	€ (71,980)	€ (80,832)	(11%)
Galapagos funded R&D	(67,593)	(48,882)	38%
Total R&D expenditure	**€ (139,573)**	**€ (129,714)**	**8%**

We track all R&D expenditures against detailed budgets and allocated them by individual project. The table below summarizes our R&D expenditure for the years ended December 31, 2016 and 2015, broken down by program.

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Filgotinib program (partnered)	€ (22,376)	€ (35,404)	(37%)
CF program (partnered)	(31,203)	(25,634)	22%
IPF program on GLPG1690 (proprietary)	(7,129)	(4,612)	55%
OA program on GLPG1972 (partnered)	(6,538)	(5,832)	12%
AtD program on MOR106 (partnered)	(3,491)	(4,651)	(25%)
Other	(68,836)	(53,582)	28%
Total R&D expenditure	**€ (139,573)**	**€ (129,714)**	**8%**

R&D expenditure under alliance decreased by €8.9 million, or 11%, from €80.8 million for the year ended December 31, 2015 to €72.0 million for the year ended December 31, 2016, mainly due to our RA and IBD program on filgotinib (partnered with AbbVie in 2015 and partnered with Gilead in 2016), which has been partially offset by increased R&D spending on our CF program in collaboration with AbbVie. We increased our investments in our own funded portfolio by €18.7 million, or 38%, from €48.9 million for the year ended December 31, 2015 to €67.6 million for the year ended December 31, 2016, primarily because of intensified research investments in our proprietary programs on inflammation, HBV and fibrosis, as well as increased spending on our proprietary IPF program GLPG1690.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the years ended December 31, 2016 and 2015, together with the changes to those items.

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Personnel costs and directors fees	€ (15,160)	€ (12,739)	19%
Other operating expenses	(6,584)	(6,388)	3%
Total general and administrative expenses	**€ (21,744)**	**€ (19,127)**	**14%**

General and administrative expenses amounted to €19.1 million for the year ended December 31, 2015 and increased by €2.6 million, or 14%, to €21.7 million for the year ended December 31, 2016. This increase was principally due to directors fees, which increased by €2.7 million, or 116%, from €2.4 million for the year ended December 31, 2015 to €5.1 million for the year ended December 31, 2016, resulting from various effects, such as increased costs of share-based payments plans (our warrant plans) and increased liability for short and long term management bonus, mainly as a result of the increase of our share price change relative to the Next Biotech Index on Euronext.

Sales and Marketing Expenses

The following table summarizes our sales and marketing expenses for the years ended December 31, 2016 and 2015, together with the changes to those items.

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Personnel costs	€ (1,167)	€ (785)	49%
Other operating expenses	(618)	(397)	56%
Total sales and marketing expenses	**€ (1,785)**	**€ (1,182)**	**51%**

Sales and marketing expenses increased by €0.6 million, or 51%, from €1.2 million for the year ended December 31, 2015 to €1.8 million for the year ended December 31, 2016.

Fair Value Re-measurement of Share Subscription Agreement

On December 16, 2015, Gilead Sciences, Inc. and Galapagos NV entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58.00 per share, including issuance premium. This agreement was effectively completed and entered into force on January 19, 2016 and the full payment was received.

In connection with the agreement, we recognized a deferred income and an offsetting short term financial asset (derivative) of €39 million upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement. This financial asset initially reflected the share premium that Gilead committed to pay above our closing share price on the day of entering into the subscription agreement. Under IAS 39—Financial Instruments: recognition and measurement, the fair value of the financial asset is re-measured at year-end and again upon entering into force of the share subscription agreement on January 19, 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the statement of operations.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the subscription agreement and December 31, 2015 resulted in a negative, non-cash fair value charge of €30.6 million in the financial results. The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between January 1, 2016 and January 19, 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of 2016.

On January 19, 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This amount was composed of (1) the initial measurement on the day of entering into the share subscription agreement for an amount of €39 million which was reported in deferred income and (2) the subsequent re-measurements of the financial asset, reported as financial result under IAS 39—Financial Instruments: recognition and measurement: €30.6 million fair value loss reported in the year 2015 and €57.5 million fair value gain reported in the first quarter of 2016, together a net fair value gain of €26.8 million. This financial asset expired on the effective date of the share subscription agreement and was derecognized and recorded as part of the share premium account.

Other Financial Income and Expense

The following table summarizes other financial income and expense for the years ended December 31, 2016 and 2015.

	Year Ended December 31,		% Change
	2016	2015	
	(Euro, in thousands)		
Other financial income:			
Interest on bank deposit	€ 1,614	€ 1,246	29%
Effect of discounting long term R&D incentives receivables	99	99	-
Currency exchange gain	8,150	636	1182%
Other finance income	87	7	1142%
Total other financial income	**9,950**	**1,987**	**401%**
Other financial expenses:			
Interest expenses	(47)	(46)	2%
Currency exchange loss	(1,453)	(1,310)	11%
Other finance charges	(191)	(182)	5%
Total other financial expense	**(1,692)**	**(1,539)**	**10%**
Total other net financial income	**€ 8,257**	**€ 448**	**1742%**

Other financial income increased significantly by €8.0 million, or 401%, from €2.0 million for the year ended December 31, 2015 to €10.0 million for the year ended December 31, 2016. The increase relates to an exchange gain of

€4.8 million on deposits held in U.S. dollars and exchange gains of €2.0 million realized on milestone payments from AbbVie and Gilead in U.S. dollars. 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."

Other financial expenses increased by €0.2 million, or 10% from €1.5 million for the year ended December 31, 2015 to €1.7 million for the year ended December 31, 2016. Net foreign exchange profit amounted to €6.7 million for the year ended December 31, 2016, compared to a loss of €0.7 million for the year ended December 31, 2015. Interest expenses were related to interests paid on financial lease.

Tax

The following table summarizes our tax result for the years ended December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
	(Euro, in thousands)	
Current tax	€ (466)	€ (215)
Deferred tax	231	1,433
Income taxes	**€ (235)**	**€ 1,218**

Current tax representing €0.5 million for the year ended December 31, 2016 and €0.2 million for the year ended December 31, 2015 was related to taxes for subsidiaries operating on cost plus basis.

Deferred tax income of €0.2 million for the year ended December 31, 2016 and of €1.4 million for the year ended December 31, 2015 related to subsidiaries working on a cost plus basis.

B. Liquidity and Capital Resources.

To date, 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 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. Our cash flows may fluctuate and are difficult to forecast and will depend on many factors. As at December 31, 2017, our cash and cash equivalents amounted to €1,151.2 million. For more information on our policies regarding financial instruments, please see "Note 2—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, 2017 and 2016

The following table summarizes the results of our consolidated audited statement of cash flows for the years ended December 31, 2017 and 2016.

	2017	2016	Variance
	(Euro, in thousands)		
Cash and cash equivalents at beginning of the period	**€ 973,241**	**€ 340,314**	**€ 632,927**
Net cash flows generated / used (-) in operating activities	(147,030)	239,403	(386,433)
Net cash flows used in investing activities	(549)	(7,287)	6,738
Net cash flows generated in financing activities	353,357	395,996	(42,639)
Effect of exchange rate differences on cash and cash equivalents	(27,808)	4,816	(32,624)
Cash and cash equivalents at end of the period	**€ 1,151,211**	**€ 973,241**	**€ 177,970**

Cash and cash equivalents at December 31, 2017 amounted to €1,151.2 million.

Net cash flow from operating activities decreased by €386.4 million to a €147.0 million outflow for the year ended December 31, 2017 compared to a €239.4 million inflow for the year ended December 31, 2016. This net cash inflow from operations recorded in 2016 was primarily due to the license fee of $300 million (€275.6 million) received from Gilead in relation with our collaboration agreement on filgotinib. In addition, R&D expenses increased substantially in 2017 compared to 2016, which contributed significantly to the net cash outflow from operations in 2017.

The net cash used in investing activities decreased by €6.7 million to €0.5 million net cash outflow for the year ended December 31, 2017 compared to €7.3 million net cash outflow for the year ended December 31, 2016. This decrease in cash outflow can be mainly explained by the release of restricted cash to cash and cash equivalents, amounting to €6.5 million for the year ended December 31, 2017 compared to €0.2 million for the year ended December 31, 2016. The latter release of restricted cash mostly resulted from the release of the escrow account by Charles River for €6.6 million after final agreement between the parties was reached in the first quarter of the year ended December 31, 2017.

The net cash inflow from financing activities decreased by €42.6 million, from €396.0 million net cash inflow for the year ended December 31, 2016 to €353.4 million net cash inflow for the year ended December 31, 2017. The net cash inflow in 2016 can mainly be attributed to the subscription on Galapagos shares by Gilead on January 19, 2016 for which the cash proceeds from capital and share premium increases amounted to €391.9 million, net of issue costs. The net cash inflow in 2017 can primarily be attributed to €348.1 million of net new funds from the global offering on the NASDAQ Global Select Market on April 21, 2017. In addition, proceeds received on exercises of warrants contributed to cash generated by financing activities in 2016 and 2017 for respectively €4.3 million and €5.3 million.

Comparison of Years Ended December 31, 2016 and 2015

The following table summarizes the results of our consolidated statement of cash flows for the years ended December 31, 2016 and 2015.

	2016	2015	Variance
	(Euro, in thousands)		
Cash and cash equivalents at beginning of the period	**€ 340,314**	**€ 187,712**	**€ 152,602**
Net cash flows used in operating activities	239,403	(114,590)	353,993
Net cash flows generated / used (-) in investing activities	(7,287)	(4,297)	(2,990)
Net cash flows generated in financing activities	395,996	271,370	124,626
Effect of exchange rate differences on cash and cash equivalents	4,816	118	4,698
Cash and cash equivalents at end of the period	**€ 973,241**	**€ 340,314**	**€ 632,927**

Cash and cash equivalents at December 31, 2016 amounted to €973.2 million.

Net cash outflow from operating activities decreased by €354.0 million to a €239.4 million inflow for the year ended December 31, 2016 compared to a €114.6 million outflow for the year ended December 31, 2015. This net cash inflow from operations recorded in 2016 was primarily due to the license fee of $300 million (€275.6 million) received from Gilead in relation with our collaboration agreement on filgotinib. In addition, milestone payments increased substantially in 2016 compared to 2015, which contributed significantly to the net cash inflow from operations in 2016.

The net cash outflow from investing activities increased by €3.0 million to €7.3 million net cash outflow for the year ended December 31, 2016 compared to €4.3 million net cash outflow for the year ended December 31, 2015, which was principally related to an acquisition of available-for-sale financial assets, as well as a lower decrease in restricted cash compared to previous year. Restricted cash amounted to €7.9 million for the year ended December 31, 2015, and decreased to €7.7 million for the year ended December 31, 2016. This decrease was related to a payment of a claim to Charles River by decrease of the escrow account for €0.3 million, which has been slightly offset by an increase in non-current restricted cash of €0.1 million related to an increase in the bank guarantee with regard to the rental of additional office space for the Belgian premises.

The net cash inflow from financing activities increased by €124.6 million, from €271.4 million net cash inflow for the year ended December 31, 2015 to €396.0 million net cash inflow for the year ended December 31, 2016. The net

cash inflow in 2016 can mainly be attributed to the subscription on Galapagos shares by Gilead on January 19, 2016 for which the cash proceeds from capital and share premium increases amounted to €391.9 million, net of issue costs. The net cash inflow in 2015 can primarily be attributed to €259.4 million of net new funds from the global offering and concurrent listing on the NASDAQ Global Select Market on May 19, 2015. In addition, proceeds received on exercise of warrants contributed to cash generated by financing activities in 2016 for €4.3 million and to a greater extent for €12.0 million in 2015.

Cash and Funding Sources

The table below summarizes our sources of equity financing, excluding warrant exercises, for the years ended December 31, 2017, 2016 and 2015.

	Private placement (Euro, in thousands)
2015	€ 259,343
2016	391,852
2017	348,087
Total sources of equity financing	**€ 999,282**

On May 19, 2015, we completed a global offering of 7,532,499 ordinary shares, a concurrent public offering in the United States and private placement in Europe, in which framework we offered 5,746,000 ordinary shares through a public offering in the United States in the form of ADSs, at a price of $42.05 per ADS, before underwriting discounts and 1,786,499 ordinary shares through a European private placement at a price of €37.00 per share, before underwriting discounts. The ADSs were evidenced by American Depositary Receipts, and each ADS represents the right to receive one ordinary share. The ADSs are listed on the NASDAQ Global Select Market under the symbol “GLPG”. We received €278.7 million of gross proceeds from the global offering, decreased by €19.4 million of underwriter discounts and commission, and offering expenses, of which €19.3 million has been paid at December 31, 2015 and €0.1 million (remainder) has been settled at December 31, 2016. Total net cash proceeds from the global offering amounted to €259.3 million. On January 19, 2016, Gilead made a $425 million equity investment in Galapagos NV by subscribing to 6,760,701 new ordinary shares at a price of €58.00 per share, including issuance premium. Galapagos received €392.1 million of gross proceeds, decreased by €0.26 million of expenses, of which all has been paid at December 31, 2016. The total net cash proceeds from the share subscription by Gilead amounts to €391.9 million. The €65.9 million current financial asset from the share subscription agreement reflecting the premium that Gilead paid compared to the closing price of our shares on January 19, 2016 was derecognized and recorded as part of the share premium account. On April 21, 2017, we completed a public offering in the United States of 4,312,500 new ordinary shares in the form of ADSs at a price of $90.00 per ADS, before underwriting discounts. We received €363.9 million of gross proceeds, decreased by €15.8 million of expenses, of which €0.05 million still has to be paid at December 31, 2017. The total net cash proceeds from the public offering amounted to €348.1 million.

As of December 31, 2017, we had no long-term debt, other than finance leases.

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 operating lease obligations and 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 cash and cash equivalents held outside of Belgium as of December 31, 2017 and 2016, 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, we believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements at least through the next two to three years. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect.

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 pre-clinical 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, 2017 amount to €1.5 million.

Our capital expenditures amounted to €7.4 million, €4.8 million and €6.7 million for the years ended December 31, 2017, 2016 and 2015 respectively.

In 2017, our capital expenditures were primarily related to laboratory equipment for €3.2 million, €1.5 million of intangible assets related to in-process technology, €1.6 million for other tangible fixed assets and €0.6 million of intangible assets primarily related to software development.

In 2016, our capital expenditures were primarily related to laboratory equipment for €3.3 million, €0.6 million for other tangible fixed assets and €0.3 million of intangible assets primarily related to software development.

In 2015, our capital expenditures were primarily related to laboratory equipment for €2.2 million, leasehold improvements mainly for our new building in Leiden (the Netherlands) for €2.2 million, €1.7 million for other tangible fixed assets and €0.6 million of intangible assets primarily related to software development.

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, 2017 to December 31, 2017 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 has not been obtained. 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 the course of 2008, a former director of one of our subsidiaries sued for wrongful termination and seeks damages of €1.5 million. We believe that the amount of damages claimed is unrealistically high. On January 29, 2016, the court made a 1st degree judgment, dismissing all claims in full. In appeal, the 2nd degree court instructed the 1st degree court to conduct a new trial, which is currently pending. A first hearing was held on January 24, 2018, where a motion for a financial expertise was filed by the plaintiff. A decision on said motion is under consideration of the court and a further hearing will be scheduled. The timing of this further hearing can, however, not be predicted with any degree of certainty. Considering the defense elements provided to date, as well as the fact that the court has made no decision so far indicating that the claim would be sustained, our board and management evaluated the risk to be possible, but not likely. Accordingly, it was decided not to record any provision as the exposure was considered to be limited.

F. Tabular Disclosure of Contractual Obligations.

We entered into lease agreements for office and laboratories which qualify as operating leases. We also 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, 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 table 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–Gilead Collaboration Agreement for Filgotinib”, and “Item 7.B.–Related Party Transactions.–Transaction with Major Shareholder”. The contractual cost sharing commitment amounted to €129.0 million at December 31, 2017 (€199.0 million at December 31, 2016), for which we have direct purchase commitments of €10.1 million at December 31, 2017 (€2.0 million at December 31, 2016) reflected in the table 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, 2017 the net liability for such obligations amounted to €3.6 million (€3.5 million at December 31, 2016). See note 28 to the consolidated financial statements.

Non-current deferred income amounted to €97.3 million at December 31, 2017 (€214.8 million at December 31, 2016) and related to the recognition of a deferred income upon signing of the share subscription agreement with Gilead, as well as an upfront payment from Gilead for an amount of $300 million that we received in January 2016 and a license payment received from Servier. See note 24 to the consolidated financial statements.

Other non-current liabilities amounted to €1.6 million at December 31, 2017 (€2.5 million at December 31, 2016) and primarily related to deferred management bonuses. 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 2 and 23 to the consolidated financial statements.

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

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, 2017:

Name	Age	Date service began in current term	Date of expiration of current term (1)	Position(s)
Onno van de Stolpe	58	2017	2021	Director and Chief Executive Officer
Rajesh Parekh, MA, DPhil (2)	57	2017	2021	Chairman of the board of directors
Harrold van Barlingen, Ph.D. (3)	52	2014	2018	Director
Werner Cautreels, Ph.D. (2)(3)	65	2014	2018	Director
Howard Rowe, JD (3)	48	2014	2018	Director
Katrine Bosley (2)	49	2017	2021	Director
Christine Mummery, Ph.D.	64	2015	2019	Director
Mary Kerr, Ph.D.	57	2016	2020	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 address for our directors is Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium.

Our board of directors has determined that seven out of eight of the members of the board are independent under the NASDAQ Stock Market listing requirements and that five 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:

Onno van de Stolpe founded our company in 1999 and has served as our Chief Executive Officer and a member of our board of directors from 1999 to the present. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene B.V. (later Crucell N.V., which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe B.V. He established the European headquarters after joining Molecular Probes, Inc. in the United States. Previously, he worked for The Netherlands Foreign Investment Agency in California, where he was responsible for recruiting biotechnology and medical device companies to locate in the Netherlands. Mr. Van de Stolpe started his career as Manager of Business Development at MOGEN International N.V. 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 B.V. 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 Celldex Therapeutics, Inc.; Avila Therapeutics, Inc.; EUSA Pharma (Europe) Limited; Thiakis Limited; Biocartis NV; and Amsterdam Molecular Therapeutics (AMT) Holding N.V. (now uniQure). Dr. Parekh currently serves as a member of the board of directors of Advent Venture Partners; Advent Life Sciences LLP; Aleta Inc.; Arrakis, Inc.; Aura Inc.; Artax Inc.; Capella BioSciences Ltd.; Cellnovo SA; Itara Ltd.; Levicept Limited; PE Limited; Alpha Anomeric SA; Macrolide Inc.; and Project Paradise Limited. He is also a member of the Supervisory Board of the Novartis Venture Fund. He received his MA in Biochemistry and DPhil in Molecular Medicine from the University of Oxford, where he has also been a Senior Research Fellow and Professor.

Harrold van Barlingen, Ph.D. has served as a member of our board of directors since 2005. Dr. Van Barlingen is the managing director and founder of Thuja Capital B.V., Thuja Capital Holding B.V. and Thuja Capital Management B.V. Prior to founding Thuja Capital, he headed the life sciences effort of AlpInvest Partners B.V. from 2001 to 2005, managing a portfolio of over 30 companies. Previously, he was at the Boston Consulting Group, or BCG, where he worked as a consultant in management and strategy from 1998 to 2001. Prior to BCG, Dr. Van Barlingen headed the continental activities of The Lewin Group (a Quintiles subsidiary), an internationally active firm specialized in the field of health economics. He holds an MSc in Medical Biology and a PhD in Medicine, both from Utrecht University. From 1991 to 1992 he was a visiting scientist at the University of Chicago. He is the author of a wide variety of peer-reviewed scientific and pharmaco-economics papers. He currently serves on the supervisory boards of Encare Biotech B.V.,

Indigo Diabetes NV (chairman), ATRO Medical (chairman), and Hemics B.V. (chairman). In addition, during the last five years he also served on the boards of Okapi Sciences NV, Therasolve N.V. and arGEN-X N.V.

Werner Cautreels, Ph.D. has served as a member of our board of directors since 2009. Dr. Cautreels is the President, Chief Executive Officer and member of the board of Selecta Biosciences, Inc. Previously, Dr. Cautreels joined Solvay Pharmaceuticals SA in 1998 where he was Global Head of R&D and later Global Chief Executive Officer from 2005 onwards, until it was acquired by Abbott Laboratories Inc. in February 2010. Prior to joining Solvay he was employed by Sanofi S.A., 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 has served as the President, Chief Executive Officer and member of the board of directors of Editas Medicine, Inc. since June 2014. Prior to joining Editas, 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. Earlier, she was part of the healthcare team at the venture firm Highland Capital Partners, Inc. Ms. Bosley graduated from Cornell University with a B.A. in Biology. Ms. Bosley currently serves as chairman of the board of Genocea Biosciences, Inc. She also serves on the boards of directors of the Biotechnology Innovation Organization and of the Massachusetts Eye and Ear Institute.

Christine Mummery, Ph.D. has served as a member of our board of directors since September 30, 2015. Dr. Mummery has served as a Professor of Developmental Biology and Chair of the Department of Anatomy and Embryology at the Leiden University Medical Centre (LUMC) since 2008 and a Professor of Vascular Modelling at the Technical University of Twente in the Netherlands since September 2015. In 2007, she was a Radcliffe fellow at the Harvard Stem Cell Institute and Massachusetts General Hospital when human-induced pluripotent stem cells were being developed, and she was the first to derive these from patients in the Netherlands. In 2002, she became a Professor at the Utrecht University Medical Centre in the Netherlands. She was a postdoctoral fellow from 1981 to 1984 at the Hubrecht Institute in Utrecht, where she later also served as a staff scientist and group leader until 2008. Dr. Mummery obtained her B.S. in Physics, Electronics, and Mathematics at the University of Nottingham and her Ph.D. in BioPhysics at London University in the United Kingdom. Her primary research focus is currently the development and use of stem cells in cardiovascular development and disease. She served on the Ethical Councils of the Dutch Ministry of Health, is member of the Royal Netherlands Academy of Arts and Sciences (KNAW), the KHMW, editor-in-chief of the Cell Press journal Stem Cell Reports, former board member of the International Society for Stem Cell Research and past-president of the International Society of Differentiation. She was co-founder of Pluriomics B.V. (now Ncardia B.V.). 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).

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 Managing 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.

Executive Committee

Our board of directors has established an executive committee in accordance with article 524*bis* of the Belgian Companies Code. The following table sets forth certain information with respect to the members of our executive committee as of December 31, 2017:

Name	Age	Position(s)
Onno van de Stolpe	58	Chief Executive Officer
Piet Wigerinck, Ph.D.	53	Chief Scientific Officer
Bart Filius, MBA	47	Chief Financial Officer & Chief Operating Officer
Andre Hoekema, Ph.D.	60	Chief Business Officer
Walid Abi-Saab, MD	52	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.

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 S.A., 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.

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 B.V. (Managing Director), Crucell N.V. (Director of Business Development), DSM Life Sciences N.V. and Syngenta MOGEN B.V. (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 B.V. and has previously served as a member of the supervisory board of VitalNext B.V.

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, 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.

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.

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, 2017, was €4,056,461.31. For the year ended December 31, 2017, the total amounts set aside or accrued to provide pension, retirement or similar benefits to our executive committee amounted to €248,371.08.

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.

The annual shareholders' meeting of April 25, 2017 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, 2017 is as follows: (i) Chairman of the Board (i.e. Raj Parekh): €80,000; (ii) other non-executive board members (i.e., Werner Cautreels, Harrold van Barlingen, Howard Rowe, Katrine Bosley, Mary Kerr and Christine Mummery): €40,000 each; (iii) annual additional compensation for

membership of a board committee (audit committee: Harrold van Barlingen and Howard Rowe; nomination and remuneration committee: Werner Cautreels and Katrine Bosley): €5,000; (iv) annual additional compensation for the chairmanship of a board committee (audit committee: Werner Cautreels; 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. Directors representing a shareholder on the board of directors would only receive reimbursement of the expenses incurred for participating in the board of directors (there were no such directors in 2017, nor are there currently).

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, 2017:

Name		Fees earned (Euro)
Rajesh Parekh	€	90,000.00
Harrold van Barlingen		45,000.00
Werner Cautreels		55,000.00
Howard Rowe		45,000.00
Christine Mummery		40,000.00
Katrine Bosley		45,000.00
Mary Kerr		40,000.00
Total	**€**	**360,000.00**

In addition to the benefits set forth above, our non-executive directors also received benefits consisting of tax advisory services in 2017 for an aggregate amount of €2,700.

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, 2017 of the warrants held by the non-executive directors.

	Warrant award		
Name	**Number of ordinary shares underlying warrants**	**Warrant exercise price (Euro)**	**Warrant expiration date**
Rajesh Parekh	5,400	14.54	7/24/2022
	5,400	28.75	4/29/2023
	15,000	49.00	12/21/2023
	15,000	46.10	5/31/2024
	15,000	80.57	5/16/2025
Total	**55,800**		
Harrold van Barlingen	2,520	14.19	9/2/2020
	2,520	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
Total	**32,580**		
Werner Cautreels	3,780	14.54	7/24/2022
	3,780	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
Total	**30,060**		
Howard Rowe	2,520	14.19	9/2/2020
	2,520	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
Total	**32,580**		
Katrine Bosley	7,500	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
Total	**35,040**		
Christine Mummery	7,500	49.00	12/21/2023
	7,500	46.10	5/31/2024
	7,500	80.57	5/16/2025
Total	**22,500**		
Mary Kerr	7,500	80.57	5/16/2025
Total	**7,500**		

No loans, quasi-loans or other guarantees were given to the non-executive directors during the year ended December 31, 2017.

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 and long-term)***: members of the executive committee may be entitled to a bonus, depending on the level of achievement of the criteria from the Senior Management Bonus Scheme (i.e., corporate objective for that year). The maximum bonus of the chief executive officer is set at 100% 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 75% of their combined salaries. 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. For each year, 50% of this variable remuneration is paid in early January of the following year, and the other 50% is deferred for three years and is adjusted in light of the change of the company's share price relative to the Euronext Next Biotech Index.

- ***Incentive plan***: 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***: our 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, 2017.

The following table sets forth information regarding compensation earned by Onno van de Stolpe, our chief executive officer, during the year ended December 31, 2017.

	Compensation (Euro)
Fixed remuneration (gross)	€ 465,214.56
Variable remuneration (short-term)[(1)]	242,037.00
Variable remuneration (long-term)[(2)]	696,769.00
Pension/life	61,630.74
Other benefits	37,955.94
Total	**€ 1,503,607.24**

(1) 50% of the performance bonus for the year 2017, paid in January 2018. The remaining 50% is deferred for three years and is adjusted in light of the change of our company's share price relative to the Euronext Next Biotech Index.

(2) The value of the 50% deferred part of the bonus awarded over 2014 was established at the end of 2017 and resulted in a payment in early January 2018 of an amount of €696,769.00 (a multiple of 5.2 of the deferred bonus, as a result

of the share price performance over the period 2014–2017 as per the provisions of the Senior Management Bonus Scheme).

In addition, Mr. Van de Stolpe was granted (and accepted) 100,000 warrants under Warrant Plan 2017. The exercise price of these warrants is €80.57. These warrants are exercisable as from January 1, 2021.

The following table sets forth information concerning the aggregate compensation earned during the year ended December 31, 2017 by the other current members of our executive committee.

	Compensation (Euro)
Fixed remuneration (gross)	€ 1,173,499.26
Variable remuneration (short-term)[1]	450,023.50
Variable remuneration (long-term)[2]	519,977.00
Pension/life	186,740.34
Other benefits	71,993.08
Total	**€ 2,402,233.18**

(1) 50% of the performance bonus for the year 2017, paid in January 2018. The remaining 50% is deferred for three years and is adjusted in light of the change of our company's share price relative to the Euronext Next Biotech Index.
(2) The value of the 50% deferred part of the bonus awarded over 2014 was established at the end of 2017 and resulted in a payment in early January 2018 of an amount of €519,977.00 (a multiple of 5.2 of the deferred bonus, as a result of the share price performance over the period 2014–2017 as per the provisions of the Senior Management Bonus Scheme).

In addition, the other members of the executive committee were granted (and accepted) an aggregate amount of 225,000 warrants under Warrant Plan 2017, with an exercise price of €80.57. Dr. Abi-Saab was also granted (and accepted in 2017) 150,000 warrants under Warrant Plan 2016 (B), with an exercise price of €62.50. These 2016 (B) warrants are exercisable as from April 6, 2020.

The table below provides an overview as of December 31, 2017 of the warrants held by the members of our executive committee.

	Warrant awards		
Name	Number of ordinary shares underlying warrants	Warrant exercise price (Euro)	Warrant expiration date
Onno van de Stolpe	30,000	6.91	7/3/2018
	16,874	8.65	6/27/2020
	100,000	14.19	9/2/2020
	100,000	19.38	5/15/2021
	100,000	14.54	7/24/2022
	100,000	28.75	4/29/2023
	100,000	49.00	12/21/2023
	100,000	46.10	5/31/2024
	100,000	80.57	5/16/2025
Total	**746,874**		
Other officers	7,500	8.60	12/14/2018
	30,000	8.65	6/27/2020
	75,000	5.60	6/25/2021
	35,000	11.55	4/26/2018
	45,000	9.95	5/22/2019
	55,000	14.19	9/2/2020
	50,000	19.38	5/15/2021
	80,000	14.54	7/24/2022
	150,000	11.93	10/13/2022
	75,000	28.75	4/29/2023
	140,000	49.00	12/21/2023
	175,000	46.10	5/31/2024
	150,000	62.50	1/19/2025
	225,000	80.57	5/16/2025
Total	**1,292,500**		

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.

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 agreement we entered into in connection with our May 2015 global offering, 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 our registration statement 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.

For beneficiaries of the warrant plan that are not employees of our company, the exercise price cannot be lower than the average closing price of our ordinary shares on Euronext Amsterdam over the thirty-day period preceding the date of the offer of the warrants.

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, 2017, an aggregate of 9,387,467 warrants were granted. Of these 9,387,467 warrants:

- 147,512 warrants lapsed because they were not timely exercised by their beneficiaries;
- 1,188,433 warrants lapsed due to their beneficiaries no longer being employed by the company or because another condition for vesting was not met; and

- 4,080,715 warrants were exercised.

As a result, as of December 31, 2017, there were 3,970,807 warrants outstanding, representing approximately 7.8% 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 in force as per December 31, 2017, 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 (Euro)	Number of warrants granted	Number of warrants exercised	Number of warrants voided	Number of warrants still outstanding	Exercisable from	Expiry date
2002 Belgium	3/6/2002	4.00	553,705	423,698	130,007	—	1/1/2006	3/6/2010
	9/2/2002	4.00	27,125	14,150	12,975	—	1/1/2006	9/2/2010
	3/6/2003	4.00	5,250	1,287	3,963	—	1/1/2007	3/31/2007
	4/1/2003	4.00	7,500	7,500	—	—	1/1/2007	4/1/2011
	6/15/2004	4.00	2,000	2,000	—	—	1/1/2008	6/15/2012
	7/9/2004	4.00	31,250	31,250	—	—	1/1/2008	2/1/2017
	7/22/2004	4.00	7,500	—	7,500	—	1/1/2008	3/31/2008
	1/31/2005	6.76	159,375	115,000	44,375	—	1/1/2009	2/1/2017
Total			**793,705**	**594,885**	**198,820**	**—**		
2005	7/4/2005	6.91	145,000	115,000	—	30,000	1/1/2009	7/3/2018
	11/23/2005	8.35	125,000	75,000	50,000	—	1/1/2009	11/22/2018
	12/15/2005	8.60	12,500	5,000	—	7,500	1/1/2009	12/14/2018
	2/13/2006	8.61	40,000	8,000	32,000	—	1/1/2010	3/31/2010
	2/13/2006	8.73	53,500	50,972	2,528	—	1/1/2010	3/31/2010
	11/22/2006	8.65	82,600	61,285	21,315	—	1/1/2010	11/21/2019
Total			**458,600**	**315,257**	**105,843**	**37,500**		
2006 BNL	2/13/2006	8.61	112,953	100,662	12,291	—	1/1/2010	2/12/2019
	11/22/2006	8.65	87,090	16,450	70,640	—	1/1/2010	11/21/2019
	2/14/2007	9.57	102,900	9,170	93,730	—	1/1/2011	8/31/2011
	5/4/2007	9.22	17,500	17,500	—	—	1/1/2011	5/3/2020
	6/28/2007	8.65	735	—	—	735	1/1/2011	6/27/2020
	12/21/2007	7.12	25,110	12,121	11,939	1,050	1/1/2011	12/20/2020
Total			**346,288**	**155,903**	**188,600**	**1,785**		
2006 UK	6/1/2006	8.70	302,191	230,963	71,228	—	1/1/2010	9/30/2014
	11/22/2006	8.65	13,965	11,907	2,058	—	1/1/2010	11/21/2014
	12/19/2006	9.18	77,700	31,885	45,815	—	1/1/2010	12/18/2014
	6/28/2007	8.43	30,585	20,085	10,500	—	1/1/2011	6/27/2015
	12/21/2007	7.25	945	945	—	—	1/1/2011	12/20/2015
Total			**425,386**	**295,785**	**129,601**	**—**		
2007	6/28/2007	8.65	108,126	108,126	—	—	1/1/2011	6/27/2015
	6/28/2007	8.65	256,314	154,232	53,173	48,909	1/1/2011	6/27/2020
Total			**364,440**	**262,358**	**53,173**	**48,909**		
2007 RMV	10/25/2007	8.65	108,850	71,350	4,900	32,600	1/1/2011	10/24/2020
Total			**108,850**	**71,350**	**4,900**	**32,600**		
2008	6/26/2008	5.60	201,445	117,019	7,326	77,100	1/1/2012	6/25/2021
Total			**201,445**	**117,019**	**7,326**	**77,100**		
2008 (B)	6/26/2008	5.60	57,500	50,000	7,500	—	1/1/2012	6/25/2013
Total			**57,500**	**50,000**	**7,500**	**—**		
2009	4/1/2009	5.87	555,000	490,000	65,000	—	1/1/2013	3/31/2017
Total			**555,000**	**490,000**	**65,000**	**—**		
2009 (B)	6/2/2009	7.09	135,100	131,670	3,430	—	1/1/2013	6/1/2014
Total			**135,100**	**131,670**	**3,430**	**—**		
2010	4/27/2010	11.55	466,500	374,250	49,750	42,500	1/1/2014	4/26/2018
	4/27/2010	11.55	40,000	40,000	—	—	4/27/2014	4/26/2018
Total			**506,500**	**414,250**	**49,750**	**42,500**		
2010 (B)	4/27/2010	11.55	195,040	190,108	4,932	—	1/1/2014	4/26/2015
Total			**195,040**	**190,108**	**4,932**	**—**		
2010 (C)	12/23/2010	11.74	75,000	75,000	—	—	1/1/2014	12/22/2018
Total			**75,000**	**75,000**	**—**	**—**		
2011	5/23/2011	9.95	561,500	380,000	129,000	52,500	1/1/2015	5/22/2019
	5/23/2011	9.95	57,500	50,000	7,500	—	5/23/2015	5/22/2019
Total			**619,000**	**430,000**	**136,500**	**52,500**		
2011 (B)	5/23/2011	9.95	129,220	127,750	1,470	—	1/1/2015	5/22/2016
Total			**129,220**	**127,750**	**1,470**	**—**		
2012	9/3/2012	14.19	448,640	144,600	103,150	200,890	1/1/2016	9/2/2020
	9/3/2012	14.19	32,500	13,500	10,000	9,000	9/3/2016	9/2/2020
Total			**481,140**	**158,100**	**113,150**	**209,890**		
2013	5/16/2013	19.38	602,790	171,280	170,950	260,560	1/1/2017	5/15/2021
Total			**602,790**	**171,280**	**170,950**	**260,560**		
2013 (B)	9/18/2013	15.18	75,000	30,000	45,000	—	1/1/2017	6/30/2017
Total			**75,000**	**30,000**	**45,000**	**—**		
2014	7/25/2014	14.54	571,660	—	35,000	536,660	1/1/2018	7/24/2022
Total			**571,660**	**—**	**35,000**	**536,660**		
2014 (B)	10/14/2014	11.93	150,000	—	—	150,000	1/1/2018	10/13/2022
Total			**150,000**	**—**	**—**	**150,000**		
2015	4/30/2015	28.75	532,053	—	15,000	517,053	1/1/2019	4/29/2023
Total			**532,053**	**—**	**15,000**	**517,053**		
2015 (B)	12/22/2015	49.00	399,000	—	—	399,000	3/2/2019	12/21/2023
Total			**399,000**	**—**	**—**	**399,000**		
2015 RMV	12/22/2015	49.00	97,500	—	—	97,500	3/2/2019	12/21/2023
Total			**97,500**	**—**	**—**	**97,500**		
2016	6/1/2016	46.10	514,250	—	—	514,250	1/1/2020	5/31/2024
Total			**514,250**	**—**	**—**	**514,250**		
2016 RMV	6/1/2016	46.10	120,000	—	—	120,000	1/1/2020	5/31/2024
Total			**120,000**	**—**	**—**	**120,000**		
2016 (B)	1/20/2017	62.50	150,000	**—**	—	150,000	4/6/2020	1/19/2025
Total			**150,000**	**—**	**—**	**150,000**		
2017	5/17/2017	80.57	595,500	**—**	—	595,500	1/1/2021	5/16/2025
Total			**595,500**	**—**	**—**	**595,500**		
2017 RMV	5/17/2017	80.57	127,500	**—**	—	127,500	1/1/2021	5/16/2025
Total			**127,500**	**—**	**—**	**127,500**		
Grand Total			**9,387,467**	**4,080,715**	**1,335,945**	**3,970,807**		

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, 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, Rajesh Parekh, Harrold van Barlingen, Werner Cautreels, Howard Rowe, Katrine Bosley, Christine Mummery 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. Under Article 526*ter* of the Belgian Companies Code, Werner Cautreels, Howard Rowe, Katrine Bosley, Christine Mummery 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 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.

Our board of directors complies with the Belgian Corporate Governance Code, but believes that certain deviations from its provisions are justified in view of our particular situation. These deviations include the grant of warrants to non-executive directors. In this way, we have 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 is a commonly used method in the sector in which we operate. Without this possibility, we would be 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 has no negative impact on the functioning of the non-executive directors.

Warrant Plan 2016 (B), pertaining to the issuance of warrants to Dr. Abi-Saab, our new CMO, was approved by our board of directors, based on a general authorization of the shareholders' meeting. Schemes under which executive managers are remunerated in warrants should be subject to prior shareholder approval by way of a resolution at the general shareholders' meeting pursuant to Principle 7.13 of the Belgian Corporate Governance Code 2009. In view of (i) the fact that this Warrant Plan 2016 (B) fell within the scope of the authorization granted by the extraordinary shareholders' meeting to the board of directors on 26 April 2016 to use the authorized capital for the issue of warrants in the framework of the remuneration policy for Galapagos' employees, directors and independent consultants and (ii) our interest in having Dr. Abi-Saab join Galapagos as soon as possible, we are of the opinion that it would not have been desirable to convene a special shareholders' meeting to grant its express prior approval for this Warrant Plan 2016 (B).

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 the 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 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.

- ***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.

Audit Committee

Our audit committee consists of three members: Werner Cautreels (Chairman), Harrold van Barlingen and Howard Rowe.

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 Werner Cautreels 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.

Nomination and Remuneration Committee

Our nomination and remuneration committee consists of three members: Rajesh Parekh (Chairman), Katrine Bosley and Werner Cautreels.

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, 2017 we had 600 employees. Our employees in France 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,		
	2017	2016	2015
Function:			
Executive officers	5	4	4
Research	236	216	205
Development	149	88	53
Research services	122	116	102
Corporate and support	88	84	71
Total	**600**	**508**	**435**
Geography:			
Leiden, the Netherlands	52	45	34
Mechelen, Belgium	252	189	151
Romainville, France	152	140	129
Zagreb, Croatia	139	134	121
Boston, MA, USA	3	—	—
Basel, Switzerland	2	—	—
Total	**600**	**508**	**435**

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, 2018 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, 2018. The percentage ownership information shown in the table is based upon 50,936,778 ordinary shares outstanding as of March 15, 2018.

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, 2018. 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.	6,760,701 (1)(2)	13.27 %
Van Herk Investments B.V.	4,457,147 (1)(3)	8.75 %
Directors and members of executive committee:		
Rajesh Parekh, MA, DPhil	20,400 (4)	*
Onno van de Stolpe	825,163 (5)	1.61 %
Werner Cautreels, Ph.D.	6,300 (6)	*
Harrold van Barlingen, Ph.D.	23,180 (7)	*
Howard Rowe, JD	7,560 (8)	*
Katrine Bosley	10,020 (9)	*
Christine Mummery, Ph.D.	454 (10)	*
Mary Kerr, Ph.D.	—	—
Executive committee excluding Onno van de Stolpe	570,002 (11)	1.11 %
All members of our board of directors and executive committee as a group (12 persons)	1,463,079 (12)	2.82 %

(1) At the time of the most recent transparency notification or filing of a statement of beneficial ownership with the SEC.
(2) Consists of 6,760,701 shares held by Gilead Therapeutics A1 Unlimited Company, which is a subsidiary of Gilead Biopharmaceutics Ireland Unlimited Company, 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 4,457,147 shares held by Van Herk Investments B.V. Van Herk Private Equity Investments B.V. holds all shares in Van Herk Investments B.V. Adrianus van Herk holds all shares in Van Herk Private Equity Investments B.V. and has sole voting and investment power with respect to these shares. The address of Van Herk Investments B.V. is Lichtenauerlaan 30, 3062 ME Rotterdam, the Netherlands.

(4) Consists of (i) 15,000 shares and (ii) 5,400 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(5) Consists of (i) 478,289 shares and (ii) 346,874 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(6) Consists of (i) 2,520 shares and (ii) 3,780 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(7) Consists of (i) 15,620 shares and (ii) 7,560 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(8) Consists of 7,560 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(9) Consists of 10,020 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(10) Consists of 454 shares.

(11) Consists of (i) 42,502 shares and (ii) 527,500 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

(12) Includes 908,694 shares issuable upon the exercise of warrants that are immediately exercisable or exercisable within 60 days of March 15, 2018.

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 9, 2018, assuming that all of our ordinary shares represented by ADSs are held by residents of the United States, we estimate that approximately 38% of our outstanding ordinary shares were held in the United States by approximately 110 institutional holders of record, excluding Gilead Sciences, Inc., or Gilead. At such date, there were outstanding 10,202,594 ADSs, each representing one ordinary share, and in the aggregate representing approximately 20% 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 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 shareholding represents 13.27% of our outstanding shares as of March 15, 2018, and represents no change in the number of shares compared to the previous transparency notification from Gilead on January 20, 2016.

On January 28, 2016, we received a transparency notification from Wellington Management Group LLP, confirming that, as a result of the capital increase through which Gilead acquired 6,760,701 of our ordinary shares, its shareholding had passively decreased below the lowest 5% notification threshold of Galapagos NV's voting rights. On March 1, 2016, we received a transparency notification from Johnson & Johnson, indicating that affiliates under its control sold 2,350,061 shares, as a result of which its shareholding decreased below the lowest 5% notification threshold of Galapagos NV's voting rights. On July 20, 2016, we received a transparency notice from Federated Equity Management Company of Pennsylvania indicating that as a result of a sale of shares, its shareholding had decreased below the 5% notification threshold of Galapagos NV's voting rights. On October 7, 2016, we received a transparency notice from FMR LLC indicating that, as a result of an acquisition of voting securities, affiliates under its control reached the 10% threshold of Galapagos NV's voting rights.

B. Related Party Transactions.

Since January 1, 2017, 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.

Transaction with Major Shareholder

On December 16, 2015, we signed an exclusive license and collaboration agreement to develop and commercialize filgotinib in multiple indications with Gilead Biopharmaceutics Ireland Unlimited Company. On December 7, 2017, Gilead Biopharmaceutics Ireland Unlimited Company assigned all of its right, title, and interest in, to, and under the license and collaboration agreement to another affiliate of Gilead. Under the terms of the collaboration, Gilead is primarily responsible for development and for seeking regulatory approval of the licensed product. We are required to use commercially reasonable efforts as requested by Gilead to assist Gilead with certain development activities. In addition, we agreed on a 20-80 cost split for development costs of the licensed product, i.e. we will bear 20% of all development costs. In the framework of the closing of the transaction on January 19, 2016, Gilead Biopharmaceutics Ireland Unlimited Company paid a license fee of $300 million (or €275.6 million) and made a $425 million (or €392 million) equity investment in our share capital by subscribing to new ordinary shares at an issue price of €58.00 per share, including issuance premium. This resulted in Gilead owning 6,760,701 ordinary shares, representing 14.75% of our outstanding share capital as of the date of the capital increase. Moreover, under the subscription agreement relating hereto, the parties agreed to a lock-up and standstill arrangement. The lock-up and standstill arrangement expired on December 31, 2017. Under this 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, and $10.0 million (or €9.4 million) in milestone payments in the year ended December 31, 2017.

We incurred €53.2 million in development costs for the year ended December 31, 2017 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 are co-funding 20% 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 20-80 cost split mechanism by Gilead to us amounted to nil for the year ended December 31, 2017. 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

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, 2017, Mr. Van de Stolpe received (1) a base remuneration from Galapagos NV of €174,770.16 (including €42,470.53 in the form of pension contributions), (2) a base salary from Galapagos B.V. of €169,425.9 (including an 8% holiday bonus) and (3) a base salary from Galapagos SASU of €121,018.5.

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.

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.

Piet Wigerinck

On February 28, 2008, we entered into a management agreement, subject to Belgian law, with Piet Wigerinck for the position of Senior Vice President Drug Development and member of the executive committee, 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.

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.

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, 2017, we have granted warrants 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 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. The following tables set forth for the periods indicated the reported high and low sale prices per ADS on NASDAQ in U.S. dollars and per ordinary share on Euronext Amsterdam in euros.

NASDAQ

	Per ADS	
Period	**High**	**Low**
Annual:		
2015 (beginning May 14)	$ 65.54	$ 38.28
2016	$ 73.37	$ 37.03
2017	$ 104.12	$ 63.69
Quarterly:		
First Quarter 2016	$ 61.69	$ 37.03
Second Quarter 2016	$ 61.02	$ 41.21
Third Quarter 2016	$ 73.37	$ 51.91
Fourth Quarter 2016	$ 67.56	$ 57.16
First Quarter 2017	$ 87.74	$ 63.69
Second Quarter 2017	$ 94.88	$ 75.05
Third Quarter 2017	$ 103.54	$ 72.90
Fourth Quarter 2017	$ 104.12	$ 84.13
First Quarter 2018 (through March 20)	$ 121.09	$ 93.18
Month Ended:		
September 2017	$ 103.54	$ 92.21
October 2017	$ 104.12	$ 95.66
November 2017	$ 101.18	$ 87.01
December 2017	$ 95.00	$ 84.13
January 2018	$ 121.09	$ 93.18
February 2018	$ 119.81	$ 103.39
March 2018 (through March 20)	$ 106.51	$ 99.50

Euronext Amsterdam

Period	Per Ordinary Share High	Per Ordinary Share Low
Annual:		
2013	€ 20.70	€ 13.40
2014	€ 18.42	€ 10.00
2015	€ 60.55	€ 14.81
2016	€ 66.19	€ 32.50
2017	€ 89.75	€ 59.13
Quarterly:		
First Quarter 2016	€ 57.68	€ 32.50
Second Quarter 2016	€ 53.70	€ 36.20
Third Quarter 2016	€ 66.19	€ 46.07
Fourth Quarter 2016	€ 62.16	€ 51.15
First Quarter 2017	€ 81.81	€ 59.13
Second Quarter 2017	€ 89.75	€ 65.20
Third Quarter 2017	€ 87.35	€ 61.88
Fourth Quarter 2017	€ 88.16	€ 71.29
First Quarter 2018 (through March 20)	€ 98.82	€ 77.32
Month Ended:		
September 2017	€ 87.35	€ 77.25
October 2017	€ 88.16	€ 81.65
November 2017	€ 87.20	€ 72.72
December 2017	€ 79.81	€ 71.29
January 2018	€ 98.82	€ 77.32
February 2018	€ 96.40	€ 86.10
March 2018 (through March 20)	€ 87.66	€ 79.34

On March 20, 2018, the last reported sale price of the ADSs on NASDAQ was $102.12 per ADS, and the last reported sale price of the ordinary shares on Euronext Amsterdam was €83.72 per share.

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. 333-211765), automatically effective upon filing with the SEC on June 1, 2016, under the heading "Description of Share Capital" as supplemented by the sections titled "Description of Share Capital—Articles of Association and Other Share Information," "Description of Share Capital—Board of Directors," "Description of Share Capital—Description of the Rights and Benefits Attached to Our Shares," "Description of Share Capital—Belgian Legislation" and "Description of Share Capital—Limitations on the Right to Own Securities" in the final prospectus supplement on Form 424(b)(5) dated April 17, 2017 filed with the SEC on April 18, 2018 is incorporated herein 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. 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 the 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 that 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 tax considerations 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;
- persons required under Section 451(b) of the Code to conform the timing of income accruals with respect to the ADSs to their financial statements; 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 the 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 the 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 proportionate share of a U.S. holder's U.S. federal income tax liability that 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 the ADSs and our 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. If we are a PFIC for any year with respect to which a U.S. holder owns the ADSs, we will continue to be treated as a PFIC with respect to such U.S. holder in all succeeding years during which the U.S. holder owns the ADSs, regardless of whether we continue to meet the tests described above.

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 after the offering. Based on the foregoing, with respect to the 2017 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.

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, 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 the 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 the 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 of ADSs by an investor. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this annual report, 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, or Holders. This summary does not address Belgian tax aspects which are relevant to persons who are fiscally resident in Belgium or who avail of 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 of ADSs, 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 the tax treatment 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 in 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 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 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. 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, as of January 1, 2018, a repayment of capital is partly considered to be a distribution of the existing taxed reserves (irrespective of whether they are incorporated into the capital) and/or of the tax-free reserves incorporated into the capital whereby such portion is determined on the basis of the ratio of the taxed reserves and tax-free reserves incorporated into the capital versus 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 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.

For non-residents the dividend withholding tax, if any, will be the only tax on dividends in Belgium, unless the non-resident avails of 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, is either of the following:

- a company that is a resident of the United States that has directly owned 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 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 withheld.

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. 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 distributed to corporate Holders that qualify as a parent company will be exempt from Belgian withholding tax provided that the ADSs held by the Holder, upon payment or attribution of the dividends, amount to at least 10% of our share capital and are held or will be held during an uninterrupted period of at least one year, and provided the anti-abuse provision does not apply. A Holder qualifies as a parent company if it has a legal form similar to the ones listed in the annex to the EU Parent-Subsidiary Directive of July 23, 1990 (90/435/EC), 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 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.

In order to benefit from this exemption, the Holder must provide us or its paying agent with a certificate confirming its qualifying status and the fact that it satisfies the abovementioned conditions.

If the Holder holds the ADSs for less than one year, at the time the dividends are paid on or attributed to the shares represented by the ADSs, we must deduct the withholding tax but we do not need to transfer it to the Belgian Treasury provided that the Holder certifies its qualifying status, the date from which the Holder has held the ADSs, and the Holder's commitment to hold the shares for an uninterrupted period of at least one year. The Holder must also inform us or its 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 deducted dividend withholding tax which was temporarily withheld will be paid to the Holder.

Dividends paid or attributable 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) the Holder does not satisfy the 10%-participation threshold but has a participation in us with an acquisition value of at least € 2,500,000 upon the date of payment or attribution of the dividend, (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 Parent-Subsidiary Directive, as amended from time to time, (v) the ordinary Belgian withholding tax is, in principle, neither creditable nor reimbursable in the hands of the Holder, and (vi) if the dividends concerned were received by a Belgian company, the taxation condition as contained by Article 203 of the Belgian Income Tax Code would be applicable and the anti-abuse provision would not be applicable.

In order to benefit from the exemption of withholding tax, the corporate Holder must provide us or its paying agent with a certificate confirming (i) it has the above described legal form, (ii) 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) 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) 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, would this exemption not exist, credit the levied Belgian withholding tax or obtain a reimbursement 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.

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 fiscal residence in the United States and without a permanent establishment or fixed base in Belgium,

(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 and without operating a business in Belgium,

(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 the shares or ADSs, nor obligated to pay a manufactured dividend with respect to the 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 the shares or ADSs and that the above conditions are satisfied. The organization must then forward that affidavit to us or our paying agent.

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 from the sale, exchange or other disposition of ADSs are exempt from tax in Belgium.

Capital gains realized on ADSs by a corporate Holder who is not a Qualifying Holder are generally not subject to taxation in Belgium unless such Holder is acting through a Belgian permanent establishment or a fixed place in Belgium to which the ADSs are effectively connected (in which case a 29.58%, 25.50% (or in both previous cases 25% as of January 1, 2020), 0.412% (with respect to capital gains realized upon the disposal of the ADSs during a financial year that started prior to January 1, 2018 or a financial year ending prior to December 31, 2018 – this special tax rate of 0.412% was abolished from assessment year 2019, i.e. financial years starting from January 1, 2018) or 0% tax on the capital gain may apply, depending on the particular circumstances). Capital losses are generally not tax deductible.

Private individual Holders who are not Qualifying Holders and who are holding 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 ADSs. Losses will, as a rule, not be tax deductible.

Capital gains realized by a Holder upon the redemption of 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 ADSs on the death of a Belgian non-resident. Donations of ADSs made in Belgium may or may not be subject to gift tax depending on the modalities under which the donation is carried out.

Annual Tax on Securities Accounts

Individual Holders which hold (in full or bare ownership and usufruct) one or more securities accounts with a Belgian financial intermediary with total assets equal to or exceeding EUR 500,000 (EUR 1,000,000 for married couples) will be subject to (withholding) tax at a rate of 0.15% on their total share of the average value of the total amount of taxable assets. The taxable financial instruments are the following: rights of participation in collective investment funds and shares in investment companies (listed or not), listed and non-listed bonds, "*kasbons*" / "*bons de caisse*", warrants, certificates of shares and bonds, listed and non-listed shares and trackers registered in securities accounts. Registered shares registered in the share register, pension savings arrangements, life insurance contracts, options, futures and swaps are excluded.

Prospective individual Holders should consult their own professional advisors in relation to the annual tax on securities accounts.

Belgian Tax on Stock Exchange Transactions

The purchase and the sale and any other acquisition or transfer for consideration of existing 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 (i) it is executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (both referred to as a "Belgian Investor"). The tax on stock exchange transactions is not due upon the issuance of new ADSs.

The tax on stock exchange transactions is levied at a rate of 0.35% of the purchase price, capped at € 1,600 per transaction and per party.

A separate tax is due by each party to the transaction, and both taxes are collected by the professional intermediary. However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian stock exchange tax representative ("Stock Exchange Tax Representative"), which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transaction.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, 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, except in case they would be considered to have their habitual abode or their seat or establishment in Belgium.

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, (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 ADSs, if the Holders are acting for their own account, except in case they would be considered to have their habitual abode or their seat or establishment in Belgium. 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.

Proposed Financial Transactions Tax

On February 14, 2013 the EU Commission adopted a Draft 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 Draft Directive 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 Draft Directive on the FTT 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.

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 consolidated balance sheet shows an amount of €211.4 million as accumulated losses at the end of 2017. Our cash and cash equivalents amounted to €1,151.2 million on December 31, 2017. Cash used in operating activities amounted to €147.0 million for the year ended December 31, 2017. 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 at least for the next two to three years. 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.

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, except for these for which a provision for doubtful debtors has been established. The aging balance of receivables that are due, but that are still considered collectable is set forth in the table below:

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
60 - 90 days		€ 170	€ 86
90 - 120 days	€ 1		
more than 120 days		€ 54	€ 17

Our cash and cash equivalents are invested primarily in savings and deposit accounts. Saving and deposit accounts generate a small amount of interest income. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted at the beginning of the term.

Interest Rate Risk

The only variable interest-bearing financial instruments are cash and cash equivalents.

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.

Effect of Interest Rate Fluctuation

A 100 basis point increase in interest rates at balance sheet date would have increased profit and loss, and equity, by approximately €11.5 million (2016: €10 million, 2015: €3 million); a 100 basis point decrease in interest rates would have decreased profit and loss, and equity, by approximately €11.5 million (2016: €10 million, 2015: €3 million).

Foreign Exchange Risk

We are exposed to foreign exchange risk arising from various currency exposures. Our functional currency is euro, but we receive payments from our main business partners AbbVie and Gilead in U.S. dollars and acquire some consumables and materials in U.S. dollars, Swiss Francs, GB Pounds and Croatian Kuna.

To limit this risk, we attempt to align incoming and outgoing cash flows in currencies other than the euro. In addition, contracts closed by our different entities are mainly in the functional currencies of that entity, except for the alliance agreements signed with AbbVie and Gilead for which payments are denominated in U.S. dollars.

In order to further reduce this risk, a netting system was implemented in the course of 2012, which restrains intra-group payments between entities with a different functional currency.

The exchange rate risk in case of a 10% change in the exchange rate amounts to:

	Year ended December 31,		
	2017	2016	2015
Net book value	(Euro, in thousands)		
Increase in Euros - U.S. Dollars	€ (21,083)	€ (16,863)	€ 506
Increase in Euros - GB Pounds	122	130	164
Increase in Euros - CH Francs	203	165	169
Increase in Euros - HR Kunas	(185)	(95)	(50)
Increase in U.S. Dollars - GB Pounds	€ (831)	€ (913)	€ (907)

The exchange rate risk on the U.S. dollar is primarily related to our cash and cash equivalents 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 cash-at-bank and in-hand and cash equivalents, financial debt (which as of December 31, 2017, consists of finance leases), 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:

- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in France (i.e., upon deposit and withdrawal of ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit); and
- fees and expenses incurred in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs or American Depositary Receipts, or ADRs, or in connection with the delivery or servicing of ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary.

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 the holders of ADSs may be required to pay may vary over time and may be changed by us and by the depositary. The holders of ADSs will receive prior notice of such changes.

The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program established pursuant to the deposit agreement, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary may 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.

Global Offering

In May 2015, we sold 5,746,000 ADSs, each representing one ordinary share, no nominal value, and 1,786,499 ordinary shares, in our global offering at a price of $42.05 per ADS and €37.00 per share, including the exercise in full by the underwriters of their option to purchase additional ADSs and ordinary shares, for aggregate gross proceeds to us of approximately €278.7 million. The net offering proceeds to us, after deducting underwriting discounts and commissions and offering expenses, were approximately €259.3 million. The offering commenced on May 6, 2015 and did not terminate before all of the securities registered in the registration statement were sold. The effective date of the registration statement, File No. 333-203435, for our global offering was May 13, 2015. Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC and Cowen and Company, LLC acted as joint book-running managers, and Nomura Securities International, Inc. and Bryan, Garnier & Co. acted as co-managers, of the global offering.

From the effective date of the registration statement and until December 31, 2017, we have used all of the approximately €259.3 million in net proceeds from the global offering. Our use of the net proceeds from our global offering, in the aggregate, through December 31, 2017 was as follows: approximately €87.0 million to advance our CF program, approximately €25.0 million to advance our IPF program with GLPG1690, approximately €17.0 million to advance our OA program with GLPG1972, approximately €14.0 million to advance our AtD program with MOR106 and approximately €117.0 million to advance our other discovery and development programs and for general corporate purposes. The development of our filgotinib program with Gilead has been and we expect will continue to be entirely financed by the equity investment and upfront payment which were received in January 2016.

None of the net proceeds of our global offering were paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning 10% or more of any class of our equity securities, or to any of our affiliates.

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, 2017. 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, 2017, 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, 2017 was effective.

The effectiveness of internal control over financial reporting as of December 31, 2017 has been audited by Deloitte Bedrijfsrevisoren BV o.v.v.e. 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 Werner Cautreels 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. Dr. Cautreels 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 BV o.v.v.e. CVBA has served as our independent registered public accounting firm for 2017 and 2016. Our accountants billed the following fees to us for professional services in each of those fiscal years:

	Year ended December 31,	
	2017	2016
	(Euro, in thousands)	
Audit Fees	€ 350.0	€ 515.0
Audit-Related Fees	90.8	186.0
Tax Fees	—	—
All Other Fees	40.5	—
Total	**€ 481.3**	**€ 701.0**

"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 "Tax Fees" are the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning related services.

"All Other Fees" are any additional amounts billed for products and services provided by the principal accountant. For the year ended December 31, 2017, they relate to non-audit fees, in particular IT consulting fees.

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 BV o.v.v.e. CVBA as described above and believes that they are compatible with maintaining Deloitte Bedrijfsrevisoren BV o.v.v.e. 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.

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 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 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 at a price lower than the accounting par value (*fractiewaarde/pair comptable*) of the then outstanding shares of the same class, or (iii) the issuance of warrants intended mainly for one or more specified persons other than our or

our subsidiaries' employees. 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-61 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, 2017, 2016 and 2015

Contents

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of independent registered public accounting firm for Galapagos NV and its subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Galapagos NV and its subsidiaries (the "Company") as of 31 December 2017, 2016 and 2015, and 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 2017, 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 2017, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2017, 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 2017, 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 22 March 2018, 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.

Zaventem, Belgium, 22 March 2018

The statutory auditor

/s/ Gert Vanhees
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees

We have served as the Company's auditor since 2000.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Galapagos NV and its subsidiaries (the "Company") as of 31 December 2017, 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 31 December 2017, 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 31 December 2017 of the Company and our report dated 21 March 2018, 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, 22 March 2018

The statutory auditor

/s/ Gert Vanhees

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Gert Vanhees

Consolidated Statement of Financial Position

	December 31, 2017	2016	2015	Notes
	(Euro, in thousands)			
Assets				
Intangible assets	€ 2,495	€ 1,023	€ 1,550	12
Property, plant and equipment	16,692	14,961	13,782	13
Deferred tax assets	1,978	1,957	1,726	22
Non-current R&D incentives receivables	64,001	54,188	49,384	15
Non-current restricted cash	1,158	1,098	1,046	16
Other non-current assets	2,303	2,880	557	14
Non-currents assets	**88,627**	**76,107**	**68,044**	
Inventories	279	300	325	
Trade and other receivables	27,966	9,728	3,931	17
Current R&D incentives receivables	11,782	10,154	9,161	15
Cash and cash equivalents	1,151,211	973,241	340,314	18
Current restricted cash	—	6,570	6,857	16
Current financial asset from share subscription agreement	—	—	8,371	8
Other current assets	6,409	7,239	5,512	17
Current assets	**1,197,647**	**1,007,232**	**374,471**	
Total assets	**€ 1,286,274**	**€ 1,083,338**	**€ 442,514**	
Equity and liabilities				
Share capital	€ 233,414	€ 223,928	€ 185,399	19
Share premium account	993,025	649,135	357,402	19
Other reserves	(1,260)	(1,000)	(18)	20
Translation differences	(1,754)	(1,090)	(467)	21
Accumulated losses	(211,441)	(112,272)	(177,317)	
Total equity	**1,011,983**	**758,701**	**364,999**	
Pension liabilities	3,582	3,520	2,693	28
Provisions	65	63	55	
Finance lease liabilities	—	9	63	
Other non-current liabilities	1,597	2,469	2,291	23
Non-current deferred income	97,348	214,785	—	24
Non-current liabilities	**102,592**	**220,846**	**5,103**	
Finance lease liabilities	9	54	52	
Trade and other payables	47,122	31,269	29,482	23
Current tax payable	865	1,022	2,583	10
Accrued charges	1,159	619	490	23
Current deferred income	122,544	70,827	39,806	24
Current liabilities	**171,699**	**103,791**	**72,412**	
Total liabilities	**274,291**	**324,637**	**77,515**	
Total equity and liabilities	**€ 1,286,274**	**€ 1,083,338**	**€ 442,514**	

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

Consolidated Statement of Operations

	Year ended December 31,			Notes
	2017	2016	2015	
	(Euro, in thousands, except share and per share data)			
Revenues	€ 127,087	€ 129,519	€ 39,563	5
Other income	28,830	22,093	21,017	5
Total revenues and other income	**155,918**	**151,612**	**60,579**	
Research and development expenditure	(218,502)	(139,573)	(129,714)	6
General and administrative expenses	(24,415)	(21,744)	(19,127)	6
Sales and marketing expenses	(2,803)	(1,785)	(1,182)	6
Total operating expenses	**(245,720)**	**(163,103)**	**(150,023)**	
Operating loss	**(89,802)**	**(11,491)**	**(89,444)**	
Fair value re-measurement of share subscription agreement	—	57,479	(30,632)	8
Other financial income	4,877	9,950	1,987	9
Other financial expenses	(30,582)	(1,692)	(1,539)	9
Income / loss (-) before tax	**(115,507)**	**54,246**	**(119,628)**	
Income taxes	(198)	(235)	1,218	10
Net income / loss (-)	**€ (115,704)**	**€ 54,012**	**€ (118,410)**	11
Net income / loss (-) attributable to:				
Owners of the parent	(115,704)	54,012	(118,410)	
Basic income / loss (-) per share	**€ (2.34)**	**€ 1.18**	**€ (3.32)**	11
Diluted income / loss (-) per share	**€ (2.34)**	**€ 1.14**	**€ (3.32)**	
Weighted average number of shares - Basic (in '000 shares)	49,479	45,696	35,700	11
Weighted average number of shares - Diluted (in '000 shares)	49,479	47,308	35,700	

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

Consolidated Statement of Comprehensive Income

	Year ended December 31,			Notes
	2017	2016	2015	
	(Euro, in thousands)			
Net income / loss (-)	**€ (115,704)**	**€ 54,012**	**€ (118,410)**	
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of defined benefit obligation	(40)	(583)	202	28
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of financial assets available-for-sale	(220)	(399)	—	14
Translation differences, arisen from translating foreign activities	(664)	(623)	690	21
Other comprehensive income, net of income tax	**(924)**	**(1,605)**	**892**	
Total comprehensive income attributable to:				
Owners of the parent	€ (116,629)	€ 52,406	€ (117,517)	

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	Accumulated losses	Total
			(Euro, in thousands)			
On January 1, 2015	**€ 157,274**	**€ 114,182**	**€ (1,157)**	**€ (220)**	**€ (63,944)**	**€ 206,135**
Net loss					(118,410)	(118,410)
Other comprehensive income			690	202		892
Total comprehensive income			**690**	**202**	**(118,410)**	**(117,517)**
Share-based compensation					5,036	5,036
Issue of new shares	40,751	237,952				278,703
Share issue costs	(19,360)					(19,360)
Exercise of warrants	6,734	5,269				12,002
On December 31, 2015	**€ 185,399**	**€ 357,402**	**€ (467)**	**€ (18)**	**€ (177,317)**	**€ 364,999**
Net income					54,012	54,012
Other comprehensive income			(623)	(982)		(1,605)
Total comprehensive income			**(623)**	**(982)**	**54,012**	**52,406**
Share-based compensation					11,034	11,034
Issue of new shares	36,575	289,696				326,271
Share issue costs	(269)					(269)
Exercise of warrants	2,223	2,037				4,261
On December 31, 2016	**€ 223,928**	**€ 649,135**	**€ (1,090)**	**€ (1,000)**	**€ (112,272)**	**€ 758,701**
Net loss					(115,704)	(115,704)
Other comprehensive income			(664)	(260)		(924)
Total comprehensive income			**(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**

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

Consolidated Statement of Cash Flows

	2017	2016	2015	Notes
		(Euro, in thousands)		
Cash and cash equivalents at beginning of year	**€ 973,241**	**€ 340,314**	**€ 187,712**	18
Net income / loss (-)	(115,704)	54,012	(118,410)	
Adjustments for:				
Tax income (-) /expenses	198	235	(1,218)	10
Other net financial income (-) / expenses	25,705	(8,257)	(448)	9
Fair value re-measurement of share subscription agreement	—	(57,479)	30,632	8
Depreciation of property, plant and equipment	3,633	3,322	2,372	13
Amortization of intangible fixed assets	652	860	1,030	12
Net realized gain / loss (-) on foreign exchange transactions	(357)	1,229	(398)	
Share-based compensation	16,536	11,034	5,036	29
Increase / decrease (-) in provisions	1	7	(125)	
Increase in pension liabilities	22	244	30	28
Gain on disposal of fixed assets	—	(14)	(62)	
	(69,315)	**5,192**	**(81,560)**	
Increase (-) / decrease in inventories	22	25	(44)	
Increase in receivables	(27,656)	(12,978)	(7,220)	17
Increase / decrease (-) in payables	14,772	2,102	(39,508)	23
Increase / decrease (-) in deferred income	(65,722)	245,806	12,780	24
Cash generated / used (-) from operations	**(147,899)**	**240,148**	**(115,553)**	
Interest paid	(273)	(47)	(49)	
Interest received	1,341	1,066	1,106	
Income taxes paid	(199)	(1,763)	(94)	
Net cash flows generated/used (-) in operating activities	**(147,030)**	**239,403**	**(114,590)**	
Purchase of property, plant and equipment	(5,312)	(4,458)	(6,100)	13
Purchase of and expenditure in intangible fixed assets	(2,125)	(332)	(565)	12
Proceeds from disposal of intangible assets	—	18	110	12
Proceeds from disposal of property, plant and equipment	7	—	—	13
Decrease in restricted cash	6,510	235	2,258	16
Acquisition of available-for-sale financial assets	—	(2,750)	—	14
Proceeds from sale of available-for-sale financial assets	372	—	—	14
Net cash flows used in investing activities	**(549)**	**(7,287)**	**(4,297)**	
Repayment of obligations under finance leases and other debts	(65)	(49)	(43)	
Proceeds from capital and share premium increases, gross amount	363,924	392,121	278,702	19
Issue cost paid, related to capital and share premium increases	(15,790)	(337)	(19,292)	19
Proceeds from capital and share premium increases from exercise of warrants	5,288	4,261	12,003	19
Net cash flows generated in financing activities	**353,357**	**395,996**	**271,370**	
Effect of exchange rate differences on cash and cash equivalents	**(27,808)**	**4,816**	**118**	
Increase in cash and cash equivalents	**177,970**	**632,927**	**152,601**	
Cash and cash equivalents at end of year	**€ 1,151,211**	**€ 973,241**	**€ 340,314**	18

In order to align with the presentation for the year ended December 31, 2017, the Consolidated Statement of Cash Flows for the years ended December 31, 2016 and December 31, 2015 were adjusted. (i)The issue cost paid, related to share capital and the resulting increase in share premium has been reclassified and shown separately from the gross amount of the proceeds from capital and share premium increases, and (ii) acquisition of available-for-sale financial assets were shown separately from the proceeds from sale of available-for-sale financial assets.

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 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 (Mechelen, Belgium); Galapagos SASU (Romainville, France); Galapagos 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); and Galapagos Biotech Ltd. (Cambridge, UK).

Our operations have around 600 employees working in the operating facilities in Mechelen (the Belgian headquarters), the Netherlands, France, Croatia, United States and Switzerland.

2. Significant accounting policies

Our principal accounting policies are summarized below.

BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The consolidated financial statements are prepared in accordance with the International Financing Reporting Standards (IFRS), issued by the International Accounting Standard 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, 2017

- Amendments to IAS 12—Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7— Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)
- Annual improvements to IFRS Standards (2014-2016) Cycle - Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017)

STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON JANUARY 1, 2017

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers, and clarifications on this IFRS (applicable for annual periods beginning on or after 1 January 2018)

- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40—Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Annual improvements to IFRS Standards (2014-2016) Cycle (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28—Long-term Interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Annual improvements to IFRS Standards (2015-2017) Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS—19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

The new standards applicable did not have any impact on our financials.

Assessment of the impact of the adoption of IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after January 1, 2018) on the revenue recognition of our current material license and collaboration agreements.

The IASB has issued IFRS 15 Revenue from Contracts with Customers, with an effective date of January 1, 2018.

The IASB issued clarifications to IFRS 15 Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers, with an effective date of January 1, 2018. The clarifications address how to identify the performance obligations in a contract, how to determine whether a party involved in a transaction is a principal or an agent, how to determine whether a license provides the customer with a right to access or a right to use the entity's intellectual property, and added practical expedients to the transition requirements of IFRS 15.

Entities will apply a five step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met.

The company is currently still in process of reviewing all its research and development, license , and collaboration agreements to ascertain how IFRS 15 will impact the identification of performance obligations and the allocation of consideration to them. We have performed qualitative assessments of the consequences of IFRS 15, but our work is ongoing on this matter.

1. Identify the contracts

The substance of our current arrangements is that Galapagos is licensing its IP to collaborative partner entities and conduct research and development ("R&D") activities. Such activities result in a good or service that is an output of Galapagos' ordinary activities.

We generate revenue through a number of these arrangements which include license fees, milestone payments, reimbursement income and future sales based milestones and sales based royalties.

Certain revenues from our current material licensing and collaboration agreements are expected to be in the scope of IFRS 15.

2. Identify performance obligations

We are assessing whether it is possible to consider that there is one single combined performance obligation for certain arrangements in our material ongoing license and collaboration arrangements under the new standards of IFRS 15; the transfer of a license combined with performance of R&D activities. This is because we could consider that the license has no stand-alone value without Galapagos being further involved in the R&D collaboration and that there is interdependence between the license and the R&D activities to be provided. For certain arrangements, we could consider that there is a transformational relationship between the license and the R&D activities to be delivered. We could estimate that the Galapagos' activities during the R&D collaboration are going to significantly add to Intellectual Property (IP) and thereby the value of the programs.

Our work on this aspect of the IFRS 15 impact analysis is ongoing.

3. Determine the transaction price

We analyzed the transaction prices of our material ongoing license and collaboration agreements currently composed of upfront license fees, milestone payments and cost reimbursements for R&D activities being delivered. Sales based milestones and sales based royalties are part of certain of our arrangements but are not yet included in our revenues as our most advanced license and collaboration arrangement is entering into a late development phase. Transaction price must be re-assessed at each reporting period under IFRS 15.

4. Allocate the transaction price

An entity shall allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price. The transaction price of certain of our arrangements could be allocated to a single combined performance obligation when the transfer of a license is considered to be combined with performance of R&D activities. Milestone payments are variable consideration that could be entirely allocated to a specific performance obligation or to a distinct good or service that forms part of a single performance obligation if certain criteria under IFRS 15 are met.

5. Recognize revenue

Revenue from certain arrangements could be recognized as Galapagos satisfies a single performance obligation.

We could recognize revenues allocated to a single performance obligation over the estimated service period based on a pattern that reflects the transfer of the license and R&D activities. The revenues recognized would reflect the level of activities each period. In this case, we would use an input model that considers estimates of the percentage of total R&D costs that are completed each period compared to the total estimated costs (% of completion method).

Milestone payments could be recognized in revenues only when the events triggering the payments are reached and in line with the recognition method of the performance obligations to which they are allocated.

Costs reimbursements could be recognized in revenues when costs are incurred and agreed by the parties as we are acting as a principal in the scope of our stake of the R&D activities of our ongoing license and collaboration agreements.

The company is still investigating if cost sharing arrangements could potentially affect the income statement presentation.

Assessment of the impact of IFRS 15

Our assessment of the potential performance obligations under step 2 (and consequently step 4), and the presentation of the cost sharing aspects under step 5 are still ongoing as well as the conclusion as to whether any of our arrangements are outside the scope of IFRS 15. We are not able at this stage to provide a final estimate of the impact of the adoption of IFRS 15 on our consolidated financial statements.

We plan to adopt IFRS 15 on the effective date and elect the modified retrospective method for the transition which foresees that prior period figures remain as reported under the previous standard and the cumulative effect of applying IFRS 15 is recognized as an adjustment to the opening balance of equity as at the date of initial application (beginning of the year 2018).

Assessment of the impact of the adoption of IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after January 1, 2018) on our consolidated financial statements.

The IASB has issued IFRS 9 Financial Instruments, with an effective date of January 1, 2018. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. Galapagos has performed its analysis of the adoption of IFRS 9 and determined it will not have a material impact on the consolidated financial statements. Galapagos will adopt IFRS 9 on the effective date.

IFRS 16 Leases

The IASB has issued IFRS 16 Leases (applicable for annual periods beginning on or after January 1, 2019). The standard requires that all leases be recognized in the balance sheet with a corresponding lease liability, except for short term assets and minor assets. IFRS 16 requires leased assets to be amortized over the lease term, and payments will be allocated between instalments on the lease obligation and interest expense. In addition, the presentation of the expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of the use assets and interest expense on lease liabilities.

We know that this new coming standard will have an impact on our consolidated financial statements in 2019 and we are currently evaluating the guidance to determine this impact. We plan to adopt IFRS 16 on the effective date.

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 govern the financial and operating policies 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.

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by us in exchange for control of the acquired entity.

The acquired entity’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair value at the acquisition date.

Goodwill arising on business combinations is recognized as an asset and initially measured as excess of the cost of acquisition over our interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired

subsidiary less the value of the non-controlling interests at date of the acquisition. Goodwill is not amortized but tested for impairment on an annual basis and whenever there is an indication that the cash generating unit to which goodwill has been allocated may be impaired. Goodwill is stated at cost less accumulated impairment losses. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In cases in which the acquirer's interest in the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities less the value of the non-controlling interests exceeds cost, all fair values and cost calculations are reassessed. In the event that an excess still exists, it is immediately recognized in the statement of operations.

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.

Internally generated intangible assets are amortized on a straight-line basis over their estimated useful lives. If the recognition criteria for accounting as an intangible asset are not met, development costs are 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 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.

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 or valuation of assets over their useful lives, using the straight-line method, on the following bases:

- Installation & machinery: 4–15 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.

ASSETS HELD UNDER FINANCE LEASE

Assets held under finance leases are depreciated over their useful lives on the same bases as owned assets or, where shorter, over the term of the related lease agreement.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The net realizable value represents the estimated sales price less all estimated costs for completion and costs for marketing, sales and logistics.

Cost of raw materials comprises mainly purchase costs. Raw materials are not ordinarily interchangeable, and they are as such accounted for using the specific identification of their individual cost.

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. Hedging and derivatives have never been used: we do not actively use currency derivatives to hedge planned future cash flows, nor do we make use of forward foreign exchange contracts. However, at year-end 2015 and until January 19, 2016 an embedded derivative existed under the terms of the Gilead contract (see note 8).

Available-for-sale financial assets

The group applies IAS 39 for its equity instruments. At the time of purchase, management determines the financial instrument’s classification and reviews this classification at each reporting date. The classification depends on the purpose of acquiring the financial instrument. As of December 31, 2017, some financial instruments held by the group were classified as “available-for-sale”. These financial instruments are recognized or derecognized as of the date of settlement. Following their initial recognition, available-for-sale financial assets are measured at fair value, and any resulting gain or loss is reported directly in the revaluation reserve within equity until the financial instruments are sold, redeemed, otherwise disposed of or considered impaired, at which time the accumulated gain or loss is reported in profit and loss. Initial recognition at fair value is defined as the fair value of the consideration provided net of transaction costs. However, when investments in equity instruments do not have a quoted market price in an active market and the fair value cannot be reliably measured; those equity instruments are measured at cost.

RESEARCH AND DEVELOPMENT INCENTIVES RECEIVABLES

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

TRADE RECEIVABLES

Trade receivables do not carry any interest and are stated at their nominal value reduced by appropriate allowances for irrecoverable amounts.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at nominal value. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term deposits and highly liquid investments. Cash and cash equivalents exclude restricted cash which is presented separately in the statement of financial position.

TRADE PAYABLES

Trade payables bear no interest and are measured at their nominal value.

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 functional and 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 are using 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 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 upfront payments received in connection with collaboration and alliance agreements. We also generate revenue from our fee-for-service activities, and other operating income from various research and development incentives and grants.

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

The revenue recognition policies 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.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When we undertake our activities under joint operations, we as a joint operator recognize in relation to our interest in a joint operation:

- Our assets, including our share of any assets held jointly
- Our liabilities, including our share of any liabilities incurred jointly
- Our revenue from the sale of our share of the output arising from the joint operation
- Our share of the revenue from the sale of the output by the joint operation
- Our expenses, including our share of any expenses incurred jointly

We account for the assets, liabilities, revenues and expenses relating to our interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When we transact with a joint operation in which we are a joint operator (such as sale or contribution of assets), we are considered to be concluding the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in our consolidated financial statements only to the extent of other parties' interests in the joint operation.

When we transact with a joint operation in which we are a joint operator (such as purchase of assets), we do not recognize our share of the gains and losses until we resell those assets to a third party.

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

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.

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.

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 specified to the liability.

FINANCE AND OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are 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. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The payments are 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 is recognized in the statement of operations, unless it is directly attributable to the corresponding asset, in which case they are capitalized.

Rents paid on operating leases are 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 are also spread on a straight-line basis over the lease term.

IMPAIRMENT OF TANGIBLE 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.

An intangible asset with an indefinite useful life is tested for impairment annually, and whenever there is an indication that the asset might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use.

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. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis; and do not include income tax items. We have only two segments.

3. Critical accounting estimates and judgments

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.

Drafting financial statements in accordance with IFRS requires management to make judgments and estimates and to use assumptions that influence the reported amounts of assets and liabilities, the notes on contingent assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

The following are the critical judgments and estimates 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

Revenue recognition

Evaluating the criteria for revenue recognition with respect to our research and development and collaboration agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. In particular, such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, allocation of the contractual price (upfront and milestone payments in connection with a collaboration agreement) to several elements included in an agreement, and the determination of whether the significant risks and rewards have been transferred to the buyer. Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement. All of our revenue-generating transactions have been subject to such evaluation by management.

Critical accounting estimates

Share-based payments plans

We determine the costs of the share-based payments plans (our warrant plans) on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated expected life of the warrant and the volatility. The judgments made and the model used are further specified in note 29.

We determine the costs of the deferred component of the Senior Management Bonus Schemes on the basis of the fair value of the liability at each reporting period. Determining the fair value assumes choosing the most suitable valuation model for this liability, in which the characteristics of the Senior Management Bonus plans and the Galapagos share price change relative to the Next Biotech Index have a major influence. This assumes also the input into the valuation model of some relevant judgments, like 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, the applicable discount rates at the end of the reporting period and the probability of the number of beneficiaries assumed to stay with us until maturity of the bonus.

Pension obligations

The cost of a defined pension arrangement is determined based on actuarial valuations. An actuarial valuation assumes the estimation of discount rates, estimated returns on assets, future salary increases, mortality figures and future pension increases. Because of the long-term nature of these pension plans, the valuation of these is subject to important uncertainties. See note 28 for additional details.

Corporate income taxes

Significant judgment is required in determining the use of tax loss carry forwards. Deferred tax assets arising from unused tax losses or tax credits are only recognized to the extent that there are sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized. Management's judgment is that such convincing evidence is currently not sufficiently available except for two subsidiaries operating intercompany on a cost plus basis and for our fee-for-service business and as such a deferred tax asset is therefore recognized. As of December 31, 2017, we had a total of approximately €338.6 million of statutory tax losses carried forward which can be compensated with future taxable statutory profits for an indefinite period except for an amount of €16.8 million in Switzerland, Croatia, the United States and the Netherlands with expiry date between 2018 and 2030. As of December 31, 2017, the available tax losses carried forward in Belgium amounted to €262.1 million.

As a company active in research and development in Belgium, we also expect to benefit from the "innovation income deduction (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 rate than other revenues, i.e., 4.4% (3.75% as of 1 January 2020). The available IID carried forward amounted to €87.2 million on December 31, 2017.

It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a de facto minimum taxable base, whereby the existing tax attributes have to be allocated into 2 so-called “baskets”: a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are subject to restrictions. The first basket contains (in order of deduction) the non-taxable items (such as deductible gifts), current year dividends received deduction (DRD), grandfathered patent income deduction (PID), current year innovation income deduction (IID) and investment deduction. The second basket contains (in order of deduction and subject to the restrictions as mentioned hereunder) the current year notional income deduction (NID), DRD carry-forward, IID carry-forward, tax loss carry-forward, unlimited NID carry-forward and NID carry-forward subject to the 7-year limitation. The taxable base can be reduced without any limitation with the deductions contained in the first basket. Any remaining taxable basis below € 1 million can be fully compensated with deductions contained in the second basket. If the remaining taxable basis exceeds € 1 million, the excess above € 1 million can only be compensated with deductions of the second basket up to 70%.

4. Segment information

In 2017, the IFRS 8 Operating Segments threshold of 10% of the combined revenues, external and inter-segment, of all segments was met by the external and internal revenues reported by our fee-for-service business located in Croatia. Consequently, there were two reportable segments in 2015 and 2016 and 2017, R&D and fee-for-service business.

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 [(2)]				(25,705)
Result before tax				**(115,507)**
Income taxes [(2)]				(198)
Net loss				**€ (115,704)**

(1) The unallocated expenses of €16,278 thousand were composed of (a) €16,536 thousand of warrant costs; and (b) €258 thousand of reduced cost from the IAS19R Employee Benefits reclassification of actuarial losses on long term defined post-employment benefit obligations, from profit or loss accounts to other comprehensive income. The above listed items are not presented to management in our management reporting as segment results, and are, therefore, presented on the line “unallocated expenses” in our segment reporting.

(2) Financial results and taxes information are not being provided to management in our management reporting as segment results and therefore, their aggregate amount is disclosed at the level of the group in our segment reporting.

Segment information for year 2016

(Euro, in thousands)

	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	€ 121,616	€ 7,903		€ 129,519
Internal revenue		4,379	€ (4,379)	
Other income	21,922	171		22,093
Revenues & other income	**143,538**	**12,453**	**(4,379)**	**151,612**
Segment result	**1,138**	**(1,787)**		**(649)**
Unallocated expenses [(1)]				(10,841)
Operating loss				**(11,491)**
Financial (expenses)/income [(2)]				65,737
Result before tax				**54,246**
Income taxes [(2)]				(235)
Net income				**€ 54,012**

(1) The unallocated expenses of €10,841 thousand were composed of (a) €11,034 thousand of warrant costs; and (b) €193 thousand of reduced cost from the IAS19R Employee Benefits reclassification of actuarial losses on long term defined post-employment benefit obligations, from profit or loss accounts to other comprehensive income. The above listed items are not presented to management in our management reporting as segment results, and are, therefore, presented on the line “unallocated expenses” in our segment reporting.

(2) Financial results and taxes information are not being provided to management in our management reporting as segment results and therefore, their aggregate amount is disclosed at the level of the group in our segment reporting.

Segment information for the year 2015

(Euro, in thousands)

	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	€ 34,129	€ 5,434		€ 39,563
Internal revenue		5,459	€ (5,459)	
Other income	20,778	238		21,017
Revenues & other income	**54,907**	**11,131**	**(5,459)**	**60,579**
Segment result	**(82,024)**	**(2,690)**		**(84,713)**
Unallocated expenses [(1)]				(4,731)
Operating loss				**(89,444)**
Financial (expenses)/income [(2)]				(30,184)
Result before tax				**(119,628)**
Income taxes [(2)]				1,218
Net loss				**€ (118,410)**

(1) The unallocated expenses of €4,731 thousand were composed of (a) €5,036 thousand of warrant costs; (b) €507 thousand of decrease in depreciation cost triggered by an IFRS adjustment on the depreciation charges reported by Fidelta (Croatia) reflecting the expected useful lifetime following the purchase accounting of the acquisition of the Zagreb Research operations of GSK in 2010; and (c) €202 thousand of cost from the IAS19R Employee Benefits reclassification of actuarial gains on long term defined post-employment benefit obligations, from profit or loss accounts to other comprehensive income. The above listed items are not presented to management in our management reporting as segment results, and are, therefore, presented on the line “unallocated expenses” in our segment reporting.

(2) Financial results and taxes information are not being provided to management in our management reporting as segment results and therefore, their aggregate amount is disclosed at the level of the group in our segment reporting.

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 2015, 2016 and 2017, our operations were mainly located in Belgium, Croatia, France and the Netherlands.

In 2017 our top 10 customers represented 97% of the revenues. In 2016 our top 10 customers represented 98% of the revenues. In 2015 our top 10 customers represented 97% of the revenues. Our client base in 2017, 2016 and 2015 included seven of the largest pharmaceutical companies in the world.

Following table summarizes the revenues by destination of customer:

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
North America	€ 82,050	€ 88,628	€ 17,077
Europe	45,037	40,884	22,446
Asia Pacific	—	6	40
Total	**€ 127,087**	**€ 129,519**	**€ 39,563**

Following table summarizes the revenues by major customers:

	Year ended December 31,					
	2017		2016		2015	
Spilt up of revenues by major customers	**(Euro, in thousands)**	**%**	**(Euro, in thousands)**	**%**	**(Euro, in thousands)**	**%**
Gilead:						
North America	€ 80,687	63%	€ 87,813	68%	—	0%
AbbVie:						
Europe	34,049	27%	32,596	25%	€ 13,640	34%
North America	—	0%	—	0%	16,229	41%
Janssen Pharmaceutica:						
Europe	—	0%	156	0%	112	0%
North America	—	0%	87	0%	454	1%
Les Laboratoires Servier:						
Europe	67	0%	265	0%	3,835	10%
Total revenues from major customers	**€ 114,804**	**90%**	**€ 120,917**	**93%**	**€ 34,271**	**87%**

Following table summarizes the revenues of the operations by destination:

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Galapagos NV (Belgium)	€ 118,244	€ 121,703	€ 34,082
Galapagos SASU (France)	18	84	25
Fidelta d.o.o. (Croatia)	8,825	7,732	5,440
Xenometrix, Inc. (United States)	—	—	16
Total revenues	**€ 127,087**	**€ 129,519**	**€ 39,563**

In 2017, we held €89 million of non-current assets (€76 million in 2016; €68 million in 2015) distributed as follows:

- Belgium: €47 million (€37 million in 2016; €30 million in 2015)
- France: €34 million (€31 million in 2016; €29 million in 2015)
- Croatia: €4 million (€4 million in 2016; €5 million in 2015)
- The Netherlands: €4 million (€4 million in 2016; €4 million in 2015)

The increase in non-current assets 2017 vs 2016 was mainly explained by the increase in non-current R&D incentives receivables (see note 15).

5. Total revenues and other income

REVENUES

The following table summarizes the revenues for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Recognition of non-refundable upfront payments and license fees	€ 71,971	€ 30,257	€ 26,419
Milestone payments	42,950	81,784	3,835
Reimbursement income	3,273	9,699	3,807
Other revenues	8,893	7,777	5,501
Total revenues	**€ 127,087**	**€ 129,519**	**€ 39,563**

For the years ended December 31, 2017 and 2016

The following table summarizes the upfront payments recognition for years ended December 31, 2017 and 2016.

Agreement	Upfront received	Upfront and license fees received	Recognition as from	Revenue recognized, year ended December 31, 2017	Revenue recognized, year ended December 31, 2016	Outstanding balance in deferred income as at December 31, 2017
	(USD, in thousands)	(Euro, in thousands)		(Euro, in thousands)		
Gilead collaboration agreement for filgotinib	$ 300,000	€ 275,558	January 2016	€ 62,488	€ 25,621	€ 187,449
Gilead collaboration agreement for filgotinib	N.A.	€ 39,003 (*)	January 2016	€ 8,845	€ 3,626	€ 26,532
ThromboGenics license agreement for integrin antagonists	N.A.	€ 1,000	April 2016	€ —	€ 1,000	€ —
Sirion Biotech license agreement for RNA interference (RNAi) technologies	N.A.	€ 10	June 2016	€ —	€ 10	€ —
Servier collaboration agreement for osteoarthritis	N.A.	€ 6,000	August 2017	€ 638	€ —	€ 5,362
Total recognition of non-refundable upfront payments and license fees				€ 71,971	€ 30,257	€ 219,343

(*) deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement

For the years ended December 31, 2016 and 2015

The following table summarizes the upfront payments recognition for years ended December 31, 2016 and 2015.

Agreement	Upfront received	Upfront and license fees received	Recognition as from	Revenue recognized, year ended December 31, 2016	Revenue recognized, year ended December 31, 2015	Outstanding balance in deferred income as at December 31, 2016
	(USD, in thousands)	(Euro, in thousands)		(Euro, in thousands)		
AbbVie collaboration agreement for CF	$ 45,000	€ 34,001	September 2013	€ —	€ 11,401	€ —
AbbVie collaboration agreement for RA and CD (filgotinib)	$ 150,000	€ 111,582	February 2012	€ —	€ 12,045	€ —
First amendment to AbbVie collaboration agreement for RA and CD (filgotinib)	$ 20,000	€ 15,619	March 2013	€ —	€ 2,973	€ —
Gilead collaboration agreement for filgotinib	$ 300,000	€ 275,558	January 2016	€ 25,621	€ —	€ 249,937
Gilead collaboration agreement for filgotinib	N.A.	€ 39,003 (*)	January 2016	€ 3,626	€ —	€ 35,376
ThromboGenics license agreement for integrin antagonists	N.A.	€ 1,000	April 2016	€ 1,000	€ —	€ —
Sirion Biotech license agreement for RNA interference (RNAi) technologies	N.A.	€ 10	June 2016	€ 10	€ —	€ —
Total recognition of non-refundable upfront payments and license fees				€ 30,257	€ 26,419	€ 285,314

(*) deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement

OTHER INCOME

The following table summarizes other income for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Grant income	€ 1,045	€ 2,329	€ 3,095
Other income	27,785	19,764	17,922
Total other income	**€ 28,830**	**€ 22,093**	**€ 21,017**

6. 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, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Personnel costs	€ (59,950)	€ (42,315)	€ (35,875)
Subcontracting	(123,054)	(65,649)	(65,883)
Disposables and lab fees and premises costs	(22,277)	(20,414)	(18,696)
Other operating expenses	(13,221)	(11,196)	(9,260)
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**€ (129,714)**

The table below summarizes our research and development expenditure for the years ended December 31, 2017, 2016 and 2015, broken down by research and development expenses under alliance and own funded research and development expenses. All filgotinib costs (both costs incurred in the period under alliance (with AbbVie) and costs incurred after AbbVie's opt-out decision in September 2015) are presented as "R&D under alliance" or as "partnered" in the tables in this section for the year ended December 31, 2015, as a new alliance was signed in December 2015 with Gilead for this program.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
R&D under alliance	€ (122,663)	€ (71,980)	€ (80,832)
Galapagos funded R&D	(95,839)	(67,593)	(48,882)
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**€ (129,714)**

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, 2017, 2016 and 2015, broken down by program.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Filgotinib program (partnered)	€ (53,212)	€ (22,376)	€ (35,404)
CF program (partnered)	(46,192)	(31,203)	(25,634)
IPF program on GLPG1690 (proprietary)	(16,190)	(7,129)	(4,612)
OA program on GLPG1972 (partnered)	(7,317)	(6,538)	(5,832)
AtD program on MOR106 (partnered)	(8,404)	(3,491)	(4,651)
Other	(87,187)	(68,836)	(53,582)
Total R&D expenditure	**€ (218,502)**	**€ (139,573)**	**€ (129,714)**

GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes the general and administrative expenses for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Personnel costs and directors fees	€ (17,756)	€ (15,160)	€ (12,739)
Other operating expenses	(6,659)	(6,584)	(6,388)
Total general and administrative expenses	**€ (24,415)**	**€ (21,744)**	**€ (19,127)**

SALES AND MARKETING EXPENSES

The following table summarizes the sales and marketing expenses for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Personnel costs	€ (2,156)	€ (1,167)	€ (785)
Other operating expenses	(646)	(618)	(397)
Total sales and marketing expenses	**€ (2,803)**	**€ (1,785)**	**€ (1,182)**

7. Staff costs

The following table illustrates the personnel costs for the years 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Wages and salaries	€ (46,677)	€ (34,857)	€ (33,676)
Social security costs	(9,081)	(7,328)	(7,328)
Pension costs	(2,175)	(1,728)	(1,456)
Other personnel costs	(16,465)	(9,617)	(4,574)
Total personnel costs	**€ (74,398)**	**€ (53,530)**	**€ (47,034)**

The other personnel costs mainly related to costs for warrants granted of €11.8 million (2016: €6.6 million, 2015: €2.9 million). For the costs of warrants granted, see note 29.

8. Fair value re-measurement of share subscription agreement

On December 16, 2015, Gilead Sciences, Inc. and Galapagos NV entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58.00 per share, including issuance premium. This agreement was effectively completed and entered into force January 19, 2016 and full payment was received.

In connection with the agreement, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement. This financial asset initially reflected the share premium that Gilead committed to pay above the closing stock price of Galapagos on the day of entering into the subscription agreement. Under IAS 39—Financial Instruments: recognition and measurement the fair value of the financial asset is

re-measured at year-end and again upon entering into force of the subscription agreement on January 19, 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the statement of operations.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the subscription agreement and December 31, 2015 resulted in a negative, non-cash fair value charge of €30.6 million in the financial results. The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between January 1st, 2016 and January 19, 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of 2016.

On January 19, 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This amount was composed of (1) the initial measurement on the day of entering into the share subscription agreement for an amount of €39 million which was reported in deferred income and (2) the subsequent re-measurements of the financial asset, reported as financial result under IAS 39—Financial Instruments: recognition and measurement: €30.6 million fair value loss reported in the year 2015 and €57.5 million fair value gain reported in the year 2016, together a net fair value gain of €26.8 million. This financial asset expired on the effective date of the share subscription agreement and was derecognized and recorded as part of the share premium account.

Significant judgment had to be applied in assessing whether this forward subscription commitment of Gilead over the own shares of Galapagos shall be classified as an own equity instrument of Galapagos or as a derivative financial asset. IAS 32—Financial Instruments: disclosure and presentation requires that for a derivative to meet the definition of equity it must be settled only by the issuer (Galapagos) exchanging a “fixed amount of cash or another financial asset for a fixed number of its own equity instruments.” Because the above mentioned commitment of Gilead was made in $, the actual number of shares finally issued by Galapagos varied with the fluctuation in the $/€ exchange rate until the settlement date on January 19, 2016.

Despite the fact that this foreign exchange exposure was limited, management judged that this variability prevented the instrument from being classified as equity under IAS 32—Financial Instruments: disclosure and presentation and was therefore treated as a derivative at fair value through profit and loss.

Fair value re-measurement of the Gilead share subscription agreement (derivative financial asset instrument)

	(Euro, in thousands)
Fair value at inception	€ 39,003
Movement of 2015 (recognized in the statement of operations)	(30,632)
Fair value per December 31, 2015	**8,371**
Movement of period January 1-19, 2016 (recognized in the statement of operations)	57,479
Fair value per January 19, 2016	**65,850**
Derecognition of the financial asset through the share premium account	(65,850)
Fair value per December 31, 2016	**€ —**

The fair value measurement of this derivative financial asset was categorized as a level 3 in the fair value hierarchy of IFRS 13 Fair Value Measurement.

Its measurement was based on computing the difference between the strike price (58.00 EUR / share) and the anticipated Galapagos forward price, discounted to the valuation date. The notional was converted from USD to EUR by the FX forward rate and the number of shares was computed by dividing the EUR notional by the strike.

Input data were taken from Bloomberg as of December 16, 2015 and December 31, 2015, including:

- EUR OIS Discount rates (curve 133)
- Implied forward rate of the GLPG share at January 31, 2016
- Implied FX Forward rate at January 31, 2016.

This computation was based on the following unobservable assumptions:

1) Between the date that the deal was signed (December 16, 2015) till the date the deal was complete, the two counterparties could not back off from the deal and it was 100% certain that the regulator would give the green light.

2) At the two valuation dates, it was assumed that the date when the deal will be complete would be January 31, 2016. This was the forward date where all the market data was taken from.

3) It was assumed that the effect of the correlation between the Galapagos share price and the €/$ FX rate was negligible. This was reasonable given the very short maturity of the deal.

Relationship of unobservable inputs to the fair value measurement:

- If one would have assumed that the closing date of the deal was January 19, 2016 (the actual closing date) the fair value of the derivative financial asset at December 31, 2015 would have been €8,367 thousand.

On January 19, 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This financial asset expired on the effective date of the share subscription agreement and was derecognized and recorded as part of the share premium account.

9. Other financial income / expenses

The following table summarizes other financial income and expense for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Other financial income:			
Interest on bank deposit	€ 3,045	€ 1,614	€ 1,246
Effect of discounting long term R&D incentives receivables	—	99	99
Currency exchange gain	1,797	8,150	636
Other finance income	34	87	7
Total other financial income	**4,877**	**9,950**	**1,987**
Other financial expenses:			
Interest expenses	(936)	(47)	(46)
Currency exchange loss	(29,176)	(1,453)	(1,310)
Other finance charges	(469)	(191)	(182)
Total other financial expense	**(30,582)**	**(1,692)**	**(1,539)**
Total other net financial expense (-)/ income	**€ (25,705)**	**€ 8,257**	**€ 448**

10. Taxes

INCOME TAXES

The following table summarizes the income tax recognized in profit or loss for the years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Current tax	€ (218)	€ (466)	€ (215)
Deferred tax	20	231	1,433
Income taxes	**€ (198)**	**€ (235)**	**€ 1,218**

TAX LIABILITIES

The below table illustrates the tax liabilities related captions in the balance sheet on December 31, 2017, 2016 and 2015.

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Current tax payable	€ 865	€ 1,022	€ 2,583
Total tax liabilities	**€ 865**	**€ 1,022**	**€ 2,583**

On December 31, 2016 and December 31, 2017, €1.0 million and €0.9 million of tax liabilities were primarily related to respectively two and one of our subsidiaries operating on a cost plus basis.

On December 31, 2015 tax liabilities included €2.6 million primarily related to the recognition of tax liabilities for two subsidiaries operating on a cost plus basis. This amount was partly due to a tax audit on the years 2008 to 2011 and underlying proposed tax adjustment amounting to €1.9 million in cash and decrease of our tax losses carried forward for €19.5 million. A liability was recognized in 2014 considering this claim and the potential risk, partly under current tax liability for €1.3 million and partly as a decrease of the R&D incentives receivables for €0.6 million. The tax adjustment was settled in cash in the fourth quarter of 2016. However, discussions are still ongoing with regard to this claim.

TAXES RECOGNIZED IN STATEMENT OF OPERATIONS

For the purpose of the disclosure below corporation tax was calculated at 34% (2016 and 2015: 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,		
	2017	2016	2015
	(Euro, in thousands)		
Income / loss (-) before tax	€ (115,507)	€ 54,246	€ (119,627)
Income tax debit / credit (-), calculated using the Belgian statutory tax rate on the accounting income / loss (-) before tax (theoretical)	(39,261)	18,438	(40,661)
Tax expenses / income (-) in statement of operations (effective)	198	235	(1,218)
Difference in tax expense / income to explain	**€ 39,458**	**€ (18,203)**	**€ 39,444**
Effect of tax rates in other jurisdictions	€ 14	€ 163	€ 328
Effect of non-taxable revenues	(11,277)	(27,399)	(5,934)
Effect of consolidation entry without tax impact	5,419	3,533	1,652
Effect of non-tax deductible expenses	404	856	10,783
Effect of recognition of previously non recognized deferred tax assets	(414)	(421)	(1,307)
Effect of change in tax rates	181		
Effect of tax losses (utilized) reversed	(763)	(655)	(597)
Effect from under or over provisions in prior periods			58
Effect of non-recognition of deferred tax assets	45,895	5,720	34,783
Effect of R&D tax credit claims			(322)
Total explanations	**€ 39,458**	**€ (18,203)**	**€ 39,444**

The main difference between the theoretical tax and the effective tax for the years 2017 and 2015 was primarily explained by the unrecognized deferred tax assets on tax losses carried forward for which we conservatively assess that it is not likely that these will be realized in the foreseeable future. The main difference between the theoretical tax and the effective tax for the year 2016 was primarily explained by non-taxable revenues from the financial profit related to the fair value re-measurement of the share subscription agreement.

Non-taxable revenues for the years ended December 31, 2015, 2016 and 2017 related to non-taxable subsidies and tax credits.

11. Income / loss (-) per share

Basic income / loss (-) per share is calculated by dividing the net income / loss (-) attributable to shareholders by the weighted average number of ordinary shares issued 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.

Income / loss (-) per share

	Year ended December 31,		
	2017	2016	2015
Income / loss (-) per share:			
Net income / loss (-) attributable to owners of the parent (Euro, in thousands)	€ (115,704)	€ 54,012	€ (118,410)
Number of shares (thousands)			
Weighted average number of shares for the purpose of basic income / loss (-) per share	49,479	45,696	35,700
Basic income / loss (-) per share (Euros)	**€ (2.34)**	**€ 1.18**	**€ (3.32)**
Net income / loss (-) attributable to owners of the parent (Euro, in thousands)	€ (115,704)	€ 54,012	€ (118,410)
Number of shares (thousands)			
Weighted average number of shares for the purpose of diluted income / loss (-) per share	49,479	45,696	35,700
Number of dilutive potential ordinary shares	—	1,612	—
Diluted income / loss (-) per share (Euros)	**€ (2.34)**	**€ 1.14**	**€ (3.32)**

As our operations reported a net loss in 2015 and 2017, the outstanding warrants (specified in *note* 29) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share were the same for 2015 and 2017.

Basic income per share of €1.18 and diluted income per share of €1.14 in 2016 are based on a net income for 2016 which was strongly influenced by the non-cash gain from the fair value re-measurement of the share subscription agreement with Gilead amounting to €57.5 million.

12. Intangible assets

	In process technology	Software & databases	Brands, licenses, patents & know-how	Total
Acquisition value				
On January 1 , 2015	€ **5,561**	€ **8,089**	€ **1,512**	€ **15,161**
Additions		565		565
Sales and disposals		(1,512)		(1,512)
Translation differences		177		177
On December 31, 2015	**5,561**	**7,318**	**1,512**	**14,392**
Additions		317	15	332
Sales and disposals		(508)	(4)	(512)
Translation differences		58		58
On December 31, 2016	**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**
Amortization and impairment				
On January 1 , 2015	**5,561**	**6,087**	**1,497**	**13,147**
Amortization		1,026	4	1,030
Sales and disposals		(1,512)		(1,512)
Translation differences		177		177
On December 31, 2015	**5,561**	**5,777**	**1,501**	**12,841**
Amortization		856	4	860
Sales and disposals		(509)	(5)	(514)
Translation differences		57		57
On December 31, 2016	**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**
Carrying amount				
On December 31, 2015	€ —	€ 1,540	€ 11	€ 1,550
On December 31, 2016	€ —	€ 1,003	€ 22	€ 1,023
On December 31, 2017	€ **1,500**	€ **982**	€ **16**	€ **2,495**

The intangible assets increased by €1.5 million from €1.0 million at December 31, 2016, to €2.5 million at December 31, 2017. The amortization of €0.7 million was fully compensated by new additions for €2.1 million.

On December 31, 2017, our balance sheet did not hold any internally generated assets capitalized as intangible asset.

The intangible assets decreased by €0.5 million from €1.5 million as at December 31, 2015, to €1.0 million as at December 31, 2016. The amortization of €0.9 million was partly compensated by new additions for €0.3 million.

13. Property, plant and equipment

	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
			(Euro, in thousands)		
Acquisition value					
On January 1 , 2015	**€ 8,286**	**€ 28,820**	**€ 2,594**	**€ 321**	**€ 40,021**
Additions	2,158	2,250	285	1,407	6,100
Sales and disposals	(6,395)	(5,041)	(188)	(11)	(11,635)
Reclassifications		540	3	(543)	—
Translation differences		19	1	(1)	20
On December 31, 2015	**4,049**	**26,588**	**2,695**	**1,174**	**34,506**
Additions	296	3,325	210	627	4,458
Sales and disposals		(1,315)	(105)		(1,420)
Reclassifications	67	1,064	167	(1,299)	(1)
Translation differences		70	6	4	81
On December 31, 2016	**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**
Depreciations and impairment					
On January 1 , 2015	**7,984**	**19,790**	**2,046**	**110**	**29,930**
Depreciation	164	1,873	272	63	2,372
Sales and disposals	(6,395)	(4,996)	(188)	(7)	(11,587)
Reclassifications		44		(44)	—
Translation differences		8			8
On December 31, 2015	**1,753**	**16,718**	**2,130**	**122**	**20,724**
Amortization	272	2,752	243	55	3,322
Sales and disposals		(1,315)	(100)		(1,415)
Reclassifications		67	(93)	26	—
Translation differences		29	5		34
On December 31, 2016	**2,025**	**18,252**	**2,184**	**203**	**22,663**
Amortization	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**
Carrying amount					
On December 31, 2015	€ 2,296	€ 9,870	€ 565	€ 1,051	€ 13,782
On December 31, 2016	€ 2,387	€ 11,481	€ 789	€ 302	€ 14,961
On December 31, 2017	**€ 2,394**	**€ 12,565**	**€ 802**	**€ 930**	**€ 16,692**

The property, plant and equipment increased from €15.0 million as at December 31, 2016 to €16.7 million as at December 31, 2017. This increase was mainly the result of new additions of €5.3 million, partly compensated by a depreciation charge of €3.6 million.

The property, plant and equipment increased from €13.8 million as at December 31, 2015 to €15.0 million as at December 31, 2016. This increase was mainly the result of new additions of €4.5 million, partly compensated by a depreciation charge of €3.3 million.

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

14. Other non-current assets

On July 15, 2016, we invested €2.75 million in a French biopharmaceutical company developing new therapeutics for severe orphan and common neurological diseases, listed on Euronext. Galapagos has no restrictions on the sale of this equity investment and the asset is not pledged under any Galapagos' liabilities. This investment is classified as available-for-sale equity investment which qualifies for level 1 fair value measurement based upon the closing price of the PXT securities on Euronext at each reporting date. Fair value changes on available-for-sale financial assets are recognized directly in equity, through the statement of changes in equity.

As of December 31, 2017, other non-current assets mainly consisted of available-for-sale equity investment described above re-measured at fair value of €1.8 million as follows.

	Fair value of available-for-sale financial assets
	(Euro, in thousands)
Costs at January 1, 2017	€ 2,750
Disposals of the year	(377)
Costs at December 31, 2017	**2,373**
Fair value adjustment at January 1, 2017	(399)
Reclassification of fair value adjustment to statement of operations following disposal	55
Fair value adjustment of the year	(275)
Fair value adjustment at December 31, 2017	**(619)**
Net book value at December 31, 2017	**€ 1,754**

Part of this equity investment was sold in 2017 for €0.4 million. As of December 31, 2017, we had accumulated fair value losses amounting to €0.6 million, based on unadjusted quoted market price, in which €0.1 million was reclassified to profit and loss subsequent to the shares disposed and €0.3 million was additionally recognized in other comprehensive income for the year ended December 31, 2017, in our statement of financial position on the other reserves line within equity (see note 20.)

15. Research and Development incentives receivables

The table below illustrates the R&D incentives receivables related captions in the balance sheet at December 31, 2017, 2016 and 2015:

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Non-current R&D incentives receivables	€ 64,001	€ 54,188	€ 49,384
Current R&D incentives receivables	11,782	10,154	9,161
Total R&D incentives receivables	**€ 75,783**	**€ 64,342**	**€ 58,545**

Total R&D incentives receivables increased by €11.4 million for the year ended December 31, 2017, compared to December 31, 2016. This increase is explained by new R&D incentives reported in 2017 for €21.5 million (€10.3 million related to French R&D incentives and €11.2 million related to Belgian R&D incentives) less the payments received related to French R&D incentives amounting to €7.9 million and to Belgian R&D incentives amounting to €2.0 million.

Total R&D incentives receivables increased by €5.8 million for the year ended December 31, 2016, compared to December 31, 2015. This increase is explained by new R&D incentives reported in 2016 for €15.3 million (€9.5 million related to French R&D incentives and €5.8 million related to Belgian R&D incentives) less the payments received related to French R&D incentives amounting to €8.7 million and to Belgian R&D incentives amounting to €0.8 million.

The R&D incentives receivables are future expected refunds 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, 2017.

Non-current R&D incentives receivables

	December 31, 2017 Maturity date					
	2019	2020	2021	2022	2023-2027	Total
	(Euro, in thousands)					
French non-current R&D incentives receivables - nominal value	€ 8,622	€ 9,340	€ 10,025			€ 27,986
French non-current R&D incentives receivables - discounted value	8,622	9,340	10,025			27,986
Belgian non-current R&D incentives receivables - nominal value	2,520	3,398	4,009	€ 4,863	€ 21,562	36,353
Belgian non-current R&D incentives receivables - discounted value	2,520	3,398	4,009	4,863	21,224	36,015
Total non-current R&D incentives receivables - nominal value	**€ 11,141**	**€ 12,738**	**€ 14,034**	**€ 4,863**	**€ 21,562**	**€ 64,339**
Total non-current R&D incentives receivables - discounted value	**€ 11,141**	**€ 12,738**	**€ 14,034**	**€ 4,863**	**€ 21,224**	**€ 64,001**

16. Restricted cash

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Non-current restricted cash	€ 1,158	€ 1,098	€ 1,046
Current restricted cash	—	6,570	6,857
Total restricted cash	**€ 1,158**	**€ 7,668**	**€ 7,903**

Restricted cash amounted to €7.7 million on December 31, 2016, and decreased to €1.2 million on December 31, 2017. This decrease was primarily caused by the full release of the escrow account for €6.6 million after final agreement between the parties, which has been slightly offset by an increase in non-current restricted cash of €0.1 million related to additional bank guarantees with regard to the rental of supplementary office space for the Belgian premises. Restricted cash on December 31, 2017 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €0.45 million and €0.7 million respectively.

Restricted cash amounted to €7.9 million on December 31, 2015, and decreased to €7.7 million on December 31, 2016. This decrease is related to the payment of a claim to Charles River by decrease of the escrow account for €0.3 million, which has been slightly offset by an increase in non-current restricted cash of €0.1 million related to an increase in the bank guarantee with regard to the rental of additional office space for the Belgian premises. Restricted cash on December 31, 2016 is related to €0.4 million and €0.7 million of bank guarantees on real estate lease obligations in Belgium and in the Netherlands respectively, and to €6.6 million escrow account containing part of the proceeds from the sale of the service division in 2014.

17. Trade and other receivables and other current assets

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Trade receivables	€ 22,133	€ 6,629	€ 1,494
Prepayments	543	21	11
Other receivables	5,289	3,078	2,426
Trade and other receivables	**27,966**	**9,728**	**3,931**
Accrued income	2,584	3,617	2,976
Deferred charges	3,825	3,621	2,536
Other current assets	**6,409**	**7,239**	**5,512**
Total trade and other receivables & other current assets	**€ 34,375**	**€ 16,966**	**€ 9,443**

Trade and other receivables increased by €18.3 million to €28.0 million at December 31, 2017 compared to €9.7 million at December 31, 2016. This was mainly due to two milestones achieved before year end 2017 in our CF collaboration with AbbVie which were accounted for $20 million (€17.0 million): respectively $10 million (€8.6 million) for the Phase 1 trial initiation with GLPG3221 and $10 million (€8.4 million) for the Phase 1 trial initiation with GLPG2851.

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, 2017, we did not have any bad debt allowance.

18. Cash and cash equivalents

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Cash at banks	€ 288,052	€ 357,630	€ 240,292
Term deposits	713,446	515,632	100,000
Money market funds	149,711	99,977	—
Cash on hand	3	2	22
Total cash and cash equivalents	**€ 1,151,211**	**€ 973,241**	**€ 340,314**

We reported a cash position of €1,151.2 million at the end of December 2017 compared to €973.2 million at year-end 2016. Net cash used in operating activities amounted to €147.0 million for the year ended December 31, 2017. The net cash used in investing activities amounted to €0.5 million for the year ended December 31, 2017. The net cash generated from financing activities amounted to €353.4 million for the year ended December 31, 2017, which can mainly be attributed to the public offering in the United States of Galapagos shares for which the cash proceeds from capital and share premium increases amounted to €348.1 million, net of issue costs. In addition, proceeds received on exercise of warrants contributed to cash generated in financing activities in 2017 for an amount of €5.3 million. Finally, €27.8 million of foreign currency exchange rate differences on our cash held in foreign currency negatively impacted the ending balance of our cash and cash equivalents.

We reported a cash position of €973.2 million at the end of December 2016. The operating activities generated €239.4 million in 2016 primarily due to the license fee of $300 million (€275.6 million) received from Gilead in relation with our collaboration agreement on filgotinib, while the investing activities reported use of €7.3 million. The financing activities brought €396.0 million of cash in-flow mainly due to the subscription of Galapagos shares by Gilead on January 19, 2016 (net proceeds of €391.9 million) and due to warrant exercises (€4.3 million).

We reported a cash position of €340.3 million at the end of December 2015. The operating and investing activities reported use of respectively €114.6 million and €4.3 million of cash in 2015 while the financing activities brought €271.4 million of cash in-flow mainly due to the proceeds of a recent global offering and concurrent listing on NASDAQ (€259.4 million) and due to warrant exercises (€12 million).

Cash and cash equivalents 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 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprised €713.4 million of term deposits which all had an original maturity longer than 3 months. All cash and cash equivalents are available upon maximum one month notice period. 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. Cash invested in highly liquid money market funds represented €149.7 million and was aimed at meeting short-term cash commitments, while reducing the counterparty risk of investment.

On December 31, 2017 our cash and cash equivalents included $241.3 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. We expect to use this cash held in U.S.dollars to settle our future payables in U.S.dollars, which will be primarily linked to our global collaboration with Gilead for the development of filgotinib.

19. Share capital

The share capital of Galapagos NV, as set forth in the articles of association, reconciles to 'share capital' on the balance sheet as follows:

	2017	2016	2015
	(Euro, in thousands)		
On January 1	**€ 223,928**	**€ 185,399**	**€ 157,274**
Share capital increase	25,323	38,798	47,485
Costs of capital increase	(15,837)	(269)	(19,360)
Share capital on December 31,	**€ 233,414**	**€ 223,928**	**€ 185,399**
Aggregate share capital	€ 275,510	€ 250,187	€ 211,389
Costs of capital increase (accumulated)	(42,096)	(26,259)	(25,990)
Share capital on December 31,	**€ 233,414**	**€ 223,928**	**€ 185,399**

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, 2015 and December 31, 2017 is as follows:

Date	Share capital increase new shares (in thousands €)	Share capital increase warrants (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 (Euro, in thousands)
January 1, 2015				**30,299**	**€ 163,904**
March 26, 2015		€ 3,092	571		
May 19, 2015	€ 40,751		7,532		
June 19, 2015		2,659	491		
September 25, 2015		640	118		
December 4, 2015		344	64		
December 31, 2015				**39,075**	**211,390**
January 19, 2016	36,575		6,761		
April 1, 2016		668	132		
May 19, 2016		762	141		
September 19, 2016		326	60		
November 28, 2016		467	86		
December 31, 2016				**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**

On December 31, 2017, Galapagos NV's share capital amounted to €275,510 thousand, represented by 50,936,778 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 2015, 2016 and 2017.

(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, 2015	**30,299,129**	**€ 157,274**	**€ 114,181**	**€ 271,455**		
March 26, 2015: exercise of warrants	**571,548**	**3,092**	**2,727**	**5,819**	**€ 10.18**	**€ 21.26**
May 19, 2015: global offering						
Ordinary shares (fully paid)	1,786,499	9,665	56,436	66,100		**43.60**
ADSs (fully paid)	5,746,000	31,086	181,516	212,602		
Underwriter discounts and offering expenses (fully paid)		(19,360)		(19,360)		
Total global offering	**7,532,499**	**21,391**	**237,952**	**259,343**		
June 19, 2015: exercise of warrants	**491,406**	**2,659**	**1,737**	**4,395**	**8.94**	**46.73**
September 25, 2015: exercise of warrants	**118,260**	**640**	**558**	**1,198**	**10.13**	**44.75**
December 4, 2015: exercise of warrants	**63,500**	**344**	**247**	**591**	**9.30**	**44.78**
On January 1, 2016	**39,076,342**	**185,399**	**357,402**	**542,801**		
January 19, 2016 : share subscription from Gilead						
Ordinary shares (fully paid)	6,760,701	36,575	355,546	392,121		**48.26**
Derecognition of financial asset from share subscription agreement			(65,850)	(65,850)		
Capital increase expenses (fully paid)		(269)		(269)		
Total share subscription by Gilead	**6,760,701**	**36,306**	**289,696**	**326,002**		
April 1, 2016 : exercise of warrants	**131,695**	**668**	**741**	**1,409**	**10.70**	**36.64**
May 19, 2016 : exercise of warrants	**140,770**	**762**	**715**	**1,476**	**10.49**	**45.41**
September 19, 2016 : exercise of warrants	**60,320**	**326**	**277**	**603**	**10.00**	**58.62**
November 28, 2016 : exercise of warrants	**86,250**	**467**	**305**	**772**	**8.94**	**55.73**
On December 31, 2016	**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**
November 23, 2017 : exercise of warrants	**41,000**	**222**	**132**	**354**	**8.63**	**77.53**
On December 31, 2017	**50,936,778**	**€ 233,414**	**€ 993,025**	**€ 1,226,439**		

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, being May 31, 2017,

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 board of directors is currently not authorized to increase the share capital after notification by the FSMA (Financial Services and Markets Authority) of a public takeover bid on Galapagos NV's shares.

The authorized capital as approved by the extraordinary shareholders' meeting of April 25, 2017 amounted to €82,561.8 thousand. As of December 31, 2017, €3,911.4 thousand of the authorized capital was used, so that an amount of €78,650.3 thousand still remained available.

20. Other reserves

Actuarial and other gains or losses recognized through other comprehensive income

	2017	2016	2015
	(Euro, in thousands)		
On January 1	**€ (1,000)**	**€ (18)**	**€ (220)**
Gain or loss (-) on defined benefit obligation recognized through OCI	(40)	(583)	202
Reclassification of loss on financial asset available for sale to statement of operations (after disposal)	55	—	—
Loss on financial asset available-for-sale recognized through OCI	(275)	(399)	—
Other reserves on December 31,	**€ (1,260)**	**€ (1,000)**	**€ (18)**

Other reserves on December 31, 2017 consisted of (1) a negative of €641 thousand, compared to a negative of €601 thousand in 2016 (2015: €18 thousand), which was related to the re-measurement of defined benefit obligations recognized through OCI in line with IAS19R Employee Benefits, and (2) a negative of €619 thousand, compared to a negative of €399 thousand in 2016 and nil in 2015, related to the fair value adjustment on the available-for-sale equity investment and the sale of part of the equity investment (see note 14). There were no tax effects applicable to the amounts included in other reserves.

DERIVATIVE FINANCIAL INSTRUMENTS: CURRENCY DERIVATIVES

We do not actively use currency derivatives to hedge planned future cash flows. On the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that we have committed were nil (2016: nil, 2015: nil).

On December 31, 2017 the fair value of our currency derivatives was nil (2016: nil, 2015: nil).

See note 32 for further information on how we manage financial risks.

21. Translation differences

	2017	2016	2015
	(Euro, in thousands)		
On January 1	**€ (1,090)**	**€ (467)**	**€ (1,157)**
Translation differences, arisen from translating foreign activities	(664)	(623)	690
Translation differences on December 31,	**€ (1,754)**	**€ (1,090)**	**€ (467)**

Translation differences increased from a negative €1.1 million at the end of December 2016 to a negative of €1.8 million at the end of December 2017 mainly due to fluctuations of the GB pounds and the U.S. dollar exchange rates.

Translation differences increased from a negative €0.5 million at the end of December 2015 to a negative of €1.1 million at the end of December 2016 mainly due to fluctuations of the GB pounds and the U.S. dollar exchange rates.

Translation differences decreased from a negative €1.2 million at the end of December 2014 to a negative of €0.5 million at the end of December 2015 mainly due to the increase of the GB pounds and the U.S. dollar exchange rates.

22. Deferred tax

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Recognized deferred tax assets and liabilities			
Assets	**€ 1,978**	**€ 1,957**	**€ 1,726**
Liabilities	**€ —**	**€ —**	**€ —**
Deferred tax assets unrecognized	**€ 164,079**	**€ 128,377**	**€ 145,513**
Deferred taxes in the consolidated statement of operations	**€ 20**	**€ 231**	**€ 1,433**
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	414	421	1,433
Deferred tax expenses relating to change in tax rates	(181)		
Deferred tax expenses relating to use of previously recognized deferred tax assets	(213)	(190)	

The investment deduction of €1 million (2016 and 2015: €1 million) could give rise to deferred tax assets. There is no limit in time for the investment deduction The amount of notional interest deduction that has been accumulated in the past (2016 and 2015 : €2.6 million) cannot be carried forward to 2018. The notional interest deduction of the year itself can also not be carried forward.

The consolidated unused tax losses carried forward at December 31, 2017 amounted to €567 million (2016: €385 million; 2015: €434 million), €15.1 million were related to unrecognized tax losses with expiry date between 2018 and 2030.

The available statutory tax losses carried forward that can be offset against future statutory taxable profits amounted to €338.6 million on December 31, 2017. These statutory tax losses can be compensated with future statutory profits for an indefinite period except for an amount of €16.8 million in Switzerland, Croatia, the United States and the Netherlands with expiry date between 2018 and 2030. On December 31, 2017, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €262.1 million. In addition to the latter, Galapagos NV (Belgium) also benefits from the new Belgian innovation income deduction regime which led to report, on December 31, 2017, a supplementary carried forward tax deduction of €87.2 million that can also be offset against future statutory taxable results. It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a de facto minimum taxable base, whereby the existing tax attributes have to be allocated into two so-called “baskets”: a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are subject to restrictions. We refer to note 3 for more information.

We have a history of losses. Excluding the impact of possible upfront or milestone payments to be received from collaborations, we forecast to continue incurring taxable losses in the foreseeable future as we continue to invest in clinical and pre-clinical development programs and discovery platforms. Consequently, no deferred tax asset was set up as at December 31, 2017, 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 €2.0 million (2016: €2.0 million; 2015: €1.7 million).

23. Trade and other liabilities

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Trade and other payables	€ 47,122	€ 31,209	€ 29,113
Other current liabilities	—	60	369
Other non-current liabilities	1,597	2,469	2,291
Accrued charges	1,159	619	490
Total trade and other liabilities	**€ 49,878**	**€ 34,357**	**€ 32,263**

Our trade and other liabilities, amounting to €49.9 million as of December 31, 2017, increased by €15.5 million compared to the €34.4 million reported as of December 31, 2016.

The trade and other payables, amounting to €47.1 million as of December 31, 2017, increased by €15.9 million compared to the €31.2 million reported as of December 31, 2016. This increase is mainly due to higher accrued trade payables on December 31, 2017, reflecting the intensification of our investments.

Our trade and other liabilities, amounting to €34.4 million as of December 31, 2016, increased by €2.1 million compared to the €32.3 million reported as of December 31, 2015.

The trade and other payables, amounting to €31.2 million as of December 31, 2016, increased slightly compared to the €29.1 million reported as of December 31, 2015. This increase is mainly due to higher trade payables.

24. Deferred income

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Gilead collaboration agreement for filgotinib	€ 187,449	€ 249,937	—
Gilead collaboration agreement for filgotinib (*)	26,532	35,376	€ 39,003
Servier collaboration agreement for osteoarthritis	5,362	—	—
Other deferred income	549	299	803
Total deferred income (long term & current)	**€ 219,892**	**€ 285,612**	**€ 39,806**

(*) deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement.

Deferred income (long term and short term) amounted to €219.9 million at December 31, 2017 and decreased by €65.7 million compared to €285.6 million as at December 31, 2016.. The outstanding deferred income balance at December 31, 2017 included €214.0 million deferred income related to filgotinib (€93.5 million classified as non-current deferred income), €5.4 million deferred income related to the license fee of Servier (€3.8 million classified as non-current deferred income), and €0.5 million deferred grant income. The outstanding deferred income balance at December 31, 2016 included €285.3 million deferred income related to filgotinib (€214.8 million classified as non-current deferred income) and €0.3 million deferred grant income.

On the one hand we had per December 31, 2015 a deferred income of €39 million due to the recognition of a deferred income upon signing of the share subscription agreement with Gilead (see note 8). On the other hand we received in January 2016 an upfront payment from Gilead for an amount of $300 million (or €276 million). The global collaboration with Gilead foresees continuous involvement from us, since we will perform certain R&D activities in the development phase of the filgotinib program; therefore, management assessed that both items of deferred income should be spread in function of the costs incurred for this program, applying the percentage of completion method. For the year ended December 31, 2017, €71.3 million were recognized in revenue (2016 : €29.2 million), of which €8.8 million were related to the deferred income from the share subscription agreement and €62.5 million were related to the upfront payment.

In the third quarter of the year ended December 31, 2017, a license fee of €6.0 million was received from Servier in the scope of our collaboration agreement in the field of osteoarthritis, of which €0.6 million was recognized in revenue at the end of the year 2017. This deferred income will be recognized on a straight-line basis over the next phase of development, which is our estimated period of involvement.

25. Operating lease obligations

We entered into lease agreements for office and laboratories which qualify as operating leases.

Minimum lease payments under operating leases recognized in the statement of operations for the year

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Total minimum lease payments under operating leases	**€ 4,799**	**€ 4,302**	**€ 4,020**

Regarding outstanding commitments for future minimum lease payments under operating leases, see off-balance sheet arrangements as explained in *note 26* below.

26. Off-balance sheet arrangements

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We entered into lease agreements for office and laboratories which qualify as operating leases. We also have certain purchase commitments with CRO subcontractors and collaboration partners principally.

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**

On December 31, 2016, 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	€ 27,263	€ 4,114	€ 6,494	€ 5,504	€ 11,151
Purchase commitments	27,579	27,084	495	—	—
Total contractual obligations & commitments	**€ 54,842**	**€ 31,198**	**€ 6,989**	**€ 5,504**	**€ 11,151**

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 amounts to €129.0 million at December 31, 2017 (€199.0 million at December 31, 2016), for which we have direct purchase commitments of €10.1 million at December 31, 2017 (€2.0 million at December 31, 2016) reflected in the tables above.

On December 31, 2015, 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	€ 31,210	€ 4,002	€ 7,253	€ 5,683	€ 14,273
Purchase commitments	20,079	17,898	2,180	—	—
Total contractual obligations & commitments	**€ 51,289**	**€ 21,900**	**€ 9,433**	**€ 5,683**	**€ 14,273**

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 has not been obtained. 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 the course of 2008, a former director of one of our subsidiaries sued for wrongful termination and seeks damages of €1.5 million. We believe that the amount of damages claimed is unrealistically high. On January 29, 2016, the court made a 1st degree judgment, dismissing all claims in full. In appeal, the 2nd degree court instructed the 1st degree court to conduct a new trial, which is currently pending. A first hearing was held on January 24, 2018, where a motion for a financial expertise was filed by the plaintiff. A decision on said motion is under consideration of the court and a further hearing will be scheduled. The timing of this further hearing can however not be predicted with any degree of certainty. Considering the defense elements provided to date, as well as the fact that so far the court has made no decision indicating that the claim would be sustained, our board and management evaluated the risk to be possible, but not likely. Accordingly, it was decided not to record any provision as the exposure was considered to be limited.

28. Retirement benefit plans

DEFINED CONTRIBUTION PLANS

We operate defined contribution systems for all of our qualifying employees (except for Belgium and France). The assets of the schemes are held separately from ours in designated pension plans. For defined contribution systems, we pay contributions to publicly or privately administered pension or insurance funds. Once the contribution is paid, we do not have any remaining obligation.

DEFINED BENEFIT PLANS IN BELGIUM

Our personnel in Belgium participated in a defined contribution plan (extra-legal pension). The Belgian defined contribution pension plans were by law subject to minimum guaranteed rates of return, 3.25% on employer contributions and 3.75% on employee contributions. These rates, which apply as an average over the entire career, may be modified by Royal Decree. Therefore, those plans were basically accounted for as defined contribution plans.

As a consequence of the law of December 18, 2015, minimum returns were guaranteed by the employer as follows: (a) for the contributions paid as from January 1, 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In review of the low rates of the OLO in the last years, the return has

been initially set to 1.75%; (b) for the contributions paid until end of December 2015, the previously applied legal returns as mentioned above, continue to apply until the leaving of the employees.

In view of the minimum returns guarantees, the Belgian defined contribution plans classify as defined benefit plans as from end December 2015.

As at December 31, 2015 no net liability was recognized in the balance sheet as the minimum rates of return to be guaranteed by the employer were closely matched by the rates of return guaranteed by the insurer. As at December 31, 2016 and 2017 however net defined benefit obligation of respectively €386.6 thousand and €169.4 thousand were recorded.

Actuarial gains and losses are recognized immediately in equity, with a charge or credit to other comprehensive income (OCI), in accordance with IAS 19R—Employee Benefits. They are not recycled subsequently. Actuarial gains of €53.9 thousand were recognized through other comprehensive income (OCI) at the end of 2017 (2016: €389.9 thousand of actuarial losses, 2015: nil).The contributions to those plans that were due by the employer for 2017, 2016 and 2015 amounted to respectively €964.0 thousand, €528.0 thousand and €476.3 thousand, of which €64.0 thousand was paid after December 31, 2017 (2016: €42.5 thousand; 2015: €35.9 thousand). No contributions were made by the employees.

The plan assets on December 31, 2017 consisted of €2,554.7 thousand (2016: €1,788.7 thousand, 2015: 1,063.7 thousand) individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 2.41% (2016: 2.82%, 2015: 3.0%).

DEFINED BENEFIT PLANS IN FRANCE

We use two defined benefit plans for the employees of our French entity. The defined benefit plans are not supported by funds.

The chemical and pharmaceutical industry’s collective bargaining agreements require that the French entity pays a retirement allowance depending on the seniority of the employees at the moment they retire. The benefit obligations for these retirement allowances amounted to €2,046.8 thousand for 2017 (2016: €1,808.5 thousand; 2015: €1,520.9 thousand). The increase in 2016 was mainly due to changed actuarial assumptions (decrease of discount rate from 2% to 1.44%). The increase in 2017 was mainly due to changed actuarial assumptions (decrease of discount rate from 1.44% to 1.30%).

Additionally, there are also seniority premiums obligations in France. The provisions for these premiums amounted to €1,365.7 thousand on December 31, 2017 (2016: €1,324.9 thousand; 2015: €1,172.0 thousand).

Total obligation included in the balance sheet related to the defined benefit plans amounted to €3,412.5 thousand for the year ended December 31, 2017 (2016: €3,133.4 thousand; 2015: €2,692.9 thousand).

Actuarial gains and losses are recognized in equity, with a charge or credit to other comprehensive income (OCI), in accordance with IAS 19R—Employee Benefits. They are not recycled subsequently. Actuarial losses of €93.9 thousand were recognized through other comprehensive income (OCI) at the end of 2017 (2016: €193.2 thousand of actuarial losses, 2015: €201.5 thousand of actuarial gains).

Total amounts due by the group to these pension plans in 2017 were €2.2 million in total (2016: €1.7 million, 2015: €1.5 million).

Obligations included in the balance sheet

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Present value of funded defined benefit obligation	€ 2,724	€ 2,175	
Plan assets	(2,555)	(1,789)	€ (1,064)
Deficit/ surplus	169	387	(1,064)
Present value of unfunded defined benefit obligation	3,412	3,133	2,693
Reclassification - Belgian contribution plans			1,064
Liability included in the balance sheet	**€ 3,582**	**€ 3,520**	**€ 2,693**

The present value of the gross obligation developed as follows:

	2017	2016	2015
	(Euro, in thousands)		
Opening balance	€ 5,308	€ 3,757	€ 2,865
Current service cost	863	649	194
Actual taxes on contributions paid	(87)	(48)	
Interest cost	87	82	50
Benefits paid	(157)	(119)	(44)
Reclassification - Belgian contribution plans			1,064
Actuarial gains (-) or losses due to experience adjustments	(100)	500	(27)
Actuarial gains (-) or losses due to experience adjustments related to new financial assumptions	222	432	(99)
Actuarial gains (-) or losses due to experience adjustments related to new demographic assumptions	—	56	(247)
Closing balance	**€ 6,136**	**€ 5,308**	**€ 3,757**

The fair value of the plan assets developed as follows:

	2017	2016	2015
	(Euro, in thousands)		
Opening balance	€ (1,788)	€ (1,064)	
Interest income on plan assets	(41)	(32)	
Actual administration costs	3	2	
Contributions from employer	(748)	(411)	
Actual taxes on contributions paid	87	48	
Plan assets gain during the period	(68)	(332)	
Reclassification - Belgian contribution plans			€ (1,064)
Closing balance	**€ (2,555)**	**€ (1,788)**	**€ (1,064)**

The expected rate of return on the plan assets is 1.7%.

The fair value of the plan assets is the fair market value of the plan assets. The fair value of the plan assets was calculated as the reduced lump sums (received from the plan administrators) actualized with the assumptions set (discount rate and mortality tables). The total plan assets are equal to the fair value of the plan assets increased with the financing fund.

Amounts recognized in profit or loss for defined benefit plans are as follows:

	Year ended December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Current service cost	€ 863	€ 649	€ 194
Interest cost	87	82	50
Interest income	(41)	(32)	
Administration expenses	3	2	
Revaluations of net liability / net asset	14	73	(171)
Total expense	**€ 926**	**€ 773**	**€ 73**

Obligation included in the balance sheet reconciles as follows:

	2017	2016	2015
	(Euro, in thousands)		
Opening balance	€ 3,520	€ 2,693	€ 2,865
Real employer contributions	(748)	(411)	
Total expense recognized in the statement of operations	926	773	73
Re-measurement on the net defined benefit liability	40	583	(202)
Benefits paid	(157)	(119)	(44)
Closing balance	**€ 3,582**	**€ 3,520**	**€ 2,693**

The main actuarial assumptions were:

	December 31,		
	2017	2016	2015
	%		
Weighted average discount rate	1.48%	1.60%	2.00%
Expected salary increase	2.50%	2.50%	2.25%
Inflation rate	1.86%	1.75%	1.75%

The discount rate was based on the Merrill Lynch yields for AA rated Eurozone corporate bonds (bonds with maturity dates which correspond with the commitments).

Breakdown of defined benefit obligation by type of plan participants:

	December 31,		
	2017	2016	2015
	(number of participants)		
Active plan participants	324	267	254

Breakdown of defined benefit obligation by type of benefits:

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Retirement and death benefits	€ 4,770	€ 3,983	€ 2,585
Other post-employment benefits	1,366	1,325	1,172

Major categories of plan assets: fair value plan of assets:

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Equity	€ 153	€ 89	€ 74
Debt	2,402	1,698	979
Cash	—	—	11

Sensitivity analysis on weighted average discount rate: effect on gross obligation:

	December 31, 2017	
		Obligation (Euro, in thousands)
Discount rate	0.98%	€ 6,663
Discount rate	1.23%	6,393
Discount rate	1.48%	6,136
Discount rate	1.73%	5,895
Discount rate	1.98%	€ 5,666

	December 31, 2016	
		Obligation (Euro, in thousands)
Discount rate	1.10%	€ 3,792
Discount rate	1.35%	3,661
Discount rate	1.60%	3,520
Discount rate	1.85%	3,419
Discount rate	2.10%	€ 3,312

	December 31, 2015	
		Obligation (Euro, in thousands)
Discount rate	1.50 %	€ 2,868
Discount rate	1.75 %	2,779
Discount rate	2.00 %	2,693
Discount rate	2.25 %	2,612
Discount rate	2.50 %	€ 2,534

29. 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.

After the reverse 4:1 share split approved by the extraordinary shareholders' meeting of 29 March 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.

The table below sets forth a summary of warrants outstanding and exercisable at December 31, 2017, per warrant plan:

Warrant plan	Allocation date	Expiry date	Exercise price (€)	Outstanding per January 1, 2017	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding per December 31, 2017	Exercisable per December 31, 2017
2002 B	1/31/2005	1/30/2017	6.76	25,000		(25,000)			—	—
2005	7/4/2005	7/3/2018	6.91	90,000		(60,000)			30,000	30,000
2005	12/15/2005	12/14/2018	8.6	12,500		(5,000)			7,500	7,500
2006 BNL	5/4/2007	5/3/2020	9.22	7,500		(7,500)			—	—
2006 BNL	6/28/2007	6/27/2020	8.65	735					735	735
2006 BNL	12/21/2007	12/20/2020	7.12	1,050					1,050	1,050
2007	6/28/2007	6/27/2020	8.65	48,909					48,909	48,909
2007 RMV	10/25/2007	10/24/2020	8.65	37,650		(5,050)			32,600	32,600
2008	6/26/2008	6/25/2021	5.6	79,600		(2,500)			77,100	77,100
2009	4/1/2009	3/31/2017	5.87	7,500		(7,500)			—	—
2010	4/27/2010	4/26/2018	11.55	53,000		(10,500)			42,500	42,500
2011	5/23/2011	5/22/2019	9.95	59,100		(6,600)			52,500	52,500
2012	9/3/2012	9/2/2020	14.19	247,160		(37,270)			209,890	209,890
2013	5/16/2013	5/15/2021	19.38	432,240		(171,280)		(400)	260,560	260,560
2013 (B)	9/18/2013	9/17/2021	15.18	30,000		(30,000)			—	—
2014	7/25/2014	7/24/2022	14.54	536,660					536,660	
2014 (B)	10/14/2014	10/13/2022	11.93	150,000					150,000	
2015	4/30/2015	4/29/2023	28.75	517,053					517,053	
2015 (B)	12/22/2015	12/21/2023	49.00	399,000					399,000	
2015 RMV	12/22/2015	12/21/2023	49.00	97,500					97,500	
2016	6/1/2016	5/31/2024	46.10	514,250					514,250	
2016 RMV	6/1/2016	5/31/2024	46.10	120,000					120,000	
2016 (B)	1/20/2017	1/19/2025	62.50		150,000				150,000	
2017	5/17/2017	5/16/2025	80.57		595,500				595,500	
2017 RMV	5/17/2017	5/16/2025	80.57		127,500				127,500	
Total				**3,466,407**	**873,000**	**(368,200)**	**—**	**(400)**	**3,970,807**	**763,344**

	Warrants	Weighted average exercise price (Euro)
Outstanding on January 1, 2015	**3,590,853**	**€ 12.1**
Exercisable on December 31, 2014	1,355,213	
Granted during the period	532,053	
Forfeited during the year	(72,500)	
Exercised during the period	(1,244,714)	
Expired during the year	—	
Outstanding on December 31, 2015	**2,805,692**	**€ 16.2**
Exercisable on December 31, 2015	720,749	
Granted during the period	1,130,750	
Forfeited during the year	(48,500)	
Exercised during the period	(419,035)	
Expired during the year	(2,500)	
Outstanding on December 31, 2016	**3,466,407**	**€ 27.1**
Exercisable on December 31, 2016	669,704	
Granted during the period	873,000	
Forfeited during the year	—	
Exercised during the period	(368,200)	
Expired during the year	(400)	
Outstanding on December 31, 2017	**3,970,807**	**€ 39.3**
Exercisable on December 31, 2017	763,344	

The table below sets forth the inputs into the valuation of the warrants.

	2017 May 17	2017 RMV May 17	2016 (B) January 20	2016 June 1	2016 RMV June 1	2015 (B) December 22	2015 RMV December 22	2015 April 30
Exercise Price	€ 80.57	€ 80.57	€ 62.50	€ 46.10	€ 46.10	€ 49.00	€ 49.00	€ 28.75
Share price at acceptance date	€ 68.67	€ 68.67	€ 75.18	€ 48.71	€ 47.63	€ 39.85	€ 39.78	€ 46.09
Fair value on the acceptance date	€ 26.85	€ 26.80	€ 37.27	€ 21.95	€ 21.16	€ 15.41	€ 15.39	€ 26.05
Estimated volatility (%)	40.06	40.08	40.33	40.69	40.69	41.10	41.08	39.20
Time to expiration (years)	8	8	8	8	8	8	8	8
Risk free rate (%)	0.33	0.29	0.51	—	—	0.24	0.28	0.39
Expected dividends	None	None	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 estimated volatility is calculated on the basis of the historical volatility of the share price over the expected life of the warrants, validated by reference to the volatility of a representative biotech index.

The time to expiration of the warrant is calculated as the estimated duration until exercise, taking into account the specific features of the plans.

The warrants were accounted for in accordance with International Financial Reporting Standard 2 on Share Based Payments. IFRS 2 takes effect for all warrants offered after November 7, 2002.

Our warrants expense in 2017 amounted to €16,536 thousand (2016: 11,034 thousand; 2015: €5,036 thousand).

The following table provides an overview of the outstanding warrants per category of warrant holders at December 31, 2017, 2016 and 2015.

Category

	December 31,		
	2017	2016	2015
	(in number of warrants)		
Non-executive directors	216,060	165,240	115,730
Executive team	2,039,374	1,676,874	1,376,874
Other	1,715,373	1,624,293	1,313,088
Total warrants outstanding	**3,970,807**	**3,466,407**	**2,805,692**

The outstanding warrants at the end of the accounting period have an average exercise price of €39.32 (2016: €27.06; 2015: €16.22) and a weighted average remaining expected life of 1,441 days (2016: 1,482 days; 2015: 1,469 days).

30. Related parties

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

There are no shareholders or other entities who, solely or jointly, control Galapagos or exercise significant influence over Galapagos.

Relationship and transactions with subsidiaries

Please see Note 31 for an overview of the consolidated companies of the group, which are all wholly-owned subsidiaries of Galapagos NV.

Intercompany transactions between Galapagos NV and its subsidiaries, and amongst the subsidiaries, have been eliminated in the consolidation and are not disclosed in this note.

Relationship and transactions with key management personnel

Our key management personnel consists of the members of 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, 2017, 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. On December 31, 2017, our board of directors consisted of eight members: Mr. Onno van de Stolpe, Dr. Raj Parekh, Dr. Werner Cautreels, Dr. Harrold van Barlingen, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Christine Mummery and Dr. Mary Kerr.

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,		
	2017	2016	2015
Remuneration of key management personnel:			
Euro, in thousands (except for the number of warrants)			
Short-term benefits (*)			
Executive committee members as a group	€ 3,694	€ 3,124	€ 2,937
Raj Parekh (^)	91	73	
Harrold van Barlingen	45	47	40
Howard Rowe	45	50	40
Werner Cautreels	55	56	45
Katrine Bosley	45	45	40
Christine Mummery (#)	41	43	10
Mary Kerr (##)	41	18	—
Post-employment benefits (°)	248	228	215
Total benefits excluding warrants	**€ 4,305**	**€ 3,683**	**€ 3,327**
Number of warrants granted in the year			
Executive committee members as a group	475,000	515,000	175,000
Raj Parekh	15,000	30,000	5,400
Harrold van Barlingen	7,500	15,000	2,520
Howard Rowe	7,500	15,000	2,520
Werner Cautreels	7,500	15,000	3,780
Katrine Bosley	7,500	15,000	2,520
Christine Mummery (#)	7,500	15,000	—
Mary Kerr (##)	7,500	—	—
Total number of warrants granted in the year	**535,000**	**620,000**	**191,740**

(*) Includes for executive committee members: salaries, employer social security contributions, other short-term benefits; includes for board members: board fees, other short-term benefits.

(^) During the first four months of 2016, Dr. Parekh did not receive remuneration for his director's mandate, but was compensated through a consultancy agreement only (consultancy fee of €20 thousand in 2016).

(#) Dr. Mummery joined the board on September 30, 2015.

(##) Dr. Kerr joined the board on July 26, 2016.

(°) Only executive committee members are granted post-employment benefits.

SHORT-TERM EMPLOYEE BENEFITS AND BOARD FEES

The members of the executive committee provide their services to us on a full-time basis.

The five members of the executive committee (including the CEO) who were in function in the course of 2017 were paid an aggregate amount of €1,638.71 in remuneration and received an aggregate amount of €1,908.81 in bonuses (2016: €1,291.84 thousand in remuneration and €1,747.21 thousand in bonuses for the four members of the executive committee (including the CEO) who were in function in the course of 2016; 2015: €1,245.5 thousand in remuneration and €1,629.5 thousand in bonuses for the four members of the executive committee (including the CEO) who were in function in the course of 2015). The higher amounts in 2017 can be explained by the fact that the executive committee consisted of five members in 2017 compared to four members in 2016. The aggregate bonus amount for 2017 was composed of two parts: (i) an aggregate bonus of €692.06 thousand, being 50% of the bonus for performance over 2017 (paid in early January 2018), with the other 50% being deferred for 3 years, and (ii) an aggregate amount of €1,216.75 thousand as deferred part of the bonus for performance over 2014 (paid in early January 2018). The aggregate bonus amount for 2016 was composed of two parts: (i) an aggregate bonus of €573.05 thousand, being 50% of the bonus for performance over 2016 (paid in early January 2017), with the other 50% being deferred for 3 years, and (ii) an aggregate amount of €1,174.17 thousand as deferred part of the bonus for performance over 2013 (paid in early

January 2017). The aggregate bonus amount for 2015 was composed of 3 parts: (i) an aggregate bonus of €488.5 thousand, being 50% of the bonus for performance over 2015 (paid in early January 2016), with the other 50% being deferred for 3 years, (ii) an aggregate amount of €628.5 thousand as deferred part of the bonus for performance over 2012 (paid in early January 2016), and (iii) an aggregate amount of €512.5 thousand, being 50% of the exceptional special bonus awarded for the success of the NASDAQ listing (paid in June 2015), with the other 50% being deferred for 3 years. Other components of the remuneration of the executive committee members included contributions to health insurance schemes, company cars, tax advisory services and certain fringe benefits of non-material value.

Pursuant to the decision of the annual shareholders' meeting of April 25, 2017, Dr. Parekh received €90 thousand (€80 thousand as chairman of the board, and €10 thousand as chairman of the nomination and remuneration committee), Dr. Cautreels received €55 thousand (€40 thousand as non-executive director, €10 thousand as chairman of the audit committee and €5 thousand as member of the nomination and remuneration committee), Ms. Bosley, Mr. Rowe and Dr. Van Barlingen each received €45 thousand (€40 thousand as non-executive director and €5 thousand as member of the nomination and remuneration committee or audit committee) and Dr. Mummery and Dr. Kerr each received €40 thousand as non-executive director. Pursuant to the decision of the annual shareholders' meeting of April 26, 2016, Dr. Parekh received €70 thousand (or, taking into account €20 thousand received in consultancy fees for the first four months of 2016, an aggregate of €90 thousand: €80 thousand as chairman of the board, and €10 thousand as chairman of the nomination and remuneration committee), Dr. Cautreels received €55 thousand (€40 thousand as non-executive director, €10 thousand as chairman of the audit committee and €5 thousand as member of the nomination and remuneration committee), Ms. Bosley, Mr. Rowe and Dr. Van Barlingen each received €45 thousand (€40 thousand as non-executive director and €5 thousand as member of the nomination and remuneration committee or audit committee) and Dr. Mummery received €40 thousand as non-executive director. Dr. Kerr, being appointed as non-executive director as from July 26, 2016, received €17 thousand as remuneration for the performance of her mandate during the remainder of 2016 pursuant to the decision of the special shareholders' meeting of July 26, 2016. Pursuant to a power of attorney granted by the annual shareholders' meeting of April 28, 2015, the board determined, after discussion within the nomination and remuneration committee, to allocate the aggregate annual remuneration for directors for 2015 as follows: (a) annual remuneration for each non-executive director (Dr. Cautreels, Dr. Van Barlingen, Mr. Rowe and Ms. Bosley): €40 thousand; and (b) additional remuneration for the chairman of the audit committee (Dr. Cautreels): €5 thousand. Dr. Mummery, being appointed as non-executive director as from September 30, 2015, received €10 thousand as remuneration for the performance of her mandate during the last quarter of 2015.

Dr. Parekh did not receive remuneration for his director's mandate in 2015 and the first four months of 2016, but was instead compensated only through a consultancy agreement until April 30, 2016.

Finally, in 2017, a total amount of €2.7 thousand was paid as other short-term benefit for the non-executive directors (2016: €14.5 thousand; 2015: €4.95 thousand). These benefits related to the payment of tax advisory services.

POST-EMPLOYMENT BENEFITS

The post-employment benefits to the members of the executive committee are granted under separate retirement benefit schemes, including pension schemes, post-employment life insurance and additional individual pension contributions.

SEVERANCE PAYMENTS

The employment and management agreements of the members of the executive committee do not provide for severance compensation. They do not contain notice periods that exceed six months. However, Galapagos entered into undertakings with the members of the executive committee providing that, in case their contract with the group is terminated as a result of a change of control of Galapagos NV, they would be entitled to a severance compensation of 12 months' base salary for the Chief Executive Officer and nine months' base salary for the other executive committee members.

WARRANTS GRANTED IN 2017

In 2017, 37,500 warrants were granted to independent directors (2016: 60,000; 2015: 8,820) and 22,500 warrants were granted to the other non-executive directors (2016: 45,000; 2015: 7,920). The higher number of warrants granted in 2016 can be explained by the fact that the final acceptance and issuance of the warrants under Warrant Plan 2015

(B) took place in 2016, and these warrants are counted as warrants granted in 2016 along with the warrants granted under Warrant Plan 2016.

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.

31. Consolidated companies as of December 31, 2017

		Year ended December 31,			
		2017		2016	2015
Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2017 vs 2016)	% 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%
BioFocus DPI LLC	United States	0%		0%	100%
Discovery Partners International GmbH	Germany	0%	(100%)	100%	100%
Fidelta d.o.o.	Croatia	100%		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%	0%	0%
Galapagos NV	Belgium	Parent company		Parent company	Parent company
Galapagos SASU	France	100%		100%	100%
Galapagos, Inc. (formerly BioFocus, Inc.)	United States	100%		100%	100%
Xenometrix, Inc.	United States	100%		100%	100%

BioFocus DPI LLC and Discovery Partners International GmbH were voluntarily cancelled in 2016 and 2017 respectively. In the fourth quarter of 2017 we incorporated a new legal entity in Basel, Switzerland: Galapagos GmbH.

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.

32. Financial risk management

See "*Risk Factors*" for additional details on general risk factors.

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 position. We do not buy or trade financial instruments for speculative purposes.

Categories of financial assets and liabilities:

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
Financial assets			
Cash and cash equivalents	€ 1,151,211	€ 973,241	€ 340,314
Restricted cash (current and non-current)	1,158	7,668	7,903
Trade receivables	22,133	6,629	1,494
R&D incentives receivables (current and non-current)	75,783	64,342	58,545
Current financial asset from share subscription agreement	—	—	8,371
Available-for-sale financial assets	1,754	2,351	—
Other amounts receivable	5,289	3,078	2,426
Total financial assets	**€ 1,257,329**	**€ 1,057,309**	**€ 419,052**
Financial liabilities			
Trade & other payables	€ 47,122	€ 31,269	€ 29,482
Other non-current liabilities	1,597	2,469	2,291
Leasing debts	9	63	115
Tax payable	865	1,022	2,583
Total financial liabilities	**€ 49,592**	**€ 34,823**	**€ 34,471**

Share subscription agreement with Gilead

We have been temporarily exposed to financial market and currency risk though our share subscription agreement with Gilead.

On December 16, 2015, Gilead Sciences, Inc. and Galapagos NV entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58.00 per share, including issuance premium. This agreement was effectively completed and entered into force January 19, 2016 and full payment was received.

In connection with the agreement, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the share subscription agreement with Gilead as required under IAS 39—Financial Instruments: recognition and measurement. This financial asset initially reflected the share premium that Gilead committed to pay above the closing stock price of Galapagos on the day of entering into the subscription agreement. This amount also represented a deferred income that will be recognized in revenues at the same rhythm than the $300 million upfront payment for the license.

The fair value of this derivative financial asset was initially measured on December 16, 2015, based on the implied value of the Galapagos share at the end of January 2016, the implied volatility of the €/$ currency exchange rates and applicable discount rates.

Under IAS 39—Financial Instruments: recognition and measurement the fair value of the derivative financial asset is re-measured at year end and again upon execution of the subscription agreement on January 19, 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the statement of operations.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the subscription agreement and December 31, 2015 resulted in a non-cash, fair value re-measurement of €30.6 million in the financial results. On December 31, 2015, the fair value of the financial asset was re-measured based on the implied value of the Galapagos share at the end of January 2016, the implied volatility of the €/$ currency exchange rates and applicable discount rates.

On January 19, 2016, the transaction was officially completed materialized by the share subscription of Gilead Biopharmaceutics Ireland Unlimited Company, of 6,760,701 new ordinary shares of Galapagos NV at a price of €58.00

per share including share premium, amounting to $425 million converted to €392,120,658 at a €/$ exchange rate of 1.0839.

The increase in the fair value of the financial asset resulting from the decrease in the Galapagos share price between January 1, 2016 and January 19, 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of 2016.

On January 19, 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This amount was composed of (1) the initial measurement on the day of entering into the share subscription agreement for an amount of €39 million which was reported in deferred income and (2) the subsequent re-measurements of the financial asset, reported as financial result under IAS 39—Financial Instruments: recognition and measurement: €30.6 million fair value loss reported in the year 2015 and €57.5 million fair value gain reported in the first quarter of 2016, together a net fair value gain of €26.8 million. This financial asset expired on the effective date of the share subscription agreement and was derecognized and recorded as part of the share premium account.

Available-for-sale financial assets

On July 15, 2016, we invested €2.75 million in a French biopharmaceutical company developing new therapeutics for severe orphan and common neurological diseases, listed on Euronext. Galapagos has no restrictions on the sale of this equity investment and the asset is not pledged under any Galapagos' liabilities. This investment is classified as available-for-sale equity investment which qualifies for level 1 fair value measurement based upon the closing price of the PXT 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.

Liquidity risk

Our consolidated balance sheet shows an amount of €211.4 million as accumulated losses on December 31, 2017. Our cash and cash equivalents amounted to €1,151.2 million on December 31, 2017. Cash used in operating activities amounted to €147.0 million for the year ended December 31, 2017. 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 at least for the next two to three years. 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.

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 receivables are considered collectable, except for these for which a provision for doubtful debtors has been established.

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

	December 31,		
	2017	2016	2015
	(Euro, in thousands)		
60 - 90 days		€ 170	€ 86
90 - 120 days	€ 1		
more than 120 days		€ 54	€ 17

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.

Interest rate risk

The only variable interest-bearing financial instruments are cash and cash equivalents.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.

Effect of interest rate fluctuation

A 100 basis point increase in interest rates at balance sheet date would have increased profit and loss, and equity, by approximately €11.5 million (2016: €10 million; 2015: €3 million); a 100 basis point decrease in interest rates would have decreased profit and loss, and equity, by approximately €11.5 million (2016: €10 million; 2015: €3 million).

Foreign exchange risk

We are exposed to foreign exchange risk arising from various currency exposures. Our functional currency is euro, but we receive payments from our main collaboration partners AbbVie and Gilead in U.S. dollars and acquire some consumables and materials in U.S. dollars, Swiss Francs, GB Pounds and Croatian Kuna.

To limit this risk, we attempt to align incoming and outgoing cash flows in currencies other than EUR. In addition, contracts closed by our different entities are mainly in the functional currencies of that entity, except for the alliance agreements signed with AbbVie and Gilead for which payments are denominated in U.S. dollars.

In order to further reduce this risk, a netting system was implemented in the course of 2012, which restrains intra-group payments between entities with a different functional currency.

The exchange rate risk in case of a 10% change in the exchange rate amounts to:

	Year ended December 31,		
	2017	2016	2015
Net book value	(Euro, in thousands)		
Increase in Euros - U.S. Dollars	€ (21,083)	€ (16,863)	€ 506
Increase in Euros - GB Pounds	122	130	164
Increase in Euros - CH Francs	203	165	169
Increase in Euros - HR Kunas	(185)	(95)	(50)
Increase in U.S. Dollars - GB Pounds	€ (831)	€ (913)	€ (907)

The exchange rate risk on the U.S. dollar is primarily related to our cash and cash equivalents 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 cash at bank and in hand and cash equivalents, financial debt (which currently we barely have: as of December 31, 2017, we had no financial debt other than finance leases, 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.

33. Auditor's remuneration

The statutory auditor's fees for carrying out his mandate at group level amounted to €310.0 thousand in 2017 (2016: €475.0 thousand). The fees for audit-related services executed by the statutory auditor, in particular other assurance engagements primarily related to the performance of the audit or review of the company's financial statements, amounted to €90.8 thousand in 2017 (2016: €186.0 thousand), of which €13.0 thousand related to legal assignments (2016: €6.2 thousand). Fees for persons related to the statutory auditor for carrying out an auditor's mandate at group level amounted to €40.0 thousand in 2017 (2016: €40.0 thousand). Other fees related to non-audit fees, in particular IT consulting fees, amounted to €40.5 thousand for the year 2017 (2016: nil). 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.

34. Events after balance sheet date

On March 20, 2018, 298,184 warrants were exercised (with an average exercise price of €13.16 per warrant). This resulted in a share capital increase (including issuance premium) of €3,924.2 thousand and the issuance of 298,184 new ordinary shares. The closing price of our share on March 20, 2018 was €83.72.

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	333203435	4.1	04/30/2015
2.2	Form of American Depositary Receipt (included in Exhibit 2.1)	Form F-1/A	333203435	4.2	04/30/2015
4.1	Lease dated June 30, 1999 between the registrant and Innotech N.V., as amended (English translation)	Form F-1	333203435	10.1	04/15/2015
4.2†	Warrant Plans (English translation)	Form F-1/A	333203435	10.3	05/11/2015
4.3**	Collaboration Agreement dated February 28, 2012 between the registrant and Abbot Hospitals Limited, as amended	Form F-1/A	333203435	10.4	05/05/2015
4.4**	Collaboration Agreement dated September 23, 2013 between the registrant and AbbVie S.à.r.l.	Form F-1/A	333203435	10.5	05/05/2015
4.5†	Employment and Management Agreements between Onno van de Stolpe and the registrant and its affiliates (English translation)	Form F-1	333203435	10.6	04/15/2015
4.6##	Sale & Purchase Agreement dated March 13, 2014 between the registrant and Charles River Laboratories Holding Limited, as amended	Form F-1	333203435	10.7	04/15/2015
4.7†	Warrant Plan 2015 (B) (English translation)	Form S-8	333208697	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	00137384	10.1	01/19/2016
4.9**	Amended and Restated Collaboration Agreement dated April 28, 2016 by and between the registrant and AbbVie S.à.r.l.	Form 6-K	00137384	10.1	06/01/2016
4.10†	Warrant Plan 2016 (English translation)	Form S-8	333211834	99.1	06/03/2016
4.11†	Warrant Plan 2016 (B) (English translation)	Form S-8	333215783	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)				
4.16#	Lease Addendum dated December 12, 2016 between the registrant and Intervest Offices & Warehouses NV (English translation)				
4.17#	Lease Addendum dated July 3, 2017 between the registrant and Intervest Offices & Warehouses NV (English translation)				
8.1#	List of subsidiaries of the registrant				

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date (mm/dd/yyyy)
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 BV o.v.v.e. CVBA				
101.INS#	XBRL Instance Document				
101.SCH#	XBRL Taxonomy Extension Schema Document				
101. CAL#	XBRL Taxonomy Extension Calculation Linkbase Document				
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 23, 2018

Free translation from Dutch
For information purposes only

Galápagos

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

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Coordination of the Articles of Association
per 20 March 2018

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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, notary public in Brussels, on 20 March 2018, 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 277,122,928.92. It is represented by 51,234,962 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, 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, the board of directors can increase the share capital of the Company in one or several times with an amount of up to €50,037,433.29, 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, 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.

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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Free translation for information purposes only

WARRANT PLAN 2017 RMV

ON SHARES

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 2017 RMV by resolution of 17 May 2017 (and by notarial deed of 17 May 2017).

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 unilateral termination by the Warrant Holder of his employment agreement with the Company or a Subsidiary for any other reason than the effective liquidation of a state pension, or

(ii) the termination by the relevant Company or Subsidiary of the employment agreement of a Warrant Holder for 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 2017 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 unilateral termination by 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 2017 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 127,500. These Warrants will be designated as "Warrants 2017 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.

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 Employment relationship

8.1 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.

8.2 Bad Leaver Situation

8.2.1 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.

8.2.2 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.

8.3 Change of employment

8.3.1 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.

8.3.2 If, however, at any time following such change as described in Section 8.3.1:

(i) the Warrant Holder unilaterally terminates his employment agreement or his mandate as a Director or his consultancy agreement with the Company or a Subsidiary 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.

8.4 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.

***

Addendum 14 to the Lease Agreement dated 6/30/99 and 2/21/2001, including addenda

Expansion of offices Mechelen Campus Tower – 2nd half of 9th Floor

Between:

(1) **Intervest Offices & Warehouses NV**, Regulated Real Estate Company (Gereglementeerde Vastgoedvennootschap, GVV), with registered office in 2600 Berchem (Antwerp), Uitbreidingstraat 66, registered in the Register of Legal Entities (Antwerp) under number 0458.623.918, represented in this by three Executive Committee members, i.e., (1) Jean-Paul Sols BVBA, CEO, represented here by its permanent representative, Mr. Jean-Paul Sols; (2) Ms. Inge Tas, CFO; and (3) Luc Feyaerts BVBA, COO, represented here by its permanent representative, Mr. Luc Feyaerts, further referred to as the "**Landlord**" and

(2) **Galapagos NV**, with registered office in 2800 Mechelen, Generaal de Wittelaan L11 A3, registered in the Register of Legal Entities (Antwerp, Mechelen department) under number 0466.460.429, represented here by Mr. Onno van de Stolpe, CEO, further referred to as the "**Tenant**",

Will first be outlined as follows:

(A) In the private Lease Agreement of 6/30/1999, followed by the notarial Lease Agreement of 2/21/2001, and Addenda 1 and 2, the Tenant has leased from the then owner, Innotech NV in Mechelen, 1,542 m² of office space, with 40 parking spaces, located in the Intercity Business Park in Mechelen-Noord, Generaal de Wittelaan L11 A3, lot 1, on the first floor, for a fixed period of 15 years, commencing on 6/1/2000, to end 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 Generaal 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 Generaal 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, Generaal De Wittelaan 21: 753 m² of laboratory space on the 2nd floor, plus ± 83 m² of the common entrance and hallways on the ground floor, plus 2 technical storage areas of ± 60 m² and +/- 760 m² of laboratory 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 the following in the building located in Mechelen, Generaal De Wittelaan 11A: 398 m² of office space, 156 m² of storage space and 20 outdoor parking spaces, commencing on 9/1/2013.

(M) In Addendum 13 of 4/28/2016, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² of office space on the 10th floor and 433 m² on the 9th floor, as well as 30 indoor and 10 outdoor parking spaces, commencing on 6/1/2016.

(N) To date, the Tenant is leasing 6,128 m² of office space, 116 m² of reception space, 526 m² of storage space, 111 outdoor parking spaces and 30 indoor parking spaces.

This having been outlined, it is agreed as follows:

1 Leased property

1.1 In extension of aforementioned leases, the Landlord presents the following spaces for lease to the Tenant, who accepts, in aforementioned building located in **Mechelen, Schaliënhoevedreef 20T:**

(a) ± **433 m² on the 9th floor** (connected to the section already leased on the same floor), as indicated on the attached plan (Appendix 1);

(b) **16 indoor parking spaces, numbered 336 through 344, 399 through 403 and 443 through 444**, as indicated on the attached plan (Appendix 2); and

(c) **5 outdoor parking spaces, numbered 773 through 777**, as indicated on the attached plan (Appendix 3), further referred to as the "**Leased Property**".

1.2 The leased areas are not guaranteed in terms of surface area of more or less, so representing an advantage or disadvantage for the Tenant.

1.3 The Leased Property will be leased in the condition in which it is found and which is known by the Tenant, provided, however, that the Landlord undertakes to carry out the adjustments described in Article 5. The Tenant declares to have viewed and inspected the Leased Property.

1.4 An initial inventory has already been created at joint expense by the expert agency, Thomas Collin. The expert agency fees were borne by the Landlord and the Tenant, each for half.

2 Duration

2.1 The present Addendum 13 shall enter into force on **January 1, 2017,** to end on **May 31, 2024**, like the other aforementioned Contracts plus Addenda.

2.2 Notwithstanding the foregoing:

2.2.1 the Landlord will grant the Tenant access to the Leased Property between the date of signing this Addendum by both parties (the "**Signature Date**"), in order to allow the Tenant to prepare the Leased Property for use before the effective date of this Addendum; and

2.2.2 the current Article 2 and Article 5 enter into force as of the Signature Date.

2.3 The Tenant shall have the right to terminate the lease by 5/31/2020, provided that a notice is sent by registered mail at least six months in advance.

3 Lease price

3.1 The lease price amounts to:

(a) for the offices: €145/m² per annum, which is €62,785 per annum;

(b) for the indoor parking spaces: €875/parking space per annum, which is €14,000 per annum;

(c) for the outdoor parking spaces: €450/parking space per annum, which is €2,250 per annum; which is, in total, **€79,035 per annum** or €19,758.75 per quarter

3.2 The annual indexation of this lease price will take place on January 1 of each year (and for the first time on January 1, 2018), with the base index of December 2016.

4 Bank guarantee

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 €39,517.50.

5 Adjustments

The Landlord undertakes to carry out the following work at its own expense within the shortest possible reasonable time after the signing of this Agreement, and no later than January 1, 2017:

(a) painting fixed walls where necessary, repairing small damages and thorough cleaning of floors and floor coverings (insofar as this has not yet occurred);

(b) replacing the number of floor plates without openings, desired by the Tenant, with floor plates with openings and vice versa.

6 Commercial Compensation

6.1 For the commercial title, the Landlord allocates to the Tenant the following compensation: a budget valued at **€52,000** (including VAT), to be used freely by the Tenant; this budget will be transferred via credit notes on the first lease invoices.

6.2 In the event that the Tenant would effectively make use of his termination option by 5/31/2020, he will have to pay back to the Landlord an amount of €22,167, within the month after the start of the termination.

7 Preferential right to 8th floor

The Landlord hereby allocates to the Tenant a preferential right to the 8th floor of aforementioned building located in Mechelen, Schaliënhoevedreef 20T (hereinafter the "**8th Floor**"). This means that when the Landlord has a candidate tenant for the 8th Floor or a part of it, the Landlord will give priority to the Tenant to lease the 8th Floor at the same terms and conditions. For this purpose:

(a) the Landlord will inform the Tenant via registered letter of the terms and conditions against which a candidate tenant is prepared to lease the 8th Floor (or a part of it);

(b) the Tenant will have an option for thirty (30) days, to be calculated starting from the receipt of the aforementioned registered letter (the "**Option Period**"), in order to lease the relevant space at the same terms and conditions (hereinafter the "**Option**");

(c) the Tenant will be able to exercise the Option by informing the Landlord within the Option Period of the intention to lease the 8th floor (or the relevant part of it) at the proposed terms and conditions;

(d) if the Tenant exercises the Option in accordance with paragraph (c) above, parties will consult in good faith to contractually establish the lease of the additional space;

(e) if the Tenant has not exercised the Option within the Option Period, the Landlord is permitted to lease the relevant space to the candidate tenant.

8 Exchange of indoor parking spaces

Parties agree to exchange indoor parking space no. 464, leased in Addendum 13, with indoor parking space no. 404, as indicated on the attached plan (Appendix 2)

9 General Provision

9.1 For the rest, all the provisions of the aforementioned Lease Agreements of 06/30/1999 and 2/21/2001 and all Addenda will remain fully in force and will also apply to the current Agreement, insofar as these have not been deviated from in the current Addendum.

9.2 The Landlord will have this Addendum registered, where the registration fees are at the Tenant's expense.

9.3 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, the joint charges that are imposed based on this Addendum are estimated at 5% of the additional lease fee.

[Signature page follows]

Thus drawn up in triplicate on December 12, 2016, whereby each party acknowledges having received his copy, with one copy intended for registration.

The Landlord
Intervest Offices & Warehouses NV:

/s/ Jean-Paul Sols

Jean-Paul Sols BVBA
CEO
represented by Mr. Jean-Paul Sols
permanent representative

/s/ Inge Tas

Ms. Inge Tas
CFO

/s/ Luc Feyaerts

Luc Feyaerts BVBA
COO
represented by Mr. Luc Feyaerts
permanent representative

The Tenant
Galapagos NV:

/s/ Onno van de Stolpe

Mr. Onno van de Stolpe
CEO

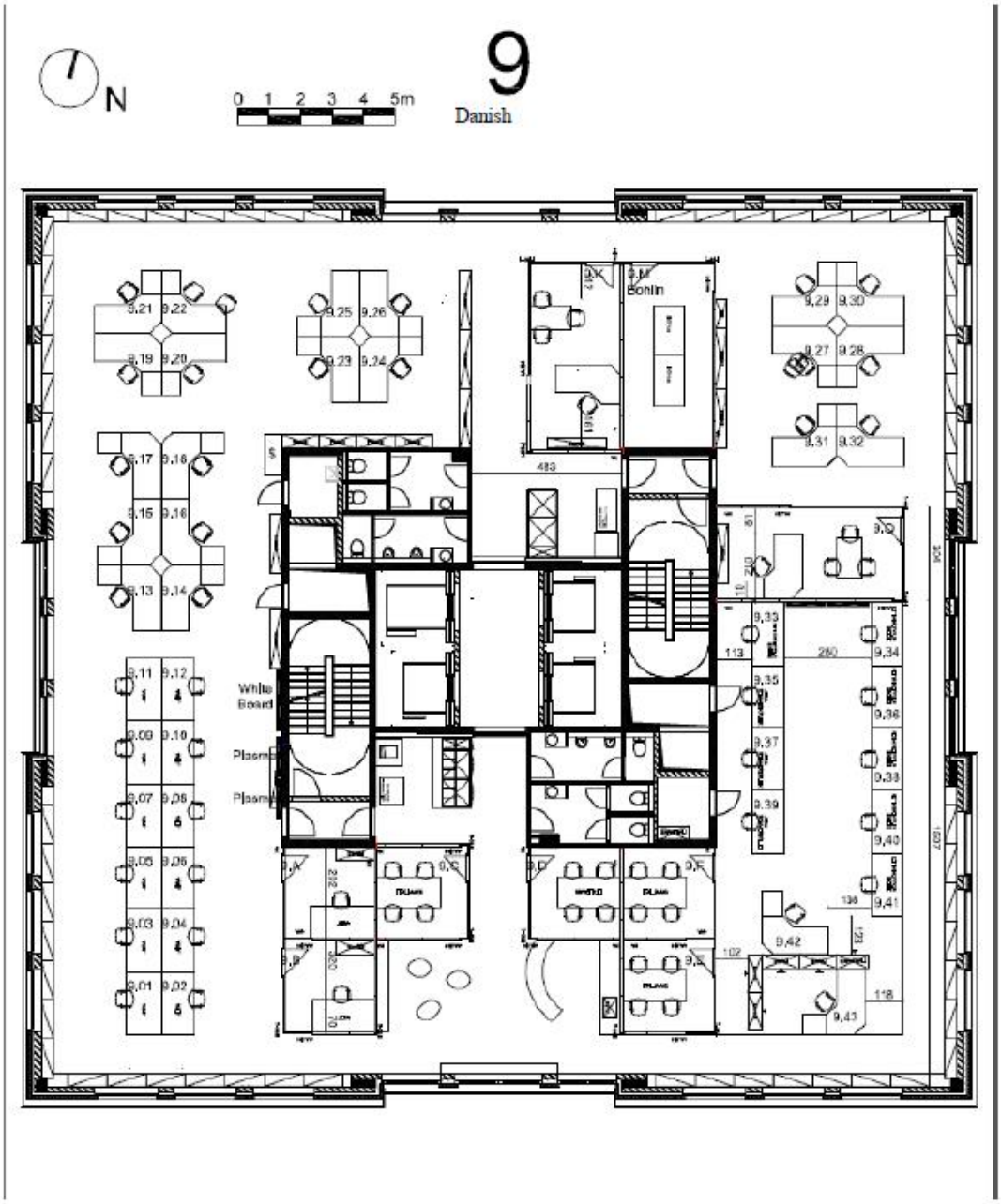
Appendices:

1. Plan of leased property

2. Plan of indoor parking spaces

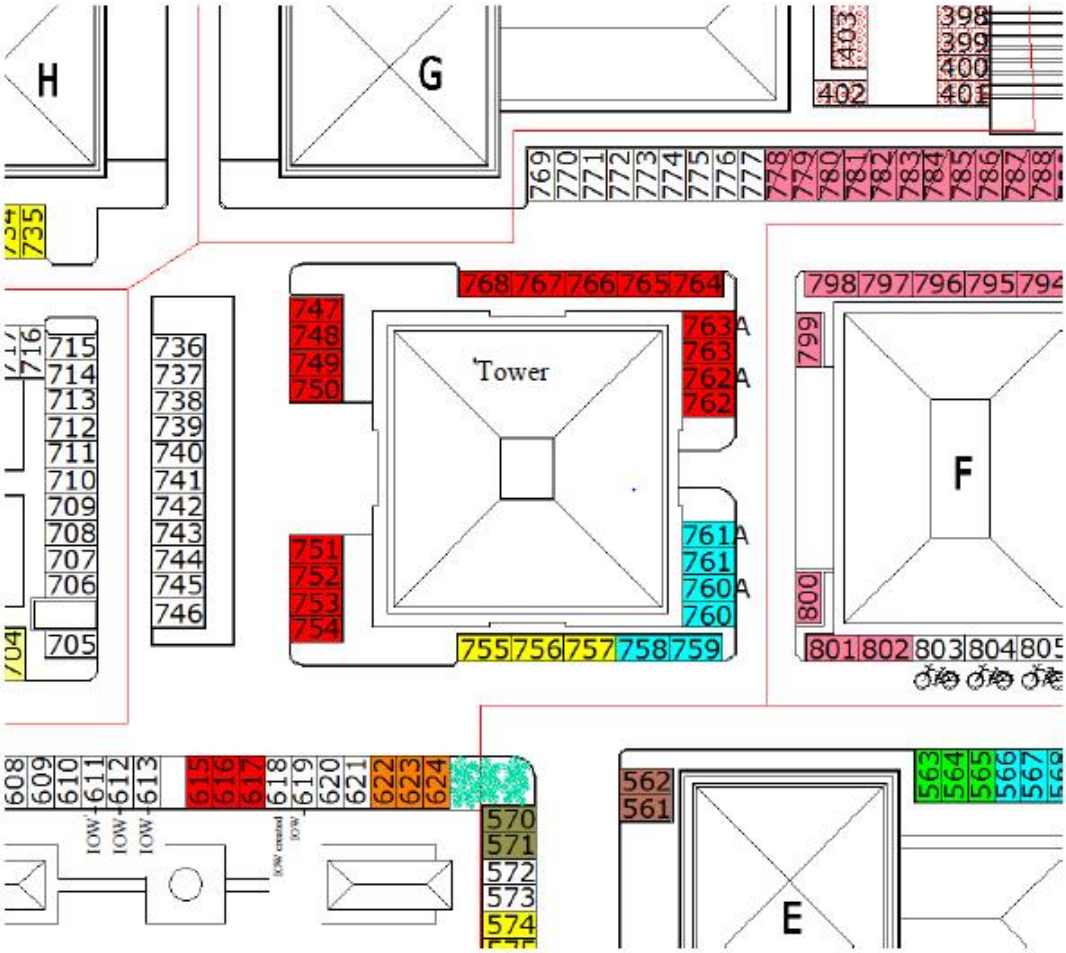
3. Plan of outdoor parking spaces

Appendix 1: Plan of the Leased Property



Appendix 2: Plan of indoor parking spaces

Appendix 3: Plan of outdoor parking spaces



Addendum 15 to the
Lease Agreement dated 6/30/99 and 2/21/2001, including addenda

Expansion of offices Mechelen Campus Tower – 8th Floor

Between:

(1) **Intervest Offices & Warehouses NV**, Regulated Real Estate Company (Gereglementeerde Vastgoedvennootschap, GVV), with registered office in 2600 Berchem (Antwerp), Uitbreidingstraat 66, registered in the Register of Legal Entities (Antwerp) under number 0458.623.918, represented in this by two Executive Committee members, i.e., (1) Jean-Paul Sols BVBA, CEO, represented here by its permanent representative, Mr. Jean-Paul Sols; (2) Ms. Inge Tas, CFO, further referred to as the "**Landlord**" and

(2) **Galapagos NV**, with registered office in 2800 Mechelen, Generaal de Wittelaan L11 A3, registered in the Register of Legal Entities (Antwerp, Mechelen department) under number 0466.460.429, represented here by Mr. Onno van de Stolpe, CEO and Mr. Bart Filius, CFO,

further referred to as the "**Tenant**",

Will first be outlined as follows:

(A) In the private Lease Agreement of 6/30/1999, followed by the notarial Lease Agreement of 2/21/2001, and Addenda 1 and 2, the Tenant has leased from the then owner, Innotech NV in Mechelen, 1,542 m² of office space, with 40 parking spaces, located in the Intercity Business Park in Mechelen-Noord, Generaal de Wittelaan L11 A3, lot 1, on the first floor, for a fixed period of 15 years, commencing on 6/1/2000, to end 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 Generaal 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 Generaal 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 leased an additional 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, Generaal De Wittelaan 21: 753 m² of laboratory space on the 2nd floor, plus ± 83 m² of the common entrance and hallways on the ground floor, plus 2 technical storage areas of ± 60 m² and +/- 760 m² of laboratory 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 the following in the building located in Mechelen, Generaal De Wittelaan 11A: 398 m² of office space, 156 m² of storage space and 20 outdoor parking spaces, commencing on 9/1/2013.

(M) In Addendum 13 of 4/28/2016, the Tenant additionally leased the following in the building located in Mechelen, Schaliënhoevedreef 20T: 866 m² of office space on the 10th floor and 433 m² on the 9th floor, as well as 30 indoor and 10 outdoor parking spaces, commencing on 6/1/2016.

(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, commencing on 1/1/2017.

(O) To date, the Tenant is leasing 6,561 m² of office space, 116 m² of reception space, 526 m² of storage space, 46 indoor and 116 outdoor parking spaces.

This having been outlined, it is agreed as follows:

1 Leased property

1.1 In extension of aforementioned leases, the Landlord presents the following spaces for lease to the Tenant, who accepts, in aforementioned building located in **Mechelen, Schaliënhoevedreef 20T:**

(a) ± **866 m² on the 8th floor**, consisting of a first section of approximately 433 m² on the east side of the building and a second section of approximately 433 m² on the west side of the building, as indicated on attached plan (Appendix 1);

(b) **30 indoor parking spaces, numbered 319 through 335, 367 through 376, and 377 through 379** consisting of a first section of 15 indoor parking spaces, numbered 319 through 332, and 376, and a second section of 15 indoor parking spaces, numbered 333 through 335, 367 through 375, and 377 through 379, as indicated on attached plan (Appendix 2); and

(c) **10 outdoor parking spaces, numbered 706 through 715,** consisting of a first section of 5 outdoor parking spaces, numbered 706 through 710, and a second section of 5 outdoor parking spaces, numbered 711 through 715, as indicated on attached plan (Appendix 3),

further referred to as the "**Leased Property**".

1.2 The leased areas are not guaranteed in terms of surface area of more or less, so representing an advantage or disadvantage for the Tenant.

1.3 The Leased Property will be leased in the condition in which it is found and which is known by the Tenant, provided, however, that the Landlord undertakes to carry out the adjustments described in Article 5. The Tenant declares to have viewed and inspected the Leased Property.

1.4 An initial inventory will be made upon joint expense by expert agency, Thomas Collin, after completion of the work by the Landlord specified in Article 5. The expert agency fees will be borne by the Landlord and the Tenant, each for half.

2 Duration

2.1 This Addendum 15 takes effect as follows:

2.1.1 with regard to half of the floor on the east side, as indicated on attached plan (Appendix 1), and the first part of 50%, as stated under Article 1.1, of the parking spaces: on **June 1, 2017** to be terminated on **May 31, 2024**, like the other aforementioned contracts plus Addenda; and

2.1.2 with regard to the other half of the floor on the west side, as indicated on attached plan (Appendix 1), and the second part of the parking spaces, as specified under Article 1.1: as of the date that is the earliest of (i) a date specified by the Tenant, of which the Tenant will inform the Landlord by means of a registered letter directed to the Landlord, and (ii) February 1, 2018, also to end on **May 31, 2024**.

2.2 Notwithstanding the foregoing:

2.2.1 the Landlord will grant the Tenant access to the Leased Property as of June 1, 2017, in order to allow the Tenant to prepare the Leased Property for use before the effective date of this Addendum; and

2.2.2 the current Article 2 and Article 5 enter into force as of June 1, 2017.

2.3 The Tenant shall have the right to terminate the lease by 5/31/2020, provided that a notice is sent by registered mail at least six months in advance.

3 Lease price

3.1 The annual lease price amounts in total (**pro rata temporis to be calculated in accordance with the effective leasing**, so that the amounts below will be halved for the period before the effective date for the second part of the Leased Property specified in Article 2.1.2):

(a) for the offices: €145/m² per annum, which is €125,570 per annum;

(b) for the indoor parking spaces: €875/parking space per annum, which is €26,250 per annum;

(c) for the outdoor parking spaces: €450/parking space per annum, which is €4,500 per annum;

Being in total **€156,320 per annum** or €39,080 per quarter

3.2 The annual indexation of this lease price will take place on June 1 of each year (and for the first time on June 1, 2018), with the base index of May 2017.

4 Bank guarantee

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 fees or **€78,160.**

5 Adjustments

The Landlord undertakes to carry out the following work at its own expense no later than June 1, 2017:

(a) painting fixed walls where necessary, repairing small damages and thorough cleaning of floors and installment of new floor covering on the outside

(b) reinstallation of walls and doors removed (in previous lease), as indicated in red on aforementioned attached plan

6 Commercial Compensation

6.1 For the commercial title, the Landlord allocates to the Tenant the following compensation: a budget valued at **€91,000** (including VAT), to be used freely by the Tenant; this budget will be transferred via credit notes on the first lease invoices, for the first half (€45,500) to be charged as of June 1, 2017, and for the second half, as of the lease of the second half of the 8th floor and corresponding parking spaces.

6.2 In the event that the Tenant would effectively make use of his termination option by 5/31/2020, he will have to pay back to the Landlord an amount of €38,792, within the month after the start of the termination notice period.

7 Preferential right to 5th, 6th and 7th floors

The Landlord hereby grants the Tenant a preferential right to the 5th, 6th and 7th floors of aforementioned building located in Mechelen, Schaliënhoevedreef 20T (hereinafter the "**Floors**"). This means that when the Landlord has a candidate tenant for the Floors or a part of them, the Landlord will give priority to the Tenant to lease the Floors at the same terms and conditions. For this purpose:

(a) the Landlord will inform the Tenant via registered letter of the terms and conditions against which a candidate tenant is prepared to lease the Floors (or a part of them);

(b) the Tenant will have an option for thirty (30) days, to be calculated starting from the receipt of the aforementioned registered letter (the "**Option Period**"), in order to lease the relevant space at the same terms and conditions (hereinafter the "**Option**");

(c) the Tenant will be able to exercise the Option by informing the Landlord within the Option Period of the intention to lease the Floors (or the relevant part of them) at the proposed terms and conditions;

(d) if the Tenant exercises the Option in accordance with paragraph (c) above, parties will consult in good faith to contractually establish the lease of the additional space;

(e) if the Tenant has not exercised the Option within the Option Period, the Landlord is permitted to lease the relevant space to the candidate tenant.

8 Exchange of indoor parking spaces and reduction of indoor parking space lease price

Parties agree to exchange indoor parking space no. 399, leased in Addendum 14, to be exchanged with the indoor parking space no. 509, as indicated on attached plan (Appendix 2) and to reduce the lease price of the indoor parking space no. 403 to €450/year, as of the start of the lease.

9 General Provision

9.1 For the rest, all the provisions of the aforementioned Lease Agreements of 06/30/1999 and 2/21/2001 and all Addenda will remain fully in force and will also apply to the current Agreement, insofar as these have not been deviated from in the current Addendum.

9.2 The Landlord will have this Addendum registered, where the registration fees are at the Tenant's expense.

9.3 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, the joint charges that are imposed based on this Addendum are estimated at 5% of the additional lease price.

[*Signature page follows]*

Thus drawn up in triplicate on July 3, 2017, whereby each party acknowledges having received its copy, with one copy intended for the registration.

The Landlord
Intervest Offices & Warehouses NV:

/s/ Jean-Paul Sols	/s/ Inge Tas
Jean-Paul Sols BVBA CEO represented by Mr. Jean-Paul Sols permanent representative	Ms. Inge Tas CFO

The Tenant
Galapagos NV:

/s/ Onno van de Stolpe	/s/ Bart Filius
Mr. Onno van de Stolpe CEO	Mr. Bart Filius CFO

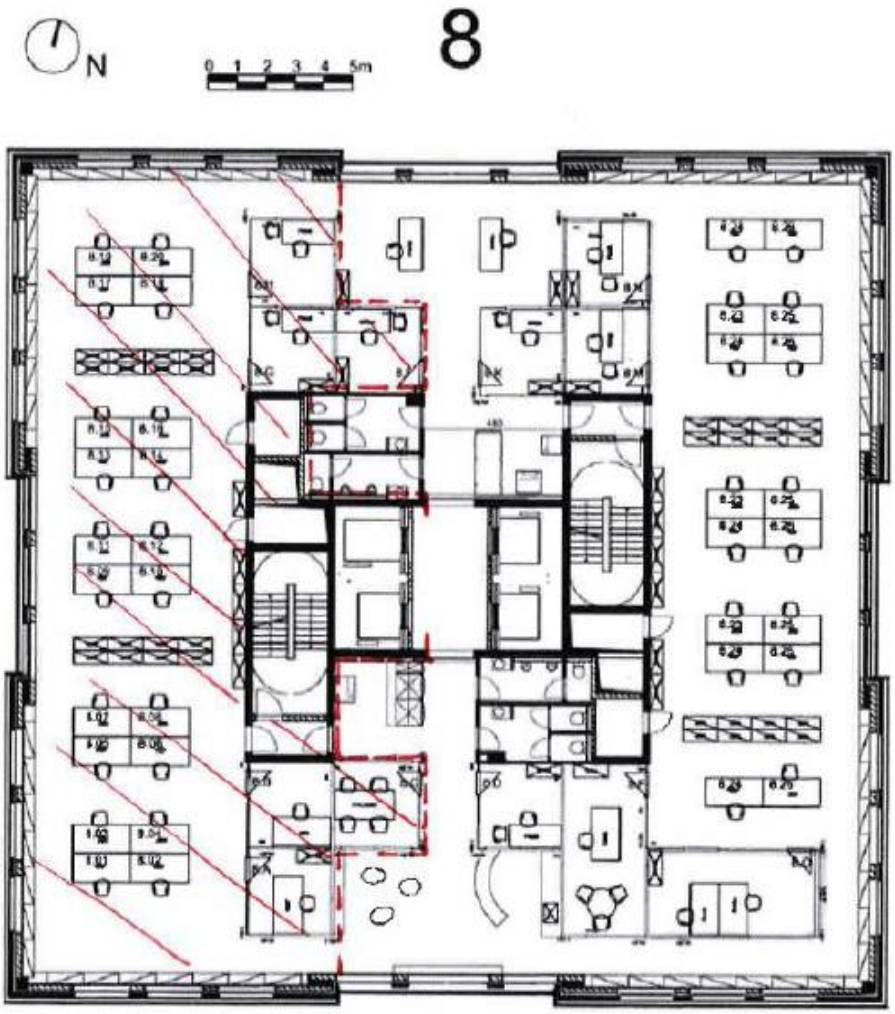
Appendices:

1. Plan of leased property

2. Plan of indoor parking spaces

3. Plan of outdoor parking spaces

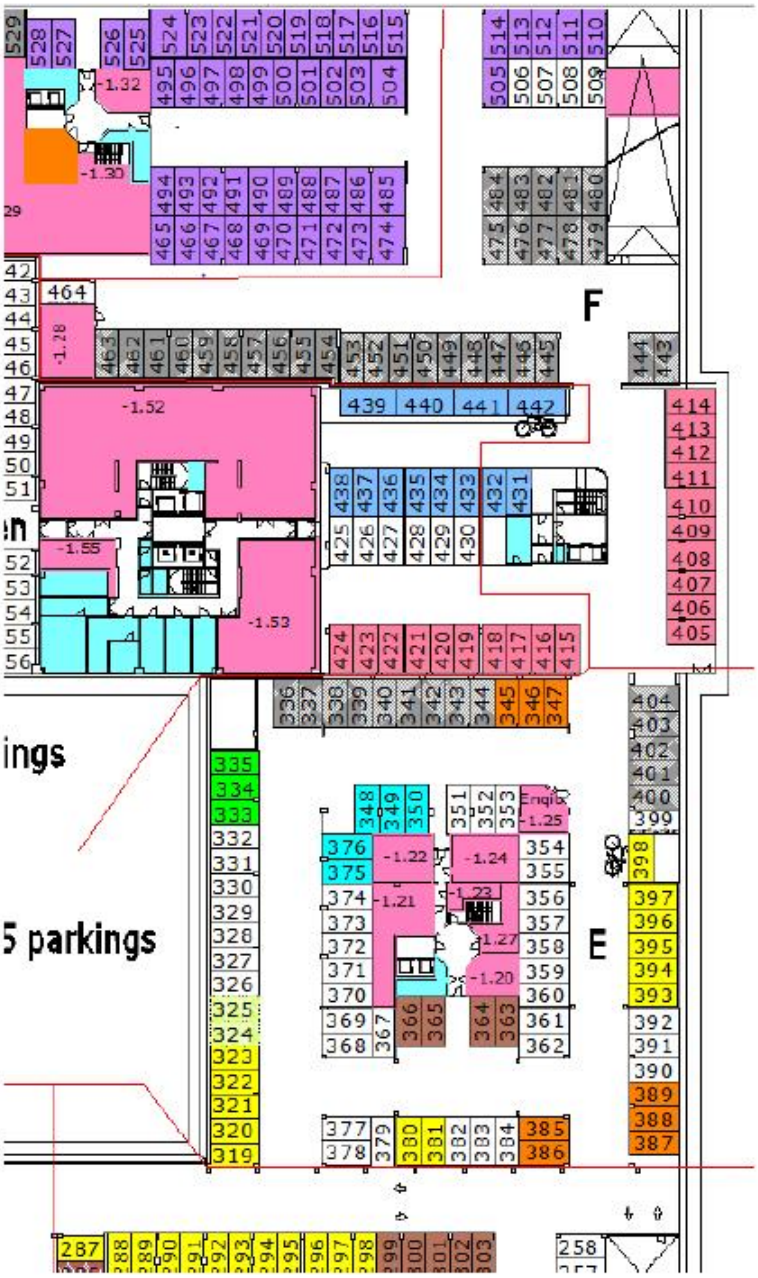
Appendix 1: Plan of the Leased Property



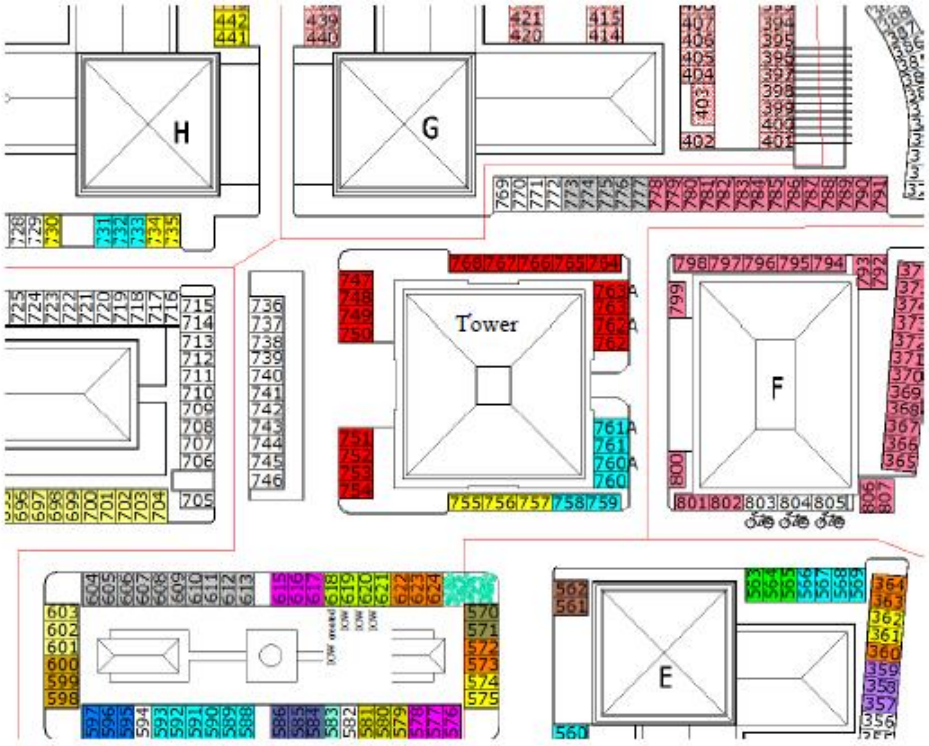
Legend:

- White part: east side, section 1
- Red shaded part: west side, section 2

Appendix 2: Plan of indoor parking spaces



Appendix 3: Plan of outdoor parking spaces



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

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 23, 2018

/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 23, 2018

/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, 2017 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 23, 2018

/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, 2017 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 23, 2018

/s/ Bart Filius
Name: Bart Filius
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-208697, 333-204567, 333-211834, 333-215783, and 333-218160) and Form F-3 (No. 333-211765) of Galapagos NV (the "Company") of our reports dated March 22, 2018, relating to the consolidated financial statements of the Company and its subsidiaries and the effectiveness of internal control over financial reporting of the Company, appearing in the annual report on Form 20-F of the Company for the year ended December 31, 2017.

Zaventem, March 22, 2018

/s/ Gert Vanhees

DELOITTE Bedrijfsrevisoren/Reviseurs d'Entreprises
BV o.v.v.e. CVBA/SC s.f.d. SCRL
Represented by Gert Vanhees