The Galapagos Group

An overview of Galapagos and our performance in H1 2015

Letter from the management

Dear Shareholder,

Our aim is to become a leading global biotechnology company focused on the development and commercialization of medicines for diseases with a high unmet medical need. Our strategy is to leverage our unique and proprietary target discovery platform, which facilitates discovery and development of therapies with novel modes of action. In the first half of 2015, the Galapagos team executed very well and made substantial progress toward achievement of our goals.

Galapagos reported encouraging Phase 2B results with selective JAK1 inhibitor filgotinib in rheumatoid arthritis (RA) in April and July this year, forming a strong basis for Phase 3 trials and creating a new opportunity for safe oral therapy for patients. Furthermore, Galapagos and our partner AbbVie showed promising pre-clinical data on compounds for its potential triple combination therapy for cystic fibrosis, the last ingredient of which should be selected as a candidate later this quarter. On the back of these successes and the promise of our target and drug discovery approach, in May 2015 Galapagos listed on the NASDAQ and attracted €279 million gross proceeds in new capital. As a result, we completed the first half of 2015 with a very strong balance sheet to progress our pipeline of programs in inflammation, CF, and fibrosis therapies. Operationally in the second half of 2015, we look forward to completing the data package for AbbVie's licensing decision on filgotinib, and seeing the 10 week primary endpoint results with filgotinib in Crohn's before year end. We remain on track in our development of a triple combination therapy to Class II patients in cystic fibrosis. We anticipate starting our first patient study in CF in the Class III mutation with GLPG1837 later this year. In Q1 2016 we expect to report Phase 2 Proof-of-Concept results with GPR84 inhibitor GLPG1205 in ulcerative colitis patients and initiate an exploratory Phase 2 study with autotaxin inhibitor GLPG1690 in idiopathic pulmonary fibrosis.

Overview of progress in our pipeline in H1 2015

- Rheumatoid arthritis
  - Galapagos reported promising efficacy, a rapid onset of action, and a potentially differentiated safety profile in its topline week 12 results for DARWIN 1 (594 rheumatoid arthritis patients, methotrexate add-on) and DARWIN 2 (283 RA patients, monotherapy) with filgotinib in April 2015
  - In July 2015, Galapagos announced that at week 24, patients treated with the selective JAK1 inhibitor filgotinib showed further improvement in signs and symptoms of rheumatoid arthritis activity, as demonstrated by improved ACR responses, DAS28(CRP), and other scores, compared to week 12 in the DARWIN 1 Phase 2B methotrexate add-on study.
  - Topline 24 week data for DARWIN 2 are expected later this month, with a licensing decision by AbbVie expected following this
- Inflammatory bowel disease
  - We expect to report 10 week topline primary endpoint results before end 2015 from the FITZROY Phase 2 study with filgotinib: a 20 week, 175 patient study in Crohn's disease
  - Galapagos completed recruitment for ORIGIN, a Phase 2 Proof-of-Concept study with GLPG1205, a selective inhibitor of GPR84, in 60 ulcerative colitis patients. We expect to announce topline results from ORIGIN in Q1 2016
- Cystic fibrosis
  - AbbVie presented novel assays used by Galapagos and AbbVie to screen for novel corrector-potentiator combinations at ECFS 2015
  - Nomination of a second corrector as a pre-clinical candidate is expected later this quarter, thereby completing the discovery phase of our potential triple combination therapy for Class II patients in cystic fibrosis
  - Topline safety and tolerability results of the Phase 1 with potentiator GLPG1837 are expected in Q4
  - Initiation of Phase 2 with GLPG1837 in Class III patients and of Phase 1 with corrector GLPG2222 are expected before end 2015

- IPF
  - Galapagos reported promising safety and tolerability, and favourable drug-like properties from a Phase 1 First-In-Human study with GLPG1690, a selective autotaxin inhibitor fully owned by Galapagos. Filing of an exploratory Phase 2 study protocol for evaluation in patients with idiopathic pulmonary fibrosis (IPF) expected before year end
- Other
  - We announced two grant awards from Flemish IWT: €2.5 million for antibiotic research and €1.6 million for hepatitis B research
  - JnJ terminated the inflammation alliance with Galapagos and returned GLPG1205 and GLPG1690 to us. Both assets are in Phase 2 clinical development and are now fully proprietary to Galapagos

Corporate developments

- Raised €261 million net proceeds from a global offering and concurrent listing on NASDAQ, included participation by AbbVie ($30 million) and JNJ ($25 million)
- Commemorated 10 years as a publicly listed company on Euronext Amsterdam and Brussels
- Fidelity, Federated, and BNP Paribas notified of new major shareholdings
- Raised €10.2 million cash through warrant exercises

Interim financial result

Revenues

Group revenues and other income for the first half of 2015 amounted to €36.9 million compared to €45.1 million in the same period of 2014. Revenues (€26.7 million vs €35.5 million last year) were lower due to reduced milestone payments, reflecting the increasing proprietary nature of our pipeline programs. Other income (€10.3 million vs €9.6 million last year) increased in H1 '15, driven mainly by R&D incentives in Belgium and France.

Results

The Group realized a net loss for the first half of 2015 of €34.2 million, compared to a net loss of €14.6 million in the first six months of 2014 for continuing operations.

Following the sale of the service division, the Group reported a net profit from discontinued operations of €70.5 million in the first half of 2014. Galapagos recorded a result on divestment of €67.5 million.

R&D expenses for the Group in the first half of 2015 were €63.3 million compared to €52.8 million in 2014. This planned increase is mainly due to increased efforts on the filgotinib and cystic fibrosis programs.

G&A and S&M expenses of the Group were €9.2 million in the first half of 2015, compared to €7.4 million in the first half of 2014. This increase is primarily due to a higher provision for short term and long term management bonus, amongst other as a result of the recent evolution of Galapagos share price change relative to the Next Biotech Index.

Finally, for one subsidiary, a deferred tax asset was set up for an amount of €1.8 million on 30 June 2015, of which €1.5 million was additionally recognized in the first six months of 2015.

Liquid assets position

Cash, cash equivalents and restricted cash totalled €404.6 million on 30 June 2015, which is the highest cash balance the Company has ever reported.

A net increase of €209.8 million in cash and cash equivalents was recorded during the first half of 2015, compared to an increase of €82.6 million during the same period last year. Net cash flows from financing activities generated €261.0 million through a recent global offering and concurrent listing on NASDAQ, as well as €10.2 million from warrant exercises. Furthermore, the Company continued to intensify its R&D investments, with a net cash outflow of €62.2 million from operating activities in the first six months of 2015.

Restricted cash amounted to €10.7 million at the end of December 2014, and decreased to €7.2 million for the half year ended 30 June 2015. This decrease is related to (i) the release of the €3 million bank guarantee issued in 2013 for the rental of the new premises in France which expired on 30 June 2015 following the move to the new offices, and (ii) the payment of a claim to Charles River by decrease of the escrow account. Restricted cash on 30 June 2015 is related to €0.3 million bank guarantee on real estate lease obligations in Belgium, and to €6.9 million escrow account containing part of the proceeds from the sale of the service division in 2014 for which the release will be possible after final agreement between the parties on the exposure regarding one outstanding claim. An amount of €0.3 million has been accrued in March 2015 based on a preliminary estimate of the exposure.

Furthermore, Galapagos' balance sheet holds an unconditional and unrestricted receivable from the French government (Crédit d'Impôt Recherche) [1] now amounting to €35.6 million, payable in 4.5 yearly tranches. Galapagos' balance sheet also holds a receivable from the Belgian Government for R&D incentives now amounting to €22.4 million, payable as from 2016 in 5.5 yearly tranches.

Outlook 2015

The DARWIN 2 week 24 topline results with filgotinib are expected to be disclosed later this month. AbbVie is expected to make a licensing decision following delivery of the DARWIN 2 final week 24 data. We expect to nominate a second corrector candidate in CF later this quarter and report topline Phase 1 results with GLPG1837 in Q4. We plan to report 10 week results with filgotinib in Crohn's disease, initiation of Phase 2 with potentiator GLPG1837 in Class III CF patients, and initiation of Phase 1 with corrector GLPG2222 before end 2015. Galapagos expects to make significant progress in earlier stage R&D programs. With a solid cash balance in excess of €400 million, we remain well positioned to support this pipeline development.

Based on the forecast for the remainder of the year, management retains 2015 guidance for operational cash burn: €110 - €130 million, excluding alliance milestones or income from filgotinib.

We thank you, our shareholders, for your support. Galapagos has delivered a phenomenal first half year 2015, with more results to come in the next months. Thank you for staying with us through the years and giving us the opportunity to deliver on our strategic plan.

Onno van de Stolpe
CEO

Raj Parekh
Chairman of the Board of Directors

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

At a glance

Key figures (IFRS) Galapagos Group

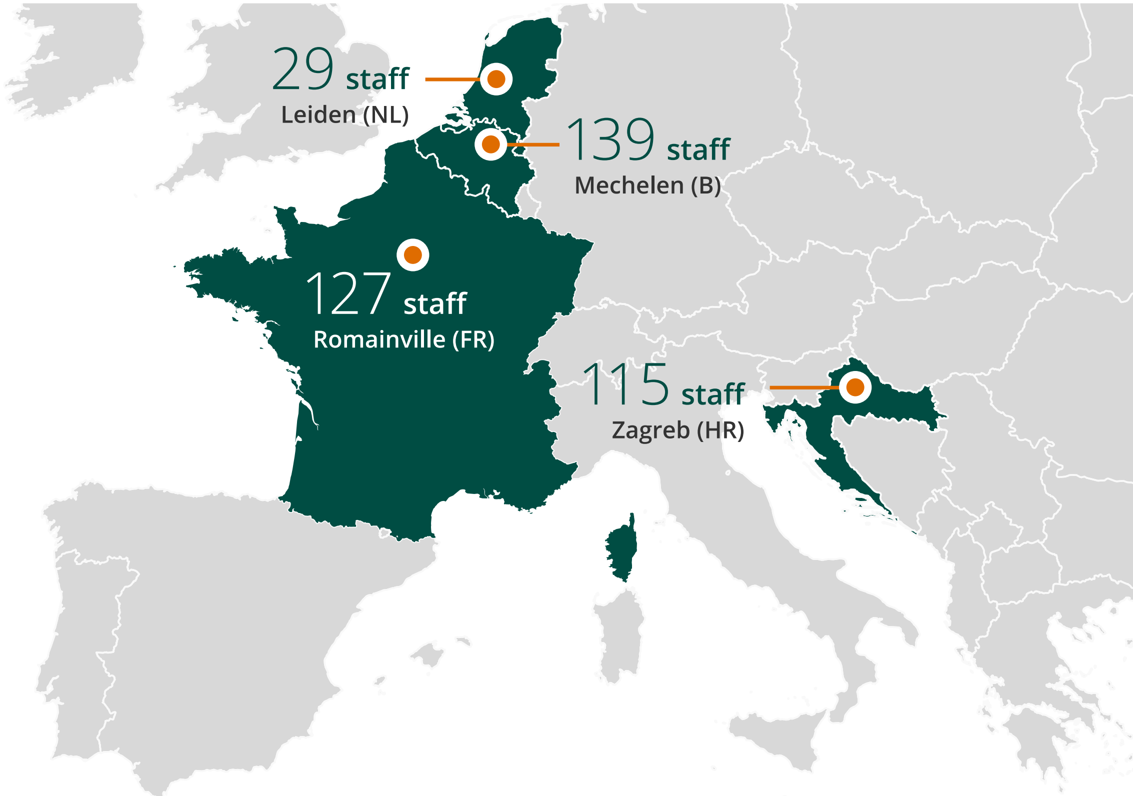
(thousands of €, if not stated otherwise)	06/30/2015	06/30/2014
Results[1]		
Revenues and other income	36,921	45,053
R&D expenditure	(63,283)	(52,804)
S, G&A expenses	(9,221)	(7,397)
Restructuring and integration costs		(594)
Personnel expenses (including share-based compensation)	(22,048)	(19,158)
Capital expenditure	2,464	1,157
Depreciation and amortization of (in)tangible assets	1,804	1,918
EBIT	(35,583)	(15,742)
EBITDA	(37,387)	(17,660)
Net loss from continuing operations	(34,183)	(14,621)
Net income from discontinued operations		70,487
Net income / loss (–)	(34,183)	55,866
Galapagos share		
Number of shares issued on 30 June	38,894,582	30,098,837
Basic and diluted loss per share from continuing operations (in €)	(1.06)	(0.49)
Dividend (in €)		
Share price on 30 June (in €)	45.80	14.18
Personnel data		
Total Group employees on 30 June (Number)	410	424

[1] Service activities (sold to Charles River on 1 April 2014) for the six months ended 30 June 2014 are shown on the line item "Net income from discontinued operations". All other line items consist of amounts from continuing operations, except for line item "Net income / loss (–)", which includes both continuing and discontinued operations.

Balance sheet

(thousands of €, if not stated otherwise)	06/30/2015	12/31/2014
Total assets	488,263	270,467
Cash, cash equivalents and restricted cash	404,638	198,440
Total liabilities	44,808	64,332
Stockholders' equity	443,455	206,135
Equity ratio (in %)	91%	76%

Employees per site as of 30 June 2015



Risk factors

Galapagos' actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements included herein. Galapagos cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from any such forward-looking statements. In addition, even if its results of operations, financial condition and liquidity, and the development of the industry in which it operates are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods.

Management refers to its description of risk factors in the 2014 Annual Report, pp. 26-32, as updated and supplemented by its description of risk factors in the prospectus filed with the U.S. Securities and Exchange Commission on 14 May 2015 (and included in the listing prospectus approved by the FSMA on 18 May 2015), pp. 11-51. In summary, the principal risks and uncertainties faced by the Group relate to: Galapagos' financial position and need for additional capital; product development, regulatory approval and commercialization; Galapagos' reliance on third parties; Galapagos' competitive position; Galapagos' intellectual property; Galapagos' organization, structure and operation (including but not limited to certain risks related to its status as a U.S. publicly listed company following the public offering of its shares (in the form of ADSs) and listing on NASDAQ in May 2015) and market risks relating to the Galapagos shares and ADSs.

Management also refers to the description of the Group's financial risk management given in the 2014 Annual Report, pp. 108-110, which remains valid.

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.

Galapagos cautions readers not to place undue reliance on any forward-looking statements made by it, which speak only as of the date they are made. Galapagos disclaims any obligation, except as specifically required by law, to publicly update or revise any such statements to reflect any change in its expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Related party transactions

In the first six months of 2015, no transactions with related parties which have a material impact on Galapagos' financial position and results took place. There were also no changes to related party transactions disclosed in the 2014 Annual Report or the prospectus filed with the U.S. Securities and Exchange Commission on 14 May 2015 (and included in the listing prospectus approved by the FSMA on 18 May 2015) that potentially had a material impact on the financials of the first six months of 2015.

Statement by the Board of Directors

The Board of Directors of Galapagos NV declares that, as far as it is aware, the financial statements in this Half-year Report, are prepared according to the applicable standards for financial statements, and give a true and fair view of the equity, financial position and the results of Galapagos NV and its consolidated companies.

The Board of Directors of Galapagos NV further declares that this Half-year Report gives a true and fair view on the important developments and significant transactions with related parties in the period under review and their impact on the interim financial statements, as well as on the most important risks and uncertainties pertaining to the remainder of the current financial year.

On behalf of the Board of Directors

Onno van de Stolpe
CEO

Raj Parekh
Chairman of the Board of Directors

The Galapagos share

Performance of the Galapagos share on Euronext

The Galapagos share increased in value in the first half of 2015, largely due to appreciation for the DARWIN 1 & 2 results at 12 weeks and the successful NASDAQ transaction.

Disclaimer and other information

Galapagos NV is a limited liability company organized under the laws of Belgium and has its registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium. Throughout this report, the term "Galapagos NV" refers solely to the non-consolidated Belgian company and references to "the Group" or "Galapagos" include Galapagos NV together with its subsidiaries.

According to Belgian law, Galapagos must publish its Half-year Report in Dutch. Galapagos also provides an English translation. In case of differences in interpretation, the Dutch version will take precedence. Galapagos is responsible for the translation and conformity between the Dutch and English versions.

This document is available to the public free of charge and upon request:

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An electronic version of the Half-year Report 2015 is available on the website of Galapagos, www.glpg.com.

Galapagos will use reasonable efforts to ensure the accuracy of the electronic version, but does not assume responsibility if inaccuracies or inconsistencies with the printed document arise as a result of any electronic transmission. Therefore, Galapagos considers only the printed version of the Half-year Report 2015 to be legally valid. Other information on the website of Galapagos or on other websites does not form a part of this Half-year Report.

Listings

Euronext Amsterdam and Brussels: GLPG
NASDAQ: GLPG

Financial calendar 2015

Third quarter results 2015	13 November 2015
Full year results 2015	4 March 2016
Annual shareholders meeting	26 April 2016

Financial year

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

Auditor

Deloitte Bedrijfsrevisoren B.V. o.v.v.e. CVBA, represented by Gert Vanhees
Berkenlaan 8b
1931 Diegem, Belgium

Forward-looking statements

This Half-year Report 2015 contains forward-looking statements, all of which involve certain risks and uncertainties. These statements are often, but are not always, made through the use of words or phrases such as "believes," "anticipates," "expects," "intends," "plans," "seeks," "estimates," "may," "will," "could," "stands to," "continues," "we believe," "we intend," as well as similar expressions. Forward-looking statements contained in this report include, but are not limited to, the first two paragraphs of the Letter from Management, the information provided in the section captioned "Outlook 2015", statements regarding the development of a triple combination therapy for Class II cystic fibrosis patients, and statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in rheumatoid arthritis and Crohn's disease (Phase 2), (ii) with GLPG2222 in cystic fibrosis (Phase 1), (iii) with GLPG1837 in Class III cystic fibrosis patients (Phase 2), (iv) with GLPG1205 in ulcerative colitis (Phase 2) and (v) with GLPG1690 in IPF (Phase 2). Galapagos cautions the reader that forward-looking statements are not guarantees of future performance. Forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause the actual results, financial condition and liquidity, performance or achievements of Galapagos, or the development of the industry in which it operates, to be materially different from any historic or future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements. In addition, even if Galapagos' results of operations, financial condition and liquidity, and the development of the industry in which it operates are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. Among the factors that may result in differences are that Galapagos' expectations regarding its 2015 revenues and financial results and its 2015 operating expenses may be incorrect (including because one or more of its assumptions underlying its revenue or expense expectations may not be realized), the inherent uncertainties associated with competitive developments, clinical trial and product development activities and regulatory approval requirements (including that data from the company's development programs may not support registration or further development of its compounds due to safety, efficacy or other reasons), Galapagos' reliance on collaborations with third parties (including its collaboration partner for filgotinib and cystic fibrosis, AbbVie, who may not in-license filgotinib or, if it does, may not devote sufficient resources to the development and commercialization of filgotinib), and estimating the commercial potential of our product candidates. A further list and description of these risks, uncertainties and other risks can be found in Galapagos' Securities and Exchange Commission filing and reports, including in the prospectus filed with the SEC on May 14, 2015 and future filings and reports by Galapagos. Galapagos also refers to the "Risk Factors" section of this report. 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 or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements, unless specifically required by law or regulation.