GALAPAGOS

Limited Liability Company
Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium
Company number: 0466.460.429
RLE Antwerp, division Mechelen

(the "**Company**")

Special report of the board of directors in accordance with Article 596 and 598 of the Belgian Companies Code

Cancellation of the preferential subscription rights of the existing shareholders in favor of Gilead Therapeutics A1 Unlimited Company in the framework of the proposed capital increase under the authorized capital

1 Introduction

On 14 July 2019, the Company announced that it entered into a 10-year global research and development collaboration with Gilead Sciences, Inc. ("**Gilead Sciences**").

Within the framework of this collaboration, Gilead Therapeutics A1 Unlimited Company ("**Gilead Therapeutics**"), a subsidiary of Gilead Sciences, committed to invest in the share capital of the Company in consideration of new shares in the Company.

On the same date, and also within the framework of the collaboration, the Company and Gilead Biopharmaceutics Ireland UC ("**Gilead Biopharmaceutics**", and together with Gilead Sciences and Gilead Therapeutics, "**Gilead**"), a subsidiary of Gilead Sciences, also agreed to amend certain terms of the existing license and collaboration agreement dated 16 December 2015 pertaining to filgotinib.

This special report is established on 23 August 2019 by the board of directors of the Company pursuant to articles 596 and 598 of the Belgian Companies Code of 7 May 1999.

This special report has been drawn up in connection with the aforementioned issuance of new shares within the framework of the authorized capital and to justify the cancellation of the preferential subscription rights of the existing shareholders for the benefit of Gilead Therapeutics.

2 Summary of the Agreements of 14 July 2019

2.1 Option, License and Collaboration Agreement with Gilead Sciences

On 14 July 2019, the Company and Gilead Sciences entered into a 10-year global research and development collaboration agreement (the "**Option, License and Collaboration Agreement**"). Under such agreement, (i) the Company will receive a USD 3.95 billion upfront payment from Gilead Sciences, and (ii) Gilead Sciences will (a) gain access and license rights to the Company's R&D portfolio, including its drug discovery platform; and (b) receive an exclusive product license and option rights to develop and commercialize all of the Company's current and future programs in all countries outside Europe. In particular, Gilead Sciences will: (i) gain rights to GLPG1690, the Company's Phase 3 candidate for idiopathic pulmonary fibrosis, in all countries outside Europe; (ii) receive option rights for GLPG1972, a Phase 2b candidate for osteoarthritis, in the United States; and (iii) receive option rights on all of the Company's other current and future clinical programs outside of Europe.

In particular, the Company will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study, Gilead Sciences will have the option to acquire an expanded license to the compound. If the option is exercised, the Company and Gilead Sciences will co-develop the compound and share costs equally. Gilead Sciences will maintain option rights to the

Company's programs through the 10-year term of the collaboration and for up to an additional three years thereafter for those programs that have entered clinical development prior to the end of the collaboration term of the Option, License and Collaboration Agreement.

If GLPG1690 is approved in the United States, Gilead Sciences will pay the Company an additional USD 325 million milestone fee. For GLPG1972, Gilead Sciences has the option to in-license the compound in the United States after the completion of the ongoing Phase 2b study in osteoarthritis; the exercise of this option would trigger the payment by Gilead Sciences to the Company of a license fee of USD 250 million. Furthermore, if certain secondary efficacy endpoints for GLPG1972 are met, Gilead Sciences would pay the Company up to an additional USD 200 million. Following exercise of the option for GLPG1972, the Company would be eligible to receive up to USD 550 million in regulatory and commercial milestones.

For all other programs resulting from the collaboration, Gilead Sciences will make a USD 150 million opt-in payment per program if it exercises its option and will owe no subsequent milestones.

The Company will receive tiered royalties ranging from 20% to 24% on net sales of all of the Company's products licensed by Gilead Sciences as part of the Option, License and Collaboration Agreement.

2.2 Filgotinib Amendment Agreement with Gilead Biopharmaceutics

The Company and Gilead Biopharmaceutics agreed on 14 July 2019 to amend certain terms of the license and collaboration agreement dated 16 December 2015 pertaining to filgotinib (the "**Filgotinib Amendment Agreement**").

Under the Filgotinib Amendment Agreement, the Company will have greater involvement in filgotinib's global strategy and participate more broadly in the commercialization of the product in Europe, providing the opportunity to build a commercial presence on an accelerated timeline. The Company and Gilead Biopharmaceutics will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement dated 16 December 2015, and under the Filgotinib Amendment Agreement, the Company will have an expanded commercial role. The Company retains exclusive rights in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies. The Company and Gilead Biopharmaceutics will share future global development costs for filgotinib equally, in lieu of the 80/20 cost split provided by the original license and collaboration agreement. Other terms of the original license and collaboration agreement remain in effect, including the remaining USD 1.27 billion in total potential milestones and tiered royalties ranging from 20% to 30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom.

2.3 Subscription Agreement with Gilead Therapeutics

Finally, the Company and Gilead Therapeutics entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which:

(i) the Company will proceed with a capital increase within the framework of the authorized capital, with the cancellation of the preferential subscription rights of the Company's existing shareholders to the benefit of Gilead Therapeutics (the "**Capital Increase**"). The number of shares to be issued by the Company to Gilead Therapeutics pursuant to the Capital Increase shall be equal to the number of shares required to bring Gilead Therapeutics' aggregate ownership percentage in the Company to 20.1%[1] on a Fully Diluted Basis (as defined in section 3.2.2) (the "**Subscription Shares**"). As set out in section 3.2.2, the number of Subscription Shares will be equal to 6,828,985;

(ii) the Company agreed to seek shareholder approval to issue warrants (the "**Gilead Warrants**") allowing Gilead Therapeutics to further increase its ownership in the Company. Subject to certain

1 This percentage of 20.1% should be calculated by taking into account the shares held by Gilead Therapeutics, Gilead Sciences, or any of their Affiliates (as defined in the Subscription Agreement).

limitations, the Company also agreed that Gilead Therapeutics may acquire additional shares via open market purchases;

(iii) Gilead Therapeutics committed to a standstill and lock-up in relation to (the shares of) the Company;

(iv) Gilead Therapeutics is entitled to nominate two directors of the Company.

3 Proposed Capital Increase

3.1 Purpose of the Capital Increase

To date, the Company has been highly effective at target identification and drug discovery, progressing novel molecules from research into the clinic. The Company's board of directors is of the opinion that the transformative 10-year collaboration will provide an accelerated path to advance the Company's pipeline and to accelerate the development of the Company's current and new programs.

The net proceeds to be paid to the Company by Gilead pursuant to the Option, License and Collaboration Agreement and the Subscription Agreement shall be used for preclinical, clinical and non-clinical research activities, regulatory activities, research and development activities across all current and future programs, molecules and products and other similar activities of the Company, including corporate development activities, intended to, directly or indirectly, support the foregoing activities.

The board of directors is of the opinion that the strategic collaboration with Gilead, of which the aforementioned investment by Gilead in consideration of new shares of the Company forms an integral part, will benefit the Company as it will enable it to (i) pursue its goal of rapidly delivering therapies to patients, (ii) maximize innovation based on developing new mode of action medicines, (iii) progress innovation to patients by heavily increasing discovery and development efforts and by building a European commercial infrastructure, and (iv) access Gilead's chemistry and development expertise, its commercial infrastructure and operations, and its speed to the relevant markets.

Finally, as a result of the collaboration with Gilead, the Company can continue its path to strengthen its position as a leading European clinical-stage biotechnology company and to develop its commercial activities.

For all of the abovementioned reasons, the expanded collaboration with Gilead, and the subscription for new shares of the Company, which is an integral part of said collaboration, are of strategic importance for the future growth and development of the Company.

3.2 Structure of the Capital Increase

The board of directors wishes to effect the Capital Increase within the framework of the authorized capital and with the cancellation of the preferential subscription rights of the existing shareholders for the benefit of Gilead Therapeutics.

3.2.1 Authorized capital

(a) Historic Use

On 25 April 2017, the Company's extraordinary shareholders' meeting resolved to renew the authorization to the board of directors with respect to the use of the authorized capital. By this renewed authorization, the board of directors was authorized to increase the share capital in one or more times with an amount of EUR 82,561,764.93.

This authorization is split in two tranches. For capital increases up to 20% of the share capital at the time of the convening of the shareholders' meeting of 25 April 2017 (EUR 50,037,433.29), the authorized capital can be used by the board of directors by normal resolution. For capital increases of more than 20% and up to 33% of the share capital at the time of the convening of the shareholders' meeting of 25 April 2017 (EUR 82,561,764.93), the authorized capital can, however, only be used upon a resolution of the board of directors that all independent directors (within the meaning

of article 526*ter* of the Belgian Companies Code of 7 May 1999) approved. Furthermore, this second tranche can only be used in the context of the following purposes:

(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 the framework of the remuneration policy for employees, directors and independent consultants of the Company and its subsidiaries, and

(iii) the financing of the research and development programs of the Company, or

(iv) the strengthening of the cash position of the Company.

The renewed authorization to use the authorized capital is valid for a period of five years as from 31 May 2017. The board of directors may, in the context of the authorized capital, issue shares with or without voting rights. The board of directors may also issue convertible bonds or warrants. The board of directors may issue shares as consideration for contributions in cash or in kind, with or without an issue premium. If the board of directors asks for an issue premium, such premium shall be booked on a non-available reserve account. Such account can only be reduced or transferred after a decision of an extraordinary shareholders' meeting of the Company adopted in the manner required for amending the articles of association.

The board of directors may, within the authorized capital, limit or cancel the preferential subscription rights of the existing shareholders but only in the interest of the Company. Furthermore, the board of directors has the authority to cancel the preferential subscription rights of the existing shareholders for the benefit of certain persons, other than employees of the Company or its subsidiaries.

The board of directors is also authorized to amend the articles of association of the Company in accordance with the capital increase that has been effectuated in the framework of the authorized capital.

On the date of this special report, the renewed authorization for the use of the authorized capital has been used at three occasions:

(i) on 19 April 2018, the board of directors partially used its renewed authorization for the use of the authorized capital, with cancellation of the preferential subscription rights of the existing shareholders, for the issuance of Warrant Plan 2018 and Warrant Plan 2018 RMV, which (after acceptance by the beneficiaries) relate to an aggregate maximum of 1,235,245 new shares to be issued. The new shares to be issued under Warrant Plan 2018 and Warrant Plan 2018 RMV will only be booked as capital to the amount of the fractional value, whereby fractional value means the fractional value of the existing shares on the date of the issuance of the warrants. The difference between the fractional value and the issue price will be booked as issue premium. By the issuance of Warrant Plan 2018 and Warrant Plan 2018 RMV the board of directors used up to EUR 6,682,675.45 of the authorized capital, as indeed said warrants can result in the issuance of a maximum of 1,235,245 new shares, to be multiplied with the then current fractional value of (rounded up) EUR 5.41 per share;

(ii) on 17 September 2018, the board of directors partially used its renewed authorization for the use of the authorized capital, with cancellation of the preferential subscription rights of the existing shareholders, in connection with the public offering in the U.S. of 2,961,373 new shares in the form of American Depositary Shares, resulting in an increase of the share capital by

EUR 16,021,027.93 (plus an aggregate issue premium of EUR 280,167,119.82);

(iii) on 10 April 2019, the board of directors partially used its renewed authorization for the use of the authorized capital, with cancellation of the preferential subscription rights of the existing shareholders, for the issuance of Warrant Plan 2019 and Warrant Plan 2019 RMV, which (after acceptance by the beneficiaries) relate to an aggregate maximum of 1,699,690 new shares to be issued. The new shares to be issued under Warrant Plan 2019 and Warrant Plan 2019 RMV will only be booked as capital to the amount of the fractional value, whereby fractional value means the fractional value of the existing shares on the date of the issuance of the warrants. The difference between the fractional value and the issue price will be booked as issue premium. By the issuance of Warrant Plan 2019 and Warrant Plan 2019 RMV the board of directors used up to EUR 9,195,322.90 of the authorized capital, as indeed said warrants can result in the issuance of a maximum of 1,699,690 new shares, to be multiplied with the then current fractional value of (rounded up) EUR 5.41 per share.

(b) Authorized Capital - Availability

On the date of this special report, an aggregate amount of EUR 31,899,026.28 of the authorized capital has been used, as a result of which EUR 50,662,738.65 of the authorized capital remains available.

The contemplated Capital Increase by the proposed decision of the board of directors to issue 6,828,985 new shares in the framework of the Subscription Agreement with Gilead Therapeutics, is therefore still within the limits of the total authorization of the authorized capital (and more specifically, the second tranche of 33% of the total authorization), taking into account the current fractional value of (rounded up) EUR 5.41 per share as it would result in an increase of the share capital by EUR 36,944,808.85 (plus an issue premium of EUR 923,142,192.30).

3.2.2 Subscription Shares

The number of new shares to be issued by the Company to Gilead Therapeutics pursuant to the Capital Increase shall be equal to 6,828,985 Subscription Shares.[2]

The Subscription Shares will not have a nominal value and will each represent the same fraction of the capital as the other outstanding shares of the Company. The Subscription Shares to be issued will have the same rights and benefits as, and rank *pari passu* in all respects with, including as to entitlement to dividends and other distributions, the existing and outstanding shares of the Company at the moment of their issuance and will be entitled to distributions in respect of which

2 Section 2.4.3 of the Subscription Agreement states that the number of new shares to be issued by the Company to Gilead Therapeutics pursuant to the Capital Increase shall be equal to the number of shares sufficient to bring Gilead Therapeutics' aggregate ownership percentage in the Company (together with the shares held by Gilead Therapeutics, Gilead Sciences or any of their Affiliates) to 20.1% on a Fully Diluted Basis (rounded up to the nearest whole share) (after issuance of the Subscription Shares). "**Fully Diluted Basis**" means, as of any date of determination, all issued and outstanding shares of capital stock of the Company (assuming that each share continues to have one vote) and all shares of capital stock of the Company that would be issued assuming the exercise of all options, warrants and other rights to acquire new shares of capital stock of the Company, and assuming the exercise of all securities convertible or exchangeable into new shares of capital stock of the Company, in each case whether or not then exercisable. There are currently 5,958,292 outstanding warrants pursuant to several outstanding warrant plans.

On the date of this special report (i) Gilead Therapeutics, Gilead Sciences, and any of their Affiliates together hold 6,760,701 shares in the Company, (ii) the Company has a registered share capital of EUR 296,534,760.91, represented by 54,823,101 shares, and (iii) the fractional value of the shares amounts to (rounded up) EUR 5.41.

As the current outstanding number of shares of the Company on a Fully Diluted Basis is equal to 60,781,393 shares (i.e. the sum of the currently outstanding shares of the Company and the shares to be issued upon exercise of the currently outstanding warrants of the Company), 6,828,985 Subscription Shares should be issued to Gilead Therapeutics to reach the abovementioned percentage of 20.1% after issuance of the Subscription Shares.

the relevant record date or due date falls on or after the date of issuance of the Subscription Shares.

3.2.3 Issue Price

In the Subscription Agreement, the issue price for the new shares has been determined at EUR 140.59 per share, which represents a 20% premium as compared to the average of the volume weighted average prices of the Company's shares on the regulated market of Euronext (Brussels and Amsterdam) during the thirty calendar days preceding the date of signing the Subscription Agreement and complies with article 598 of the Belgian Companies Code of 7 May 1999 (the "**Issue Price**").

The portion of the Issue Price per new share up to the fractional value of (rounded up) EUR 5.41, will be recorded on the "capital" account, i.e. an aggregate amount of EUR 36,944,808.85. The balance of the issue price per share, i.e. an aggregate amount of EUR 923,142,192.30, shall be booked as issue premium. This issue premium shall be accounted for on the liabilities side of the Company's balance sheet under its net equity. The account on which the issue premium shall be booked shall, like the share capital, serve as guarantee for third parties and can, except for its incorporation into the share capital, only be reduced on the basis of a lawful resolution of the general shareholders' meeting passed in the manner required for an amendment to the Company's Articles of Association.

3.2.4 Subscription Amount

In order to issue the aforementioned 6,828,985 Subscription Shares, the Company's net equity will be increased with an aggregate amount of EUR 960,087,001.15 (the "**Subscription Amount**"), of which EUR 36,944,808.85 will be booked as an increase of the share capital, and EUR 923,142,192.30 will be booked as issue premium as set out in section 3.2.3.

3.2.5 Listing and tradability of the new shares

The Company will make the necessary filings and applications, all as required by applicable regulations, in order to permit an admission to trading of the Subscription Shares on the regulated market of Euronext (Brussels and Amsterdam) immediately following their issuance.

4 Consequences for the Company's existing shareholders

The dilution and effect on the equity value of the Company that will result from the Capital Increase (including issue premium) are indicatively set out in the tables below.

The tables below are based on the existing situation that (i) the Company has a registered share capital of EUR 296,534,760.91, represented by 54,823,101 shares, (ii) the fractional value of the shares amounts to (rounded up) EUR 5.41, and (iii) there are currently 5,958,292 outstanding warrants, each giving the right to subscribe for one new share (subject to certain conditions).

The illustration set out below does not take into account the effect of the Gilead Warrants that would allow Gilead Therapeutics to further increase its shareholding in the Company to up to 29.9% of the Company's issued and outstanding shares (after the exercise of the relevant Gilead Warrant).[3] The proposed issuance of the Gilead Warrants will be submitted separately to an extraordinary shareholders' meeting to be convened by the Company.

4.1 Dilution resulting from the Capital Increase

Each share in the Company currently represents an equal part of the share capital of the Company and carries the right to one vote. The issuance of the Subscription Shares to Gilead Therapeutics will lead to

[3] This percentage of 29.9% should be calculated by taking into account the shares held by Gilead Therapeutics, Gilead Sciences, any of their Affiliates, and any party Acting in Concert (as defined in the Subscription Agreement) with Gilead Therapeutics, Gilead Sciences, and any of their Affiliates.

a dilution of the existing shareholders of the Company and of the relative voting power of each share in the Company.

The dilution relating to the voting right also applies, *mutatis mutandis*, to the participation of each share in the profit and liquidation proceeds and other rights attached to the shares of the Company, such as the statutory preferential subscription right in case of a capital increase in cash through the issuance of shares.

Specifically, prior to the issuance of the Subscription Shares, each share participates equally in the profit and liquidation proceeds of the Company and each shareholder has a statutory preferential subscription right in case of a capital increase in cash. As mentioned, the Subscription Shares to be issued will have the same rights and benefits as, and rank *pari passu* in all respects with, including as to entitlement to dividends and other distributions, the existing and outstanding shares of the Company at the moment of their issuance and will be entitled to distributions in respect of which the relevant record date or due date falls on or after the date of issuance of the Subscription Shares. As a result (and to the extent the Subscription Shares will be issued), the participation by the existing shares in the profit and liquidation proceeds of the Company and their holder's statutory preferential subscription right in case of a capital increase in cash, shall be diluted accordingly.

The tables below show the dilution of voting power and liquidation and dividend rights that will result from the Capital Increase.

4.1.1 Non-diluted basis

Current number of shares on a non-diluted basis	54,823,101
Number of shares to be issued as a result of the Capital Increase	6,828,985
Number of shares after the Capital Increase on a non-diluted basis	61,652,086
Dilution of existing shareholders	11.08%

Currently, each share represents 1/54,823,101 of the current share capital in the amount of (rounded up) EUR 5.41 per share. The above table demonstrates that, assuming that the Subscription Shares are issued, the shares would no longer represent 1/54,823,101 of the share capital, but 1/61,652,086 of the resulting share capital. For the 54,823,101 shares outstanding immediately prior to the issuance of the Subscription Shares, this would represent a dilution of the participation in the share capital and the results of the Company of 11.08%.

4.1.2 Fully Diluted Basis

Current number of shares on a Fully Diluted Basis	60,781,393
Number of shares to be issued as a result of the Capital Increase	6,828,985
Number of shares after the Capital Increase on a Fully Diluted Basis	67,610,378
Dilution of existing shareholders	18.91%

Assuming that all warrants are exercised and new shares would be issued as a result thereof, each share would no longer represent 1/54,823,101 of the share capital, but 1/60,781,393 of the resulting share capital. Assuming that the Subscription Shares are issued, the existing shares after the exercise of all warrants would no longer represent 1/60,781,393, but 1/67,610,378 of the resulting share capital. For the 54,823,101 shares that are outstanding prior to the exercise of all warrants, the cumulative effect of the exercise of all warrants followed by the issuance of the Subscription Shares would represent a dilution of the participation in the share capital and the results of the Company of 18.91%.

4.2 Effect of the Capital Increase on the equity of the Company

Following the Capital Increase, the equity of the Company shall increase for an amount equal to the Subscription Amount. As the Issue Price is higher than the equity value per share before the Capital Increase, there is a positive effect on the equity value per share for the existing shareholders as set out in the tables below.

4.2.1 Existing situation before the Capital Increase

Number of shares before the Capital Increase on a non-diluted basis	54,823,101
Equity of the Company[4]	EUR 1,143,367,000
Equity value per share before the Capital Increase	EUR 20.86

4.2.2 Effect of the Capital Increase

Number of shares after the Capital Increase on a non-diluted basis	61,652,086
Amount of the share capital increase	EUR 36,944,808.85
Subscription Amount (share capital + issue premium)	EUR 960,087,001.15
Equity of the Company after the Capital Increase	EUR 2,103,454,001.15
Equity value per share after the Capital Increase	EUR 34.12

The table above demonstrates that the issuance of Subscription Shares will, from a pure accounting point of view, lead to an increase of the amount represented by each share in the consolidated accounting net equity of the Company.

4.3 Effect of the Capital Increase on the shareholding of Gilead Therapeutics

Following the Capital Increase, Gilead Therapeutics will hold 13,589,686 shares in the Company, which is equal to an ownership percentage of 20.1% on a Fully Diluted Basis and 22.04% on an non-diluted basis.[5] The aforementioned does not take into account the effect of the Gilead Warrants that the Company agreed to issue to Gilead Therapeutics pursuant to the Subscription Agreement.

5 Statutory Auditor's report

The statutory auditor of the Company has been requested to issue a report in accordance with Articles 596 and 598 of the Belgian Companies Code of 7 May 1999.

6 Justification of the cancellation of the preferential subscription rights of the existing shareholders for the benefit of Gilead Therapeutics

The board of directors is of the opinion that the cancellation of the preferential subscription rights of the existing shareholders for the benefit of Gilead Therapeutics allows the Company to secure a strategic collaboration with Gilead in the Company's interest. As set out in section 3.1, such collaboration with Gilead is of strategic importance for the future growth and development of the Company.

7 Individuals, other than employees, for whose benefit the preferential subscription rights are cancelled

Within the framework of the proposed Capital Increase, the preferential subscription rights of the existing shareholders are cancelled for the benefit of Gilead Therapeutics A1 Unlimited Company, an unlimited liability company incorporated and validly existing under Irish law, with registered seat at 70 Sir John

4 The equity value of the Company is based on the (unaudited) interim financial statements of the Company on a consolidated basis under IFRS per 30 June 2019.

5 This number 13,589,686 is equal to the sum of the existing shareholding of Gilead Therapeutics in the Company (6,760,701 shares) and the 6,828,985 Subscription Shares.

Rogerson's Quay, Dublin 2 (Ireland) and registered with Ireland's Companies Registration Office under number 615395.

8 Conclusion

Taking into account the abovementioned considerations, the board of directors is of the opinion that the proposed Capital Increase in the framework of the authorized capital with cancellation of the preferential subscription rights of the existing shareholders for the benefit of Gilead Therapeutics is in the Company's interest.

The Capital Increase is subject to the unanimous approval by the board of directors' meeting to be held on or around 23 August 2019.

Made and approved on 23 August 2019.

[Signature page follows]

For the board of directors of the Company,

[signed]	*[signed]*
Onno van de Stolpe Director and Chief Executive Officer	Peter Guenter Director