The Galapagos group

An overview of Galapagos, its strategy and portfolio in 2016

Chantal Tasset

Head of Development

Letter from the management

Dear shareholder,

The year 2016 was excellent for Galapagos: we strengthened our pipeline of new medicines and created a solid basis for continued growth in the coming years. With filgotinib in major Phase 3 trials for rheumatoid arthritis, Crohn's disease and ulcerative colitis, we have entered the final phase before our first drug may enter the market. This program has a long history since the identification of the JAK1 target in 2004. It is thanks to the belief, the stamina, and the excellence of the Galapagos team that filgotinib is now seen as one of the most promising potential new treatment options for inflammatory diseases. We are reliving that journey with other molecules in our pipeline. Most notably, in our cystic fibrosis program we are planning to test a triple combination therapy in patients in mid-2017, which could be a major breakthrough for the vast majority of patients with this disease.

The Galapagos strategy has remained unchanged over the years: with our patented technology platform we continue to identify novel drug targets in human cells. Based on these targets, we develop small molecule drugs that we take through clinical development. We have come a long way, evolving from a technology company into a fully integrated R&D organization. Now is the time to prepare for the next step: to deliver our innovative medicines to the patients. To that end, we plan to build our commercial infrastructure to be ready when filgotinib is expected to be launched, and this infrastructure can be expanded once other Galapagos medicines reach that stage. Galapagos delivers in R&D and in our collaborations; we aim to deliver to patients as well.

Our growth continues to accelerate: we are expanding our development organization in 2017. This will be a challenge, but we like challenges. We are looking for exceptional people who want to play an important part in our adventure. We seek experts in drug development who feel comfortable in a work place that has the explorative and dynamic culture of a biotech, as well as the success and certainty of a pharma. Smart people, who think big, push their limits, and share our ambition to have impact. We want to deliver.

Proudly we present our annual report 2016, reflecting the important progress made last year.

2016: Extending our success in R&D

In the field of inflammation:

- Closed our global collaboration with Gilead on filgotinib, received $300 million upfront fee and $425 million equity investment from Gilead
- Reported promising safety and activity profile with filgotinib at 20 weeks in the FITZROY Phase 2 study in Crohn's disease
- Disclosed achievement of high endoscopy and statistically significant histopathology scores versus placebo at 10 weeks in FITZROY; these and other FITZROY data were published in *The Lancet*
- Initiated the FINCH Phase 3 program with filgotinib in rheumatoid arthritis, the DIVERSITY Phase 3 program in Crohn's disease, and the SELECTION Phase 2b/3 program in ulcerative colitis
- Initiated a Phase 1b study with antibody MOR106, dosed first atopic dermatitis patients, and disclosed novel Galapagos target IL-17C of MOR106, all in our collaboration with MorphoSys
- Nominated pre-clinical candidate GLPG2534 in atopic dermatitis

- Reported that GLPG1205 was well tolerated and safe but did not show competitive activity versus placebo in the ORIGIN Phase 2 study

In cystic fibrosis:

- Expanded the collaboration with AbbVie to include an additional $250 million in Phase 1 and 2 milestones
- Disclosed favorable safety and tolerability in the Phase 1 study with C1 corrector GLPG2222
- Initiated a Phase 1 study with potentiator GLPG2451
- Initiated a Phase 1 study with C2 corrector GLPG2737
- Nominated 3 pre-clinical candidates: C2 corrector GLPG3221, potentiator GLPG3067, and C1 corrector GLPG2851
- Reported activity and favorable safety with novel potentiator GLPG1837 in our SAPHIRA Phase 2 studies in Class III mutation patients

In osteoarthritis:

- Reported good safety and tolerability as well as up to 60% reduction in a biomarker for cartilage breakdown within two weeks in healthy human volunteers in a Phase 1 study with candidate GLPG1972 in the alliance with Servier

In pulmonary disease:

- Initiated the FLORA Phase 2a study with GLPG1690 in idiopathic pulmonary fibrosis (IPF) patients
- Received orphan drug status in Europe for GLPG1690
- Nominated new pre-clinical candidate GLPG2938 for IPF

Grants:

- Received a €1.2 million Flemish government grant for our type 2 diabetes program

Corporate

- Appointed Dr. Mary Kerr as director of Galapagos
- Raised €4.3 million from warrant exercises
- Were included in the AEX and Bel20 main indices in Amsterdam and Brussels
- Were included in the Stoxx Europe 600 index

2016: Details of the financial results

Revenues

Galapagos' revenues and other income for 2016 amounted to €151.6 million, compared to €60.6 million in 2015. Increased revenues were mainly driven by a substantial increase in milestone payments from our collaboration partners.

Operating result

The group realized a net operating loss in 2016 of €11.5 million, compared to a net operating loss of €89.4 million in 2015.

R&D expenses for the group in 2016 were €139.6 million compared to €129.7 million in 2015. This planned increase was due mainly to increased efforts on our clinical and pre-clinical programs, primarily the cystic fibrosis program and the proprietary pre-clinical programs in inflammation, HBV and fibrosis.

G&A and S&M expenses of the group were €23.5 million in 2016, compared to €20.3 million in 2015. This increase was due primarily to non-cash items such as a higher payable for short term and long term management bonus and higher costs for warrant plans, mainly as a result of the increase of the Galapagos share price.

Non-cash adjustment on short term financial asset

In 2015, Galapagos recognized a short term financial asset worth €39 million and an offsetting deferred income of €39 million upon signing of the share subscription agreement with Gilead, as required under IAS 39. This financial asset initially reflected the share premium that Gilead committed to pay above the closing share price of Galapagos on the day of signing of the share subscription agreement. Under IAS 39, the fair value of the financial asset was re-measured at year end and again upon entering into force of the share subscription agreement on 19 January 2016, when the financial asset expired. Variations in fair value of the financial asset were recorded in the income statement.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the share subscription agreement and 31 December 2015, resulted in a negative, non-cash fair value charge of €30.6 million in the 2015 financial results. The subsequent increase in the fair value of the financial asset resulting from the decrease in the Galapagos share price between 1 January 2016 and 19 January 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of 2016.

The €65.9 million current financial asset from the share subscription agreement reflected the premium that Gilead paid compared to the closing price of the Galapagos share on the day of the capital increase. This financial asset expired on 19 January 2016, the effective date of the share subscription agreement and was derecognized through the share premium account.

Cash position

Cash, cash equivalents, and restricted cash totaled €980.9 million on 31 December 2016.

A net increase of €632.7 million in cash, cash equivalents and restricted cash was recorded in 2016. Net cash flows from financing activities generated €391.8 million through a subscription of Galapagos shares by Gilead, as well as €4.3 million from warrant exercises. Furthermore, a net cash inflow from operating activities was realized for €239.4 million in 2016 resulting from the license fee of $300 million (€275.6 million) received from Gilead and, by difference, from an operating cash burn of €36.2 million. Finally, €7.3 million was used in investing activities and €4.8 million positive exchange rate differences were generated on cash and cash equivalents. When excluding the license fee and milestone payments from Gilead (€56.4 million), the net cash outflows used in operating and investing activities amount to €100.3 million.

Furthermore, Galapagos' balance sheet holds an unconditional and unrestricted receivable from the French government (*Crédit d'Impôt Recherche*[1]) now amounting to €34.2 million, payable in 4 yearly tranches. Galapagos' balance sheet also holds a receivable from the Belgian Government for R&D incentives now amounting to €30.2 million.

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

Outlook 2017

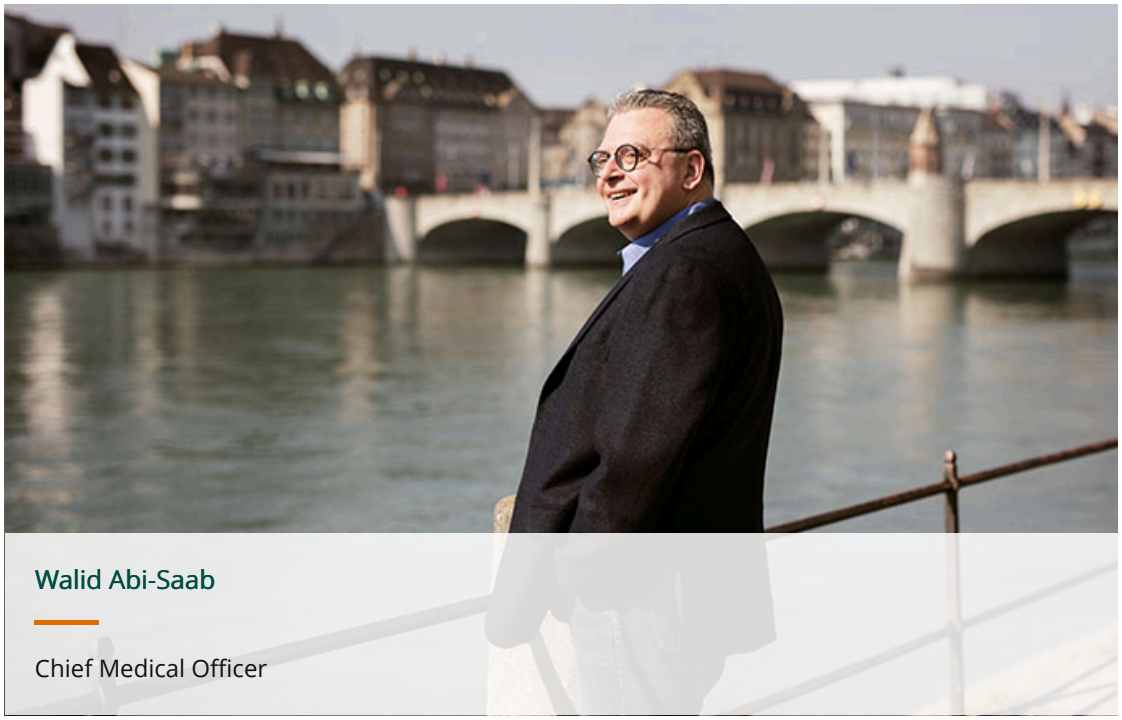
Galapagos aims to initiate a CF patient evaluation of its triple combination therapy by mid-2017, as well as multiple new clinical studies with CF candidates and combinations throughout the year. Together with our collaboration partner Gilead we plan to start multiple proof-of-concept studies with filgotinib. 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. Galapagos expects to initiate a Phase 1b study with GLPG1972 in osteoarthritis patients in the US, as well as Phase 1 studies with GLPG2938 (IPF) and with GLPG2534 (atopic dermatitis).

Galapagos expects an operational cash burn of €135-155 million during 2017.

I wish to thank our shareholders again for their support last year. We ended 2016 in the best shape yet, both financially and operationally. We plan to advance our triple combination therapy in CF to patient studies, to progress the rest of our pipeline, and to work with our collaboration partner Gilead to explore filgotinib broadly in inflammation.

Regards,
Onno van de Stolpe
CEO

‘Let’s keep the desire to excel’



Walid Abi-Saab

Chief Medical Officer

Walid Abi-Saab has just begun at Galapagos as the Chief Medical Officer. He brings decades of experience in medicine, psychiatry and the pharmaceutical industry.

‘Having worked across several different departments, I’ve been able to explore the gaps between them and facilitate very open, interdepartmental exchanges of ideas, which is vital. Functioning with open communication, a shared understanding, and cross functional fertilization is a winning recipe for overcoming major challenges and advancing rapidly in development.’

Role at Galapagos

‘For the next few years, my primary responsibility will be the improvement of our late-stage development capabilities: help the company grow, in other words. But this has to be done while keeping in mind the history of the company. If we keep the freedom, the desire to excel and the low hierarchy that have made Galapagos the company it is, we could grow and maintain our identity.’

“

We have to keep moving forward. What’s the point otherwise?

Motivation

‘We have to keep moving forward. What’s the point otherwise? Drug development is undeniably difficult, but it’s also inspiring: what we produce helps people, leaves them feeling better and living longer. We never lose sight of that, no matter how big the difficulties or how hard the work becomes. Any product we develop will benefit someone who is suffering. And there are not a lot of people who can say that about their jobs. Knowing this gets me up in the morning. It encourages me to do better.’

Pushing the limits

‘You have to ask yourself: do things that don’t require any thinking or challenge actually bring anything to the table? We have a commitment to push harder and advance, especially in medicine and drug development. The line of work is not easy, but that’s not a reason for giving up. If I reach a limit, I’ll take a step back and ask why. I’ll try again from a different angle, I’ll persevere. I won’t give up.’

‘Challenges are there to be solved’

Ellen van der Aar

Head of Development

As Head of Development and Project Leader, Ellen van der Aar is responsible for clinical stage treatments for idiopathic pulmonary fibrosis (IPF) and osteoarthritis. She often finds her work pushes her limits – but sees the benefit in this.

‘If you had asked me five years ago, I would never have expected I would be doing this. I’ve moved far away from my own background to do things I’ve never done before. It’s challenging in a good way. I’m constantly learning new things.’

Broad horizons

‘When I started at Galapagos, it was in Research and one of the projects I was working on was in IPF. The therapy moved to Development and I moved with it; it’s very different work. IPF is an orphan disease and I had developed a rapport with the few people specializing in it. Now, I’m leading the project. Different skills again, but they meet my interests.’

Pushing the limits

‘I want to learn. And challenges are there to be solved. It means working longer hours than I might like, but even so, my investigations still barely scratch the surface. There’s so much more I want to learn, more depth I would like to go to in my work to further my understanding. Galapagos appreciates this situation; they’re hiring extra staff.’

If you had asked me five years ago, I would never have expected I would be doing this.

Deadlines

'They push me more than anything. We have setbacks – they're inevitable – and still strive to meet deadlines. It's a commitment to the patients and our shareholders. If we consider changing our approach, the management team responds very quickly. Thankfully! In big pharma companies, you might have to wait weeks for an answer.'

Is the grass greener?

'There's significant stress. There are always deadlines. There are unexpected events that require us to step up and go the extra mile. But despite this, the positives make it all worthwhile. I wouldn't want to give it up.'

‘You’re contributing to the company’s success’

Veronique Deiteren

Head of Human Resources

Veronique Deiteren is responsible for HR at three sites in three different countries. She was promoted into the role just a year and a half ago.

“With every new responsibility I’ve been given I’ve been pushed to go out of my comfort zone. It is quite challenging and scary sometimes, but it’s what makes me grow as a person, and it is even more rewarding when you then succeed and feel appreciated. When I stepped into this position, parts of the HR teams for Mechelen and Romainville were entirely new. They needed training; we all needed to catch up. We installed new recruitment programs and new systems which have enabled us to operate more efficiently, and we need to. We have 374 people doing work at the Belgian, Dutch, and French sites now, with more than 50 to join next year and another 50 the following year. It introduces major challenges.’

Expertise and experience

‘Finding qualified people with experience in clinical projects and the industrial environment is a challenge for recruiters. The Belgian biotech and pharma industry is not that large, so we look further afield for people with the right qualifications, specific knowledge and expertise that allows them to go straight to work.’

People with the ability to bring their own ideas and innovate, are our best asset.

Being competitive

'Working at Galapagos is very demanding and challenging. You have to be prepared to push your limits. But in return, you really feel like you're contributing to the company's success; people want to be part of that and our pipeline and exciting projects. We still need to stay competitive, meet expectations and industry standards, and manage change.'

Maintaining values

'As we grow, Galapagos will have more processes and procedures, but we want to make sure that the way we work today is still in place: with people participating in a workplace where they are treated equally and with respect, and where their opinions are valued. We don't want to become one of those companies that take forever to make a decision. People with the ability to bring their own ideas and innovate, are our best asset. We are determined to keep what we have.'

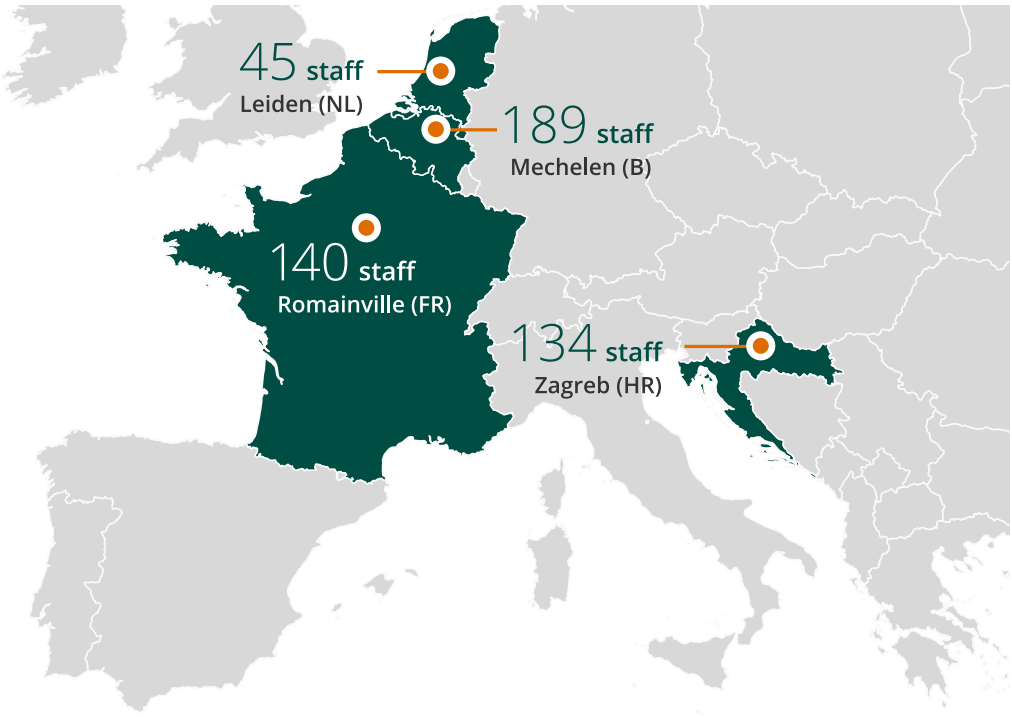
At a glance

Key figures (IFRS)

Galapagos group (in € thousands, if not stated otherwise)	31/12/2016	31/12/2015	31/12/2014
Results[1]			
Revenues and other income	151,612	60,579	90,021
R&D expenditure	(139,573)	(129,714)	(111,110)
S, G&A expenses	(23,530)	(20,308)	(14,867)
Restructuring and integration costs	–	–	(669)
Personnel expenses (including share-based compensation)	(53,530)	(47,034)	(38,447)
Capital expenditure	4,790	6,665	2,804
Depreciation and amortization of (in)tangible assets	(4,182)	(3,402)	(3,765)
Operating loss	(11,491)	(89,444)	(36,624)
Net financial results	65,737	(30,184)	1,424
Taxes	(235)	1,218	(2,103)
Net income / loss (–) from continuing operations	54,012	(118,410)	(37,303)
Net income from discontinued operations	–	–	70,514
Net income / loss (–)	54,012	(118,410)	33,211
Balance sheet			
Total assets	1,083,338	442,514	270,467
Cash, cash equivalents and restricted cash	980,909	348,216	198,440
Total liabilities	324,637	77,515	64,332
Stockholders' equity	758,701	364,999	206,135
Galapagos share			
Number of shares issued on 31 December	46,256,078	39,076,342	30,299,129
Basic income / loss (–) per share (in €)	1.18	(3.32)	1.10
Diluted income / loss (–) per share (in €)	1.14	(3.32)	1.10
Share price on 31 December (in €)	60.94	56.76	15.49
Personnel data			
Total group employees on 31 December (number)	508	435	417

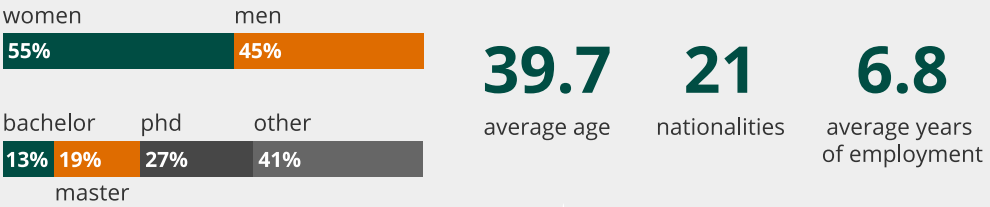
[1] Service activities (sold to Charles River on 1 April 2014) for the year 2014 are shown on the line item "Net income from discontinued operations". All other line items consist of amounts from continuing operations, except for line item "Net income / loss (–)", which includes both continuing and discontinued operations.

Employees per site



Number of R&D employees[1]

374



39.7
average age

21
nationalities

6.8
average years of employment

[1] Total Galapagos R&D (Mechelen, Leiden, Romainville), including external consultants. Total head count Galapagos group (Galapagos R&D and Fidelta) including external consultants amounts to 508.

Strategy

We seek to develop a robust portfolio of breakthrough therapies. Our ambition is to become a fully integrated biopharmaceutical company focused on the development and commercialization of novel medicines. Our strategy is to leverage our unique and proprietary target discovery platform, which facilitates discovery and development of therapies with novel modes of action which address the root causes of the disease.

Key elements of our strategy include:

- **Rapidly advance the development and commercialization of filgotinib with our collaboration partner Gilead in RA, CD, UC and potentially other inflammatory diseases**
  Based on the results from our Phase 2 clinical trials, we believe that filgotinib is a promising candidate for the treatment of RA, CD, UC and potentially other inflammatory diseases. Our collaboration partner Gilead initiated Phase 3 clinical programs in RA, CD and UC in 2016. We retained an option to co-promote filgotinib with Gilead in the UK, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg; exercising this option would enable us to build a commercial organization and further progress our ambition to become a fully integrated biopharmaceutical company.

- **Collaborate with our collaboration partner AbbVie to develop a CF franchise of triple combination oral therapies**
  In order to address the unmet need in CF patients with Class II and other mutations in the CFTR gene, we aim to develop a triple combination therapy comprising a potentiator and two corrector molecules. Our most advanced candidate drug potentiator GLPG1837, showed promising activity and favorable safety, with observed treatment emergent adverse events being predominantly mild or moderate, in CF patients with the Class III mutation of the CFTR gene in a Phase 2 trial late in 2016. This trial also provided data necessary to validate our *in vitro* assays and dosing modelling for developing a triple combination therapy. We initiated a Phase 1 trial for a second potentiator candidate GLPG2451 in May 2016. We reported positive topline results from a Phase 1 trial for our C1 corrector candidate, GLPG2222, in June 2016 and initiated a Phase 2 trial on top of Kalydeco®[2] in Class III mutation patients in January 2017. We initiated a Phase 1 trial for our C2 corrector GLPG2737 in November 2016. We dosed the first healthy volunteer with a combination of GLPG2451 and GLPG2222 in February 2017. We aim to evaluate a once-daily, oral, triple combination therapy in CF patients starting in mid-2017, with additional trials with novel CF compounds initiating throughout 2017. In March 2017 we initiated a Phase 1 trial with GLPG3067. We have an exclusive collaboration agreement with AbbVie to jointly discover, develop, and commercialize these novel CF modulators.

- **Advance GLPG1690 in patient clinical trials in IPF**
  We have completed the enrollment of IPF patients in a Phase 2a trial evaluating target and disease biomarker changes during three months' treatment with autotaxin inhibitor GLPG1690 or placebo, and we intend to disclose topline results of this trial in the second half of 2017. We have worldwide development and commercialization rights for GLPG1690.

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

- **Advance GLPG1972 in OA patient clinical trials in the United States**
  In June 2016, we announced that a Phase 1 first-in-human trial of GLPG1972, a novel mechanism of action medicine for the treatment of osteoarthritis (OA), showed the drug reduced a cartilage breakdown biomarker in healthy volunteers by up to 60% within two weeks. We retain all development and commercialization rights to this compound in the United States (U.S.), and we intend to initiate clinical trials of GLPG1972 in the U.S. in 2017. Additional data resulting from an ongoing non-clinical program expected in the second quarter of 2017 will enable our collaboration partner Servier to make a decision regarding exercising its option to license the compound for further development in OA patient trials outside the U.S.

- **Advance MOR106 in AtD patient clinical Phase 1 trials with our collaboration partner MorphoSys**
  In April 2016, we initiated a Phase 1 first-in-human trial and in October 2016, we announced first dosing of an atopic dermatitis (AtD) patient with MOR106, a novel human monoclonal antibody medicine in development with MorphoSys in a Phase 1b trial. MOR106 targets IL17-C, a novel antibody target discovered by us. MorphoSys and we share costs and potential benefits equally in this collaboration. Topline data from the Phase 1b trial with MOR106 are expected in the second half of 2017.

- **Maximize and capture the value of our target discovery platform by becoming a fully integrated biopharmaceutical company**
  Our platform has yielded many new mode-of-action investigational therapies across multiple therapeutic areas. Our most mature pre-clinical programs are GLPG2534 for AtD and GLPG2938 for IPF, both of which we plan to take into Phase 1 trials in 2017. Additionally, we are exploring the potential of development programs and pre-clinical drug candidates in ankylosing spondylitis, psoriatic arthritis, lupus, nonalcoholic steatohepatitis, type 2 diabetes, and hepatitis B. We aim to initiate a Phase 3 trial every other year, while conducting three proof-of-concept trials, delivering eight new validated targets and three pre-clinical candidate drugs every year. We aim to select promising programs for internal development and commercialization to capture greater value for shareholders and establish ourselves as a fully integrated biopharmaceutical company.

Going concern statement

To date, we have incurred significant operating losses, which is reflected in the balance sheet showing €112.3 million accumulated losses as at 31 December 2016. We realized a consolidated net profit of €54.0 million for the year ended 31 December 2016. The board of directors has examined the financial statements and accounting policies. Based on conservative assumptions, we believe that our existing cash, cash equivalents and restricted cash of €980.9 million at 31 December 2016 will enable us to fund our operating expenses and capital expenditure requirements at least through the next two to three years. The board of directors is also of the opinion that additional financing could be obtained, if required. Taking this into account, as well as the favorable outlook of developments of our drug discovery and development activities, the board of directors is of the opinion that it can submit the financial statements on a going concern basis. Whilst our cash position is sufficient for our immediate and mid-term needs, the board of directors points out that if the R&D activities continue to go well, we may seek additional funding to support the continuing development of our products or to be able to execute other business opportunities.

Risk management and internal control

Risk management is embedded in our strategy and is considered important for achieving our operational targets.

To safeguard the proper implementation and execution of the group's strategy, our executive committee has set up internal risk management and control systems within Galapagos. The board of directors has delegated an active role to the audit committee members to monitor the design, implementation and effectiveness of these internal risk management and control systems. The purpose of these systems is to manage in an effective and efficient manner the significant risks to which Galapagos is exposed.

The internal risk management and control system is designed to ensure:

- the careful monitoring of the effectiveness of our strategy
- Galapagos' continuity and sustainability, through, for instance, consistent accounting, reliable financial reporting and compliance with laws and regulations
- our focus on the most efficient and effective way to conduct our business

We have defined our risk tolerance on a number of internal and external factors including:

- financial strength in the long run, represented by revenue growth and a solid balance sheet
- liquidity in the short run; cash
- business performance measures; operational and net profitability
- scientific risks and opportunities
- dependence on our alliance partners
- compliance with relevant rules and regulations
- reputation

The identification and analysis of risks is an ongoing process that is naturally a critical component of internal control. On the basis of these factors and Galapagos' risk tolerance, the key controls within Galapagos will be registered and the effectiveness will be monitored. If the assessment shows the necessity to modify the controls we will do so. This could be the case if the external environment changes, or the laws or regulations or the strategy of Galapagos change.

The financial risks of Galapagos are managed centrally. The finance department of Galapagos coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning the activities of the group. These relate to the financial markets risk, credit risk, liquidity risk and currency risk. There are no other important risks, such as interest rate risk, because the group has nearly no financial debt and has a strong cash position. The group does not buy or trade financial instruments for speculative purposes. For further reference on financial risk management, see note 33 of the notes to the consolidated financial statements. We also refer to the "Risk factors" section of the annual report for additional details on general risk factors.

The company's internal controls over financial reporting are a subset of internal controls and include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by the EU, and that receipts and expenditures of the company are being made only by authorized persons; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Since the company has securities registered with the U.S. Securities and Exchange Commission, or SEC, and became a large accelerated filer within the meaning of Rule 12b-2 of the U.S. Securities Exchange Act of 1934, as of year-end 2016, the company needs to assess the effectiveness of the internal controls over financial reporting and provide a report on the results of this assessment.

In 2016 management has reviewed and formalized its internal controls over financial reporting based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and engaged an external advisor to help assess the effectiveness of those controls.

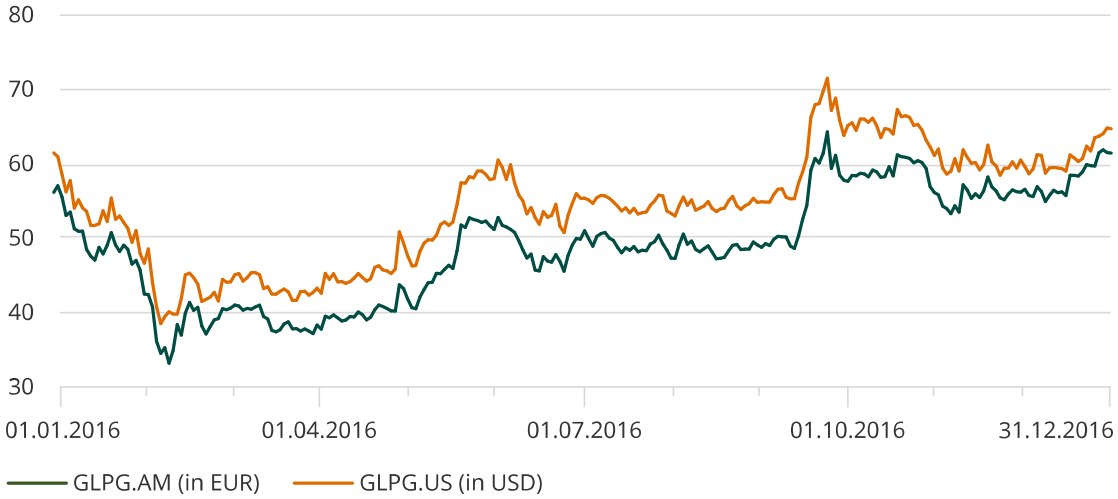
As described in Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules implementing such act, we will include the management and the statutory auditor's assessment of the effectiveness of internal control over financial reporting in our annual report on Form 20-F, which is expected to be filed with the SEC on or around the publication date of the present annual report.

Management as well as the statutory auditor concluded that the group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2016.

The Galapagos share

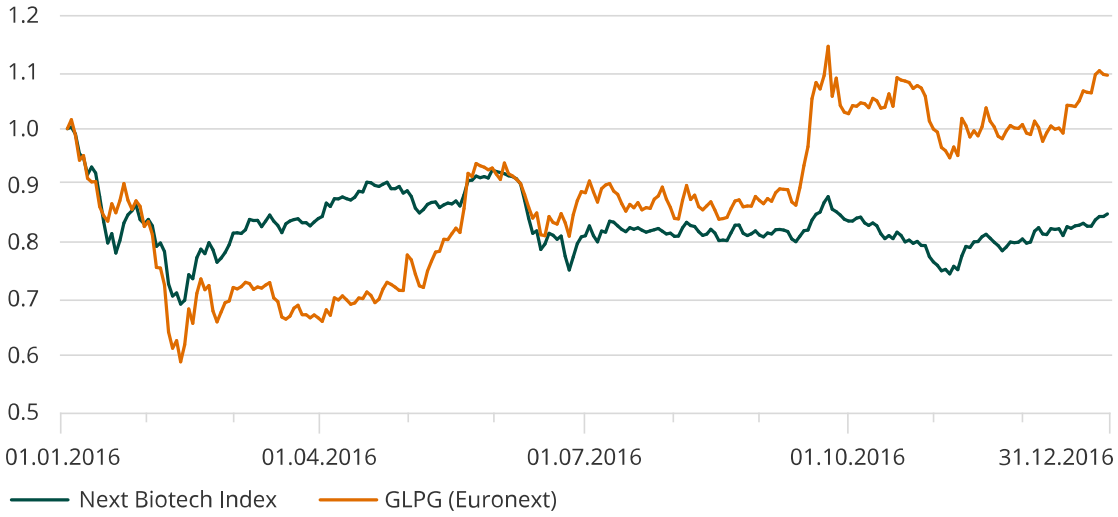
Galapagos NV (ticker: GLPG) has been listed on Euronext Amsterdam and Brussels since 6 May 2005 and on the NASDAQ Global Select Market since 14 May 2015. Galapagos NV forms part of the Bel20 index (top 20 listed companies) on Euronext Brussels and the AEX Index (top 25 listed companies) on Euronext Amsterdam.

The Galapagos share in 2016

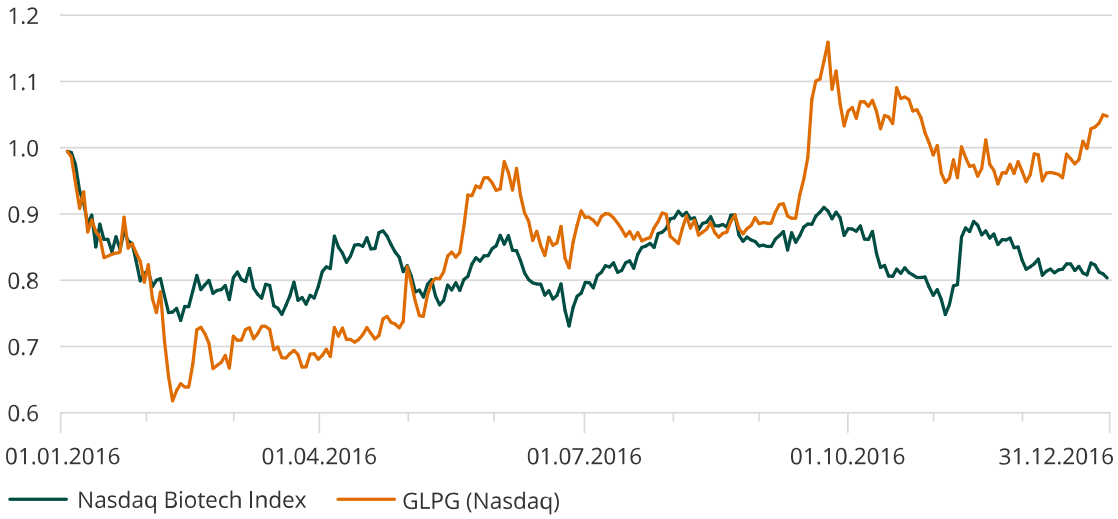


In 2016, the average daily trading volume on Euronext was 259,885 shares and €13 million turnover. The daily trading volume on NASDAQ in 2016 was 91,397 ADSs and $5.0 million turnover.

Galapagos vs Next Biotech Index in 2016



Galapagos vs Nasdaq Biotechnology Index



Investor relations activities

We attracted additional sell-side analyst coverage by U.S. banks. Our IR team presented at a number of conferences in 2016 and did several of broker-organized and self-organized roadshows throughout the U.S. and Europe. We presented Full Year, Half Year and Q1 and Q3 2016 results and our R&D Update via webcasts.

The main topics of discussion with investors included the filgotinib DARWIN and FITZROY program results and progress on our plans to develop a triple combination therapy for cystic fibrosis patients.

Subsequent events

On 17 January 2017 we announced the appointment of Dr. Walid Abi-Saab as Chief Medical Officer and member of the executive committee, beginning on 1 March 2017.

On 20 January 2017 the board of directors conditionally issued 150,000 warrants within the framework of the authorized capital, for the benefit of Dr. Abi-Saab ("Warrant Plan 2016 (B)"). The issuance of the warrants is subject to acceptance by Dr. Abi-Saab. These warrants have a term of eight years and an exercise price of €62.50.

On 1 February 2017 we announced the dosing of the first patient with CF Class III (F508del and a gating mutation like G551D) with our novel CF corrector GLPG2222 as an add-on to Kalydeco in a Phase 2a study. We also announced the opening of an Investigational New Drug file with the U.S. Food & Drug Administration for GLPG2222, which triggered a $10 million milestone payment from AbbVie to Galapagos.

On 10 March 2017 we announced the initiation of two additional Phase 2 studies with filgotinib: one in small bowel Crohn's disease, and one in fistulizing Crohn's disease.

On 22 March 2017 we announced the initiation of a Phase 1 trial with GLPG3067, triggering a $7.5 million milestone payment from our collaboration partner AbbVie.

Overview statutory results of Galapagos NV

This overview only concerns the non-consolidated statutory results of Galapagos NV. These results are part of the consolidated results as discussed in the letter from the management.

Galapagos NV's operating income in 2016 amounted to €303.3 million compared to €193.1 million in 2015. This increase was mainly due to higher turnover (i.e. R&D revenues), which increased by €102.1 million, primarily driven by increased milestone revenues. In addition, internally generated intangible assets – being capitalized R&D expenses – contributed €7.1 million more to operating income than previous year. The other operating income amounted to €16.3 million, including €4.7 million of grants recognized for R&D projects, €2.7 million of recharges to subsidiaries and €5.8 million recognized for tax incentives for investments in intangible fixed assets.

The operating costs of 2016 amounted to €350.0 million compared to €242.9 million in 2015. Material purchases decreased slightly from €4.4 million in 2015 to €4.3 million in 2016. Services and other goods decreased to €119.3 million compared to €131.7 million in 2015, primarily due to €19.4 million of one-off costs in 2015 related to the global offering of ordinary shares on 19 May 2015 (NASDAQ IPO), slightly offset by increased internal subcontracting for our pre-clinical studies and clinical trials as well as increased fees for insourced personnel.

Personnel costs in 2016 amounted to €16.6 million compared to €15.7 million in 2015. The number of employees at Galapagos NV at the end of 2016 amounted to 154, excluding insourced personnel.

Depreciation increased to €203.5 million in 2016, compared to €82.6 million in 2015. This was due to amortization booked on the internally generated intangible assets capitalized in 2013, 2014, 2015 and 2016, for which the internally generated intangible assets capitalized in 2016 were fully amortized in 2016, which explained the substantial increase.

Galapagos NV's 2016 financial income increased significantly to €8.9 million compared to €1.6 million in 2015 and can mainly be explained by increased currency exchange gains on U.S. dollar. Financial costs amouned to €1.5 million compared to €1.2 million in 2015.

Extraordinary costs amounted to €5.9 million in 2016, compared to €13.5 million in 2015, which primarily consisted of extraordinary write-offs of capitalized R&D costs with regard to alliances which ended or programs which were placed on hold (€5.4 million in 2016, compared to €13.2 million in 2015).

Tax expenses recorded in 2016 (€19 thousand) related mainly to an income tax adjustment on the result of prior periods. No tax expenses were recorded in 2015.

Galapagos NV capitalizes its incurred R&D expenses to the extent that the costs capitalized do not exceed a prudent estimate of their value in use or their future economic benefits for the entity. The ability to recover the capitalized amounts takes into account assumptions (i.e. future peak sales, market share, sales price, attrition rates regarding the successful completion of the different R&D phases) which have a highly judgmental nature and depend on the outcome of uncertain factors which are beyond the control of the entity (i.e. test results). The achievement of these assumptions is critical and may impact the recoverability of the amounts capitalized. The net book value of capitalized R&D expenditure amounted to €70.8 million in 2016 compared to €153.0 million in 2015. The driver for this significant decrease was a change in accounting practices in 2016 with regard to internally generated intangible assets: R&D expenses capitalized as from 2016 onwards are fully amortized in the year itself. R&D expenses capitalized in previous years are still amortized over a 3-year period.

Investments in fixed assets in 2016 totaled €1.9 million, excluding the internally generated assets. They consisted mainly of new laboratory and IT equipment, as well as investments in intangible assets, being software development.

Galapagos NV's cash position at the end of 2016 amounted to €972.6 million.

The non-consolidated annual accounts of Galapagos NV which we submit for your approval were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2016 closed with a loss of €45.2 million compared to a loss of €63.0 million in 2015. Overall, the result of Galapagos NV is largely affected by the fact that, as from financial year 2010, Galapagos NV capitalizes some of its R&D expenses and revenues that are eligible for such capitalization under Belgian GAAP. This capitalization negatively impacted the net result of Galapagos NV by €29.9 million in 2016, compared to a positive impact of €55.0 million in 2015. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €178.0 million as at 31 December 2016; we refer to the Going Concern Statement for justification for the application of the valuation rules under the going concern assumption.

In 2016, neither Galapagos NV nor its affiliates made direct or active use of financial instruments such as hedging. However, at year-end 2015 an embedded derivative existed under the terms of the Gilead contract (see note 8 of the notes to the consolidated financial statements). This embedded derivative expired on 19 January 2016 at the time of the completion of the transaction (i.e. date of the notary deed enacting the related capital increase).

Disclaimer and other information

This report contains all information required by Belgian law.

Galapagos NV is a limited liability company incorporated in Belgium and has 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. Galapagos is responsible for the translation and conformity between the Dutch and English versions. In case of inconsistency between the Dutch and the English versions, the Dutch version shall prevail.

This report, including the statutory financial statements of Galapagos NV, is available free of charge and upon request to be addressed to:

Galapagos NV

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A digital version of this report, including the statutory financial statements of Galapagos NV, is available on our website, www.glpg.com.

We will use reasonable efforts to ensure the accuracy of the digital version, but do not assume responsibility if inaccuracies or inconsistencies with the printed document arise as a result of any electronic transmission. Therefore, we consider only the printed version of this report to be legally valid. Other information on our website or on other websites does not form a part of this report.

As U.S. listed company, we are also subject to the reporting requirements of the U.S. Securities and Exchange Commission, or SEC. An annual report will be filed with the SEC on Form 20-F. The Form 20-F will be available in the SEC's EDGAR database (https://www.sec.gov/edgar.shtml) and a link thereto will be posted on our website.

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 a potential triple combination therapy, and statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in rheumatoid arthritis, Crohn's disease, and ulcerative colitis (ii) with GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 in cystic fibrosis, (iii) with GLPG1690 and GLPG2938 in IPF, (iv) with MOR106 and GLPG2534 in atopic dermatitis and (v) with GLPG1972 in osteoarthritis. 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 2017 revenues and financial results and our 2017 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, 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.