The Galapagos group

An overview of Galapagos, its strategy and portfolio in Q1 2017

Luc Nelles

Group Leader Cellular Pharmacology

Letter from the management

Dear shareholders,

The Galapagos team continues to push the limits, with progress in our inflammation, cystic fibrosis, and other pipeline programs in the first quarter of 2017.

In addition to the FINCH, DIVERSITY, and SELECTION Phase 3 programs initiated last year with filgotinib, Gilead started additional Phase 2 studies in small bowel and fistulizing Crohn's disease as well as in Sjögren's syndrome and cutaneous lupus erythematosus. Adding the Phase 2 studies in psoriatic arthritis and ankylosing spondylitis that we initiated this quarter, filgotinib currently is being investigated in nine different inflammation indications. We expect more studies with filgotinib in new indications to be initiated throughout 2017. We now have in excess of 1,500 patient years' experience with filgotinib in RA patients, as DARWIN 3 continues; we expect to report the first longer term interim readout from DARWIN 3 at EULAR in June this year.

We delivered on our promise to show strong progress in cystic fibrosis, with several study starts in the first quarter, including the Phase 1 study with a combination of novel potentiator GLPG2451 and novel corrector GLPG2222 in healthy volunteers. We plan to initiate a patient evaluation of a potential triple combination therapy by mid this year.

We also completed recruitment for the FLORA Phase 2a study with fully proprietary autotaxin inhibitor GLPG1690 in IPF patients this quarter. Topline for this study is expected in the second half of this year.

Also this quarter, we welcomed Walid Abi-Saab to our executive committee, in the role of Chief Medical Officer. Walid is building his team and has taken over operations for filgotinib within Galapagos. Walid comes at a great time for Galapagos, as we grow the late-stage pipeline and move closer to running our own Phase 3 programs in the future.

We look forward to updating you on execution of our strategy this year, on our way to becoming a fully integrated biopharmaceutical company.

Operational overview Q1 2017

Inflammation

- Our collaboration partner Gilead initiated new Phase 2 studies with filgotinib in small bowel Crohn's disease and fistulizing Crohn's disease

Cystic fibrosis (CF)

- We plan to initiate a patient evaluation with a potential triple combination therapy in mid-2017
- We reported dosing of the first patient with Class III (F508del and a gating mutation like G551D) with novel CF corrector GLPG2222 as an add-on to Kalydeco®[1] in a Phase 2a study
- We opened an Investigational New Drug application with the US Federal Drug Administration for novel corrector GLPG2222 triggering a $10 million payment from our collaboration partner AbbVie
- We initiated a Phase 1 study with a combination of GLPG2451 and GLPG2222

[1] Kalydeco® is a potentiator drug marketed by Vertex Pharmaceuticals.

- We initiated a Phase 1 study with novel potentiator GLPG3067, triggering a $7.5 million milestone payment from our collaboration partner AbbVie

Idiopathic pulmonary fibrosis (IPF)

- We completed patient recruitment for the FLORA Phase 2a study with GLPG1690 in IPF

Corporate & other

- Dr Walid Abi-Saab joined as Chief Medical Officer of Galapagos
- We were awarded a €1.4 million grant from Flanders Innovation & Entrepreneurship (VLAIO) for research efforts towards the identification of new strategies in the management of autosomal dominant polycystic kidney disease

Recent events

- On 4 April 2017, we announced that our collaboration partner Gilead will initiate a Phase 2 study with filgotinib in Sjögren's syndrome
- On 5 April 2017, we announced the start of a Phase 2 study with with filgotinib in ankylosing spondylitis and psoriatic arthritis; the initiation of the latter triggered a $10 million milestone payment from Gilead to Galapagos
- On 6 April 2017, 247,070 warrants were exercised at various exercise prices (with an average exercise price of €16.33 per warrant) resulting in a share capital increase (including issuance premium) of €4 million and the issuance of 247,070 new shares. The closing price of the Galapagos share at this date was €84.60. The exercise price of these warrants was received from the warrantholders end of March 2017 and was classified as restricted cash in the Q1 financials
- On 21 April 2017, we announced the closing of our underwritten public offering of 4,312,500 American Depositary Shares ("ADSs"), at a price of $90.00 per ADS, before underwriting discounts, for gross proceeds of €363.9 million. This includes the full exercise of the underwriter's option to purchase additional ADSs. Each of the ADSs offered represents the right to receive one ordinary share. The estimated net proceeds of this public offering after underwriting discounts and offering expenses amount to €348.0 million
- On 25 April 2017, we announced that our collaboration partner Gilead will initiate a Phase 2 study with filgotinib in CLE

Q1 2017 financial result

Revenues and other income

Our revenues and other income for the first three months of 2017 amounted to €39.9 million, compared to €14.8 million in the same period of 2016. Revenues (€34.0 million vs €10.1 million for the same period last year) were higher thanks to increased milestone revenues and revenue recognition of upfront payments. The milestone revenues were related to our cystic fibrosis program with AbbVie, whereas the revenue recognition of upfront payments related to our filgotinib program with Gilead. Other income increased slightly (€5.9 million vs €4.7 million for the same period last year), mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €13.6 million for the first three months of 2017, compared to a net profit of €35.9 million in the first three months of 2016. Last year's result was primarily driven by a €57.5 million fair value gain from the re-measurement of the financial asset triggered by the share subscription agreement with Gilead.

We reported an operating loss amounting to €11.2 million for the first quarter of 2017, compared to an operating loss of €17.4 million for the same period last year.

Our R&D expenses in the first three months of 2017 were €44.9 million, compared to €27.8 million for the first quarter of 2016. This planned increase was due mainly to an increase of €11.7 million in subcontracting costs for our filgotinib and cystic fibrosis programs. Furthermore, personnel costs increased explained by a planned headcount increase, as well as higher costs for warrants and bonus plans as a result of the increase of our share price.

Our G&A and S&M expenses were €6.2 million in the first quarter of 2017, compared to €4.4 million in the first quarter of 2016. This increase primarily resulted from higher costs recognized for warrants and bonus plans as a result of the increase of our share price.

Net other financial expenses in the first three months of 2017 amounted to €2.4 million, compared to net other financial expenses of €4.1 million for the same period last year, and were primarily attributable to €2.5 million of unrealized exchange loss on our cash position in U.S. dollar.

Liquid assets position

Cash, cash equivalents and restricted cash totaled €958.6 million at 31 March 2017.

A net decrease of €19.9 million in cash and cash equivalents was recorded during the first three months of 2017, compared to an increase of €638.0 million during the same period last year. Net cash flows used in operating activities amounted to €22.8 million in the first quarter of 2017. Furthermore €5.5 million was generated in investing activities primarily driven by the release of restricted cash to cash and cash equivalents for €6.6 million, and finally €2.5 million of unrealized negative exchange rate differences were reported on cash and cash equivalents.

On 31 March 2017, our balance sheet held a receivable from the French government (*Crédit d'Impôt Recherche*[2]) amounting to €37.0 million, to be received in yearly tranches from 2017 to 2021. Our balance sheet also held a receivable from the Belgian Government for R&D incentives amounting to €31.9 million, to be received in yearly tranches from 2017 to 2027.

Outlook 2017

In the first quarter of 2017, Galapagos executed as planned on its R&D strategy. We aim to initiate a CF patient evaluation of our triple combination therapy in mid-2017, as well as launching new clinical studies with CF candidates and combinations throughout the year. Together with our collaboration partner Gilead we plan to start additional proof-of-concept studies with filgotinib. Topline results from the FLORA Phase 2a study with GLPG1690 in IPF and from the Phase 1b study with MOR106 in atopic dermatitis patients are expected in the second half of 2017. We expect to initiate a Phase 1b study with GLPG1972 in osteoarthritis patients in the United States, as well as Phase 1 studies with GLPG2938 (IPF) and GLPG2534 (AtD). We expect an operational use of cash of €135-155 million during 2017.

We thank you again for your support of Galapagos. We aim to discover and to develop more novel medications, bring the successful therapies to the market, and improve patients' lives.

Onno van de Stolpe
CEO

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

At a glance

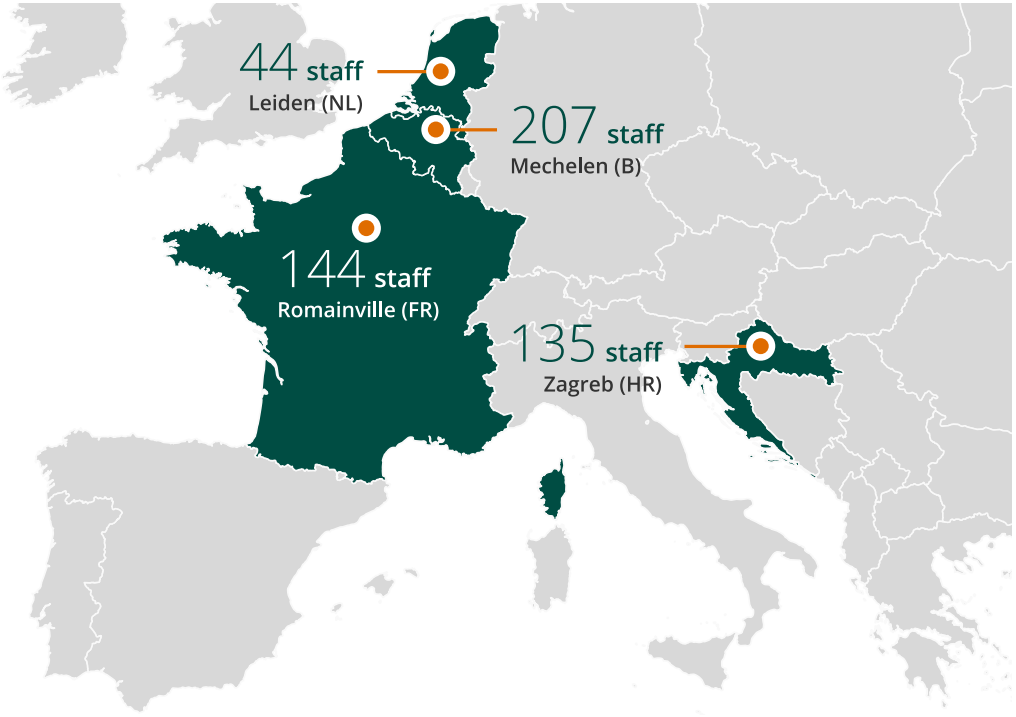
Key figures (IFRS) Galapagos group (unaudited)

(in thousands of €, if not stated otherwise)	31/03/2017	31/03/2016
Results		
Revenues and other income	39,863	14,817
R&D expenditure	(44,930)	(27,818)
S, G&A expenses	(6,158)	(4,394)
Personnel expenses (including share-based compensation)	(16,280)	(11,251)
Capital expenditure	1,036	1,065
Depreciation and amortization of (in)tangible assets	(1,050)	(964)
Operating loss	(11,225)	(17,395)
Net financial results	(2,380)	53,345
Taxes	–	–
Net income / loss (–)	(13,605)	35,950
Galapagos share		
Number of shares issued on 31 March	46,256,078	45,837,043
Basic income / loss (–) per share (in €)	(0.29)	0.81
Diluted income / loss (–) per share (in €)	(0.29)	0.79
Share price on 31 March (in €)	81.58	36.99
Personnel data		
Total group employees on 31 March (number)	530	447

Balance sheet

(thousands of €)	31/03/2017	31/12/2016
Total assets	1,072,814	1,083,338
Cash, cash equivalents and restricted cash	958,557	980,909
Total liabilities	324,665	324,637
Stockholders' equity	748,150	758,701

Employees per site as of 31 March 2017



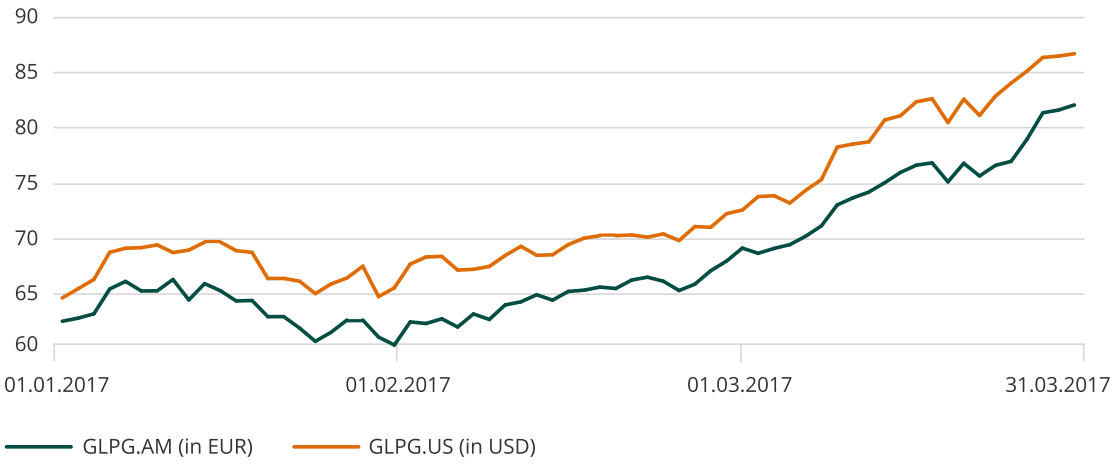
Risk factors

We refer to the description of risk factors in the 2016 annual report, pp. 42-50, as supplemented by the description of risk factors in our annual report on Form 20-F filed with the U.S. Securities and Exchange Commission, pp. 5-47. In summary, the principal risks and uncertainties faced by us relate to: product development, regulatory approval and commercialization; our reliance on third parties; our financial position and need for additional capital; our competitive position; our intellectual property; our organization, structure and operation (including but not limited to certain risks related to our status as a U.S. publicly listed company following the public offering of shares (in the form of ADSs) and listing on NASDAQ in May 2015) and market risks relating to our shares and ADSs.

We also refer to the description of the group's financial risk management given in the 2016 annual report, pp. 130-134, which remains valid.

The Galapagos share

Performance of the Galapagos share on Euronext and NASDAQ



Disclaimer and other information

Galapagos NV is a limited liability company organized under the laws of Belgium, having 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 "we," "our," "the group" or "Galapagos" include Galapagos NV together with its subsidiaries.

This report is published in Dutch and in English. In case of inconsistency between the Dutch and the English versions, the Dutch version shall prevail. Galapagos is responsible for the translation and conformity between the Dutch and English version.

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Listings

Euronext Amsterdam and Brussels: GLPG
NASDAQ: GLPG

Forward-looking statements

This report 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 "believe," "anticipate," "expect," "intend," "plan," "seek," "estimate," "may," "will," "could," "stand to," "continue," as well as similar expressions. Forward- looking statements contained in this report include, but are not limited to, statements made in the "Letter from the management", the information provided in the section captioned "Outlook 2017", guidance from management regarding the expected operational use of cash during financial year 2017, statements regarding the development of a potential triple combination therapy for Class II cystic fibrosis patients and the possible activity and clinical utility of such potential triple combination therapy, statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in inflammatory indications (including but not limited to rheumatoid arthritis, Crohn's disease and ulcerative colitis), (ii) with our CF modulators (including but not limited to GLPG1837, GLPG2222, GLPG2737, GLPG2851, GLPG2451, and GLPG3067) in cystic fibrosis, (iii) with GLPG1690 in IPF, (iv) with GLPG1972 in osteoarthritis, (v) with MOR106 in atopic dermatitis, (vi) with GLPG2938 in IPF and (vii) with GLPG2534 in atopic dermatitis. We caution 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 our actual results, financial condition and liquidity, performance or achievements, or the development of the industry in

which we operate, 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 our results of operations, financial condition and liquidity, performance or achievements , and the development of the industry in which we operate 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 our expectations regarding our 2017 operating expenses may be incorrect (including because one or more of our assumptions underlying our 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 our clinical research programs in rheumatoid arthritis, Crohn's disease, cystic fibrosis, idiopathic pulmonary fibrosis, osteoarthritis, and other inflammatory indications may not support registration or further development of our product candidates due to safety, efficacy or other reasons), our reliance on collaborations with third parties (including our collaboration partner for filgotinib, Gilead, and our 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 our Securities and Exchange Commission filing and reports, including in our most recent annual report on Form 20-F filed with the SEC and our subsequent filings and reports filed with the SEC. We also refer 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. We expressly disclaim any obligation to update any such forward-looking statements in this document to reflect any change in our 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.