The Galapagos Group

An overview of Galapagos and our performance in Q3 2015

Letter from management

Dear Shareholders,

Galapagos reached another milestone in its development as a leading biotechnology company this quarter: after confirming the best-in-class potential of filgotinib at 24 weeks in the Phase 2B DARWIN 1 and DARWIN 2 studies in rheumatoid arthritis, we regained full rights to filgotinib, thereby accelerating our transformation into a Phase 3 company and opening up discussions with multiple potential partners. Meanwhile, our development team is working diligently to prepare for Phase 3 studies in rheumatoid arthritis, in time for our planned start in the first half of 2016. We look forward to bringing filgotinib into Phase 3, preferably together with a strong pharma partner to ensure fastest route to market introduction. We also await the topline 10 week results from the FITZROY Phase 2 study with filgotinib in Crohn's disease, which are expected before year end.

In October, Galapagos reported promising data from our cystic fibrosis programs at the NACFC in Phoenix. Innovative assays and models arising from the CF collaboration with AbbVie helped us to characterize and categorize interactions between the compounds in our portfolio. External laboratories confirmed the contribution of our potentiators to CFTR rescue and demonstrated how our potentiators restored CFTR in the nonsense (Class I) mutation *in vitro*. Furthermore, we reported that our novel potentiator GLPG1837 was well tolerated and demonstrated favorable drug-like properties in a Phase 1 study.

Galapagos has progressed in implementing a multiple-program strategy to manage development risk in cystic fibrosis. Importantly, GLPG2665 was selected as a first of an anticipated multiple second corrector portfolio, to complete a potential triple combination therapy for Class II mutation patients. The Company now has lead compounds in place for all components of a potential triple combination therapy for Class II mutation patients, with a backup potentiator as well. Backup C1 and C2 correctors are expected to be selected before year end. Combinations of our lead compounds *in vitro* resulted in a range of efficacies up to a six-fold greater restoration of CFTR activity in homozygous F508del cells, compared to Orkambi®, the current standard of care for this class of patients. We look forward to bringing GLPG2665 into Phase 1 studies by mid 2016.

We continue to move our other programs forward. Galapagos completed recruitment for GLPG1205 early and expects to report topline results from a Phase 2A study in ulcerative colitis patients by early 2016. Preparations are underway to file an exploratory Phase 2 study of GLPG1690 in idiopathic pulmonary fibrosis before year end. Both '1205 and '1690 target new modes of action and are fully proprietary to Galapagos.

Operational overview Q3 2015

- Rheumatoid arthritis
  - Galapagos reported promising efficacy and a potentially differentiated safety profile in its topline week 24 results for DARWIN 1 (594 rheumatoid arthritis patients, methotrexate add-on) and DARWIN 2 (283 RA patients, monotherapy) with filgotinib in July and August 2015
  - AbbVie terminated the agreement for filgotinib, returning full global rights to filgotinib to Galapagos
- Inflammatory bowel disease
  - In August, Galapagos completed patient recruitment for the FITZROY Phase 2 study with filgotinib in Crohn's disease. Management expects to report primary endpoint topline results from the first 10 weeks of treatment in FITZROY before end 2015
  - Galapagos completed patient 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 and Galapagos presented novel assays and a new model used by both companies to screen for novel corrector-potentiator combinations at NACFC 2015
  - Galapagos reported pharmacokinetic, safety and tolerability in Phase 1 with potentiator GLPG1837 at NACFC 2015
  - GLPG2665 was nominated in October as the first C2 corrector to complete the discovery phase of the potential triple combination therapy

- Nomination of second corrector candidate GLPG2665 in early October completed discovery phase of potential triple combination therapy in cystic fibrosis
- Further clinical trial initiations are expected in the CF program before end 2015

- IPF
  - At ERS in September, Galapagos presented pre-clinical data and promising safety and tolerability, and favorable 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 is still expected before year end

- Other/corporate
  - Galapagos licensed Organoid Technology from the HUB foundation for use in IBD and cystic fibrosis
  - Galapagos raised a further €1.2 million from warrant exercises during the third quarter

Q3 2015 financial result

Revenues

Group revenues and other income for the first nine months of 2015 amounted to €47.2 million compared to €62.7 million in the same period of 2014. Revenues (€32.4 million vs €49.1 million last year) were lower due to a decrease in revenue recognition of upfront payments and reduced milestone payments, reflecting the increasingly proprietary nature of our pipeline programs. Other income (€14.8 million vs €13.6 million last year) increased in the first nine months of 2015, driven mainly by R&D incentives in Belgium and France.

Results

The Group realized a net loss for the first nine months of 2015 of €61.4 million, compared to a net loss of €27.0 million in the first nine 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 nine months of 2014. Galapagos recorded a result on divestment of €67.5 million.

R&D expenses for the Group in the first nine months of 2015 were €96.9 million compared to €77.2 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 €13.6 million in the first nine months of 2015, compared to €10.8 million in the first nine months of 2014. This increase is primarily due to a higher provision for short term and long term management bonus as well as higher costs for warrant plans, 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 September 2015, of which €1.5 million was additionally recognized in the first nine months of 2015.

Liquid assets position

Cash, cash equivalents and restricted cash totalled €374.4 million on 30 September 2015.

A net increase of €178.8 million in cash and cash equivalents was recorded during the first nine months of 2015, compared to an increase of €67.7 million during the same period last year. Net cash flows from financing activities generated €259.9 million through a recent global offering and concurrent listing on NASDAQ, as well as €11.4 million from warrant exercises. Furthermore, Galapagos continued to intensify its R&D investments, with a net cash outflow from operating activities of €90.3 million in the first nine months of 2015.

Restricted cash amounted to €10.7 million at the end of September 2014, and decreased to €7.9 million at the end of September 2015. This decrease is mainly related to 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.

Furthermore, Galapagos' balance sheet holds an unconditional and unrestricted receivable from the French government (Crédit d'Impôt Recherche) [1] now amounting to €37.5 million, payable in 4.75 yearly tranches. Galapagos' balance sheet also holds a receivable from the Belgian Government for R&D incentives now amounting to €23.7 million, payable as from 2016 in 5.75 yearly tranches.

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

Outlook 2015

The fourth quarter of 2015 promises to be an exciting one, with topline results expected from filgotinib's Phase 2 study in Crohn's disease, an update planned on the progress of our negotiations with potential new partners for filgotinib, and multiple anticipated clinical study initiations.

Based on the forecast for the remainder of the year, management retains 2015 guidance for operational cash burn: €110 - €130 million.

We thank you again for your support of Galapagos. With filgotinib's compelling results in the DARWIN program, we have proven our approach delivered a potential best-in-class new therapy for RA patients. With your continued support, we will bring our other programs into patients to investigate their potential as well.

Onno van de Stolpe
CEO

Raj Parekh
Chairman of the Board of Directors

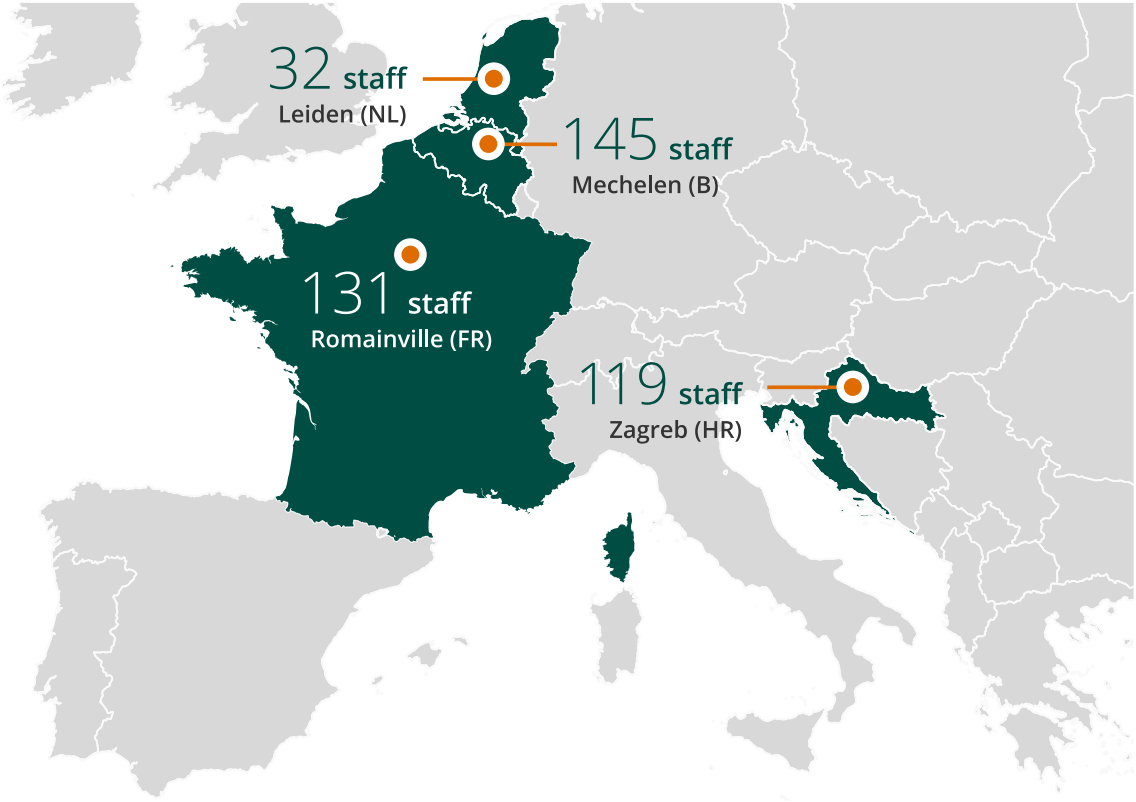
At a glance

Key figures (IFRS) Galapagos Group (thousands of €, if not stated otherwise)	30/09/2015	30/09/2014
Results[1]		
Revenues and other income	47,219	62,675
R&D expenditure	(96,873)	(77,200)
S, G&A expenses	(13,600)	(10,812)
Restructuring and integration costs	–	(594)
Personnel expenses (including share-based compensation)	(34,053)	(29,241)
Capital expenditure	4,543	4,233
Depreciation and amortization of (in)tangible assets	2,518	2,823
EBIT	(63,254)	(25,931)
EBITDA	(65,773)	(28,754)
Net loss from continuing operations	(61,406)	(27,005)
Net income from discontinued operations	–	70,514
Net income / loss (–)	(61,406)	43,509
Galapagos share		
Number of shares issued on 30 September	39,012,842	30,292,604
Basic and diluted loss per share from continuing operations (in €)	(1.78)	(0.89)
Dividend (in €)	–	–
Share price on 30 September (in €)	36.54	11.98
Personnel data		
Total Group employees on 30 September (Number)	427	417

[1] Service activities (sold to Charles River on 1 April 2014) for the nine months ended 30 September 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)	30/09/2015	31/12/2014
Total assets	461,049	270,467
Cash, cash equivalents and restricted cash	374,447	198,440
Total liabilities	42,258	64,332
Stockholders' equity	418,791	206,135
Equity ratio (in %)	91%	76%

Employees per site as of 30 September 2015



Risk factors

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.

In addition, 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.

The Galapagos share

Performance of the Galapagos share on Euronext

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 and its subsidiaries.

Galapagos publishes its Q3 Report 2015 in Dutch and in English. 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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A digital version of the Q3 Report 2015 is available on the website of Galapagos, www.glpg.com

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Listings

Euronext Amsterdam and Brussels: GLPG
NASDAQ: GLPG

Financial calendar 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
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Forward-looking statements

This Q3 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 four paragraphs of the Letter from Management, the information provided in the section captioned "Outlook 2015", statements regarding a potential new partnership for the further development of filgotinib, statements regarding the development of a potential 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 (Phase 3) and Crohn's disease (Phase 2), (ii) with the compounds in the cystic fibrosis program, (iii) with GLPG1205 in ulcerative colitis (Phase 2) and (iv) 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 cystic fibrosis, AbbVie), 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.