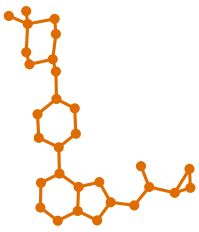
The Galapagos group

An overview of Galapagos, its strategy and portfolio in the first nine months of 2018

Filgotinib, a selective JAK1-inhibitor which has shown activity and favorable tolerability in inflammatory diseases.



Letter from the management

Dear shareholders,

This quarter has been a particularly exciting one, and quite a historical one, for our company.

Most importantly, together with our collaboration partner Gilead, we reported positive results for the first Phase 3 trial with our highly selective JAK1 inhibitor filgotinib in the FINCH 2 trial in RA patients. Both the 100 mg and 200 mg doses achieved significantly higher ACR20/50/70 responses than placebo, and all key secondary efficacy endpoints were achieved. Crucially, filgotinib was generally well-tolerated in this new and tough to treat population of rheumatoid arthritis patients with insufficient response to biologics, confirming the beneficial tolerability profile seen in earlier studies. This marks the first Phase 3 trial result for a compound arising from our proprietary discovery platform, and this success brings us closer to our goal of becoming a fully integrated, commercial-stage biopharmaceutical company.

Also for filgotinib, we and our collaboration partner Gilead reported that the TORTUGA Phase 2 trial in ankylosing spondylitis met its primary endpoint, again with tolerability which was very consistent with that previously reported with filgotinib in trials in other indications.

The rest of our pipeline advanced as well. We announced the first dosing in the global ROCCELLA Phase 2 trial with GLPG1972/S201086 in osteoarthritis patients, together with our collaboration partner Servier. Furthermore, we and our collaboration partner MorphoSys signed a global collaboration with Novartis for the further development of MOR106, a monoclonal antibody in development for atopic dermatitis. Novartis is very well-equipped to progress MOR106, given its strong footprint in dermatology. Moreover, we are encouraged by their commitment to explore the potential of MOR106 in additional indications. Novartis bears all future research, development, manufacturing and commercialization costs related to MOR106, while we are eligible for significant milestones and royalties pending the further development of the molecule. Also this quarter, we reported the start of the Phase 1 subcutaneous bridging study for MOR106, marking an important step in our strategy to rapidly progress MOR106 in the clinic.

In short, this was a news-filled quarter both for our flagship program, filgotinib, and for the rest of our growing and rapidly maturing pipeline. Further strengthened by the successful capital raise of €296 million in gross proceeds in September, we confidently look forward to moving full steam ahead in Q4 and beyond.

Operational overview H1 2018

We refer to our H1 2018 report.

Operational overview Q3 2018

Inflammation

- Announced that the Phase 2 TORTUGA study of filgotinib achieved its primary efficacy endpoint in adults with moderately to severely active ankylosing spondylitis (AS), with no new safety signals reported,
- Together with collaboration partner Gilead, announced that the FINCH 2 Phase 3 trial with filgotinib achieved its primary endpoint and all key secondary endpoints in RA patients with prior inadequate response to biologics, with tolerability consistent with previous studies,
- Announced ROCCELLA Phase 2 trial design and the first dosing of GLPG1972/S201086 in our osteoarthritis collaboration with Servier, triggering a €9 million milestone payment,

- Announced a global license agreement for MOR106 with Novartis, together with collaboration partner MorphoSys, triggering a joint upfront payment of €95 million ($111 million). Both companies are eligible for further milestones amounting to up to approximately €850 million ($1 billion) in total, in addition to tiered royalties on net commercial sales in the range of low-teens to low-twenties,
- Announced the start of the Phase 1 subcutaneous bridging study for MOR106 in atopic dermatitis, together with collaboration partners MorphoSys and Novartis.

Fibrosis

- Announced the design of the PINTA Phase 2 study with GPR84 inhibitor GLPG1205 in patients with idiopathic pulmonary fibrosis (IPF).

Corporate & other

- Successfully closed a public offering in the U.S. of 2,961,373 American Depositary Shares ("ADSs") at a price of $116.50 per ADS, before underwriting discounts, for gross proceeds of €296.2 million, for use in development of our R&D pipeline and general corporate purposes,
- Together with collaboration partner MorphoSys, announced the U.S. antitrust clearance for the global license agreement for MOR106 with Novartis, following the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act).

Recent events

- Raised an additional €2 million from warrant exercises in the third quarter,
- Announced the restructuring of the AbbVie alliance in CF. AbbVie acquires all programs and continues the development of a triple therapy in CF. Galapagos will receive an upfront payment of $45 million from AbbVie. Galapagos will be eligible to receive up to $200 million in milestone payments from AbbVie pending completion of certain pre-defined development, regulatory, and commercial achievements in CF by AbbVie. In the event AbbVie receives regulatory approval and realizes commercial sales in CF, Galapagos is further eligible to receive royalties ranging from single digit to low teens. AbbVie further agrees to pay Galapagos tiered single digit royalties of global commercial sales, if approved, from these candidates achieved in indications outside of CF. Galapagos retains exclusive global commercial rights to develop GLPG2737, a candidate C2 corrector, in all indications outside of CF. AbbVie is eligible for future milestone payments and tiered single digit royalties on future global commercial sales, if approved, in indications outside CF.

Q3 2018 financial result

Revenues and other income

Our revenues and other income for the first nine months of 2018 amounted to €205.1 million, compared to €106.4 million in the first nine months of 2017. Revenues (€182.5 million in the first nine months of 2018 compared to €87.9 million in the first nine months of 2017) were higher due to an upfront payment of €47.5 million from Novartis related to the MOR106 program, increased recognition in revenue of the upfront payment related to the filgotinib program with Gilead, and the adoption of IFRS 15 – Revenue from contract with customers on 1 January 2018. IFRS 15 adoption resulted in the recognition for the first nine months of 2018 of €28.0 million of deferred revenues related to previously recognized upfront payments (€3.6 million) and milestones (€24.4 million) 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 €22.6 million for the first nine months of 2018 from €18.5 million for the first nine months of 2017, mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €44.2 million for the first nine months of 2018, compared to a net loss of €85.9 million in the first nine months of 2017.

We reported an operating loss amounting to €53.5 million for the first nine months of 2018, compared to an operating loss of €62.6 million for the first nine months of 2017.

Our R&D expenses in the first nine months of 2018 were €231.8 million, compared to €149.2 million for the first nine months of 2017. This planned increase was due mainly to an increase of €61.9 million in subcontracting costs primarily on our filgotinib and GLPG1690 programs. Furthermore, personnel costs were higher, driven by a planned headcount increase. The latter, combined with higher warrant costs, explained the increase in our G&A and S&M expenses which were €26.8 million in the first nine months of 2018, compared to €19.7 million in the first nine months of 2017.

Net financial income in the first nine months of 2018 amounted to €9.0 million, compared to net financial expenses of €23.1 million for the first nine months of 2017, and were primarily attributable to €6.6 million of unrealized exchange gain on our cash position in U.S. dollars (€24.8 million of unrealized exchange loss for the first nine months of 2017).

Liquid assets position

Cash and cash equivalents totaled €1,343.7 million on 30 September 2018.

A net increase of €192.5 million in cash and cash equivalents was recorded during the first nine months of 2018, compared to a net increase of €245.6 million during the first nine months of 2017.

The operating cash burn[1] amounted to €100.6 million for the first nine months of 2018, compared to €89.1 million for the first nine months of 2017, and was composed of (i) net cash flows used in operating activities amounting to €94.9 million and (ii) €5.7 million used in investing activities.

Additionally, a U.S. public offering in the third quarter of 2018 generated net proceeds of €281.2 million, while the exercise of warrants in the first nine months of 2018 generated an additional financing cash inflow of €5.3 million. Finally, €6.6 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 €36.2 million, payable in 4 yearly tranches. Our balance sheet also held a receivable from the Belgian Government for R&D incentives amounting to €44.3 million.

Outlook 2018

We will present more detailed findings from the EQUATOR, TORTUGA, and FINCH 2 trials with filgotinib. We also expect to start dosing in the ISABELA (Phase 3 IPF GLPG1690) and PINTA (Phase 2 IPF GLPG1205) patient trials later in 2018. We will present first data and our development strategy with regard to Toledo, our new program in inflammatory indications.

As a result of the recently announced revision of the AbbVie collaboration agreement in CF, we are reducing our expected operational cash burn[1] from the last guided €180-200 million, as mentioned in our H1 2018 report, to €140-160 million in 2018.

We thank you again for your support of Galapagos. We are very proud of what we achieved this quarter, and with the filgotinib FINCH 2 results in hand, we confidently continue to build our path towards becoming a fully integrated biopharma company.

Onno van de Stolpe
CEO

[1] 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.

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

At a glance

Consolidated Key Figures

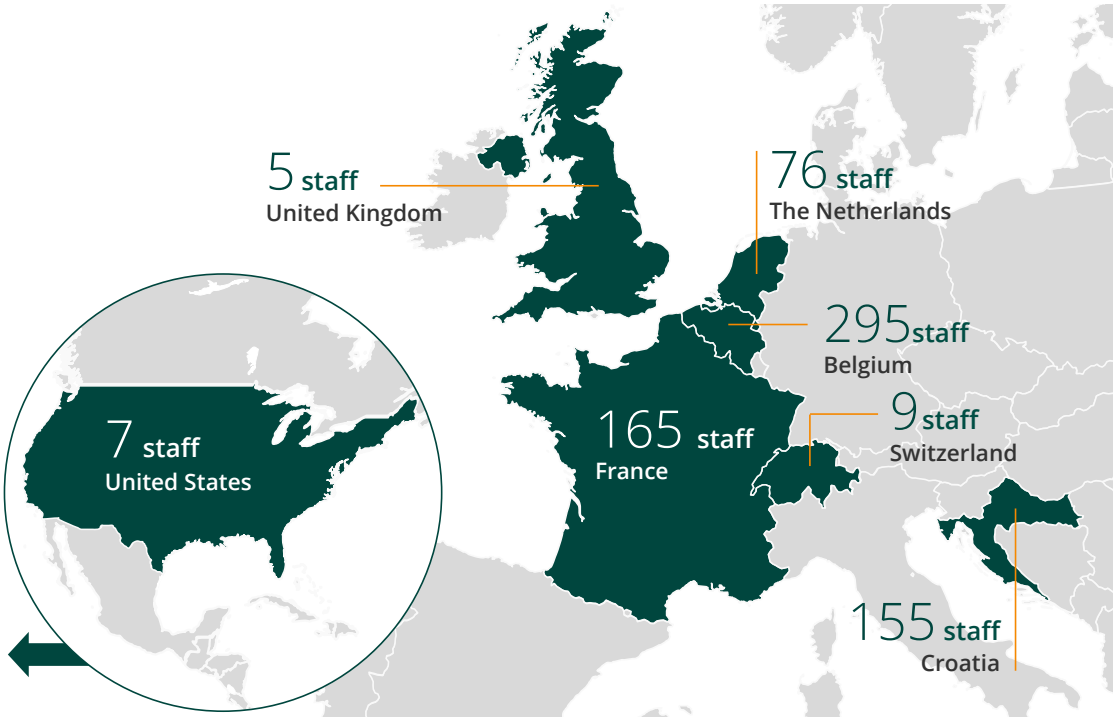
(thousands of €, if not stated otherwise)

Income statement	Third quarter of 2018	Third quarter of 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Full year 2017
Revenues(*)	94,874	26,945	182,457	87,870	127,087
Other income	8,334	6,378	22,623	18,484	28,830
R&D expenditure	(80,314)	(56,313)	(231,758)	(149,226)	(218,502)
S, G&A expenses	(10,623)	(6,661)	(26,837)	(19,681)	(27,218)
Operating expenses	(90,937)	(62,974)	(258,595)	(168,907)	(245,720)
Operating gain / loss (–)	12,271	(29,651)	(53,515)	(62,552)	(89,802)
Net financial results	2,091	(6,888)	8,958	(23,142)	(25,705)
Taxes	480	(69)	343	(161)	(198)
Net gain / loss (–)	14,841	(36,608)	(44,215)	(85,855)	(115,704)
Balance sheet					
Cash and cash equivalents	1,343,668	1,218,856	1,343,668	1,218,856	1,151,211
R&D incentives receivables	80,447	76,153	80,447	76,153	75,783
Assets	1,485,551	1,331,373	1,485,551	1,331,373	1,286,274
Shareholders' equity(*)	1,188,222	1,036,932	1,188,222	1,036,932	1,011,983
Deferred income(*)	209,742	238,431	209,742	238,431	219,892
Other liabilities	87,587	56,009	87,587	56,009	54,399
Cash flow					
Operational cash burn(**)	(5,571)	(35,700)	(100,574)	(89,078)	(154,089)
Cash flow generated in financing activities	281,181	245	286,435	353,018	353,357
Effect of currency exchange rate fluctuation on cash and cash equivalents	1,292	(7,670)	6,596	(24,777)	(27,808)
Increase / decrease (–) in cash and cash equivalents	276,901	(43,205)	192,456	245,615	177,970
Cash and cash equivalents at the end of the period	1,343,668	1,218,856	1,343,668	1,218,856	1,151,211
Financial ratios					
Number of shares issued at the end of the period	54,299,136	50,895,778	54,299,136	50,895,778	50,936,778
Basic gain / loss (–) per share (in €)	0.29	(0.73)	(0.86)	(1.75)	(2.34)
Diluted gain / loss (–) per share (in €)	0.28	(0.73)	(0.86)	(1.75)	(2.34)
Share price at the end of the period (in €)	97.42	86.19	97.42	86.19	78.98
Total group employees at the end of the period (number)	712	578	712	578	600

(*) Our revenues, shareholders' equity and deferred income for the third quarter of 2018 and the nine months ended 30 September 2018 were influenced by the adoption of the new standard IFRS 15 – Revenue from contracts 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 September 2018



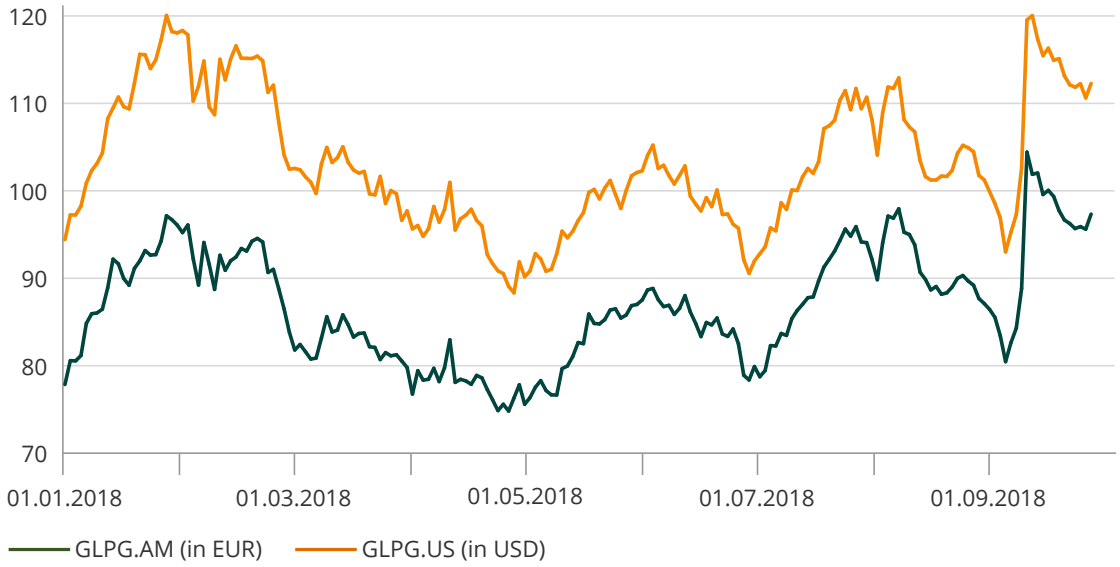
Risk factors

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: product development, regulatory approval and commercialization; our reliance on third parties (including that our collaborators may not elect to advance the product candidates on which we collaborate. In particular, AbbVie may decide not to proceed with any of the contemplated triple combination therapies for the treatment of CF); 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) 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



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 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 the licensing agreement for MOR106 and 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), 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.