GALAPAGOS NV
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
REGARDING THE CANCELLATION OF THE PREFERENTIAL SUBSCRIPTION RIGHTS OF THE CURRENT SHAREHOLDERS PURSUANT
TO ARTICLE 598 OF THE BELGIAN COMPANIES CODE**

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1. Introduction

On May 5, 2015, the board of directors has resolved to increase the share capital of the Company through issuance of a maximum number of 21,153,728 shares, by means of (i) a public offering of new shares and additional shares (if any) in the form of American Depositary Shares ("**ADS**") to retail and professional investors in the United States (the "**US Offering**") and (ii) a private placement of new shares and additional shares (if any) to other institutional and professional investors in or from any other country or jurisdiction where such offering is permitted in compliance with any applicable rules and regulations of any such country or jurisdiction (the "**Private Placement**") (the US Offering and the Private Placement being together the "**Transaction**").

The board of directors has authorized Morgan Stanley & Co. LLC, Crédit Suisse Securities (USA) LLC, Cowen and Company LLC, Nomura Securities International Inc. and Bryan Garnier & Co. (the "**Underwriters**") to place the New Shares and the Additional Shares (if any) in the framework of the Private Placement and, in the form of ADSs, in the framework of the US Offering.

In the framework of the capital increase approved on May 5, 2015, the board of directors has resolved to cancel the preferential subscription rights of the current shareholders of the Company in accordance with Article 596 of the Belgian Companies Code (the "**BCC**") in order to allow the Company to offer the New Shares and the Additional Shares (if any) to retail and professional investors in the framework of the US Offering and to institutional and professional investors in the framework of the Private Placement. The board of directors has in that respect ""drawn up a special report in accordance with Article 596 BCC in order to justify the cancellation of the preferential subscription rights of the current shareholders. All defined terms in this report have the meaning assigned to them in the special report drawn up in accordance with Article 596 BCC.

2. Cancellation of the preferential subscription rights of the current shareholders

The board wants to be able to have a decisive role in the allocation of the New Shares following the bookbuilding which is taking place as part of the Transaction. In that respect, and to the extent necessary, the board therefore proposes to cancel the preferential subscription rights of the existing shareholders in favour of specific investors other than personnel members of the Company or one of its subsidiaries, in accordance with article 598 BCC. As the allocation of the New Shares and ADSs has not yet taken place at the time this report is drawn up, the identity of the investors in favor of which the preferential subscription rights of the existing shareholders has been cancelled is not yet known. However, this group of investors will in any event include AbbVie and Johnson & Johnson Innovation – JJDC Inc. (or any affiliate of these companies). AbbVie and the Johnson & Johnson group (which Johnson & Johnson Innovation – JJDC Inc. is part of) are two leading global pharmaceutical companies and thus important current and potentially future commercial partners of the Company. Cancelling the preferential subscription rights of the current shareholders in favor of, among others, AbbVie and Johnson & Johnson Innovation – JJDC Inc. (or any affiliate of these companies) allows the Company to attract them as shareholders of the Company (and, in the case of the Johnson & Johnson group, which is already an indirect shareholder of the Company, to increase its shareholding) and strengthen the Company's relationship with these strategically important partners.

The board is of the opinion that the cancellation of the preferential subscription rights in accordance with Article 598 BCC will, to the extent necessary, provide it full flexibility in determining which investors will be allocated the New Shares and the Additional Shares. The board considers that it is in the interests of the Company to have such flexibility.

3. <u>Proposed transaction and issue price</u>

The board refers to the special report drawn up in accordance with Article 596 BCC for a discussion of the purposes of the Transaction, the structure thereof and the rights attached to the offered shares. Both reports need to be read together.

The issue price per ordinary share and the price per ADS will be determined by the board of directors or their proxy holders based on the results of the book-building process. This determination of the issue price has not yet taken place.

In accordance with article 598 BCC, the issue price may not be lower than the average closing price of the Company's shares (on Euronext Amsterdam) during a 30 calendar day period preceding the start of the issuance of the shares (i.e. the pricing of the Transaction). In order to assess whether the issue price of the ADSs, which shall be denominated in USD, complies with this rule, the board of directors or their proxy holders will, in consultation with the Underwriters, determine a reference exchange rate USD/EUR on the day of pricing for this Transaction.

4. <u>Consequences for the current shareholders</u>

The financial consequences and the dilution that will result from the capital increase are indicatively set out in the table below.

The following assumptions have been made in that respect:

a. an offering size of 250,144,142.50 USD;
b. the exercise of the over-allotment option in its entirety, for an amount of 37,521,579.86 USD;

c. an issue price equal to the closing price of the Company's share on Euronext Amsterdam on 8 May 2015 (i.e. three business days prior to the date of this report, being 37.00 EUR per share);

d. a EUR/USD exchange rate equal to the rate at 8 May 2015 of 1.00 EUR to 1.1221 USD, as published on such date by the European Central Bank; and

e. based on the above indicators, the issuance of 6,025,000 New Shares and 903,749 Additional Shares.

It should be stressed that one or more of these assumptions may or may not materialize, as a result of which the financial consequences of the contemplated Transaction for the existing shareholders could materially differ from those set out in the table below.[1] The number of issued New Shares and the issue price shall be determined at pricing, following the book-building procedure. The number of Additional Shares shall depend on the exercise of the over-allotment option, which will consist of up to 15% of the number of New Shares. Furthermore, it should be noted that, in order to take into account recent evolutions, the table below is based on assumptions that differ from the assumptions used in the special report that the board approved on May 5, 2015 in accordance with Article 596 BCC.

In addition, as per 30 April 2015, 3,019,305 outstanding warrants (excluding the 625,740 warrants created under Warrant Plan 2015 on 30 April 2015 ("**Warrant Plan 2015**"), subject to acceptance by the beneficiaries of Warrant Plan 2015) may still be exercised and may result in the issuance of up to 3,019,305 shares at a weighted average exercise price of EUR 12.42 per warrant. This will further dilute the existing shareholders. The number of shares to be issued upon exercise of the warrants will depend on the number of outstanding warrants that will be effectively exercised within their respective exercise period.

The table below provides an overview of the dilutive effect of the issuance of the New Shares. It also indicates the impact of a possible subscription of the totality of the Additional Shares and the exercise of all the outstanding warrants (excluding the 625,740 warrants created under Warrant Plan 2015, subject to acceptance).

	Situation before the issuance of the New Shares	Situation after the issuance of the New Shares	Situation after the issuance of the New Shares and the Additional Shares	Situation after the exercise of the outstanding warrants[2]
Number of outstanding shares	30,870,677	36,895,677	37,799,426	40,818,731
Number of outstanding warrants	3,019,305	3,019,305	3,019,305	None

[1] For example, if the maximum number of 21,153,728 new shares are issued instead of the 6,025,000 New Shares and 903,749 Additional Shares assumed to be issued for the purposes of the table included in this report, the voting rights of the existing shareholders would be diluted by 41% (calculated on the basis of the current number of outstanding shares, not taking into account any potential warrant exercises).

[2] Assuming that the maximum amount of Additional Shares are issued.

	Situation before the issuance of the New Shares	Situation after the issuance of the New Shares	Situation after the issuance of the New Shares and the Additional Shares	Situation after the exercise of the outstanding warrants[2]
Share capital (in €)[3]	166,996,210	199,591,460	204,480,742	220,815,182
Net consolidated equity (in €)[4]	199,198,552	403,683,423	434,781,426	472,281,194
Dilution of existing shareholders' voting rights	None	16%	18%	24%[5]

5. <u>Report of the statutory auditor</u>

On May 5, 2015, the statutory auditor of the Company has issued a report in relation to the cancellation of the preferential subscription rights of the current shareholders, in accordance with Article 596 BCC.

The statutory auditor of the Company has also been requested to issue a report in relation to the cancellation of the preferential subscription rights of the current shareholders in favour of specific investors, in accordance with Article 598 BCC.

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[3] Excluding Underwriters' discounts and commissions and past cost of capital increases.
[4] As starting point for the calculation of the net consolidated equity, the net equity of Galapagos NV on a consolidated basis under IFRS per March 31, 2015 was taken.
[5] This reflects the total dilution resulting from the issuance of the New Shares, the issuance of the Additional Shares and the exercise of all outstanding warrants. The incremental dilution resulting solely from the issuance of the New Shares and Additional Shares, assuming that all outstanding warrants have been exercised in full, amounts to 17%.

Made and approved on May 13, 2015.

For the board of directors,

[Signed]

Werner Cautreels
Director

[Signed]

Harrold van Barlingen
Director