The Galapagos group

An overview of Galapagos, its strategy and portfolio in H1 2019

Letter from the management

Dear shareholders,

It's our 20th anniversary year, and what a year so far! Just recently we signed a truly unique and landmark deal with our great collaboration partner Gilead. Galapagos has been highly effective at target identification and drug discovery, progressing novel molecules from research into the clinic. We will benefit greatly from Gilead's expertise and infrastructure and believe this collaboration will provide an accelerated path to advance our pipeline. This agreement is about maximizing innovation based on the identification and development of new mode of action medicines. With the capital provided by Gilead, we aim to progress innovation to patients.

The first half year in 2019 was already transformative, before we announced this remarkable deal. Together with Gilead, we announced positive 24 week data of the remaining and largest of the FINCH Phase 3 trials in rheumatoid arthritis (RA), FINCH 1 and FINCH 3. This brings our total patient exposure to beyond 3,000 patient-years. The FINCH trial efficacy and safety data were consistent with the long term data observed in the DARWIN 3 trial. This further strengthens our understanding of the impact of selective JAK1 inhibition on patients, and filgotinib's potentially differentiated safety profile. We are also proud that earlier this week, the FINCH 2 results were published in *JAMA*[1], which is recognition of the importance of the filgotinib program.

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 readouts of proof-of-concept studies of filgotinib in Sjögren's syndrome and cutaneous lupus, and the initiation of a Phase 3 trial in psoriatic arthritis.

Early July, our collaboration partner Gilead announced the outcome of the pre-NDA meeting with the FDA. Gilead discussed with the agency the Phase 3 FINCH studies, as well as the ongoing Phase 2 MANTA safety study, and concluded that they intend to submit filgotinib for approval in RA in the US in 2019. In the meantime, European submission is on track for Q3 2019.

We also continue our extensive preparations to become a fully integrated biotechnology company: we are well underway with the hiring of our commercial team for Belgium, the Netherlands, and Luxembourg, and will begin hiring for commercial operations in the EU5[2] as per our revised filgotinib agreement with Gilead.

We are excited about the regulatory and commercial progress made, as it will help us bring filgotinib to patients.

In the first half of 2019, we not only saw the very encouraging research results from FINCH, but also laid further foundation for future results with our late stage portfolio of drug candidates. Our research engine continues to be extremely productive, with additional late stage trial starts, including the GECKO Phase 2 trial with MOR106 in atopic dermatitis, and the completion of recruitment in ROCCELLA, a global Phase 2b trial with ADAMTS-5 inhibitor GLPG1972 in osteoarthritis. Recruitment was wrapped up months ahead of schedule, underlining the large unmet medical need for a disease-modifying drug for OA patients. We also initiated our first Phase 1 trial from the next-generation Toledo program for inflammation. We experience good recruitment of the ISABELA 1 & 2 Phase 3 trials with autotaxin inhibitor GLPG1690 in idiopathic pulmonary fibrosis and hope to give an update on timelines later this year. The enthusiasm for the ISABELA program amongst clinicians, centers, and patients is palpable, and we remain fully committed to moving ahead to potentially offer help for the large unmet medical

[1] Journal of the American Medical Association
[2] France, Germany, Italy, Spain and United Kingdom

need in IPF. We are running approximately 40 clinical trials at Galapagos this year and are gearing up for another big year of clinical trial execution in 2020, especially if the Toledo programs come through Phase 1 with green lights.

While making substantial progress in R&D, Galapagos ended the first half 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. Our late stage development is growing, leading to increased costs for our company. Our financial guidance for full year 2019 operational cash burn[3] between €320 and €340 million is unchanged, excluding the proceeds from the recent deal announced with Gilead. Upon closing we will receive an upfront payment of $3.95 billion and a $1.1 billion equity investment, which are expected before the end of 2019.

Operational overview Q1 2019

We refer to our Q1 2019 report.

Operational overview Q2 2019

Inflammation

- Completed recruitment of the ROCCELLA Phase 2b trial with GLPG1972 in osteoarthritis, with Servier, in 9 months
- Initiated GECKO Phase 2 trial in atopic dermatitis with MOR106 with collaboration partners MorphoSys and Novartis

Corporate & other

- Achieved a $25 million milestone from AbbVie following the completion of the FALCON study
- Raised €4.3 million from warrant exercises in the second quarter
- Received a transparency notice from the Capital Group Companies that they hold 5.08% of outstanding shares

Recent events

- Gilead and Galapagos entered into a 10-year global R&D collaboration
- Gilead announced the outcome of the pre-NDA meeting with the FDA, concluding that a path has been established to file filgotinib in RA in the US in 2019
- Publication of the detailed FINCH 2 results in *JAMA*, a top-tier peer-reviewed journal
- We recently stopped a Phase 1 study with GLPG3121, a JAK1/TYK2 inhibitor targeting inflammation, due to an undesirable PK profile
- Received a transparency notice from Van Herk Group that they hold 10.57% of outstanding shares

H1 2019 financial result

Revenues and other income

Our revenues and other income for the first six months of 2019 amounted to €108.5 million, compared to €101.9 million for the first six months of 2018. Revenues (€91.8 million for the first six months of 2019 vs €87.6 million for the first six months of 2018) were higher due to a milestone achieved in June 2019 related to the CF program with AbbVie and higher reimbursement income mainly from Novartis in the scope of our collaboration for MOR106. This was partly compensated by a lower over time recognition in revenue of the upfront payments and milestone payments related to the filgotinib program with Gilead.

[3] 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.

Other income increased (€16.7 million for the first six months of 2019 vs €14.3 million for the first six months of 2018), mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €95.9 million for the first six months of 2019, compared to a net loss of €59.1 million for the first six months of 2018.

We reported an operating loss amounting to €97.6 million for the first six months of 2019, compared to an operating loss of €65.8 million for the first six months of 2018.

Our R&D expenditure in the first six months of 2019 amounted to €177.6 million, compared to €151.4 million for the first six months of 2018. This planned increase was mainly due to an increase of €10.2 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 in the number of beneficiaries and of the Galapagos share price. These also explained the increase in our G&A and S&M expenses which were €28.6 million in the first six months of 2019, compared to €16.2 million in the first six months of 2018.

Net financial income in the first six months of 2019 amounted to €1.8 million, compared to net financial income of €6.9 million for the first six months of 2018, which was primarily attributable to €1.9 million of unrealized exchange gain on our cash position in U.S. dollars (€5.3 million of unrealized exchange gain on our cash position in U.S. dollars in the first six months of 2018).

Liquid assets position

Cash and cash equivalents totaled €1,147.9 million on 30 June 2019.

A net decrease of €142.9 million in cash and cash equivalents was recorded during the first six months of 2019, compared to a net decrease of €84.4 million during the first six months of 2018. This net decrease was composed of €152.5 million of operational cash burn, offset by (i) €7.8 million of cash proceeds from capital and share premium increase from exercise of warrants in the first six months of 2019 and (ii) €1.9 million of unrealized positive exchange rate differences.

Finally, our balance sheet as at 30 June 2019 held a receivable from the French government (*Crédit d'Impôt Recherche*[4]), payable in 4 yearly tranches, and a receivable from the Belgian Government for R&D incentives, for a total of €94.3 million.

Outlook 2019

Following on the positive Phase 3 FINCH trial results, Gilead discussed submissions for approval of filgotinib in RA with regulatory authorities in 2019. Early July, Gilead announced that following a meeting with the U.S. FDA, a path forward for filing filgotinib in RA in 2019 has been established. Gilead intends to file filgotinib for approval in RA in Europe in Q3 2019. They also anticipate readouts from the proof-of-concept trials in Sjögren's syndrome and cutaneous lupus, and plan to launch a Phase 3 trial in psoriatic arthritis.

We will continue recruitment in our proprietary ISABELA, NOVESA and PINTA trials, and plan to provide an update on recruitment timelines for the ISABELA program in H2 2019. For MOR106, together with our collaboration partners MorphoSys and Novartis, we plan to continue executing the Phase 1 and 2 trials running.

With regard to our earlier and fully proprietary programs, we expect the Phase 1 readout of GLPG3312, our first Toledo compound, with a Phase 1 start for a second Toledo compound (GLPG3970) scheduled for the second half of the year.

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

Our guidance for an operational cash burn between €320 - €340 million in 2019 is unchanged, excluding the proceeds from the recent deal announced with Gilead.

The Gilead transaction, which is expected to close late in the third quarter of 2019, is subject to certain closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and receipt of merger control approval from the Austrian Federal Competition Authority.

Upon closing, we are entitled to an upfront payment of $3.95 billion in addition to a $1.1 billion equity investment.

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

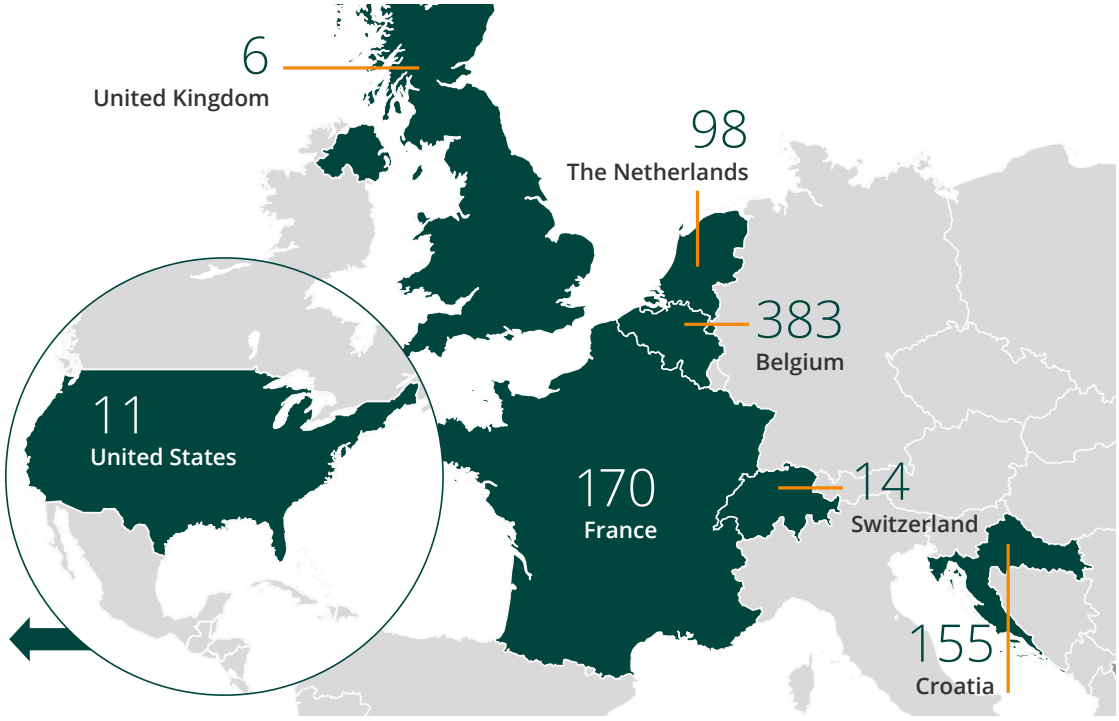
At a glance

Consolidated key figures

(thousands of €, if not stated otherwise)	Second quarter of 2019	Second quarter of 2018	Six months ended 30 June 2019	Six months ended 30 June 2018	Full year 2018
Income statement					
Revenues	58,738	49,676	91,785	87,583	288,836
Other income	8,852	7,358	16,724	14,289	29,009
R&D expenditure	(94,372)	(81,680)	(177,567)	(151,444)	(322,875)
S, G&A expenses	(17,585)	(9,104)	(28,552)	(16,214)	(39,776)
Operating expenses	(111,958)	(90,784)	(206,119)	(167,658)	(362,652)
Operating loss	(44,367)	(33,750)	(97,610)	(65,786)	(44,807)
Net financial results	(2,820)	12,052	1,834	6,867	15,598
Taxes	(61)	(75)	(129)	(137)	(50)
Net loss	(47,249)	(21,773)	(95,905)	(59,056)	(29,259)
Balance sheet					
Cash and cash equivalents	1,147,923	1,066,766	1,147,923	1,066,766	1,290,796
R&D incentives receivables	94,288	86,221	94,288	86,221	84,646
Assets[(1)]	1,357,848	1,204,348	1,357,848	1,204,348	1,439,496
Shareholders' equity[(1)]	1,143,367	885,659	1,143,367	885,659	1,214,249
Deferred income	96,325	243,149	96,325	243,149	149,801
Other liabilities[(1)]	118,157	75,539	118,157	75,539	75,446
Cash flow					
Operational cash burn	(76,200)	(53,656)	(152,545)	(95,009)	(158,384)
Cash flow used in operating activities	(70,041)	(51,476)	(141,740)	(91,278)	(142,466)
Cash flow used in investing activities	(5,263)	(2,193)	(8,661)	(3,724)	(15,914)
Cash flow generated in financing activities	3,428	1,349	5,661	5,254	287,876
Increase / decrease (–) in cash and cash equivalents	(71,876)	(52,320)	(144,740)	(89,748)	129,497
Effect of currency exchange rate fluctuation on cash and cash equivalents	(3,102)	10,899	1,866	5,304	10,089
Cash and cash equivalents at the end of the period	1,147,923	1,066,766	1,147,923	1,066,766	1,290,796
Financial ratios					
Number of shares issued at the end of the period	54,823,101	51,337,763	54,823,101	51,337,763	54,465,421
Basic and diluted loss per share (in €)	(0.86)	(0.42)	(1.76)	(1.16)	(0.56)
Share price at the end of the period (in €)	113.45	78.94	113.45	78.94	80.56
Total group employees at the end of the period (number)	837	675	837	675	725

(1) We refer to the notes of the condensed consolidated interim financial report for additional information.

Employees per site as of 30 June 2019 (total: 837 employees)



Risk factors

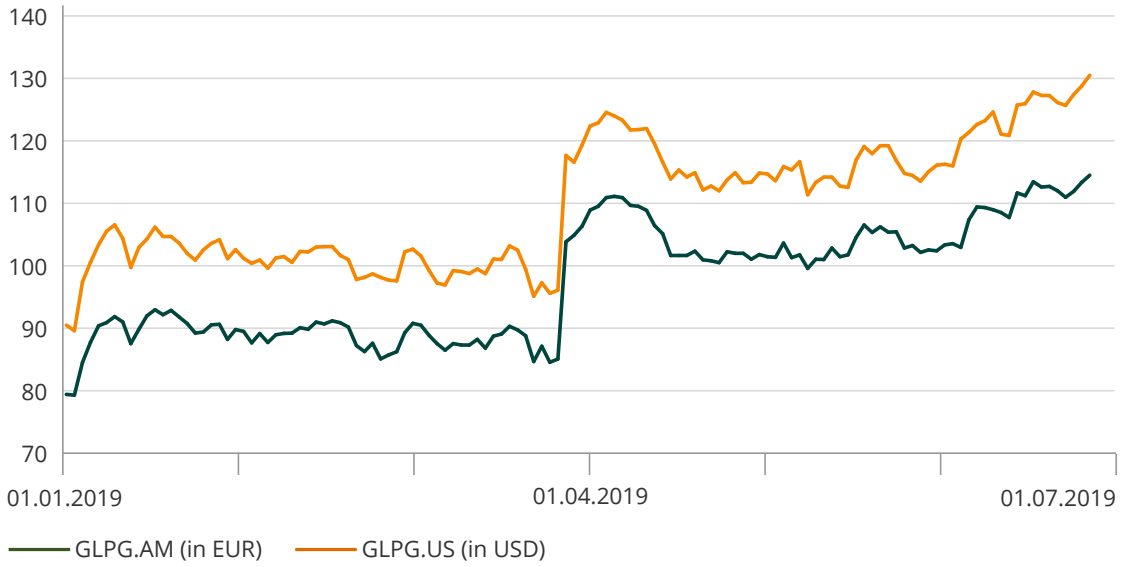
We refer to the description of risk factors in the 2018 annual report, pp. 57-66, as supplemented by the description of risk factors in our Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission, pp. 4-45 and the additional risk identified below. In summary, the principal risks 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.

In addition to the risk factors referred to above, we are subject to the following risk:
On 14 July 2019, we and Gilead announced the signing of a global research and development collaboration and option agreement (the "Transaction"). Under the terms of the Transaction, Galapagos will receive a $3.95 billion upfront payment and a $1.1 billion equity investment from Gilead. The completion of the Transaction is subject to certain conditions, including as to anti-trust clearances, and there can be no certainty that such conditions will be satisfied so as to allow the Transaction to be completed within the anticipated timeframe or at all. The potential uncertainty due to these or other factors may have a material adverse effect on our results of operations, and may cause increased volatility in our stock price.

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



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 2019" 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.

Mechelen, 22 July 2019

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.

Filgotinib and all other drug candidates mentioned in this report are investigational; their efficacy and safety have not been fully evaluated by any regulatory authority.

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 of closing of the transaction with Gilead, filings and approvals relating to the transaction, the amount and timing of potential future milestone, opt-in and/or royalty payments by Gilead, 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 in inflammation, and statements regarding the regulatory pathway for filgotinib and the timing of regulatory filings. 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 uncertainty regarding the ability of the parties to complete the Gilead transaction considering the transaction is subject to closing conditions and any applicable antitrust clearance requirements, 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 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.