

GALAPAGOS

Limited liability company
Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium
Company number: 0466.460.429
RLE Antwerp, division Mechelen
(the "**Company**" or "**Galapagos**")

Answers to written questions

On 11 April 2023, the Company received the following written questions from Vereniging van Effectenbezitters with reference to Galapagos' Annual Shareholders' Meeting to be held on 25 April 2023. In accordance with article 7:139 of the Belgian Code of Companies and Associations, Galapagos hereby responds to the questions related to the items on the agenda of this shareholders' meeting, in each case taking into account the interests of the Company and the confidentiality commitments undertaken by the Company.

In the answers below, "Dr. Paul Stoffels" should be read as "Dr. Paul Stoffels, acting through Stoffels IMC BV".

1 The letter from the CEO and Chairman (pages 4-6 annual report) proudly looks back on 2022 and forward to the future with optimism. At the same time, this contrasts sharply with Galapagos' share price performance. Does Galapagos need to better explain the business case to the market, or is the letter far too positive or even misleading?

Galapagos took important steps in its transformation process in 2022. For example, the pipeline was rationalized and a number of programs were discontinued as a result of that. In June 2022, two business development deals in oncology (CAR-T) were closed that can further support Galapagos' transformation as a company with focus on two therapeutic areas, immunology and oncology. Commercially, Jyseleca® also performed above our expectations. However, it is not uncommon for transformations to take some time to pay off, and it is true that this has not yet translated into positive share price performance in 2022. As a company, we take a lot of time and effort to explain our business case to the market, including through quarterly reporting, the annual report, webcasts, conferences and investor meetings, and we are equally transparent about less positive events, such as, for example, the recent outcome of the DIVERSITY study with filgotinib for Crohn's disease. Therefore, we do not think the letter was too positive or optimistic, nor misleading, as we are confident that we have taken and will continue to take the right steps for a sustainable future for Galapagos, for all our stakeholders, including investors.

2 Especially in a very crowded, risky and competitive sector like biotech and pharma, it is essential for a company to be aware of its (positively) differentiating factors and make maximum use of them. That could be a well-stocked pipeline, unique technology/know-how and/or a rock-solid balance sheet. How does Galapagos assess itself on these three factors and to what extent will it make that pay off?

1. Galapagos has a solid pipeline, with programs at various stages of research, from preclinical to phase 4. However, it is clear that further strengthening is needed after having stopped a number of programs, including a few late-stage programs that unfortunately did not deliver the intended results. We plan to replenish and strengthen the pipeline through both internal and external (business development) innovation.
2. Galapagos has unique technology and know-how in its two therapeutic areas, immunology and oncology. We have built a broad expertise over the years in immunology, where we have several programs ongoing and have brought a first product to market, Jyseleca[®]. In oncology, through the acquisitions of CellPoint and AboundBio, we have brought into the company a unique point-of-care manufacturing platform for CAR-T, a CAR-T oncology portfolio in clinical phase and research capabilities for novel, differentiated CAR-T constructs. This could potentially lead to important new products in the future.

We believe that with our renewed focus on bringing transformative medicines to more patients faster, we are well positioned to create significant long-term value for our shareholders.

3. Financially, we ended 2022 with a strong balance sheet of €4.1 billion in cash and short-term financial investments. This provides us with the necessary resources to seek additional external innovation to accelerate our R&D portfolio while continuing our internal programs. We also set a reduction in our cash burn compared to 2022 in our guidance for 2023. Cash burn for 2022 came in at €514 million, and our guidance for 2023 is €380-420 million.

3 Normally, company[/ies] try to achieve growth in areas where they are already strong or that are at least adjoining. However, Galapagos has chosen oncology, which is not only a very crowded segment, but more importantly is new territory for Galapagos.

a. Why hasn't Galapagos stayed closer to its core competencies?

After the Complete Response Letter for Jyseleca[®] in the U.S. and having stopped a number of late-stage programs due to results that unfortunately did not show the intended results, it was clear that a transformation was needed to put the company on the right path for the future, strengthening and complementing the pipeline with programs where the time-to-market is shorter than in immunology, fibrosis and (to a lesser extent) kidney disease. We maintain our focus on immunology but have decided not to move forward in fibrosis and kidney disease given the high-risk profile and long development timelines. Under the leadership of our new CEO, Dr. Paul Stoffels, oncology has been added as a core competency. Oncology offers the potential to develop transformational best-in-disease validated targets with shorter time-to-patient potential. Dr. Paul Stoffels has extensive experience in this area of research as former Chief Scientific Officer of J&J, where specifically he saw the large unmet medical need and lack of patient access for CAR-T therapy.

b. How does the Board of Directors ensure that Galapagos does not take irresponsible risks in this regard and start speculating with a relatively generous cash position?

The role of the Board of Directors is to strive for sustainable value creation by Galapagos, through setting its strategy, establishing effective, responsible and ethical leadership and overseeing the Company's performance. The Board does this by assuming the powers and responsibilities granted to it by Belgian company law, the articles of association and the Corporate Governance Charter, and by combining entrepreneurial leadership with appropriate risk assessment and management. The expertise and experience of each of the directors is reflected in the variety of activities they perform and positions they hold.

The Board of Directors today consists of a majority of independent members. In addition and as a counterbalance to the combined role of CEO and Chairman within the Board, the Board has also appointed a Lead Non-Executive Director. The Lead Non-Executive Director is automatically Vice-Chairman of the Board of Directors. The Lead Non-Executive Director is entrusted with the responsibilities and powers set forth in the Corporate Governance Charter, including, but not limited to, acting as principal liaison between the Non-Executive Directors and the Chairman of the Board. Mr. Jérôme Contamine was appointed Lead Non-Executive Director, effective as of 21 March 2023.

The Board believes it therefore has the appropriate expertise and clout to prevent speculation and irresponsible risk-taking.

4 A treasury of roughly 4 billion sounds like a lot, but it offers few opportunities for acquisitions of advanced richly filled pipelines in the sector, especially in competition with big players like Pfizer and Merck.

a. How does Galapagos avoid spending billions on a dozen potential drugs in Phase I or even still in preclinical stages?

Following thorough due diligence on opportunities, we hope to bring in a number of programs, be it through M&A or in-licensing. However, our intention is not to spend billions on early-stage programs. Nor do we want to compete with the 'big pharma' of this world, but rather put our considerable cash position to work in a smart and rational way. Our business development efforts are co-overseen by the Board of Directors. As a company, we also want to maintain focus, and not develop too many different programs early on in parallel.

b. Should Galapagos still choose that route, how will it ensure that it gets the funding in place to actually bring that future pipeline to maturity and actually generate sales from it?

The Board of Directors refers to the answer above, and emphasizes that in principle this is not an issue. In any case, the Board of Directors will thoroughly review and assess each opportunity according to Galapagos' interest.

5 The Board of Directors oversees the Executive Committee. In terms of governance, is it not problematic that Dr. Paul Stoffels sits on both bodies? Isn't it a fundamental flaw that Dr. Paul Stoffels even chairs both bodies?

Given the circumstances, the Board of Directors was (and is) of the opinion that the chosen governance model and the combined role for Dr. Paul Stoffels as CEO and Chairman of the Board of Directors, would enable Galapagos to make the best use of Dr. Paul Stoffels' leadership, and to efficiently set and execute its direction and strategy (including in the area of business development). Furthermore, the Board of Directors believes that such combined role has a positive impact on its operation and efficiency, as well as on the provision of information to the Board of Directors, and which also has enabled the Board of Directors to monitor Galapagos' (and the entire group's) performance more effectively during the past financial year.

The Lead Non-Executive Director acts as a counterweight to the combined role of CEO and Chairman within the Board. The Lead Non-Executive Director is automatically Vice-Chairman of the Board of Directors. The Lead Non-Executive Director is entrusted with the responsibilities and powers set forth in the Corporate Governance Charter, including, but not limited to, acting as the principal liaison between the Non-Executive Directors and the Chairman of the Board.

Finally, we emphasize that the Board of Directors consists of a majority of independent members (five independent directors out of a total of nine directors).

6 How does Board Chairman Dr. Paul Stoffels rate the first year of CEO and Chairman of the Executive Committee Dr. Paul Stoffels?

The Chairman has received the confidence of the Board of Directors to lead Galapagos and take it in a new direction. The full Board of Directors supervises the Executive Committee, and reviews the performance of the Executive Committee, including its Chairman, the CEO, who is responsible and accountable to the Board of Directors for the discharge of its responsibilities, as is the case with the other Executive Committee members.

7 In terms of governance, is it not problematic that Dr. Paul Stoffels is also a member of the Remuneration Committee? How does Galapagos ensure that any conflicts of interest are avoided?

Dr. Paul Stoffels is not a member of Galapagos' Remuneration Committee. The composition of the Remuneration Committee complies with the legal requirement that it consist exclusively of non-executive directors. Specifically, the Remuneration Committee is chaired by Dr. Elisabeth Svanberg, and further members are Jérôme Contamine and Dan Baker. All are non-executive and independent directors. However, the Corporate Governance Charter provides that the CEO may participate in the Remuneration Committee meetings in case the compensation of any members of the Executive Committee (other than the CEO) is discussed.

The Lead Non-Executive Director has a role in avoiding and managing conflicts of interest on the part of members of the Board of Directors. Furthermore, the Corporate Governance Charter contains guidelines for avoiding and dealing with conflicts of interest when they arise. These guidelines are in line with legal requirements and are even more stringent.

Finally, we emphasize that the Board of Directors consists of a majority of independent members (five independent directors out of a total of nine directors).

8 Rajesh Parekh served as Chairman of the Board no less than between 2004 and 2022, and after one year as Lead Non-Executive Director is "just" a non-executive member. What considerations did Galapagos have for extending his term even further?

Galapagos' Annual Shareholders' Meeting of 28 April 2021 re-appointed Mr. Rajesh Parekh as a member of the Board of Directors (then Supervisory Board) for a four-year term, ending immediately after the Annual Shareholders' Meeting to be held in 2025. His Board mandate was not renewed; it is ongoing. Furthermore, he stepped down as Chairman and member of the Remuneration Committee and Nomination Committee. To date, he still is a non-executive director pursuant to the relevant resolution of the Annual Shareholders' Meeting in 2021.

9 Galapagos deliberately chose the current governance structure and will have considered the inherent risks. In doing so, what risks were recognized by Galapagos and how were they mitigated?

Following the introduction of the monistic governance model, the Board of Directors created the position of a Lead Non-Executive Director, if and as long as the CEO serves as the Chairman. The Lead Non-Executive Director is automatically Vice-Chairman of the Board of Directors, and acts as the main liaison between the Chairman and non-executive members of the Board of Directors. In addition, the Lead Non-Executive Director's responsibilities include leading the periodic evaluation of the Board of Directors, Committees and their effectiveness. A further description of the responsibilities and powers of the Lead Non-Executive Director is included in the Corporate Governance Charter. Since 21 March 2023, Mr. Jérôme Contamine (*i.e.* an independent and non-executive member of the Board) has been the new Lead Non-Executive Director. We believe that the position of Lead Non-Executive Director provides the necessary checks and balances within the Board of Directors, allowing the independent members of the Board to actively supervise the CEO and management of Galapagos.

10 The - compared to the current share price - high exercise prices of the stock options are explainable and defensible. However, how does Galapagos ensure that the option packages do not encourage executives to seek additional risk? Indeed, it is conceivable that a conservative strategy offers the most value for shareholders.

The granting of subscription rights to certain members of staff, such as members of the Executive Committee, is part of Galapagos' remuneration policy. The Board of Directors believes that this remuneration practice is in the best interests of the Company by reasonably enabling Galapagos to achieve the following objectives:

- involving the beneficiary more closely with the Company;
- encouraging and motivating the beneficiary in the medium and long term;
- attracting the right profiles and promoting their retention; and

- aligning the (financial) interests of the beneficiary with the interests of the Company.

Under the relevant plan rules, the subscription rights for the members of the Executive Committee only vest definitively and in full on the first day of the fourth calendar year, which implies that the members of Galapagos' Executive Committee cannot exercise their subscription rights until four years after being offered. In this way, the interests of the members of the Executive Committee are aligned with the interests of Galapagos.

Moreover, we point out that the Executive Committee members are accountable and responsible to the Board of Directors for exercising their responsibilities and powers, including the extent to which excessive or irresponsible risks would be sought.

11 Which Executive Committee member did not accept the RSUs (p. 148 annual report) and why (perhaps fiscally driven)?

Dr. André Hoekema has not accepted the RSUs offered under the 2022 RSU Annual Long-Term Incentive Plan. In accordance with the relevant plan rules, these RSUs will vest in their entirety three years after they are granted. Due to Dr. André Hoekema's retirement per 31 October 2022, even if accepted, these RSUs would not vest.

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