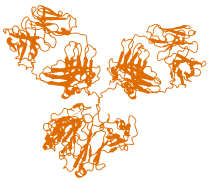
The Galapagos group

An overview of Galapagos, its strategy and portfolio in H1 2018

MOR106 is an antibody designed to target IL-17C, which potentially plays an important role in skin disorders like AtD



Letter from the management

Dear shareholders,

It's been an incredibly busy half year for Galapagos.

We reported strong ACR activity and consistent tolerability with highly selective JAK1 inhibitor filgotinib in the EQUATOR trial in psoriatic arthritis patients. Recruitment of the FINCH 1 and 3 trials in RA has been completed, and we expect to hear the FINCH 2 results, our very first Phase 3 data at Galapagos, in the third quarter of the year. The SELECTION trial with filgotinib in ulcerative colitis patients passed a planned interim futility analysis after 350 patients completed the induction period in the Phase 2b portion of the trial. Consequently, the SELECTION trial proceeded into Phase 3 as planned at both the 100 mg and 200 mg once-daily dose level in biologic-experienced and biologic-naïve patients. We completed recruitment of the TORTUGA Phase 2 trial with filgotinib in ankylosing spondylitis and expect to report the topline results this quarter.

Turning to idiopathic pulmonary fibrosis (IPF), the FLORA Phase 2a trial results with selective autotaxin inhibitor GLPG1690 were presented at ATS 2018 and published in *The Lancet Respiratory Medicine*. We announced the final design for the ISABELA Phase 3 trials with GLPG1690, aiming to achieve a broad label in IPF; recruitment is expected to begin in the second half of the year.

We presented pre-clinical and clinical results with GLPG1972/S201086 at OARSI and EULAR, and announced the start of the global ROCCELLA Phase 2 trial with GLPG1972/S201086 in osteoarthritis patients together with our collaboration partner Servier. We also presented clinical findings with MOR106 in atopic dermatitis patients at AAD 2018 and reported the start of the IGUANA Phase 2 trial.

We started the FALCON trial of our first triple combination therapy in cystic fibrosis patients and expect the topline results in Q3 2018. PELICAN achieved its primary endpoint, with favorable tolerability of GLPG2737 in CF patients taking Orkambi®[1]. AbbVie decided not to proceed with the second triple combo with potentiator GLPG3067, C1 corrector GLPG2222, and C2 corrector GLPG2737. We are reviewing the future of our CF collaboration with AbbVie.

Operational overview Q1 2018

We refer to our Q1 2018 report.

Operational overview Q2 2018

Inflammation

- Gilead reported completion of recruitment of FINCH 1 and FINCH 3 Phase 3 trials in rheumatoid arthritis (RA)
- Consistent activity and tolerability profile with filgotinib in DARWIN 3 week 108 results in RA patients
- Achieved primary endpoint with favorable tolerability in EQUATOR Phase 2 trial with filgotinib in psoriatic arthritis patients
- Gilead reported progression of the SELECTION trial with filgotinib in ulcerative colitis into Phase 3
- Presented disease-modifying effect in preclinical osteoarthritis models with GLPG1972/S201086 at OARSI and EULAR 2018

[1] Orkambi is marketed by Vertex Pharmaceuticals

- Announced ROCCELLA Phase 2 trial design with GLPG1972/S201086, together with collaboration partner Servier
- Announced the start of the IGUANA Phase 2 trial with MOR106, together with collaboration partner MorphoSys

Idiopathic pulmonary fibrosis (IPF)

- Announced the design for the global ISABELA Phase 3 trial with GLPG1690 in IPF patients
- Published the FLORA Phase 2a findings in *The Lancet Respiratory Medicine* and presented same at ATS 2018

Cystic fibrosis (CF)

- Announced the start of the FALCON trial of triple combination GLPG2451+GLPG2222+GLPG2737 in CF patients homozygous for the delF508 mutation
- Achieved the primary endpoint in the PELICAN trial with GLPG2737 in CF patients
- Reported that AbbVie decided not to proceed with the triple combination GLPG3067+GLPG2222+GLPG2737
- Reported that Galapagos is reviewing the future of its collaboration with AbbVie

Corporate & other

- Raised an additional €1.3 million from warrant exercises in the second quarter
- Received a transparency notice from Van Herk Investments B.V. that it crossed above the 10% threshold

Recent events

- Announced design for PINTA Phase 2 trial with GLPG1205 in IPF
- Announced a global license agreement for MOR106 with Novartis together with our collaboration partner MorphoSys

H1 2018 financial result

Revenues and other income

Our revenues and other income for the first six months of 2018 amounted to €101.9 million, compared to €73.0 million in the first six months of 2017. Revenues (€87.6 million in the first six months of 2018 compared to €60.9 million in the first six months of 2017) were higher due to increased recognition in revenue of the upfront payment related to the filgotinib program with Gilead, which is recognized as a function of the costs incurred for this program, but also due to the adoption of IFRS 15 – Revenue from contract with customers, on 1 January 2018, resulting in the recognition for the first six months of 2018 of €19.6 million of deferred revenues related to previously recognized upfront and milestones under the former applicable standards of IAS 18. We refer to the notes to this interim consolidated financial report for additional information on the impact of the adoption of IFRS 15 on our consolidated financial statements.

Other income increased to €14.3 million for the first six months of 2018 from €12.1 million for the first six months of 2017, mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €59.1 million for the first six months of 2018, compared to a net loss of €49.2 million in the first six months of 2017.

We reported an operating loss amounting to €65.8 million for the first six months of 2018, compared to an operating loss of €32.9 million for the first six months of 2017.

Our R&D expenses in the first six months of 2018 were €151.4 million, compared to €92.9 million for the first six months of 2017. This planned increase was due mainly to an increase of €44.5 million in subcontracting costs primarily on our filgotinib and GLPG1690 programs. Furthermore, personnel costs were higher, driven by a planned headcount increase. The latter also explained the increase in our G&A and S&M expenses which were €16.2 million in the first six months of 2018, compared to €13.0 million in the first six months of 2017.

Net financial income in the first six months of 2018 amounted to €6.9 million, compared to net financial expenses of €16.3 million for the first six months of 2017, and were primarily attributable to €5.3 million of unrealized exchange gain on our cash position in U.S. dollars (€17.1 million of unrealized exchange loss for the first six months of 2017). We expect to use this cash held in U.S. dollars to settle our future payables in U.S. dollars, which will be primarily linked to our global collaboration with Gilead for the development of filgotinib.

Liquid assets position

Cash and cash equivalents totaled €1,066.8 million on 30 June 2018.

A net decrease of €84.4 million in cash and cash equivalents was recorded during the first six months of 2018, compared to a net increase of €288.8 million during the first six months of 2017. Net cash flows used in operating activities amounted to €91.3 million in the first six months of 2018. Exercise of warrants in the first six months of 2018 generated a financing cash inflow of €5.3 million. Furthermore, €3.7 million was used in investing activities and €5.3 million unrealized positive exchange rate differences were reported on cash and cash equivalents.

Finally, our balance sheet held a receivable from the French government (*Crédit d'Impôt Recherche*[2]) amounting to €41.7 million, payable in 4 yearly tranches. Our balance sheet also held a receivable from the Belgian Government for R&D incentives amounting to €44.5 million.

Outlook 2018

We aim to report topline results with the FINCH 2 (Ph3 rheumatoid arthritis) and TORTUGA (Ph2 ankylosing spondylitis) filgotinib trials in the third quarter. In cystic fibrosis we anticipate the interim readout of the FALCON patient trial. We expect to start dosing in the ISABELA (Ph3 IPF '1690), ROCCELLA (Ph2 '1972 OA), and PINTA (Ph2 IPF '1205) patient trials later in 2018.

As a result of the recently announced collaboration agreement with Novartis on MOR106, we are reducing our expectations for operational cash burn[3] from the originally guided €220-240 million to an operational cash burn of between €180-200 million in 2018, assuming successful U.S. antitrust clearance of the deal.

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.

[3] The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the sum of the net cash flows generated / used (–) in operating activities and the net cash flows generated / used (–) in investing activities minus (i) the proceeds or cash used, if any, in acquisitions or disposals of businesses; and (ii) the movement in restricted cash, if any. This alternative performance measure is in our view an important metric for a biotech company in the development stage. For the full year of 2017, the operational cash burn represented €154.1 million.

At a glance

Consolidated Key Figures

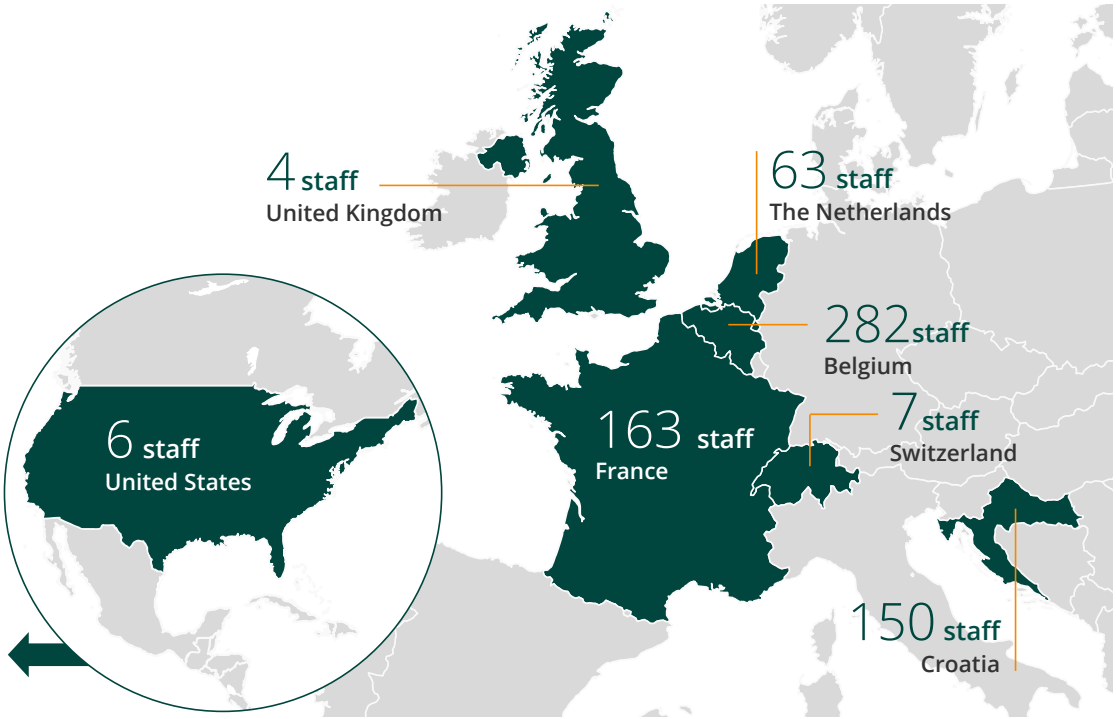
(thousands of €, if not stated otherwise)

Income statement	Second quarter of 2018	Second quarter of 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Full year 2017
Revenues(*)	49,676	26,933	87,583	60,925	127,087
Other income	7,358	6,235	14,289	12,106	28,830
R&D expenditure	(81,680)	(47,983)	(151,444)	(92,913)	(218,502)
S, G&A expenses	(9,104)	(6,861)	(16,214)	(13,020)	(27,218)
Operating expenses	(90,784)	(54,844)	(167,658)	(105,933)	(245,720)
Operating loss	(33,750)	(21,676)	(65,786)	(32,903)	(89,802)
Net financial results	12,052	(13,874)	6,867	(16,254)	(25,705)
Taxes	(75)	(92)	(137)	(92)	(198)
Net loss	(21,773)	(35,642)	(59,056)	(49,249)	(115,704)
Balance sheet					
Cash and cash equivalents	1,066,766	1,262,061	1,066,766	1,262,061	1,151,211
R&D incentives receivables	86,221	71,501	86,221	71,501	75,783
Assets	1,204,348	1,368,355	1,204,348	1,368,355	1,286,274
Shareholders' equity(*)	885,659	1,069,026	885,659	1,069,026	1,011,983
Deferred income(*)	243,149	254,863	243,149	254,863	219,892
Other liabilities	75,539	44,466	75,539	44,466	54,399
Cash flow					
Operational cash burn(**)	(53,668)	(29,500)	(95,003)	(53,378)	(154,089)
Cash flow generated in financing activities	1,349	352,787	5,254	352,773	353,357
Effect of currency exchange rate fluctuation on cash and cash equivalents	10,899	(14,611)	5,304	(17,107)	(27,808)
Increase / decrease (–) in cash and cash equivalents	(41,420)	308,676	(84,445)	288,820	177,970
Cash and cash equivalents at the end of the period	1,066,766	1,262,061	1,066,766	1,262,061	1,151,211
Financial ratios					
Number of shares issued at the end of the period	51,337,763	50,867,678	51,337,763	50,867,678	50,936,778
Basic and diluted loss per share (in €)	(0.42)	(0.71)	(1.16)	(1.03)	(2.34)
Share price at the end of the period (in €)	78.94	66.86	78.94	66.86	78.98
Total group employees at the end of the period (number)	675	550	675	550	600

(*) Our revenues, shareholders' equity and deferred income for the second quarter of 2018 and the six months ended 30 June 2018 were influenced by the adoption of the new standard IFRS 15 – Revenue from contract with customers, on 1 January 2018. We refer to the notes of this interim consolidated financial report for additional information.

(**) The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the sum of the net cash flows generated / used (–) in operating activities and the net cash flows generated / used (–) in investing activities minus (i) the proceeds or cash used, if any, in acquisitions or disposals of businesses; and (ii) the movement in restricted cash, if any. This alternative performance measure is in our view an important metric for a biotech company in the development stage.

Employees per site as of 30 June 2018



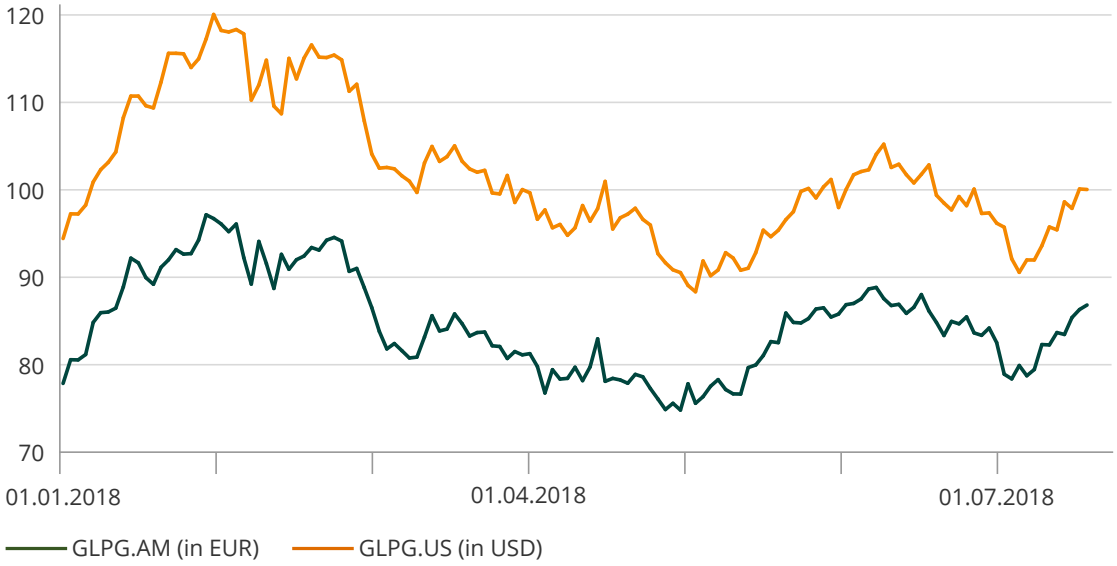
Risk factors

We refer to the description of risk factors in the 2017 annual report, pp. 48-56, 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. 5-45. In summary, the principal risks and uncertainties faced by us relate to: our financial position and need for additional capital; product development, regulatory approval and commercialization; our reliance on third parties; 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) 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 2017 annual report, pp. 132-135, which remains valid.

The Galapagos share

Performance of the Galapagos share on Euronext and NASDAQ



Related party transactions

We refer to the statements included under the heading Related party transactions in the "Notes to the unaudited condensed consolidated interim financial statements for the first six months of 2018" part of this report.

Statement of the board of directors

The board of directors of Galapagos NV declares that, as far as it is aware, the financial statements in this H1 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 H1 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

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.

This report is available free of charge and upon request to be addressed to:

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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 2018", guidance from management regarding the expected operational use of cash during financial year 2018, statements regarding the development of a potential triple combination therapy for cystic fibrosis patients and the possible activity and clinical utility of such potential triple combination therapy, statements regarding our CF collaboration with AbbVie, statements regarding potential future payments to be made to Galapagos under a licensing agreement for MOR106, statements regarding the expected timing, design and readouts of ongoing and planned preclinical and clinical trials (i) with filgotinib in rheumatoid arthritis, Crohn's disease, ulcerative colitis and other indications, (ii) with GLPG2222, GLPG2737, GLPG2851, GLPG2451, and GLPG3067 or combinations thereof in cystic fibrosis, (iii) with GLPG1690 and GLPG1205 in IPF, (iv) with GLPG1972 in osteoarthritis, and (v) with MOR106 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, 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 2018 revenues and financial results and our 2018 operating expenses may be incorrect (including because one or more of our assumptions underlying our revenue or expense expectations may not be realized), that assumptions regarding the MOR106 exclusive license agreement with Novartis pending clearance by U.S. antitrust authorities may be incorrect, 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, ulcerative colitis, cystic fibrosis, idiopathic pulmonary fibrosis, osteoarthritis, atopic dermatitis, 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, our collaboration partner for cystic fibrosis, AbbVie, our collaboration partner for GLPG1972, Servier, and our collaboration partners for MOR106, Novartis and MorphoSys), 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 filings and reports, including in our most recent annual report on Form 20-F filed with the SEC and our other filings and reports. 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.