GALAPAGOS

Limited Liability Company ("*Naamloze Vennootschap*")
Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium
Company number: 0466.460.429
RLE Mechelen

(the "**Company**")

Special report of the Board of Directors in accordance with Articles 596 and 598 of the Belgian Companies Code

Cancellation of the preferential subscription rights of the existing shareholders in the framework of the issuance of up to 2,696,831 shares

1 Subject matter of this report

This report is drafted by the Board of Directors of the Company in accordance with the provisions of articles 596 and 598 of the Belgian Companies Code (hereinafter the "**Companies Code**").

This report pertains to the cancellation of the preferential subscription rights of the existing shareholders of the Company in favor of Kempen & Co N.V., a company organized under the laws of the Netherlands, with registered office at Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands, registered with the Commercial Register under number 34186722, and Jefferies International Limited, a company organized under the laws of England and Wales, with registered office at Vinters Place, 68 Upper Thames Street, London EC4V 3BJ, United Kingdom, registered with the Companies Register under number 01978621, in the framework of an accelerated book building offer. The preferential subscription rights will be cancelled in connection with a contemplated capital increase within the scope of the authorized capital. A maximum number of 2,696,831 new shares will be issued in the framework of this capital increase.

In accordance with articles 596 and 598 of the Companies Code, this report explains and justifies the cancellation of the preferential subscription rights in connection with the contemplated capital increase. This report explains and justifies in particular the issue price of the new shares and the financial consequences of the issuance of the new shares for the existing shareholders.

This report should be read together with the report of the statutory auditor of the Company, Deloitte Bedrijfsrevisoren, a civil company having the form of a cooperative limited liability company ("*coöperatieve vennootschap met beperkte aansprakelijkheid*"), represented by Mr Gino Desmet, and drafted in accordance with articles 596 and 598 of the Companies Code.

2 Explanation regarding the authorized capital

The Company's Extraordinary Shareholders' Meeting has resolved on 23 May 2011 to renew the authorization to the Board of Directors with respect to the use of the authorized capital. By this renewed authorization the Board was authorized to increase the share capital in one or more times with an amount of EUR 142,590,770.44. This authorization is split in two tranches. The authorization with respect to the first tranche of 25% (EUR 35,647,692.61) of the authorized capital can be used by the Board of Directors by normal resolution. The authorization with respect to the second tranche of 75% (EUR 106,943,077.83) of the authorized capital can only be used upon unanimous resolution of the Board of Directors in which all Directors are present or represented. 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 a merger or acquisition (in shares or cash), a corporate partnership, and 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 defence of the Company against a hostile take-over bid, and

(iv) 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 23 May 2011. The Board of Directors may, in the context of the authorized capital, issue shares with or without voting rights. The Board may also issue convertible bonds or warrants. The Board may issue shares as consideration for contributions in cash or in kind, with or without a share issue premium. If the Board asks a share issuance premium, such premium shall 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 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 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.

As at the date of this report, the Board of Directors has already made use of the renewed power of attorney regarding the use of the authorized capital at one occasion. On 3 September 2012, the Board of Directors (partially) used the renewed power of attorney regarding the use of the authorized capital and cancelled the preferential subscription rights at the occasion of the issuance of the Warrant Plan 2012, which –following the final establishment of acceptations- relates to up to 481,140 new shares to be issued. The new shares, to be issued under the Warrant Plan 2012, shall only be booked as share capital for the amount of the fractional value. "Fractional value" means the fractional value of the existing shares on the issuance date of the warrants. The difference between the fractional value and the issue price shall be booked as issuance premium. Hence, by issuing the Warrant Plan 2012, the Board of Directors already used EUR 2,602,967.40 of the authorized capital (i.e. maximum 481,140 new shares multiplied by the fractional value of (rounded up) EUR 5.41 per share), so that on the date of this report an amount of EUR 139,987,803.04 still remains available under the authorized capital (i.e. EUR 142,590,770.44 minus EUR 2,602,967.40).

The up to 2,696,831 new shares to be issued in connection with the transaction described in this report shall only be booked as share capital for the amount of the fractional value.

"Fractional value" means the fractional value of the existing shares on the issuance date of the new shares. The difference between the fractional value and the issue price shall be booked as issuance premium. Hence, the envisaged capital increase by issuing up to 2,696,831 new shares allows for the share capital to be increased with up to EUR 14,589,855.71, i.e. maximum 2,696,831 shares times EUR 5.41 (i.e. the fractional value per share as at the date of this report, rounded up) and the account "issuance premiums" with an amount equal to maximum the number of new shares to be issued, multiplied with the difference between the issue price of the new shares and the aforementioned fractional value. The envisaged capital increase therefore falls within the scope of the aforementioned first tranche of 25% of the power of attorney in relation to the use of the authorized capital.

3 Identity of the beneficiary of the cancellation of the preferential subscription rights

The Board of Directors proposes to cancel the preferential subscription rights in favor of **Kempen & Co N.V.** and **Jefferies International Limited** (hereinafter jointly referred to as the "**Syndicate**") in connection with a contemplated capital increase within the scope of the authorized capital. The Syndicate is willing to subscribe to the issuance of up to 2,696,831 new shares mentioned in this report, in the context of an accelerated book building offer in the framework of which the Syndicate will place the shares to be issued with a group of local and foreign investors that will be contacted by the Syndicate.

In connection with this accelerated book building offer, the members of the Board of Directors shall not subscribe to the proposed capital increase.

4 Proposed issuance

In accordance with a temporary provision in the articles of association regarding the authorized capital, the Board of Directors intends to increase the Company's share capital with an amount of up to EUR 14,589,855.71, i.e. up to 2,696,831 shares times EUR 5.41 (i.e. the fractional value per share as at the date of this report, rounded up), and the account "issuance premiums" with a maximum amount equal to the maximum number of shares to be issued multiplied with the difference between the issue price of such new shares and the aforementioned fractional value. This capital increase will be realized by issuing up to 2,696,831 new shares, the issue price of which shall not be lower than EUR 18.92 per share, being the average closing price of the existing Company shares on Euronext Brussels of the last thirty (30) days prior to 24 April 2013. The maximum number of new shares that will be issued by means of this capital increase represents just below 10% of the total number of the Company's outstanding shares right before the issue date.

If not all new shares offered are subscribed to, the capital increase can nevertheless take place, up to all or part of the subscriptions received by the Company for a price equal to, or higher than, the issue price fixed by the Board of Directors and subject to a decision of the Board of Directors to do so.

Even if all new shares offered are subscribed to, if necessary, the capital increase can take place for a smaller number of shares than the number of subscriptions received by the Company for a price equal to, or higher than, the issue price fixed by the Board of Directors and subject to a decision of the Board of Directors to do so.

For the avoidance of doubt, the Board of Directors can also decide not to carry out the capital increase, even if all or part of the shares are subscribed to.

The subscription period shall commence on 24 April 2013 at the earliest and shall be closed on 7 May 2013. However, during the subscription period, the Board of Directors of the Company is authorized to increase the share capital of the Company prematurely, up to the number of subscriptions received by the Company until then. The Board of Directors may also decide to extend, shorten or prematurely close the subscription period, also if the shares were not or only partly subscribed to.

5 Issue price of the new shares

The investment banks appointed by the Board of Directors, i.e. Kempen & Co N.V. and Jefferies International Limited, shall initiate an accelerated book building procedure with a large group of local and foreign (institutional) investors, who must be approached by the investment bank(s) during the subscription period with a view to sounding them out about their interest to subscribe to the new shares to be issued in connection with a private offering.

The new shares to be issued shall be subscribed to in cash. The issue price shall be determined in accordance with article 598 of the Companies Code and will moreover at least be equal to the current fractional value of the existing shares, i.e. EUR 5.41 per share. The Board of Directors shall fix the amount of the issuance premium and hence, also the final issue price (fractional value plus the issuance premium) on the basis of the results of the aforementioned accelerated book building procedure.

From the final issue price, an amount equal to the fractional value of the Company's shares prior to the capital increase (i.e. EUR 5.41 per share or up to EUR 14,589,855.71 in total) shall be allocated to the Company's share capital, it being understood that the balance shall be booked as issuance premium. The issuance premium shall constitute a guarantee for third parties, in the same manner as the share capital, and shall be booked on an unavailable account. Such reserve account may only be reduced or deleted from the accounts following a decision of the Shareholders' Meeting, deciding in the same manner as required for an amendment of the articles of association.

6 Rights attached to the new shares

The new shares shall be dematerialized or registered shares without nominal value; they shall have the same rights and benefits as the existing shares of the Company. They will bear the same dividend rights as the existing shares of the Company. Hence, the new shares shall share in the results of the financial year starting on 1 January 2013. After having issued the new shares, the Company shall file an application to list up to 2,696,831 new shares with NYSE Euronext Brussels and NYSE Euronext Amsterdam. The newly issued shares shall not benefit from the VVPR regime (an advantageous tax system with a reduced withholding tax percentage).

7 Justification of the cancellation of the preferential subscription rights of the shareholders

In connection with the capital increase and the issuance of the new shares, the Board of Directors shall cancel the preferential subscription rights of the existing shareholders of the

Company. The Board of Directors has decided not to issue any shares with preferential subscription rights for the existing shareholders.

First of all, this may enable the Company to expand its existing shareholder structure, both nationally and internationally, which can be beneficial both for the stability of the Company's shareholder structure and for the liquidity of trading the Company's shares. This can be both in the interest of the existing shareholders and of the Company with a view to subsequent capital transactions.

Second, it may enable the Company to strengthen the Company's image amongst institutional investors, both nationally and internationally. This may be beneficial for the further development of the Company's activities.

Third, the Board of Directors is of the opinion that it is not expedient to carry out the envisaged transactions by means of a public offering of shares. Such a public offering is not only expensive, but also requires much more preparation (at least 3 months), as a result of which the Company might miss a potential window of opportunity, currently existing, to attract funds on the capital market.

The Board of Directors believes that the envisaged capital increase, even with cancellation of the preferential subscription rights, is both in the Company's interest and in the interest of the existing shareholders, because the capital increase will allow the Company to attract new funds quickly and in a cost-effective manner and because expanding the shareholder basis of the Company should contribute to increasing the liquidity of the Company's shares on the markets in the long run.

The Board of Directors shall use the new financial means to strengthen the Company's cash reserve in the light of the further implementation of the Company's strategy. More specifically, the net proceeds of the capital increase will be used primarily for general corporate purposes and will also give the Company additional balance sheet flexibility to enable it to further fund attractive internal pipeline opportunities before considering a partnership, and also to undertake attractive inlicensing opportunities should they fit with the Company's strategy.

8 Financial consequences of the transaction for the shareholders

8.1 As to the evolution of the share capital and share in the profits

Currently, the Company's share capital in accordance with the articles of association amounts to EUR 145,884,501.48; it is represented by 26,968,328 shares without nominal value. Each share represents an equal part of the Company's share capital. On the basis of the outstanding warrants, up to 3,123,368 additional shares may be issued.

At the date of this report no warrants are available for offering under the already existing warrant plans of the Company.

Due to the fact that the current capital increase will lead to the issuance of up to 2,696,831 new shares, this will result in a dilution of up to 9.09% in relation to all existing shares as at the date of this report. In case the shares that could be issued after having exercised all 3.123.368 outstanding warrants are also taken into account, the issuance of up to 2,696,831 new shares will result in a dilution of up to 8.22%.

8.2 Impact on the Company's book equity

By issuing up to 2,696,831 new shares, the Company's book equity shall increase. The increase shall be equal to the product of the new number of shares to be issued in connection with the transaction as described in this report and the issue price of those new shares.

The amount of the increase of the net assets will depend on the applicable issue price and the number of new shares effectively issued. Since the issue price at present is not yet determined, it is impossible at this time for the Board of Directors to make an accurate assessment of the possible financial consequences of the contemplated transaction for the existing shareholders.

Therefore, the Board of Directors has prepared a number of simulations on the basis of purely hypothetical issue prices on the assumption that all the shares to be issued in the contemplated transaction will be subscribed. The results of these simulations are attached to this report as Annex 1 and demonstrate that the issue of such new shares will lead to an increase of the amount represented by each share in the net assets of the Company on a consolidated basis under IFRS.

8.3 Financial dilution following the issuance

To the extent that the issue price of the new shares is lower than the market price of the shares at the time of issuance, the existing shareholders shall experience a financial dilution, because in that case, the new shareholders subscribe to new shares for a lower price than the existing shares. This dilution is calculated by deducting the value per share after the issuance of the new shares from the market price per share at the time of the issuance of the new shares. Subsequently, the result is put in proportion with the initial market price.

9 Appointment of an auditor ("bedrijfsrevisor")

The Board of Directors has instructed the Company's Statutory Auditor, the civil company CVBA Deloitte Bedrijfsrevisoren, represented by Mr Gino Desmet, to draft a special report in accordance with articles 596 and 598 of the Companies Code. For further information please refer to the Statutory Auditor's report.

Made and approved on 24 April 2013.

For the Board of Directors of the Company,

[Signed]	Signed
Onno van de Stolpe Director	Werner Cautreels Director

Annex 1
Simulations

A	**Current situation, before issuance of the new shares - *Basic***
	Equity (1) in €
Amount represented by 1 share	4.44
Total	119,630k
B	**Situation before issuance of the new shares - *Fully diluted (2)***
	Equity (1) in €
Amount represented by 1 share	4.98
Total	149,977k
C	**Situation after issuance of the new shares at an issue price of €18.75 - *Fully diluted (3)***
	Equity (1) in €
Amount represented by 1 share	6.12
Total	200.543k
D	**Situation after issuance of the new shares at an issue price of €19.50 - *Fully diluted (3)***
	Equity (1) in €
Amount represented by 1 share	6.18
Total	202,565k
E	**Situation after issuance of the new shares at an issue price of €20.50 - *Fully diluted (3)***
	Equity (1) in €
Amount represented by 1 share	6.26
Total	205,262k

1 As starting point for the calculation of the net assets, the net assets of Galapagos NV on a consolidated basis under IFRS per 31 December 2012 was taken, after correction for the capital increase that occurred on 5 April 2013.

2 Assuming that all 3,123,368 outstanding granted warrants are exercised.

3 Assuming that (i) all 3,123,368 outstanding granted warrants are exercised (see remark (2)) and (ii) 2,696,831 new shares are issued in the framework of the contemplated capital increase.