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 of the Belgian Companies Code

Cancellation of the preferential subscription rights of the existing shareholders in general within the framework of the proposed capital increase under the authorized capital

1 Introduction

The board of directors proposes to increase the share capital of the Company, within the framework of the authorized capital, through issuance of up to 10,267,551 new shares of the Company (the "**Capital Increase**"). The newly issued shares (the "**New Shares**") will be offered to a group of unspecified investors through a public offering in the United States of up to 10,267,551 new American Depository Shares (the "**New ADSs**").

In the framework of the Capital Increase, the board of directors wishes to cancel the preferential subscription rights of the current shareholders of the Company in order to allow the Company to organize a public offering of the New ADSs in the United States.

This report is established on [•] September 2018 by the board of directors of the Company in accordance with the provisions of Article 596 of the Belgian Companies Code. In accordance with these provisions, the share capital of the Company can be increased with cancellation of the preferential subscription rights of the current shareholders, subject to compliance with the conditions set forth in Article 596 of the Belgian Companies Code. Additionally, the board of directors is authorized to cancel or limit the preferential subscription rights of the current shareholders within the framework of the authorized capital (in accordance with the temporary provisions of the articles of association of the Company).

This report has been drawn up in order to account for the Capital Increase within the framework of the authorized capital and to justify the proposal to cancel the preferential subscription rights of the shareholders of the Company in general. The report elaborates in particular on the proposed issue price and the financial consequences of the Capital Increase for the Company's existing shareholders.

2 Proposed Capital Increase

2.1 Purpose of the Capital Increase

The board of directors is of the opinion that it is important for the Company to further strengthen its cash position and to increase its financial flexibility in order to be able to fund new and ongoing research and development activities for filgotinib, GLPG1690, GLPG1205, GLPG1972, additional pipeline development, early commercialization activities for filgotinib, and general corporate purposes, which may include working capital, acquisitions or investments in businesses, products or technologies, and capital expenditures.

2.2 Structure of the Capital Increase

The board of directors wishes to increase the capital within the framework of the authorized capital and with the cancellation of the preferential subscription rights of the existing shareholders.

2.2.1 General

The Capital Increase consisting of up to 10,267,551 New Shares of the Company (including an over-allotment option of up to 1,339,245 New Shares (the "**Over-Allotment Option**"), if exercised) will be a public offering of New ADSs in the United States.

Thereto the board of directors authorizes Morgan Stanley ("**Morgan Stanley**") and Citigroup Global Markets Inc. ("**Citi**") to act as bookrunners for the Capital Increase (Morgan Stanley and Citi collectively, the "**Bookrunners**"). The preferential subscription rights will be cancelled for the benefit of a group of unspecified investors.

Morgan Stanley and Citi will underwrite the Capital Increase for the account of the investors in accordance with the underwriting agreement, to be entered into between the underwriters and the Company.

The Over-Allotment Option is granted for a 30-day period following the publication of the US prospectus supplement in order to allow the Bookrunners to facilitate the offering of the New ADSs by engaging in transactions that stabilize, maintain or otherwise affect the price of the New ADSs.

In the event that the Capital Increase will not be fully subscribed to, the capital will only be increased with the amount of the placed subscriptions subject to the approval of the board of directors or their proxy holders.

Following settlement of the Capital Increase, the listing of up to 10,267,551 shares will be requested without a listing prospectus in reliance upon the exemption set forth in a) of subparagraph 1 of Article 1 (5) of the European Prospectus Regulation 2017/1129 (the "**Regulation**"): no prospectus is required for issuing securities fungible with securities already trading on the same regulated market, provided that they represent, over a period of 12 months, less than 20% of the number of securities already admitted to trading on the same regulated market, such 20% threshold amounting to 10,267,552 shares in the case of the Company.

2.2.2 Authorized capital

(a) Historic Use

On 25 April 2017, the Company's extraordinary shareholders' meeting has resolved to renew the authorization of the board of directors with respect to the use of the authorized capital. By this authorization, the board was authorized to increase the share capital in one or more times with an amount of €50,037,433.29, i.e. 20% of the share capital existing at the moment of the convening of the extraordinary shareholders' meeting granting this authority.

In addition, on the same date of 25 April 2017, the Company's extraordinary shareholders' meeting resolved to authorize the board of directors to increase the share capital of the Company in one or more times in an amount up to €82,561,764.93, i.e., 33% of the share capital existing at the moment of the convening of the extraordinary shareholders' meeting granting this authority, upon resolution of the board of directors that all independent directors (within the meaning of article 526ter of the Belgian Companies Code) approved and relating to (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 connection with Company's remuneration policy for its and its subsidiaries' employees, directors and independent advisors, (iii) the financing of the Company's research and development programs or (iv) the strengthening of the Company's cash position.

The renewed authorization to use the authorized capital is valid for a period of five years as from the date of publication of this authorization in the Annexes to the Belgian State Gazette, i.e. as from 31 May 2017. The board of directors may, in the context of the authorized capital, issue shares (with or without voting rights and as the case may be as part of warrant plans for employees, directors and independent consultants of the Company and its subsidiaries). 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 premium. If the board asks a share 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 April 19, 2018, the board of directors partially used its renewed authorization for the use of the authorized capital a first time, with cancellation of the preferential subscription rights, for the issuance of Warrant Plan 2018 and Warrant Plan 2018 RMV, which (after acceptance by the beneficiaries) relate to an aggregate maximum of 1,237,745 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 issuance price will be booked as issuance premium. By the issuance of Warrant Plan 2018 and Warrant Plan 2018 RMV, the board of directors used up to €6,696,200.45 of the authorized capital, as indeed said warrants can result in the issuance of up to 1,237,745 new shares, to be multiplied with the then current fractional value of (rounded up) €5.41 per share.

(b) Authorized Capital - Availability

On the date of this report, an aggregate amount of up to €6,696,200.45 of the authorized capital has been used, as a result of which €75,865,564.48 of the authorized capital is still available.

The contemplated Capital Increase, as further described under this Section 2.2, by the proposed decision of the board of directors to issue up to 10,267,551 new shares, is therefore still within the limits of the total authorization of the authorized capital, taking into account the current accounting par value of (rounded up) €5.41 per share as it would result in a maximum increase of the share capital by €55,547,450.91 (plus a share premium to be determined on the basis of the Issue Price (as defined below)).

2.2.3 Issue Price

The issue price per ordinary share (the "**Issue Price**") and the price per New ADS will be determined by the board of directors or their proxy holders together with the Bookrunners based on the results of a bookbuilding process ("**Pricing**").

In any case, the final Issue Price per ordinary share (the "**Issue Price**") will not be lower than the current accounting par value per share, i.e. €5.41 (rounded up). In order to assess whether the issue price of the New ADSs, which shall be denominated in USD, complies with this rule, the board of directors or their proxy holders will, in consultation with the Bookrunners, determine a reference exchange rate EUR/USD - USD/EUR on the day of Pricing by which the Issue Price will be multiplied (the "**Exchange Rate**").

The portion of the Issue Price per new share up to the accounting par value of (rounded up) €5.41, will be recorded on the "capital" account. The balance of the Issue Price will be recorded on a non-available reserve account that can only be reduced or transferred by a decision of the shareholders' meeting adopted in the manner required for amending the articles of association.

2.2.4 The New Shares

The New 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 New Shares will carry the same rights as all outstanding shares and will equally share in the results of the Company.

Each New ADS will represent one (1) ordinary share of the Company.

2.2.5 Amount of the Capital Increase

The amount of the Capital Increase shall be recorded in Euro and is determined by (a) multiplying the amount of New ADSs subscribed to in the public offering with the issue price of the New ADSs, and (b) multiplying the result thereof by the agreed-upon Exchange Rate.

2.2.6 Listing and tradability of the New Shares

The listing and trading of the New Shares on Euronext (Amsterdam and Brussels) will be requested following the issuance of such New Shares. In principle, the request to listing and trading of the new shares on Euronext is subject to the regulatory approval of a listing prospectus. However, with respect to the Capital Increase, an application for the trading and listing will be made without a listing prospectus in reliance upon the exemptions set forth in a) of subparagraph 1 of Article 1 (5) of the Regulation.

The New ADSs will be admitted to listing and trading on the NASDAQ on the day after Pricing, in accordance with applicable US securities laws.

3 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 share premium) are indicatively set out in the tables below.

The below tables assume the following:

- the issuance of 10,267,551 New Shares (including the exercise of the Over-Allotment Option in its entirety);
- the full number of 10,267,551 New ADSs will be subscribed to;

- an issue price for the New Shares equal to €90.97, being the average closing price of the Galapagos share on Euronext Amsterdam and Euronext Brussels during the 30-day period preceding 5 September 2018;
- a weighted average exercise price per warrant of €51.97; and
- a USD/EUR exchange rate of 1.1562 equal to the rate at 4 September 2018, as published on such date by the European Central Bank.

Since the Issue Price and the Exchange Rate have at present not yet been determined, the below tables are hypothetical.

The tables below are additionally based on the existing situation that the Company has a registered capital on the date of this report of €277,679,082.33, represented by 51,337,763 shares. The accounting par value of the shares amounts to (rounded up) €5.41.

The tables below show the effect of the Capital increase on the one hand without taking into account the exercise of any outstanding warrants under the warrant plans of the Company and the dilutive effect thereof and, on the other hand, by taking into account the dilutive effect of the exercise of any outstanding warrant under the warrant plans of the Company. The exercise of all granted warrants that are still outstanding under the existing plans on the date of this report can possibly lead to the creation of up to 4,795,567 additional shares.

3.1 Maximum dilution of voting power and of liquidation and dividend rights resulting from the Capital Increase based on the current number of shares

The tables below show the maximum dilution of voting power and liquidation and dividend rights that will result from the Capital Increase on the one hand and, the cumulative maximum dilution resulting from the Capital Increase and the exercise of all outstanding warrants on the other hand, in both cases assuming all New ADSs (including the Over-Allotment Option) are exercised in full.

Effect of the Capital Increase, without taking into account the exercise of any outstanding warrants under the warrant plans of the Company on the date of this report and the dilutive effect thereof

Current number of shares	51,337,763
Maximum number of shares to be issued as a result of the Capital Increase	10,267,551
Maximum number of shares after the Capital Increase	61,605,314
Dilution of existing shareholders	16.67%

Cumulative effect of the Capital Increase and the exercise of all outstanding warrants under the warrant plans of the Company at the date of this report

Current number of shares	51,337,763
Maximum number of shares to be issued as a result of the Capital Increase	10,267,551
Maximum number of shares to be issued as a result of the exercise of all outstanding warrants	4,795,567
Maximum number of shares after the Capital Increase and the exercise of all outstanding warrants	66,400,881
Dilution of existing shareholders	22.69%

3.2 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 amount of the Capital Increase. The tables below show the effect on the equity of the Company of the Capital Increase on the one hand, and the cumulative effect of the Capital Increase and the exercise of all outstanding warrants on the other hand, in both cases on the assumption of a hypothetical issue price.

Existing situation prior to the Capital Increase

Number of shares prior to the Capital Increase	51,337,763
Equity of the Company[1] (€, in thousands)	885,659
Equity value per share prior to the Capital Increase (€)	17.25

Effect of the Capital Increase in the assumption of an issue price equal to US$105.18 / €90.97 (hypothetical issue price) per share, without taking into account the exercise of the outstanding warrants under the warrant plans of the Company at the date of this report and the dilutive effect thereof

Number of shares after the Capital Increase	61,605,314
Amount of the Capital Increase (US$, in thousands)	1,024,417
Amount of the Capital Increase (€, in thousands)	886,020
Equity of the Company after the Capital Increase (€, in thousands)	1,771,680
Equity value per share after the Capital Increase (€)	28.76

Cumulative effect of the Capital Increase (in the assumption of an issue price per share equals US$105.18 / €90.97 – the hypothetical issue price) and the exercise of all outstanding warrants under the warrant plans of the Company on the date of this report

Number of shares after the Capital Increase and after the exercise of all outstanding warrants of the Company	66,400,881
Amount of the Capital Increase (US$, in thousands)	1,024,417
Amount of the Capital Increase (€, in thousands)	886,020
Amount of the Capital Increase resulting from the exercise of all outstanding warrants (€, in thousands; weighted average exercise price of €51.97 per warrant)	249,207
Equity of the Company after the Capital Increase and after the exercise of all outstanding warrants of the Company (€, in thousand)	2,020,887
Equity value per share after the Capital Increase and after the exercise of all outstanding warrants of the Company (€)	30.43

[1] The equity value of the Company is based on the unaudited condensed financial statements of Galapagos NV on a consolidated basis under IFRS per 30 June 2018.

4 Statutory Auditor's report

The Statutory Auditor of the Company has been requested to issue a report in accordance with Article 596 of the Belgian Companies Code.

5 Justification of the cancellation of the preferential subscription rights of the existing shareholders

The board of directors is of the opinion that the cancellation of the preferential subscription rights of the existing shareholders for the benefit of an unspecified group of investors allows the Company to (i) swiftly react to a possible opportunity in the financial markets and thus to (ii) efficiently obtain additional financial resources which enable the Company to ensure its future growth.

The quick reaction necessary to respond to the opportunities provided, makes it impossible to observe the periods of time to be respected in case of a capital increase with preferential subscription rights.

Therefore, the board of directors is of the opinion that the cancellation of the preferential subscription rights is in the best interest of the Company.

6 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 an unspecified group of investors is in the Company's interest.

The Capital Increase is subject to the approval by the board of directors' meeting to be held on or around 12 September 2018.

Made and approved on 12 September 2018

[Signature page follows]

English translation – for information purposes only

For the board of directors of the Company,

[Signed]	*[Signed]*
Onno van de Stolpe Director	Howard Rowe Director