Interim Report 2014

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FORWARD-LOOKING STATEMENTS

This Interim Report may contain forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continues" as well as similar expressions. Such forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause the actual results, financial condition, performance or achievements of Galapagos, or industry results, to be materially different from any future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. Galapagos expressly disclaims any obligation to update any such forward-looking statements in this document to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, unless required by law or regulation.

Letter to our shareholders

Dear Shareholder,

Galapagos has transformed into an R&D company with a maturing pipeline of novel mode of action medicines, culminating in the sale of the BioFocus and Argenta service operations to Charles River Laboratories in April 2014. This transaction realized significant value creation for shareholders, with cash consideration of €129 million excluding an earnout of €5 million upon achievement of certain commercial targets within one year. Galapagos now has the strongest balance sheet in its history, ending 30 June 2014 with €231.5 million in cash (liquid asset position of €240.1 million) and €28 million in unconditional receivables from the French government. Our maturing pipeline currently has three Phase 2 and two Phase 1 programs, five in pre-clinical, and twenty in discovery stage. Galapagos aims to deliver the 12 week data from DARWIN 1 with GLPG0634 in March 2015, starting a steady flow of Phase 2 readouts expected for GLPG0634 in rheumatoid arthritis and Crohn's next year and potentially triggering payments of $250 million from AbbVie. Galapagos is nearing some key valuation inflection points as it finishes up recruiting for these studies, with a healthy balance sheet to support further growth of the pipeline.

R&D strategy

Galapagos selects diseases with large, unmet medical need and discovers novel mode-of-action medicines to address these diseases. The Company's R&D focus on inflammation, cystic fibrosis, anti-infectives, and fibrosis has yielded a substantial pipeline with multiple Phase 2 readouts the coming 18 months. Galapagos seeks to partner programs at an optimal stage, with the ambition to ring fence certain proprietary programs.

Progress in the clinic

GLPG0634

GLPG0634 is an orally-available, novel Janus kinase (JAK) inhibitor with selectivity for JAK1 developed by Galapagos. JAKs are critical components of signaling mechanisms utilized by a number of cytokines and growth factors, including those that are elevated in rheumatoid arthritis patients. JAK inhibitors have shown long-term efficacy in rheumatoid arthritis studies with an early onset of action. GLPG0634 differentiates from other JAK inhibitors in development by specifically targeting JAK1, a strategy which could result in a better efficacy and safety profile. Galapagos and AbbVie have a global collaboration to develop and commercialize GLPG0634 to treat autoimmune diseases.

The DARWIN Phase 2B program initiated last year with GLPG0634 includes two dose finding studies (595 patients: DARWIN 1/ methotrexate add-on and 280 patients: DARWIN 2/monotherapy) and an open label extension study (DARWIN 3). The dose finding studies will evaluate the efficacy and safety of GLPG0634 with 24 weeks of treatment in moderate to severe RA patients refractory to methotrexate. Due to longer than anticipated approval rounds with national regulators, topline 12 week results for DARWIN 1 are now expected in March 2015, DARWIN 2 topline 12 week results are expected in Q2 2015, with complete 24 week data package expected in Q3 2015. AbbVie will base its licensing decision on the complete 24 week DARWIN data package from GLPG0634.

Early this year Galapagos initiated a Phase 2 study in Crohn's disease with GLPG0634, as agreed with AbbVie last year. Galapagos will fund and complete a Phase 2 program, which is designed to facilitate rapid progression into Phase 3. The Phase 2 study will investigate safety and efficacy of GLPG0634 in 180 patients with Crohn's disease, combining a 10 week induction period with a 10 week maintenance and dose-range finding component. Upon successful completion of the study, expected in Q2 2015, and in-licensing of the compound, Galapagos is eligible to receive $50 million from AbbVie. AbbVie will be responsible for funding and performing clinical development beyond Phase 2, and regulatory and commercialization activities.

GLPG0974

GLPG0974 is an orally available small molecule that reduces migration of neutrophils, one of the critical cell types in inflammatory processes, by potent inhibition of FFA2 (free fatty acid receptor 2, formerly known as GPR43). Over-activity of neutrophils is a cause of tissue damage in illnesses such as inflammatory bowel disease, and this anti-inflammatory mechanism may provide for a novel treatment approach. GLPG0974 is the first inhibitor of FFA2 to be evaluated clinically.

The efficacy and safety of GLPG0974 was tested in a 4-week Phase 2 proof-of-concept study with 45 ulcerative colitis patients in 16 centers in 4 European countries. Patients received 200 mg of GLPG0974 twice-daily for 4 weeks. Patients on treatment tolerated it well and showed decreases in two established biomarkers of disease severity. These biomarker reductions are evidence for the novel mode-of-action directed toward neutrophil migration. Reduction in neutrophil influx did not translate to improvement in signs and symptoms during this four week study. Galapagos is performing subgroup analyses, exploring additional indications, and discussing further development of GLPG0974 with potential partners.

GLPG1690 and GLPG1205

In 2007, Galapagos announced an alliance agreement with Janssen Pharmaceutica NV providing the option to worldwide, commercial licenses to certain Galapagos internal inflammatory disease programs. These programs include novel targets for inflammatory disorders that were identified and validated by Galapagos using its proprietary target discovery engine.

In July, Galapagos initiated a First-In-Human study with GLPG1690. The candidate drug will be developed for pulmonary disorders. The aim of this Phase 1 trial is to evaluate the safety, tolerability, pharmacokinetics, and pharmacodynamics of oral single and multiple ascending doses of GLPG1690. Galapagos received a €6.6 million milestone payment from Janssen Pharmaceutica NV for this achievement, which contributed to first half results.

Galapagos also is preparing to initiate a Phase 2 study with GLPG1205, another novel mode of action candidate targeting inflammation in the alliance with Janssen Pharmaceutica NV.

GSK2586184

In the immune-inflammation alliance with GlaxoSmithKline, GSK2586184, Galapagos' Jak1 inhibitor, was licensed to GSK in 2012. GSK informed Galapagos that [quote]"*GSK have assessed the overall risk:benefit profile of GSK2586184 and have elected to terminate all current indications where GSK2586184 is administered orally for chronic immunoinflammatory diseases (SLE, UC, psoriasis). As disclosed in February 2014, futility was demonstrated in SLE at an early interim analysis of an adaptive phase 2a/b study. For ulcerative colitis and psoriasis, GSK has elected to terminate development principally as a result of the statin drug-drug interaction (DDI) study. Development options for GSK2586184 in other potential indications are presently being explored by GSK*." [end quote]

Galapagos' other Jak1 inhibitor, GLPG0634, presents a low risk of interference with statin and other drugs concomitantly administered to patients, as Galapagos disclosed at EULAR 2014.

Progress in other R&D programs

In the field of antibodies, Galapagos collaborates with MorphoSys to discover and develop antibody therapies based on novel modes of action in bone and joint disease, including rheumatoid arthritis, osteoporosis and osteoarthritis. The first joint development program recently advanced into preclinical development stage; MOR106 is an antibody made using MorphoSys's next-generation antibody library Ylanthia and will be developed in inflammatory diseases.

In our cystic fibrosis programs, Galapagos and its partner AbbVie have discovered multiple series of correctors that show better activity than VX-809 in pre-clinical tests in the f508del mutation, which affects 87% of CF patients. Multiple corrector-potentiator combinations are under development that restore up to 65% of healthy (wild type) CFTR activity in cells with the f508del mutation. GLPG1837 is expected to enter the clinic and a pre-clinical candidate corrector is expected to be nominated, both by end 2014.

In the anti-infectives area, Galapagos has a fully proprietary narrow spectrum antibiotic with a novel mode-of-action against Methicillin-resistant *Staphylococcus aureus*, GLPG1492, which is expected to be dosed in first volunteers (Phase 1) early in 2015. Galapagos has shown pre-clinical data with GLPG1492 showing *in vitro* cidality and *in vivo* efficacy, with broad coverage of all known MRSA strains. Galapagos has discovered that the mode of action for GLPG1492 can be utilized as a platform for addressing gram positive and gram negative bacteria posing major public health threats, including the ESKAPE pathogens.

In the field of oncology, Galapagos discovered a novel candidate drug, GLPG1790, to treat breast cancer and other cancer types. GLPG1790 has shown high sensitivity to GLPG1790 in metastatic melanoma, including wild-type BRAF. In the first half of this year, Galapagos disclosed that the novel target of GLPG1790 is EPHA2, with potential applications in a wide range of cancers. Data disclosed at the R&D Update in June showed high sensitivity to GLPG1790 in metastatic melanoma, including wild-type BRAF. This novel program is fully proprietary to Galapagos, and a partner is being sought before entering the clinic.

In the osteoarthritis alliance with Servier, Galapagos completed the nomination of GLPG1972, the second pre-clinical candidate delivered in this alliance. This achievement triggered an undisclosed milestone which contributed to the first half year results.

The Flemish agency for Innovation by Science and Technology (IWT) awarded Galapagos two grants: €2.9 million to discover new cystic fibrosis treatments and €2.3 million for fibrosis research.

Corporate developments

Van Herk Investments disclosed a 5.3% shareholding in Galapagos in January. As a result of a warrant exercise Galapagos NV's share capital increased by €2.4 million, including issuance premium. CFO Guillaume Jetten resigned, and Galapagos is currently performing a search for his replacement.

Interim financial result

(NOTE: Galapagos sold its BioFocus and Argenta service operations to Charles River Laboratories Inc. on 1 April 2014. As a result of this sale the service operations are reported as discontinued operations. Group results include both continuing and discontinued operations.)

Revenues

Galapagos' Group revenues for the first half of 2014 amounted to €63.2 million[1], compared to €77.4 million in the same period of 2013. R&D revenues (€35.5 million vs €40.2 million last year) were lower due to the achievement of fewer milestones and a non-cash change in estimates of revenue recognition for the '634 program. Other R&D income (€9.6 million) increased in H1 '14, driven mainly by IWT grants from the Flemish government

Results

The Group realized a net profit for the first half of 2014 of €55.9 million, compared to a loss of €5.4 million in the first six months of 2013.

[1] ***Service revenues of €18.2 million for the first quarter of 2014 are included in the result from discontinued operations***

R&D expenses for the Group in the first half-year of 2014 were €52.8 million compared to €48.0 million in 2013. This planned increase is mainly due to increased efforts on CF and internal programs.

General and administrative expenses of the Group were €10.5 million in the first half of 2014, compared to €12.9 million in the first half of 2013.

Following the sale of the service operations, the Group reported a net profit from discontinued operations of €70.2 million in the first half of 2014. The service operations reported revenues of €18.2 million and a net profit of €2.5 million for the first three months of 2014. Galapagos recorded a result on divestment of €67.5 million.

Liquid assets position

Galapagos' cash and cash equivalents amounted to €231.5 million on 30 June 2014. The Company's liquid asset position of €240.1 million on 30 June 2014 (€147.5 million at year end 2013) included €8.5 million in alliance related receivables for which revenues were recorded in H1 2014, and payment was or is to be received in Q3 2014. A net increase of €90.1 million in cash and cash equivalents was recorded during the first half of 2014, compared to an increase of €42.1 million in the same period last year. The increase this year is due to the €130.8 million net cash proceeds from the sale of the service operations to Charles River Laboratories Inc. in April 2014. Furthermore, Galapagos' balance sheet holds an unconditional and unrestricted receivable from the French government (Crédit d'Impôt Recherche)[2] now amounting to €28 million, payable in three yearly tranches.

Company outlook for the full year 2014

The Phase 2B clinical program in RA for GLPG0634 is expected to deliver 12 week topline efficacy and safety data for DARWIN 1 in March 2015. The Company expects to make significant progress in partnered and non-partnered R&D programs as the pipeline continues to mature across a broad range of therapeutic areas, resulting in multiple additional clinical and pre-clinical stage programs by end 2014. With a solid cash balance, Galapagos is very well positioned to support this pipeline development.

Based on the forecast for the remainder of the year, the year-end cash guidance is increased from €170 million to €175 million.

Revenue recognition for AbbVie's payments in 2012 and 2013 for '634 was adjusted in accordance with updated project timelines, and revenue recognition for AbbVie's 2013 CF upfront non-refundable payment was now deferred over a longer period as a result of a change in estimate relative to the period of continuous involvement by Galapagos (in the remaining R&D process). These changes lead management to give new guidance for Group revenues of €100 million, including €18 million revenues from the discontinued service operations. This adjusted revenue guidance has no cash impact.

We thank you, our shareholders, for your support. Galapagos has been able to complete its transition into a mature pipeline company, and it now has a strong balance sheet to unlock more shareholder value going forward. Supported by your loyalty, Galapagos continues to grow according to our strategic plan.

Onno van de Stolpe	Raj Parekh
Chief Executive Officer	Chairman

[2] *Crédit d'Impôt Recherche refers to an innovation incentive system underwritten by the French government*

Declaration of responsible persons

The Board of Directors of Galapagos NV, represented by all its members, declares that, as far as it is aware, the financial statements in this Interim Report, are made up according to the applicable standards for financial statements, and give a true and fair view of the equity, financial position and the results of the Company and its consolidated companies. The Board of Directors of Galapagos NV, represented by all its members, further declares that this letter to the shareholders gives a true and fair view on the information that has to be contained therein.

Risk factors

Management refers to its description of risk factors in the Company's Annual Financial Report 2013, pp.13-18, which remains valid for the first half of 2014. In summary, the principal risks and uncertainties faced by the Galapagos Group include: financial and liquidity risk, foreign exchange risk, reliance on alliance partners and key customers, competition, reliance on key personnel and intellectual property, and risks associated with drug discovery and (pre-)clinical development. Management also refers to Financial risk management given in the Company's Annual Financial Report 2013, pp. 81-84, which remains valid for the first half of 2014.

Because Galapagos' reporting currency is the euro, the operations and financial position of entities operating in other currencies needs to be translated into euros in the consolidation process. As there is an ongoing fluctuation between these foreign currencies and the euro, a negative impact might occur on the consolidated financial results.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE

Condensed Consolidated income statement

Thousands of €	30 Jun 2014	30 Jun 2013
Continuing operations		
R&D revenue (*)	35,457	40,223
Other income	9,596	8,999
Total operating income	**45,052**	**49,222**
R&D Expenditure	-52,809	-47,982
General and administrative costs	-6,395	-5,879
Sales and marketing expenses	-682	-633
Restructuring and integration costs	-594	-161
Operating profit/loss (-)	**-15,427**	**-5,434**
Finance income	1,636	772
Finance cost	-515	-488
Profit/loss (-) before tax	**-14,305**	**-5,149**
Taxes		
Net profit/loss (-) from continuing operations	**-14,305**	**-5,149**
Discontinued operations		
Net profit/loss (-) from discontinued operations	**70,171**	**-219**
Net profit/loss (-)	**55,866**	**-5,368**
Net profit/loss (-) attributable to:		
Owners of the parent	55,866	-5,368
Earnings/loss (-) per share	**1.87**	**-0.19**

(*) R&D revenues include revenues from Xenometrix Inc.

Condensed Consolidated statement of comprehensive income

Thousands of €	30 Jun 2014	30 Jun 2013
Profit/loss (-) for the period	**55,866**	**-5,368**
Exchange difference arising on translating of foreign operations	-1,940	-150
Other comprehensive income	**-1,940**	**-150**
Total comprehensive income attributable to:		
Owners of the parent	53,926	-5,518

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

Thousands of €	30 Jun 2014	31 Dec 2013
NON-CURRENT ASSETS	**50,086**	**110,721**
Goodwill		39,239
Intangible assets	1,862	7,832
Property, plant and equipment	10,761	19,525
Deferred tax assets		4,558
Non-Current tax receivables	37,247	39,347
Available for sale financial assets and other non-current assets	215	220
CURRENT ASSETS	**254,894**	**176,653**
Inventories	297	249
Trade and other receivables	12,093	19,207
Current tax receivables	7,968	10,625
Cash and cash equivalents	231,531	141,481
Other current assets	3,004	5,091
TOTAL ASSETS	**304,980**	**287,374**

Equity and liabilities

Thousands of €	30 Jun 2014	31 Dec 2013
TOTAL EQUITY	**225,015**	**167,137**
Share capital	156,218	154,542
Share premium account	113,217	112,484
Other reserves	47	47
Translation differences	-1,770	170
Accumulated losses	-42,697	-100,107
TOTAL LIABILITIES	**79,965**	**120,237**
NON-CURRENT LIABILITIES	**3,988**	**7,678**
Pension liabilities	2,189	2,189
Provisions	62	668
Deferred tax liabilities		2,192
Finance lease liabilities	140	167
Other non-current liabilities	1,597	2,462
CURRENT LIABILITIES	**75,977**	**112,559**
Provisions	35	81
Finance lease liabilities	114	226
Trade and other payables	23,047	29,365
Current tax payable	437	50
Other current liabilities	52,342	82,838
TOTAL LIABILITIES AND EQUITY	**304,980**	**287,374**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

Thousands of €	30 Jun 2014	30 Jun 2013
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**141,481**	**94,647**
Result from operations	-12,920	-5,230
Adjustments for:		
Depreciation of property, plant and equipment	2,151	3,079
Amortization of intangible fixed assets	647	960
Inventories write off		-1
Exchange gain/loss (-) on translation of net assets of subsidiary	83	1,055
Share based compensation	1,540	955
Increase/Decrease (-) provisions	-52	-17
Operating cash flows before movements in working capital	**-8,551**	**801**
Increase (-)/Decrease in inventories	-48	-60
Increase (-)/Decrease in receivables	-12,374	933
Increase/Decrease (-) in payables	-21,500	-9,822
Cash generated/used (-) in operations	**-42,472**	**-8,149**
Interest paid and other financial costs	-395	-520
NET CASH FLOWS GENERATED/USED (-) IN OPERATING ACTIVITIES	**-42,867**	**-8,669**
Purchase of property, plant and equipment	-1,233	-2,205
Purchase of and expenditure in intangible fixed assets	-150	-93
Proceeds from disposal of property, plant and equipment	9	56
Acquisitions (-) of subsidiaries, associates or joint ventures, net of cash acquired		-1,152
Disposals (+) of subsidiaries, associates or joint ventures, net of cash disposed of	130,845	
NET CASH USED IN INVESTING ACTIVITIES	**129,471**	**-3,393**
Repayment of obligations under finance leases and other debts	-139	-169
Proceeds of Capital and Share premium increases, net of issue costs	2,409	54,580
Interest received and other financial income	1,044	519
NET CASH GENERATED/USED (-) IN FINANCING ACTIVITIES	**3,314**	**54,930**
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**133**	**-805**
INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS	**90,051**	**42,062**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**231,531**	**136,709**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands of €	Share capital	Share premium account	Translation differences	Other reserves	Accumulated losses	Total
Balance at 1 January 2013	**139,347**	**72,876**	**994**		**-94,770**	**118,447**
Net result					-5,368	-5,368
Other comprehensive income			-150		-454	-604
Total comprehensive income			**-150**		**-5,822**	**-5,972**
Share based compensation					955	955
Issue of share capital	13,468	39,346				52,814
Exercise warrants	1,557	209				1,766
Other					2	2
Balance at 30 June 2013	**154,372**	**112,431**	**844**		**-99,635**	**168,012**
Balance at 1 January 2014	**154,542**	**112,484**	**170**	**47**	**-100,107**	**167,137**
Net result					55,866	55,866
Other comprehensive income			-1,940			-1,940
Total comprehensive income			**-1,940**		**55,866**	**53,926**
Share based compensation					1,540	1,540
Exercise warrants	1,676	733				2,409
Other					3	3
Balance at 30 June 2014	**156,218**	**113,217**	**-1,770**	**47**	**-42,697**	**225,015**

EXPLANATORY NOTES FOR GALAPAGOS' UNAUDITED SIX MONTHS RESULTS ENDED 30 JUNE 2014

Basis of preparation

The condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with IFRS 5 'Assets held for sale and discontinued operations' following the sale of the service operations on 1 April 2014. The condensed financial statements don't contain all information required for an annual report and should therefore be read in conjunction with the Company's Annual Financial Report of 2013.

The condensed financial statements were subject to a limited review by the statutory auditor, but have not been audited.

Significant accounting policies

There were no significant changes in accounting policies applied by the Group in these condensed consolidated interim financial statements compared to those used in the most recent annual financial statements of 2013, except for the adoption of new standards and interpretations described below.

New standards

Standards and interpretations applicable for the annual period beginning on 1 January 2014

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 *Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)*
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities:* Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2014

- IFRS 9 *Financial Instruments and subsequent amendments* (not yet endorsed in EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in the EU)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 July 2014, but not yet

endorsed in the EU)

- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits - Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 1 January 2014)

The nature and the effect of these changes were taken into consideration, but the above amendments did not affect the interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

R&D operations

Following the sale of the Service operations on 1 April 2014, the Group continuing operations relate to R&D operations. Therefore segment reporting is no longer to be disclosed. Galapagos' R&D operations are specialized in the discovery and development of small molecules. Galapagos funds these programs through alliance payments from its pharma partners, licensing agreements from its proprietary pipeline, and its cash reserves. Many of these programs are based on proprietary disease-modifying drug targets in disease areas for which there is a need for safe and effective medicines.

The impact of seasonality or cyclicality on the Galapagos' operations is not regarded as applicable to the unaudited interim condensed consolidated financial statements.

DETAILS OF THE UNAUDITED HALF-YEAR 2014 RESULTS

(NOTE: Galapagos sold its BioFocus and Argenta service operations to Charles River Laboratories Inc. on 1 April 2014. As a result of this sale the service operations are reported as discontinued operations. Group results include both continuing and discontinued operations. The components of the operating result discussed below are for the continuing operations only, as per IFRS 5 presentation.)

Revenues

Galapagos' revenues for continuing operations for the first half of 2014 amounted to €45.1 million compared to €49.2 million in the same period of 2013. R&D revenues (€35.5 million vs €40.2 million last year) were lower due to the achievement of fewer milestones and a non-cash change in estimate of revenue recognition for the '634 program. Other R&D income (€9.6 million) increased in H1 '14, driven mainly by IWT grants from the Flemish government.

Results

The Group realized a net profit for the first half of 2014 of €55.9 million, compared to a loss of €5.4 million in the first six months of 2013.

R&D expenses for continuing operations in the first half-year of 2014 were €52.8 million compared to €48.0 M in 2013. This planned increase is mainly due to increased efforts on CF and internal programs.

General and administrative expenses of continuing operations were €6.4 million in the first half of 2014, compared to €5.9 million in the first half of 2013.

Following the sale of the service operations, the Group reported a net profit from discontinued operations of €70.2 million in the first half of 2014. The service operations reported revenues of €18.2 million and a net profit of €2.5 million for the first three months of 2014. Galapagos recorded a result on divestment of €67.5 million.

Liquid assets position

Galapagos' cash and cash equivalents amounted to €231.5 million on 30 June 2014. The Company's liquid asset position of €240.1 million on 30 June 2014 (€147.5 million at year end 2013) included €8.5 million in alliance related receivables for which revenues were recorded in H1 2014, and payment was or is to be received in Q3 2014. A net increase of €90.1 million in cash and cash equivalents was recorded during the first half of 2014, compared to an increase of €42.1 million in the same period last year. The increase this year is due to the €130.8 million net cash proceeds from the sale of the service operations to Charles River Laboratories Inc. in April 2014. Furthermore, Galapagos' balance sheet holds an unconditional and unrestricted receivable from the French government (Crédit d'Impôt Recherche) now amounting to €28 million, payable in three yearly tranches.

Discontinued operations

1. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

On 1 April 2014, the Group sold its service division - comprising all service operations of BioFocus and Argenta in the UK and The Netherlands - to Charles River Laboratories International, Inc. In particular, the Group disposed of following companies which were previously fully consolidated: BioFocus DPI (Holdings) Ltd. and BioFocus DPI Ltd. (Saffron Walden, UK), Argenta Discovery 2009 Ltd. (Harlow, UK) and its subsidiary Cangenix Ltd. (Canterbury, UK). In addition, also certain assets from the Galapagos BV (Leiden, The Netherlands) have been acquired by Charles River Laboratories International, Inc.

1.1 Consideration received

Thousands of €	01/04/2014
Consideration received in cash and cash equivalents	137,760
Total consideration received	**137,760**

1.2 Analysis of assets and liabilities over which control was lost

Thousands of €	01/04/2014
Current assets	
Cash	6,115
Trade & other receivables	18,165
Non-current assets	
Goodwill	39,246
Fixed assets	13,397
Deferred tax assets	4,588
Current liabilities	
Trade payables	-2,569
Other payables	-4,527
Non-current liabilities	
Provisions	-604
Deferred tax liabilities	-1,996
Other non-current liabilities	-549
Net assets disposed of	**71,267**

1.3 Gain on disposal of subsidiaries

Thousands of €	01/04/2014
Consideration received	137,760
Net assets disposed of	-71,267
Effect from Cumulative Translation Adjustments reclassified from equity on loss of control	1,787
Costs associated to sale	-800
Gain on disposal	**67,480**

The gain on disposal is included in the profit from discontinued operations for the six months ended 30 June 2014.

1.4 Net cash inflow on disposal of subsidiaries

Thousands of €	01/04/2014
Consideration received in cash and cash equivalents	137,760
Less: cash and cash equivalent balances disposed of	-6,115
Total consideration received, net of cash disposed of	**131,645**
Costs associated to sale	-800
Cash in from disposal of subsidiaries, net of cash disposed of	**130,845**

2. RESULT FROM DISCONTINUED OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE

Thousands of €	Discontinued operations 30 Jun 2014	Discontinued operations 30 Jun 2013
Services revenue	17,502	28,197
Other income	669	
Total operating income from discontinued operations	**18,171**	**28,197**
Services cost of sales	-11,283	-20,104
General and administrative costs	-4,088	-7,018
Sales and marketing expenses	-255	-418
Restructuring and integration costs	-38	-453
Operating profit/loss (-) from discontinued operations	**2,507**	**204**
Finance income	451	71
Finance cost	-34	-557
Result on divestment	67,480	
Profit/loss (-) before tax	**70,404**	**-282**
Taxes	-233	63
NET PROFIT/LOSS (-) FROM DISCONTINUED OPERATIONS	**70,171**	**-219**

3. CASH FLOWS FROM DISCONTINUED OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE

Thousands of €	30 Jun 2014	30 Jun 2013
Net cash flows generated/used (-) in operating activities	-1,825	5,954
Net cash generated/used (-) in investing activities	130,620	-2,658
Net cash generated/used (-) in financing activities	392	-35
Net change in cash and cash equivalents	**129,187**	**3,261**

Contingencies and commitments

Changes in contingent liabilities or contingent assets since the end of the previous reporting period (Company's Annual Financial Report 2013, p.69):

In the course of 2013 Galapagos SASU was subject to a tax audit on fiscal years 2008 to 2011. In December 2013 the French tax authorities proposed a tax adjustment amounting to €1.9 million in cash and a proposed decrease of its tax losses carried forward for €19,5 million. A defense response letter rejecting the claim was sent to the tax authorities on 10 February 2014. Considering the defense elements provided in favor of Galapagos SASU, the Board of Directors, also based on its external advisors assessment, evaluated the risk to be remote to possible, but not likely. Accordingly, it was decided not to record any tax provision in 2013 as the exposure was considered to be limited. The tax administration sent its answer to Galapagos SASU on 14 March 2014 rejecting all the arguments of the response letter. Following this letter Galapagos SASU requested additional meetings with the tax administration at a higher level of the hierarchy. The first meeting took place in June 2014 and other meetings are expected in the course of the second half of 2014. Supported by its external advisors, the Board of Directors has assessed the risk to be unchanged compared to year-end 2013 and decided not to record any tax provision in first half of 2014 as the exposure is still considered to be limited.

The sales price related to the sale of the BioFocus and Argenta service division operations to Charles River Laboratories International, Inc. on 1 April 2014 comprises an immediate cash consideration as well as a revenue growth consideration. Upon achievement of a revenue target 12 months after transaction closing, Galapagos will be eligible to receive an earn-out payment of €5 million. The achievement of this revenue target will generate a net positive cash flow for the Group, but this is still too uncertain. Due to this uncertainty a contingent asset has not been recorded yet.

Leasing commitments for the Group significantly decreased following the sale of the service operations.

Events after the end of the reporting period

Material events subsequent to the end of the interim reporting period that have not been reflected in the financial statements for the interim period:

- 4 July 2014: Galapagos raises €1.9 million through warrant exercises
  Since its inception in 1999, Galapagos has used warrant plans to incentivize personnel and management and have them share in the success of the company. Following warrant exercises during the exercise period from 18 June 2014 through 1 July 2014, Galapagos issued 181,507 new ordinary shares for a total capital increase (including issuance premium) of €1,862,301.54. No members of the Board of Directors or Executive Committee exercised warrants.
- 25 July 2014: Galapagos creates new warrant plan
  On 25 July 2014, the Board of Directors of Galapagos approved the "Warrant Plan 2014" within the framework of the authorized capital. Under this warrant plan, 666,760 warrants were created, subject to acceptances. The warrants created under Warrant Plan 2014 were offered on 25 July 2014, mainly to employees of Galapagos and its subsidiaries and in secondary order to its directors and an independent consultant. The offer of warrants to directors has been pre-approved by the Annual Shareholders' Meeting held on 29 April 2014.

Related party transactions

In the first six months of 2014, no transactions with related parties were made which have material impact on the financial position and results of the Company. There were also no changes to related party transactions disclosed in the Annual Financial Report 2013 that potentially had material impact to the financials of the first six months of 2014.

Approval of interim financial statements

The interim financial statements were approved by the board of directors on 4 August 2014.

Limited Review Report

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the condensed consolidated statement of financial position as at 30 June 2014, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period of six months then ended, as well as selective notes 1 to 3.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Galapagos NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – Interim Financial Reporting as adopted by the European Union.

The condensed consolidated statement of financial position shows total assets of 304.980 (000) EUR and the condensed consolidated income statement shows a consolidated profit for the period then ended of 55.866 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – Review of interim financial information performed by the independent auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Galapagos NV has not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 5 August 2014
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees

Corporate information

Registered office

Galapagos NV has its registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium.

Business number

Galapagos NV is registered with the Register of Legal Entities ("Rechtspersonenregister") under company number 0466.460.429. Galapagos is registered in Mechelen, Belgium.

Legal form

Galapagos NV is a limited liability company ("Naamloze Vennootschap") incorporated under Belgian law. It has the capacity of a company that has called upon and calls upon public savings. Galapagos NV is incorporated for an unlimited duration.

Listings

Euronext Brussels GLPG
Euronext Amsterdam GLPG
OTC Pink Sheets GLPYY

Financial calendar 2014

Full year results 2014	6 March 2015
Annual shareholders' meeting	28 April 2015

Financial year

The financial year starts on 1 January and ends on 31 December.

Statutory auditor

Deloitte Bedrijfsrevisoren, represented by Mr Gert Vanhees
Berkenlaan 8b
1931 Diegem, Belgium

Availability of the Interim Report

This document is available to the public free of charge and upon request:
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Investor Relations
Generaal De Wittelaan L11 A3
2800 Mechelen, Belgium
Tel: +32 15 34 29 00
ir@glpg.com

For informational purposes, an electronic version of the Interim Report 2014 is available on the website of Galapagos, www.glpg.com/index.php/companyoverview/financialskey-financials/financial-reports.

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