The Galapagos group

An overview of Galapagos, its strategy and portfolio in Q1 2019

Letter from the management

Dear shareholders,

The first quarter of 2019 was one of the most historic ones in our nearly 20 year existence: our Phase 3 FINCH 1 and 3 results with our lead program, selective JAK1 inhibitor filgotinib, show competitive efficacy and safety potential in rheumatoid arthritis (RA). In particular, the safety data from the FINCH program, demonstrated in more than 3,000 patients during six months of treatment, supported the long-term safety data seen with filgotinib in the DARWIN 3 study, as reported at week 156. The large body of filgotinib results to date points to its promising risk/benefit profile, and we expect our collaboration partner Gilead to discuss submissions for approval in RA with regulatory authorities in the coming months.

And this is only the beginning: we believe that the efficacy and safety results of filgotinib in RA have potential read-throughs to the overall filgotinib development program, currently ongoing in more than 10 different inflammatory conditions. In 2019, we anticipate that Gilead will report topline results with filgotinib in Sjögren's syndrome and cutaneous lupus, and initiate a Phase 3 trial in psoriatic arthritis.

We are also making steady progress with regard to the other programs in our broad and growing pipeline. We opened new centers for the global Phase 3 ISABELA trial with our fully proprietary autotaxin inhibitor GLPG1690 in idiopathic pulmonary fibrosis (IPF). It is noteworthy that recruitment per center is currently above target. This reflects the enthusiasm we hear from investigators on this innovative trial, as GLPG1690 has the potential to address the high unmet medical need for IPF patients world-wide. Recruitment for the Phase 2 NOVESA trial with GLPG1690 in systemic sclerosis (SSc) and for the Phase 2 PINTA trial with GPR84 inhibitor GLPG1205 in IPF is on track. We initiated the GECKO Phase 2 trial with antibody MOR106 for atopic dermatitis acting on novel target IL-17C. We opened an IND for this trial with the FDA in the U.S.

Furthermore, we note excellent progress in recruitment for the Phase 2b ROCCELLA trial for osteoarthritis with ADAMTS-5 inhibitor GLPG1972, which we develop together with our collaboration partner Servier.

At the same time, we continue to leverage our unique target discovery engine, as we keep pushing forward to discover novel targets and develop new mode of action molecules. This includes our Toledo class of novel targets for inflammation, for which we brought a first compound, GLPG3312, into the clinic in early 2019, with a second one expected to follow in the second half of the year.

Galapagos ended the first quarter of 2019 with a very strong balance sheet. We continue to grow our organization to support this broad pipeline, while we continue to build a commercial organization for potential launch of filgotinib in Europe next year. The Galapagos proprietary late stage development is growing, leading to increased costs for our company. This year we expect to execute over 40 clinical trials. Our financial guidance for operational cash burn[1] between €320 and €340 million for full year 2019 remains unchanged.

[1] The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the increase or decrease in our cash and cash equivalents (excluding the effect of exchange rate differences on cash and cash equivalents), minus:
i. the net proceeds, if any, from share capital and share premium increases included in the net cash flows generated / used (–) in financing activities
ii. the net proceeds or cash used, if any, in acquisitions or disposals of businesses; and the movement in restricted cash, if any, included in the net cash flows generated / used (–) in investing activities.
This alternative performance measure is in our view an important metric for a biotech company in the development stage.

Operational overview Q1 2019

Inflammation

- Reported positive results with filgotinib in the Phase 3 FINCH 1 and 3 trials in RA, with collaboration partner Gilead
- Gilead completed recruitment for the SELECTION Phase 3 trial in UC, as well for the Phase 2 trials in Sjögren's disease and cutaneous lupus
- Initiated a Phase 1 trial with GLPG3312, a first compound from our Toledo class of novel targets for inflammation

Fibrosis

- Initiated the NOVESA Phase 2 trial with GLPG1690 in SSc
- Inlicensed compounds from Fibrocor and Evotec for fibrosis

Corporate & other

- Raised €3.5 million from warrant exercises

Recent events

- Initiated a Phase 1 trial with GLPG3121, a novel JAK1/TYK2 inhibitor aimed at inflammation
- Initiated the GECKO Phase 2 trial with MOR106 together with collaboration partners MorphoSys and Novartis

Q1 2019 financial result

Revenues and other income

Our revenues and other income for the first three months of 2019 amounted to €40.9 million, compared to €44.8 million in the first three months of 2018. Revenues (€33.0 million for the first three months of 2019 vs €37.9 million for the first three months of 2018) were lower due to lower over time recognition in revenue of the upfront payments and milestone payments related to the filgotinib program with Gilead, as well as for the CF program as we are transitioning the activities to AbbVie. This was partly compensated by higher reimbursement income mainly from Novartis in the scope of our collaboration for MOR106.

Other income increased (€7.9 million for the first three months of 2019 vs €6.9 million for the first three months of 2018), mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €48.7 million for the first three months of 2019, compared to a net loss of €37.3 million for the first three months of 2018.

We reported an operating loss amounting to €53.2 million for the first three months of 2019, compared to an operating loss of €32.0 million for the first three months of 2018.

Our R&D expenditure in the first three months of 2019 amounted to €83.2 million, compared to €69.8 million for the first three months of 2018. This planned increase was mainly due to an increase of €5.5 million in subcontracting costs primarily related to our IPF program and other proprietary programs. Furthermore, personnel costs increased explained by a planned headcount increase and higher costs related to the warrant plans as a result of the increase of the Galapagos share price. These also explained the increase in our G&A and S&M expenses which were €11.0 million in the first three months of 2019, compared to €7.1 million in the first three months of 2018.

Net financial income in the first three months of 2019 amounted to €4.7 million, compared to net financial expenses of €5.2 million for the first three months of 2018, which was primarily attributable to €5.0 million of unrealized exchange gain on our cash position in U.S. dollars (€5.6 million of unrealized exchange loss on our cash position in U.S. dollars in the first three months of 2018).

Liquid assets position

Cash and cash equivalents totaled €1,222.9 million on 31 March 2019.

A net decrease of €67.9 million in cash and cash equivalents was recorded during the first three months of 2019, compared to a net decrease of €43.0 million during the first three months of 2018. This net decrease was composed of €76.3 million of operational cash burn, offset by (i) €3.5 million of cash proceeds from capital and share premium increase from exercise of warrants in the first three months of 2019 and (ii) €5.0 million of unrealized positive exchange rate differences.

Finally, our balance sheet as at 31 March 2019 held a receivable from the French government (*Crédit d'Impôt Recherche*[2]), payable in 4 yearly tranches, and a receivable from the Belgian Government for R&D incentives, for a total of €87.7 million.

Outlook 2019

Following on the positive Phase 3 FINCH trial results, Gilead plans to discuss submissions for approval of filgotinib in RA with regulatory authorities in 2019. Also for filgotinib, in the second half of the year, we expect Gilead to report topline results for the proof-of-concept studies in Sjögren's syndrome and cutaneous lupus, and to launch a Phase 3 trial in PsA.

We also plan to fully recruit our Phase 2 PINTA trial for our IPF compound GLPG1205 as well as for our ROCCELLA study in OA, together with collaboration partner Servier. For GLPG1690, we plan to continue recruitment in our ISABELA trials as well as the NOVESA Phase 2 trial in SSc, for which a first patient was dosed in early 2019.

For MOR106, together with our collaboration partners MorphoSys and Novartis, we plan to continue recruiting the Phase 2 trial in AtD with MOR106 in combination with topical corticosteroids (the GECKO trial), for which a first patient was dosed post-period, and to prepare further for the Japanese ethno-bridging study. We will also continue the IGUANA Phase 2 trial in AtD as well as the subcutaneous Phase 1 bridging study with MOR106. Pending positive results, these four studies combined should offer a solid data package for our collaboration partner Novartis to move into Phase 3.

With regard to our earlier and fully proprietary programs, we expect Phase 1 readouts of a number of trials, including for GLPG3312, the first Toledo compound that entered the clinic in early 2019. This molecule is scheduled to be dosed in patients in a first proof-of-concept study in ulcerative colitis before the end of the year. We also plan to initiate a Phase 1 trial with our second generation Toledo compound, GLPG3970, in the second half of the year.

Given the large number of maturing proprietary clinical programs and the expansion of our R&D and commercial team, we retain our guidance for an operational cash burn between €320 and €340 million in 2019.

We thank you again for your support of Galapagos, as we aim to discover and to develop more novel medications, bring 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

Consolidated Key Figures

(thousands of €, if not stated otherwise)	Three months ended 31 March 2019	Three months ended 31 March 2018	Full year 2018
Income statement			
Revenues	33,047	37,907	288,836
Other income	7,872	6,931	29,009
R&D expenditure	(83,195)	(69,765)	(322,875)
S, G&A expenses	(10,966)	(7,110)	(39,776)
Operating expenses	(94,161)	(76,875)	(362,652)
Operating loss	(53,242)	(32,036)	(44,807)
Net financial results	4,655	(5,184)	15,598
Taxes	(68)	(62)	(50)
Net loss	(48,656)	(37,283)	(29,259)
Balance sheet			
Cash and cash equivalents	1,222,901	1,108,186	1,290,796
R&D incentives receivables	87,674	80,870	84,646
Assets[1]	1,400,200	1,229,864	1,439,496
Shareholders' equity[1]	1,175,755	899,345	1,214,249
Deferred income	123,822	268,654	149,801
Other liabilities[1]	100,624	61,865	75,446
Cash flow			
Operational cash burn[2]	(76,344)	(41,354)	(158,384)
Cash flow used in operating activities[1]	(71,698)	(39,804)	(142,466)
Cash flow used in investing activities	(3,398)	(1,531)	(15,914)
Cash flow generated in financing activities[1]	2,233	3,905	287,876
Increase / decrease (-) in cash and cash equivalents	(72,863)	(37,430)	129,497
Effect of currency exchange rate fluctuation on cash and cash equivalents	4,968	(5,595)	10,089
Cash and cash equivalents at the end of the period	1,222,901	1,108,186	1,290,796
Financial ratios			
Number of shares issued at the end of the period	54,614,791	51,234,962	54,465,421
Basic and diluted loss per share (in €)	(0.89)	(0.73)	(0.56)
Share price at the end of the period (in €)	103.90	81.30	80.56
Total group employees at the end of the period (number)	779	634	725

(1) Our assets, shareholders' equity, other liabilities, cash flow used in operating activities and cash flow generated in financing activities for the period ended 31 March 2019 were influenced by the adoption of the new standard IFRS 16 – Leases, on 1 January 2019. We refer to the notes of this condensed consolidated interim financial report for additional information.

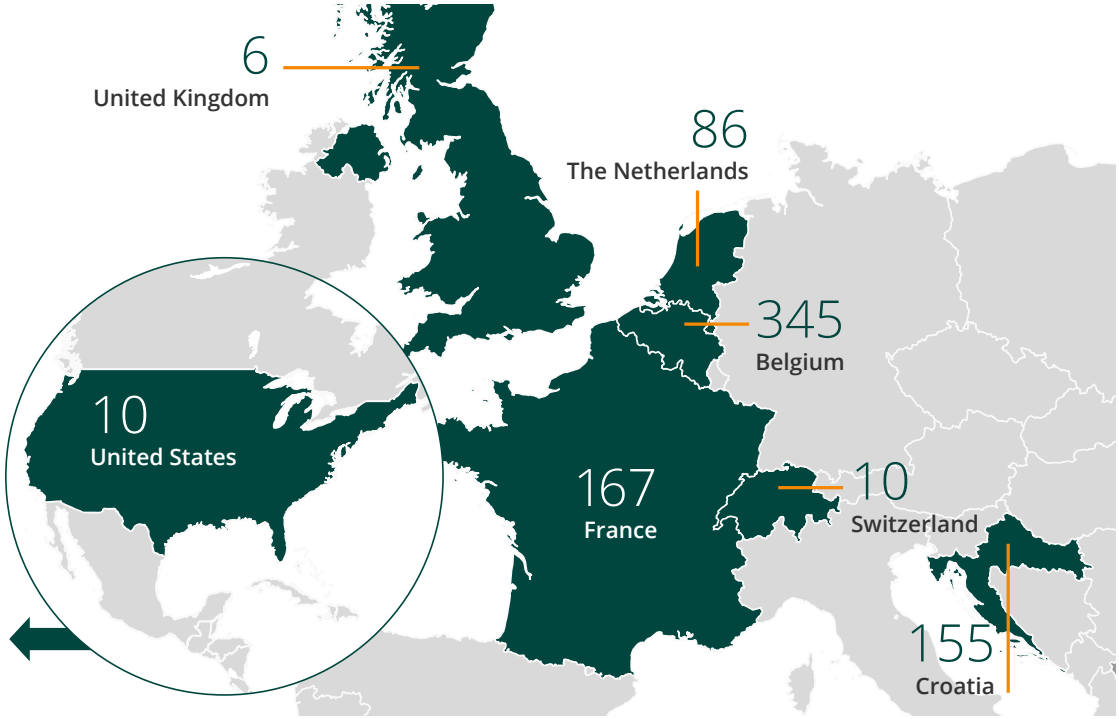
(2) The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the increase or decrease in our cash and cash equivalents (excluding the effect of exchange rate differences on cash and cash equivalents), minus:

(i) the net proceeds, if any, from share capital and share premium increases included in the net cash flows generated / used (-) in financing activities

(ii) the net proceeds or cash used, if any, in acquisitions or disposals of businesses; and the movement in restricted cash, if any, included in the net cash flows generated / used (-) in investing activities.

This alternative performance measure is in our view an important metric for a biotech company in the development stage.

Employees per site as of 31 March 2019



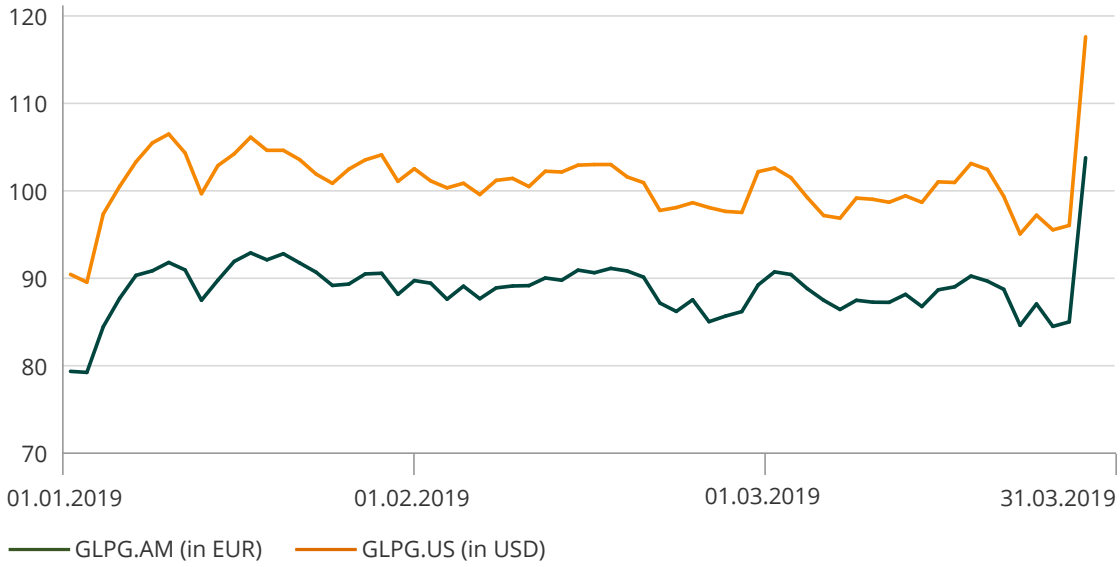
Risk factors

We refer to the description of risk factors in the 2018 annual report, pp. 57-66, 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. 4-45. In summary, the principal risks and uncertainties faced by us relate to: product development, regulatory approval and commercialization; our financial position and need for additional capital; 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 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 2018 annual report, pp. 161-163, 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.

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 2019", guidance from management regarding the expected operational use of cash during financial year 2019, statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in rheumatoid arthritis, Crohn's disease, ulcerative colitis and other indications, (ii) with GLPG1690 in IPF and SSc and GLPG1205 in IPF, (iii) with GLPG1972 in osteoarthritis, (iv) with MOR106 in atopic dermatitis, and (v) with GLPG3312 and GLPG3121 for inflammation. 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 2019 revenues and financial results and our 2019 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, idiopathic pulmonary fibrosis, systemic sclerosis, 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 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.