



Vereniging van Effectenbezitters

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Galapagos N.V.  
Attn. the board of directors

**Email only: [investor\\_relations@acomo.nl](mailto:investor_relations@acomo.nl)**

The Hague, 24 April 2020

Re: VEB questions Galapagos GM 2020

Dear board,

The VEB attaches great importance to an open dialogue between shareholders and the company. The coming season of shareholder meetings promised to give a qualitative boost to such dialogue due to new laws and regulations concerning shareholder engagement, corporate transparency and accountability.

The current COVID-19 pandemic has led to a radical change in circumstances. Under the present conditions, the usual in-person dialogue will not be possible.

However, the VEB relies upon the meeting still permitting virtual interaction with audio and video between shareholders and representatives of the company.

We present a number of questions below which we look forward to seeing answered in depth at the upcoming shareholders' meeting. We would appreciate receiving copies of these responses in writing as well. Furthermore, we assume that the questions and their associated answers will also be recorded in the minutes.

The VEB is highly aware of the extent of your current challenges.

For this reason and at your express request, we are providing you with our questions for the shareholders' meeting in advance. The lengthiness of VEB's list of questions reflects the fact that the meeting you have convened will not allow for dialogue. We thank you for your understanding.



First, the VEB wishes to draw your attention to a number of issues that can contribute to the company and its stakeholders' weathering of the current crisis as effectively as possible. Please find these points for attention enclosed separately as "General points for attention in times of crisis".

### **VEB Questions for General Meeting of Shareholders**

1. In addition to the need to protect staff through home working and distancing in laboratories, the coronavirus also affects Galapagos in other ways;
  - a. How much time will be required to restart suspended trials such as those for Filgotinib, Manta, Diversity and Fibrosis?
  - b. What conditions must be met to reduce virus-associated risks before trials can be resumed?
  - c. Will research continuity come under threat after too long a delay?
2. The authorities in America, Europe and Japan have been asked to approve Filgotinib as medication for Rheumatoid Arthritis.
  - a. Can the pandemic lead to delays in the approval process?
  - b. If approval cannot be obtained by autumn 2020, how does this affect Galapagos' costs and revenues?
  - c. Will the commercial sales organisation operate at full capacity in the second half of 2020?
  - d. Do you risk losing momentum to the competition if the approval is not granted in time?
3. Galapagos is dependent on a reliable supply of raw materials and materials by external suppliers in order for research and development to progress unimpeded.

Have these deliveries continued to proceed without interruptions despite the lockdown measures in various countries?



4. In October 2019, Novartis, MorphoSys and Galapagos announced a halt of the clinical development program with MOR106 in atopic dermatitis due to lack of efficacy.
  - a. Is it correct that development costs in R&D are expensed immediately? Is it correct that intangible assets do not appear on the balance sheet?
  - b. It is not clear to us whether monitoring of ongoing development costs through the years is sufficient to permit determining the costs or value destruction at discontinuation
  - c. How much value was destroyed due to the MOR106 discontinuation?
5. An uninterrupted IT infrastructure is essential to Galapagos' strategy and business operations. Galapagos ensures this through various measures such as firewalls, data repair, virus scanners and on-site security.
  - a. How often does Galapagos test these security measures in practice?
  - b. As far as we can see, the auditor's report does not list a specific audit activity or value judgement relating to this issue; can he provide an explanation?
6. Galapagos has started a collaboration with the Polish lab RYVU, affiliating itself with this company. Both companies search for new drugs relating to oncology, leukaemia and kinase.
  - a. Can you indicate the extent of the affiliation?
  - b. What form will the collaboration take?
  - c. How does this relate to your own trials in this area?

**Remuneration and Extraordinary Shareholders' Meeting agenda items 12 and 4**

7. Galapagos is introducing a dual system with two administrative bodies, the Supervisory Board and the management board.
  - a. The remuneration policy submitted for non-executive directors will apply to the Supervisory board (page 115). Every non-executive director receives an amount in cash equal to the annual fee, which must be used to purchase Galapagos shares on the regular market.

The VEB attaches great importance to the independence of such a Supervisory Board. Don't you feel that ownership of company shares compromises the Supervisory Board's independence?



- b. Who will make up the membership of the Supervisory Board?
- c. The criteria used to determine the remuneration of the management board focus on the progress of research and clinical trials, cash position, corporate and commercial development. Please address the last two objectives in particular in more detail.
- d. Why are there no agreed targets relating to the shareholder value?

#### **Annual accounts**

- 8. After the transaction with Gilead, Galapagos is in a very strong position financially. With an annual cash burn of 400 to 500 million, Galapagos can move forward. These funds are invested partly in U.S. dollars.
  - a. As far as we can determine, you have not hedged for this currency risk. Can you explain the reasoning behind this strategy?
  - b. To what extent can you use these very strong cash reserves to expand; is the availability of new staff sufficient, is the also scalable in the research?
- 9. The auditor's remuneration for non-audit services was EUR 148.2 thousand for legal tasks and 46.6 for IT services, respectively.

The audit committee and the Board of Directors indicate that these services by the auditor do not affect [his independence].

- a. How must we understand this?
- b. How is the auditor prevented from investigating his own recommendations?

We wish you much strength during this period and look forward to a fruitful dialogue.

Best regards,

Vereniging van Effectenbezitters