

## **GALAPAGOS NV**

Limited Liability Company ("Naamloze Vennootschap")  
Generaal De Wittelaan L11 A 3, 2800 Mechelen, Belgium  
Enterprise number: 0466.460.429  
RLE Mechelen

### **Special Report of the Board of Directors in accordance with Article 583 of the Belgian Companies Code**

#### **Issuance of warrants for the benefit of employees and an independent consultant of Galapagos NV and its subsidiaries**

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##### **1. Introduction: subject-matter of the report**

This report is drafted on 26 March 2010 by the Board of Directors of the limited liability company ("*naamloze vennootschap*") Galapagos (the "**Company**") in accordance with the provisions of Article 583 of the Belgian Companies Code.

In this report, the Board of Directors elaborates and justifies the proposed conditions to issue and exercise warrants.

This report pertains to the proposal to issue 616,000 uncovered warrants (the "**Warrants**") for the benefit of the employees and independent consultants of the Company and its subsidiaries.

In connection with the proposed issuance of warrants, the Board of Directors proposes to cancel the preferential subscription rights of the shareholders of the Company, in accordance with Articles 596 and 598 of the Belgian Companies Code. In this respect, the Board of Directors refers to another report, drafted today in accordance with the aforementioned legal provisions.

##### **2. Proposed transaction**

The Board of Directors proposes the issuance of up to 616,000 Warrants as part of the Company's remuneration and hiring policy for employees. Moreover, these Warrants may be granted to independent consultants providing services to the Company and/or its subsidiaries as a fee for these services. The number of Warrants for independent consultants amounts to 50,000. The Board of Directors will use the Warrants of this plan for the **Warrant Plan 2010** (please refer to **Annex 1** hereto). The Board of Directors will use the Warrants, *inter alia*, to stimulate the beneficiaries' commitment and motivation and to comply with promises and agreements made when hiring new employees.

Decisions regarding granting Warrants to members of the Company's Board of Directors can only be taken by the Company's shareholders' meeting.

##### **3. Justification**

The Board of Directors is of the opinion that the issuance of the Warrants is in the interest of the Company and its subsidiaries. First of all because it allows the Company and its subsidiaries to attract fresh capital and secondly, because the issuance of Warrants creates the possibility to reach one or more of the following targets:

- closer involvement of staff and management in the Company's affairs and rewarding the contribution of the beneficiaries of the Warrants to the Company's success;
- long-term and medium-term encouragement and motivation of staff and management;

- promoting the retention and recruitment of staff, management and independent consultants with the required experience and skills;
- reconciling the interests of the beneficiaries of the Warrants with the interests of the Company by giving them the possibility to share in the growth of the Company's value.

#### **4. Conditions to issue and exercise the Warrants. Power of Attorney.**

The proposed conditions to issue and exercise the Warrants are set out in the Warrant Plan 2010, attached as Annex 1 hereto.

The Board of Directors authorizes two (2) members of the Board of Directors or the managing director, with power to sub-delegate and to substitute, to ensure that the acceptance of the offered Warrants, the exercise of the Warrants, the issuance of the corresponding New Shares, the payment in full in cash, the corresponding realization of the capital increase, the allocation of the price difference between the subscription price of the shares and the fractional value for the unavailable account "issuance premiums", the reconciliation of the articles of association with the new status of the share capital, signing and submitting the relevant Euroclear documents, and signing and delivering all documents required in connection with supplying the shares (acquired as a result of exercising the warrants) to the beneficiaries, is established in a deed drawn up by a notary public.

Done and approved in Brussels on 26 March 2010.

On behalf of the Board of Directors of the Company,

\_\_\_\_\_  
Onno van de Stolpe

Director

\_\_\_\_\_  
Ferdinand Verdonck

Director

**Annex 1: Warrant Plan 2010: General Rules**

**WARRANTPLAN 2010**

**ON SHARES**

**GALAPAGOS NV**

**GENERAL RULES**

*NOTE*

*This document is a translation in English of the original Dutch text of this Warrant Plan 2010 as approved by the Board of Directors. In case of discrepancy between the original Dutch text and this translation, the original Dutch text shall prevail.*

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## 1. BASE AND PURPOSE

The Board of Directors of GALAPAGOS NV (hereinafter referred to as "the Company") has approved the present Warrant Plan 2010 by resolution of 26 March 2010 (and notary deed of 27 April 2010).

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:

**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;

**Offer Letter:** the letter specifying the Offer;

**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, f.a.o. the managing director, for the acceptance of the Offer;

**Shares:** all shares of the Company;

**Beneficiary:** the Employees and Consultants of the Company and its Subsidiaries whose name is mentioned in Annex A to this Warrant Plan 2010. The possibility to acquire Warrants may be granted by the Board of Directors in secondary order and on an individual basis to other persons who contributed to the Company or its Subsidiaries in the performance of their professional activities;

**Consultant:** a natural or legal person who on a contractual basis provides services to the Company or a Subsidiary, but who is not a Employee (irrespective whether the contract was entered into directly with the relevant natural or legal person - or in case of a natural person - with a legal person who has entrusted the performance of the services to such natural person);

**Control:** the competence *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 determined in article 5 et seq. of the Code of Companies;

**Participant:** a Beneficiary who has accepted the Offer and to whom one or more Warrants have been granted in accordance with this Plan;

**Subsidiary:** a company under the Control of the Company, as set forth in article 6 of the Code of Companies;

**Cessation of the Employment agreement:** the effective date of the cessation, for whatever reason, of the Employment agreement between the relevant Participant-Employee and either the Company or a Subsidiary, with the exception of a cessation accompanied by a simultaneous (other) employment or appointment of the relevant Participant (or a company controlled by the Participant) as a Consultant or Employee, with the Company or a Subsidiary;

**Cessation of the Consultancy agreement:** the effective date of the cessation for whatever reason of the Consultancy- or management agreement between the relevant Participant-Consultant and either the Company or a Subsidiary, with the exception of a cessation accompanied by a simultaneous (other) employment or appointment of the relevant Participant (or a company controlled by the Participant) as a Consultant or Employee, with the Company or a Subsidiary;

**New Shares:** the shares of the Company to be issued pursuant to the exercise of the Warrants under this Plan;

**Plan:** the present Warrant Plan 2010 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;

**Board of Directors:** the board of directors of the Company;

**Personal Representative(s):** the heir(s) of a deceased Participant;

**Grant:** the moment on which the Beneficiary accepts the Warrants offered. The Grant is for fiscal reasons 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;

**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;

**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 Beneficiary 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 Period:** a period of two weeks within the Exercise Term, to be determined by the Board of Directors, during which Warrants can be Exercised;

**Company:** the limited liability company Galapagos, having its registered office at Generaal De Wittelaan, L11 A3, 2800 Mechelen, Belgium;

**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 owns Warrants;

**Warrant Agreement:** the agreement that may be entered into between the Participant and the Company;

**Employee:** each employee of the Company or a Subsidiary with a permanent employment contract;

Words and terms denoting the plural shall include the singular and vice versa.

### 3. WARRANTS

#### General

The number of Warrants issued in the framework of this Plan is maximum 616,000. These Warrants will be designated as "Warrants 2010". 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.

#### Number per Beneficiary

The number of Warrants to be offered to the Beneficiaries is determined by the Board of Directors and is set forth in Annex A.

#### Transfer restrictions

The Warrants received are registered in the name of the Warrant Holder and cannot *inter vivos* be transferred 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.

#### Exercise Price

The Board of Directors shall determine the Exercise Price per Warrant at the moment of the Offer.

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 will, at the election of the Board of Directors, at least be equal to (a) the closing price of the Share of the Company on the last trading day preceding the date of the Offer, or (b) the average of the closing price of the Share of the Company during the last thirty (30) days preceding the date of the Offer. For an Offer to a Consultant the Exercise Price will, in accordance with article 598 of the Code of Companies, be fixed as the average of the closing price of the Share of the Company during the last thirty (30) days preceding the date of the Offer. In no event will the Exercise Price be lower than 5.41 euro, *i.e.* the fractional value (rounded up to the higher eurocent) of the Shares at the date of the issuance of the Warrants.

Upon Exercise and subsequent capital increase the Exercise Price must be booked as capital for an amount equal to the fractional 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 fractional value must be booked as an issuance premium.

In deviation of article 501 of the Code of Companies and without prejudice to the exceptions provided by law, the Company, represented by the Board of Directors, expressly reserves the right to take any possible decisions and to carry out any possible transactions which may have an impact on its capital, on the distribution of the profit or on the liquidation surpluses or that may otherwise affect the rights of the Warrant Holders (with the exception of those causing an increase of the fractional value of the existing shares (in order not to conflict with article 582 of the Code of Companies)), even in the event that these decisions might cause a reduction of the benefits offered to the Warrant Holders, unless the only purpose of these decisions and transactions would be such reduction of benefits.

Should the rights of the Warrant Holder be affected by such a decision or transaction, the Warrant Holder shall not be entitled to a modification of the Exercise Price, a modification of the exercise conditions or any other form of (financial or other) compensation. The Company, represented by the Board of Directors, may, in its sole discretion, make modifications to (i) the number of shares that relates to one Warrant or (ii) the Exercise Price. As soon as reasonably practicable the Board of Directors shall give notice in writing of such modification to the relevant Warrant Holder.

In case of a merger, demerger or stock-split of the Company, the rights of the outstanding Warrants and/or the Exercise Price of the Warrants shall be adjusted in accordance with the conversion ratio applicable at the occasion of the merger, demerger or the stock-split to the other shareholders.

#### **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").

Employees, whose employment contract with the Company or a Subsidiary is temporarily suspended because of a foreign assignment ("expatriates"), may also be designated as Beneficiary.

The Board of Directors is free to designate or exclude other persons as Beneficiary.

The Warrants under this Plan are in majority reserved for and granted to Employees. The Board of Directors will ensure that the number of Beneficiaries consists in minority of Consultants and in majority of Employees. The Board of Directors will also ensure that a majority of the issued Warrants will be reserved for and granted to Employees.

#### **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. Acceptance of the Offer has to be formally established by ticking the relevant paragraph in the Notice of Acceptance.

Each Beneficiary shall receive a Notice of Acceptance wherein the Beneficiary mentions his/her decision regarding the Offer: Acceptance or Refusal.

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 75 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.

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 Participant 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 notary deed establishing the acceptance.

#### **6. EXERCISE- AND PAYMENT CONDITIONS**

##### **Exercise Term**

The Exercise Term is eight (8) years, starting from the date of the Offer.

##### **Exercise Period**

Warrants may not be exercised prior to the end of the third calendar year following the calendar year in which the Offer has been made.

Between the commencement of the fourth calendar year following the year in which the Offer has been made and the fourth anniversary of the Offer maximum 60% of the granted Warrants may be exercised during an Exercise Period.

The provision of the previous paragraph is however expressly not applicable to Warrant Holders who are subject to income taxes in France and/or to social security contributions in France; these Warrant Holders can only exercise Warrants as from the fourth anniversary of their Offer.

As of the fourth anniversary of the Offer all granted Warrants may be exercised without any restriction as to the number of vested warrants.

The Board of Directors will establish at least one Exercise Period of two weeks per semester. It is the responsibility of the Beneficiary to timely seek information from the Company relating to the establishment of Exercise Periods.

The Board of Directors may decide, in accordance with the applicable rules relating to abuse of insider information, to establish closed periods during which the Warrants cannot be exercised.

#### **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 needs at the same time 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 the Exercise Term has not expired.

#### **Exercise of the Warrants in accordance with the Law**

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 Code of Companies and is thus also prematurely exercised pursuant to article 501 of the Code of Companies, the New Shares that the Warrant Holders receives as a result of such Exercise will be not transferable, except with the explicit prior consent of the Board of Directors, until such time the Warrant would have become exercisable in accordance with the Plan.

### **7. ISSUE OF THE NEW SHARES**

The Company shall only be obliged to issue New Shares pursuant to the Exercise unless 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 fulfil 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 established the capital increase.

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 Participants who have complied with the Exercise conditions to receive existing shares awaiting the issuance of New Shares by notary deed. In such case the Participants will receive an advance of existing shares subject to the condition that they sign an authorization by which the New Shares upon issuance will 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 two (2) members of the Board of Directors or to the managing Director, with possibility of sub-delegation, 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 fractional value, to bring the Articles of Association in accordance with the new situation of the social capital, to sign and deliver the relevant Euroclear documents, 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. The Company has not issued VVPR strips and has no intention to do so in the future.

### **8. CESSATION OF THE EMPLOYMENT- OR SERVICE RELATIONSHIP**

#### **Cessation of the employment- or service relationship**

In case of Cessation of the Employment agreement or Cessation of the Consultancy agreement after the end of the third calendar year following the date of the Offer, the Beneficiary will have time to exercise his not yet exercised Warrants within a six (6) month period as from the date on which he leaves employment or is otherwise no longer involved in the activities of the Company during an Exercise Period of two weeks to be determined by the Board of Directors.



If Cessation of the Employment agreement or Cessation of the Consultancy agreement occurs prior to the end of the third calendar year following the date of the Offer, a part of the granted Warrants shall automatically become null and void as follows:

- 90 % in case the Cessation is situated prior to the first anniversary of the Offer;
- 80 % in case the Cessation is situated prior to the second anniversary of the Offer;
- 60 % in case the Cessation is situated prior to the third anniversary of the Offer;
- 40 % in case the Cessation is situated after the third anniversary of the Offer, but prior to the end of the third calendar year.

The Warrants that do not automatically become null and void are exercisable during a period of six (6) months, starting as from the first day of the fourth calendar year following the year of the Offer, during an Exercise Period of two weeks to be determined by the Board of Directors.

#### **Decease**

In case of decease of a Warrant Holder, all Warrants acquired by such Warrant Holder pass to his Personal Representative(s) and must mandatory be exercised within six (6) months, during an Exercise Period of two weeks to be determined by the Board of Directors. Warrants that are not exercised within such period will automatically become null and void.

#### **Retirement**

In case of retirement of a Warrant Holder, the Warrants acquired by the Warrant Holder must mandatory be exercised within six (6) months, during an Exercise Period of two weeks to be determined by the Board of Directors. Warrants that are not exercised within such period will automatically become null and void.

#### **Sickness or Disability**

In case of cessation of the employment agreement as a result of long term sickness or disability, the Warrants acquired by the Warrant Holder must mandatory be exercised within six (6) months, during an Exercise Period of two weeks to be determined by the Board of Directors. Warrants that are not exercised within such period will automatically become null and void.

#### **Deviations**

The Board of Directors may at its discretion decide to deviate at any time from the provisions set forth in this chapter 8.

### **9. PROTECTIVE MEASURES**

The Board of Directors may 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 regulations occurs;
- a serious and exceptional circumstance jeopardizing the rights of the Beneficiaries occurs.

This Plan will, 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 under this Plan existing Warrant Holders. In the event the rights of the under this Plan existing Warrant Holders 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 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. CLOSING PROVISIONS**

#### **Additional Information**

The Company will provide the Beneficiary at his request a copy of the articles of association of the Company and possible amendments thereto.

#### **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.

**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.

**Relationship with the employment agreement, or consultancy- or management agreement**

No person has a right to participate in this Plan and a 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 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 or consultancy- or management 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, employment agreement or consultancy- or management agreement with the Company or a Subsidiary, based on any reason whatsoever, 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 the 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.

**General Shareholders' Meetings**

Warrant Holders have the right to participate in the General 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. By accepting Warrants, the Participant consents that convocations for General Shareholders' Meeting are validly made if made by means of e-mail.

**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 Participant are validly made.

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