The Galapagos group

An overview of Galapagos, its strategy and portfolio in 2017

All **breakthroughs** have their

beginnings

Hearing aid (1875-1950); Single microscope, Antoni van Leeuwenhoek (1673-1723); Bottle with penicillin, Royal Dutch Yeast and Spiritus factory (1950-1975); Artificial kidney, Willem Johan Kolff (1943); Heart valve prosthesis (1970-1990).

Letter from the management

Dear shareholder,

We look back on another very successful execution year at Galapagos. Our strategy is to leverage our innovative target discovery platform to develop breakthrough drugs and ultimately deliver these to patients with large unmet need. Our successes with filgotinib in rheumatoid arthritis and Crohn's disease in previous years showed that JAK1 inhibition can make a difference. In 2017, we showed that GLPG1690 (autotaxin inhibitor) halted IPF disease progression in the FLORA trial, as well as a marked reduction of signs and symptoms in atopic dermatitis patients with MOR106 (IL-17C inhibitor). As such, we delivered two new proofs of platform for our approach to finding novel medicines next to filgotinib.

But this is just the beginning. We continue to discover new modes of action, and plan to bring them all the way to patients. We use our proprietary target discovery technology to identify novel target proteins that play a crucial role in diseases with high unmet medical need. These targets are then used as the starting points to develop new mode of action medicines. In this way, we strive to create a leading innovative position in disease areas like inflammation and fibrosis.

The coming year will be data-rich, as we expect the first Phase 3 data with filgotinib in rheumatoid arthritis, along with an interim decision to move to Phase 3 in the ulcerative colitis trial and readouts in our trials in ankylosing spondylitis and psoriatic arthritis. In cystic fibrosis, we will see topline results from the PELICAN trial and a first interim readout with FALCON, a patient trial of our first triple combination therapy in cystic fibrosis. We expect to launch pivotal trials with GLPG1690 in IPF, building our fully proprietary IPF franchise. And by moving GLPG1205, GLPG1972, MOR106, and more CF triple combinations into Phase 2 trials, we set the foundations for the next set of clinical results. Meanwhile, we continue to expand our organization to be able to execute the increasing number of clinical trials and to be ready for market introduction of our candidate medicines.

Galapagos ended 2017 with an extraordinarily strong balance sheet. We are continuing to grow our late stage development organization to execute on our successful programs. Now with the decision to co-promote filgotinib in Europe with Gilead, we have started to build a commercial organization. While key programs are financed by our collaboration partners, the share of proprietary late stage development is expected to grow. During 2018 we expect to be running 13 Phase 2 trials. All of this will contribute to our financial guidance for operational cash burn between €220 – €240 million in 2018.

Proudly we present our annual report 2017, reflecting the substantial progress made last year.

R&D

In the field of inflammation:

- We and Gilead initiated patient trials in 8 new indications with our selective JAK1 inhibitor filgotinib
- We opted in to co-promote filgotinib together with Gilead in Germany, France, Italy, Spain, the United Kingdom, Belgium, the Netherlands, and Luxembourg, should filgotinib be approved for commercial sale
- We and Gilead reported consistent safety findings and durable activity with filgotinib treatment up to 84 weeks in the DARWIN 3 long term extension Phase 2b trial in rheumatoid arthritis patients
- We and MorphoSys reported favorable tolerability and promising activity with human monoclonal antibody MOR106 (targeting IL-17C) in a Phase 1b trial in atopic dermatitis patients
- We reported that ADAMTS-5 inhibitor GLPG1972 was well tolerated and showed a dose dependent decrease in ARGS neoepitope, a cartilage breakdown biomarker, in blood serum of osteoarthritis patients
- Servier in-licensed ex-U.S. rights to GLPG1972
- We nominated pre-clinical candidates GLPG3121, GLPG3312, and GLPG3667 in inflammation

In fibrosis:

- We reported halt of disease progression with 12 weeks' treatment with autotaxin inhibitor GLPG1690 in the FLORA Phase 2a trial in IPF patients
- We disclosed favorable safety and tolerability in Phase 1 trials with C1 corrector GLPG2222, C2 corrector GLPG2737, and potentiators GLPG2451 and GLPG3067
- We reported progress in our CF program, triggering $37.5 million in milestone payments from our collaboration partner AbbVie
- We reported favorable tolerability and promising activity with GLPG2222 in the ALBATROSS and FLAMINGO trials in CF patients

Corporate:

- We raised €363.9 million in gross proceeds in a U.S. public offering of ADS and €5.3 million from warrant exercises
- We were included in the NASDAQ Biotechnology Index
- We strengthened our team with new Chief Medical Officer Walid Abi-Saab and Senior Vice President Commercial Operations Michele Manto

2017: Details of the financial results

Revenues

Galapagos' revenues and other income for 2017 amounted to €155.9 million, compared to €151.6 million in 2016. Increased revenues and other income were mainly driven by higher revenue recognition and higher R&D incentives in line with increased R&D expenses.

Operating result

The group realized a net operating loss in 2017 of €89.8 million, compared to a net operating loss of €11.5 million in 2016.

R&D expenses for the group in 2017 were €218.5 million compared to €139.6 million in 2016. This planned increase was due mainly to increased efforts on our clinical and pre-clinical programs, primarily filgotinib, our cystic fibrosis program, and the proprietary pre-clinical programs in inflammation and fibrosis.

G&A and S&M expenses of the group were €27.2 million in 2017, compared to €23.5 million in 2016. This increase was due primarily to a higher liability for short term and long term management bonus and higher costs for warrant plans (non-cash), both mainly as a result of the increase of the Galapagos share price.

Net result

The group realized a net loss in 2017 of €115.7 million, compared to a net profit of €54.0 million in 2016. The net loss in 2017 was negatively influenced for €27.8 million by currency exchange rate fluctuation on our cash positions held in U.S. dollars.

The result of 2016 was primarily driven by a €57.5 million non-cash fair value gain from the re-measurement of the financial asset triggered by the share subscription agreement with Gilead.

Cash position

Cash, cash equivalents, and restricted cash totaled €1,152.4 million on 31 December 2017.

A net increase of €171.5 million in cash, cash equivalents and restricted cash was recorded in 2017, compared to an increase of €632.7 million in 2016. Net cash flows from financing activities generated €353.4 million of cash, consisting of €348.1 million net proceeds from the U.S. public offering, and €5.3 million proceeds from warrant exercises. Furthermore, a net cash outflow from operating activities was realized for €147.0 million in 2017. Finally, €7.1 million was used in investing activities (when excluding the movement in restricted cash) and €27.8 million negative exchange rate differences were generated on cash and cash equivalents. The operational cash burn[1] amounted to €154.1 million.

Furthermore, Galapagos' balance sheet holds a receivable from the French government (Crédit d'Impôt Recherche[2]) now amounting to €36.4 million, payable in 4 yearly tranches. Galapagos' balance sheet also holds a receivable from the Belgian Government for R&D incentives now amounting to €39.4 million.

Outlook 2018

We aim to report topline results with the FINCH 2 (rheumatoid arthritis), EQUATOR (psoriatic arthritis), TORTUGA (ankylosing spondylitis) clinical trials with filgotinib, as well as a decision to continue to Phase 3 in SELECTION (ulcerative colitis). We expect our collaboration partner Gilead to complete recruitment of FINCH 1 and FINCH 3, the remaining RA Phase 3 trials with filgotinib. In cystic fibrosis we anticipate the readout of the PELICAN patient trial and an interim readout in FALCON. We aim to initiate pivotal trials with GLPG1690 (IPF) and Phase 2 trials with GLPG1205 (IPF), an additional CF triple combination, GLPG1972 (osteoarthritis), and MOR106 (atopic dermatitis).

The company expects an operational use of cash of €220 – €240 million in 2018.

I wish to thank our shareholders again for their support last year. Even with all the progress made at Galapagos in 2017, we believe it has only just started. Please stay with us as we take the next steps in our journey to become a fully integrated biopharmaceutical company, breaking innovative ground in inflammation and fibrosis.

Regards,
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 2016, the operational cash flow generated represented €231.9 million, which was significantly impacted by the upfront payment from Gilead of €275.6 million.

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

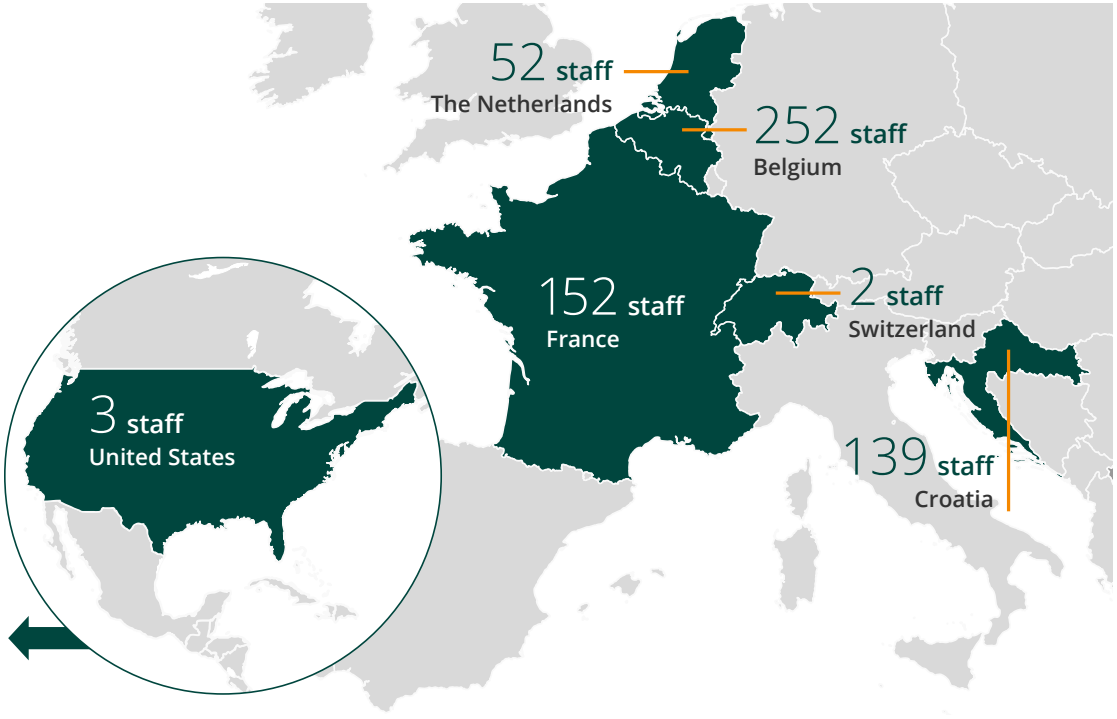
At a glance

Key figures (IFRS)

(thousands of €, if not stated otherwise)	31/12/2017	31/12/2016	31/12/2015
Income Statement			
Revenues	127,087	129,519	39,563
Other income	28,830	22,093	21,017
R&D expenditure	(218,502)	(139,573)	(129,714)
S, G&A expenses	(27,218)	(23,530)	(20,308)
Operating expenses	(245,720)	(163,103)	(150,023)
Operating loss	(89,802)	(11,491)	(89,444)
Net financial results	(25,705)	65,737	(30,184)
Taxes	(198)	(235)	1,218
Net income / loss (–)	(115,704)	54,012	(118,410)
Balance sheet			
Cash, cash equivalents and restricted cash	1,152,369	980,909	348,216
R&D incentives receivables	75,783	64,342	58,545
Assets	1,286,274	1,083,338	442,514
Shareholders' equity	1,011,983	758,701	364,999
Deferred income	219,892	285,612	39,806
Other liabilities	54,399	39,025	37,709
Cash flow			
Operational cash burn (–) / operational cash flow[(1)]	(154,089)	231,881	(121,145)
Cash flow from financing activities	353,357	395,996	271,370
Effect of currency exchange rate fluctuation on cash and cash equivalents	(27,808)	4,816	118
Increase in cash, cash equivalent and restricted cash	171,460	632,693	150,343
Cash, cash equivalents and restricted cash on 31 December	1,152,369	980,909	348,216
Financial ratios			
Number of shares issued on 31 December	50,936,778	46,256,078	39,076,342
Basic income / loss (–) per share (in €)	(2.34)	1.18	(3.32)
Diluted income / loss (–) per share (in €)	(2.34)	1.14	(3.32)
Share price on 31 December (in €)	78.98	60.94	56.76
Total group employees on 31 December (number)	600	508	435

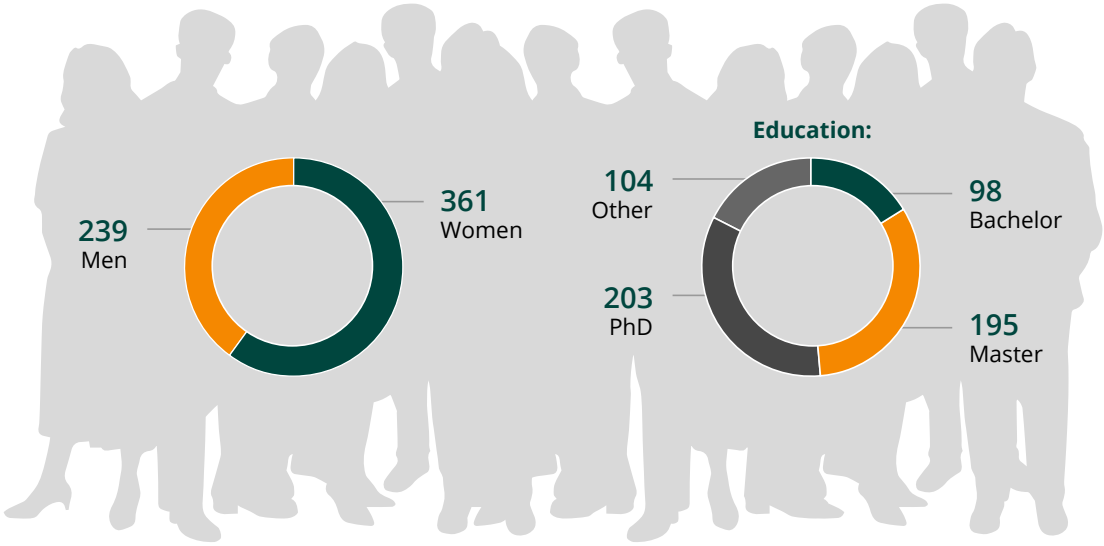
(1) The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the sum of the net cash flows generated / used (–) in operating activities and the net cash flows generated / used (–) in investing activities minus (i) the proceeds or cash used, if any, in acquisitions 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 2016, the operational cash flow generated represented €231.9 million, which was significantly impacted by the upfront payment from Gilead of €275.6 million.

Employees per site



Number of employees Galapagos group

600



Average age:	Number of employees older than 45:	Nationalities:	Average years of service:	Employee turnover:
41	201	25	7.8	6.5%

Strategy

We seek to develop first-in-class medicines based on the discovery of novel targets. Using human primary cells, we discover which proteins ('targets') play a key role in causing diseases. We then aim to develop small molecules that inhibit these targets, restore the balance, and thereby positively influence the course of the disease. This approach addresses the disease itself rather than just treating the symptoms. Our aim is to make a lasting positive contribution to society through discovery of breakthrough therapies for diseases with large unmet medical need.

Our ambition is to become a fully integrated biopharmaceutical company focused on the development and commercialization of novel medicines which will improve people's lives.

Key elements of our strategy include:

- **Rapidly advance the development and commercialization of filgotinib with our collaboration partner Gilead in RA, CD, UC, and 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 other inflammatory diseases. Our collaboration partner Gilead initiated Phase 3 clinical programs in RA, CD and UC in 2016 and multiple Phase 2 clinical programs in additional inflammatory diseases in 2017. We initiated Phase 2 clinical programs in psoriatic arthritis and ankylosing spondylitis in 2017. We exercised an option to co-promote filgotinib with Gilead in the UK, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg. By exercising this option, we aim to build a commercial organization and further progress our ambition to become a fully integrated biopharmaceutical company.

- **Build an IPF franchise**
  We reported positive outcomes with the FLORA Phase 2a trial evaluating GLPG1690 targeting ATX in IPF patients. We directed two additional candidate programs with distinct mechanisms of action toward IPF: we expect to start a Phase 2a trial with GLPG1205 in IPF patients and take GLPG3499 into Phase 1 in 2018. We have worldwide development and commercialization rights for GLPG1690, GLPG1205, and GLPG3499. We intend to commercialize successful candidates from our IPF franchise.

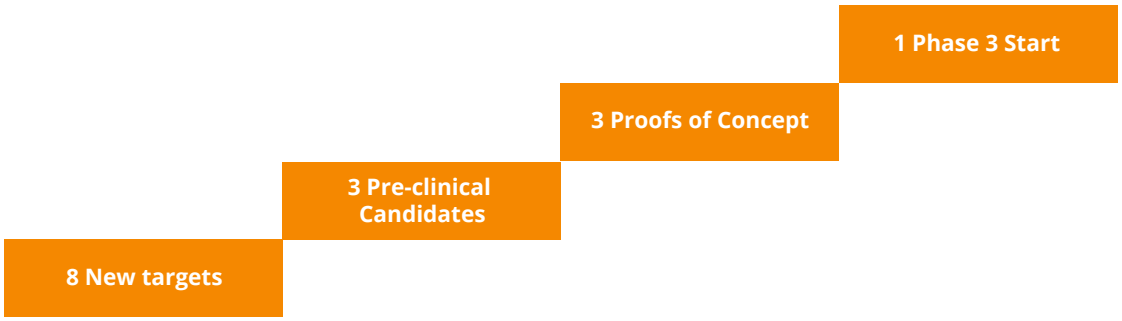
- **Work with our collaboration partner AbbVie to develop a CF franchise of triple combination oral therapies**
  In order to address the unmet need in CF patients with Class II and other mutations in the CFTR gene, we aim to develop a triple combination therapy comprising a potentiator and two corrector molecules. We validated our *in vitro* assays and dosing modelling for developing a triple combination therapy through successful trials (SAPHIRA, ALBATROSS, FLAMINGO) with our potentiator and C1 corrector compounds. We completed Phase 1 trials for certain components and certain combinations of these components in 2017. We plan to initiate an evaluation of a once-daily, oral, triple combination therapy in CF patients in 2018, with additional trials with novel CF compounds and combinations throughout 2018. We have an exclusive collaboration agreement with AbbVie to jointly discover, develop, and commercialize these novel CF modulators.

- **Advance GLPG1972 in OA patient clinical trials in the United States**
  In 2016, we announced that a Phase 1 first-in-human trial of GLPG1972, targeting ADAMTS-5 for the treatment of OA, showed the product candidate was well tolerated and reduced ARGS neoepitope in healthy volunteers up to 60% within two weeks. In early 2018, we disclosed that GLPG1972 showed a similar, dose-dependent ARGS neoepitope reduction in OA patients within four weeks. In 2018, we intend to initiate a global Phase 2 program with GLPG1972 together with Servier, our collaboration partner who elected to exercise the option to license the compound for further development in OA patient trials outside the United States. We retain all development and commercialization rights to this compound in the United States, where we will also lead all clinical development of GLPG1972.

- **Advance MOR106 in AtD patient clinical trials with our collaboration partner MorphoSys**
  We reported successful completion of the healthy volunteer part of a Phase 1a first-in-human trial and further announced that 83% of AtD patients treated in Phase 1b with the highest dose of MOR106 achieved EASI-50, with the effect being sustained for months after stop of treatment. MOR106 targets IL17-C, a novel antibody target discovered by us. MorphoSys and we share costs and potential benefits equally in this collaboration. We expect to start a Phase 2 trial in AtD patients in 2018.

- **Maximize and capture the value of our target discovery platform by becoming a fully integrated biotechnology company**
  Our platform has yielded many new mode-of-action investigational therapies across multiple therapeutic areas. Our most mature pre-clinical programs are GLPG2534, GLPG3121, GLPG3312, and GLPG3667 for inflammation, which we plan to take into Phase 1 trials in 2018. Additionally, we are exploring the potential of pre-clinical product candidates in ankylosing spondylitis, psoriatic arthritis, inflammatory bowel disease, atopic dermatitis, lupus, IPF, systemic sclerosis, 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 three pre-clinical product candidates and eight new validated targets every year. We aim to select promising programs for internal development and commercialization and establish ourselves as a fully integrated biopharmaceutical company.

Annual R&D ambition



Recruitment

Recruiting talent on our way towards commercialization

2017 was a turning point for Galapagos, in which the accelerated growth of our pipeline and evolution of the company towards commercialization also triggered the need for massive recruitment of top talents. We recruited locally, but we also have been able to attract people from further afield with the right qualifications, specific knowledge, and expertise.

By the end of 2017 over 100 new talents joined Galapagos, and two-thirds of these filled new positions. Most new employees started in our Drug Development departments such as Clinical Operations, Biometrics, Medical Science, Clinical Pharmacology, and Project Management. The recruitment of new colleagues will enable us to bring our novel therapies further through development, with the ultimate goal to deliver these therapies to patients as quickly as possible.

As we grow, we want to make sure that the way we work today remains in place: with people participating in a workplace where they can develop their skills and knowledge, where they are treated equally and with respect, where their opinions are valued, and where diversity is appreciated. People with the ability to bring their own ideas and innovate are our best asset. We are also aware that older workers represent an essential asset and we therefore wish, as far as possible, to benefit from their skills and experience.

Our Drug Development Departments will continue to grow rapidly and, as of 2018, our Commercial team will expand substantially as well. Next to this, we continue to invest in Drug Discovery and our Shared Services departments. The expansion is foreseen in all sites and includes the opening of satellite offices in Basel and Boston. We are looking for approximately 125 additional colleagues in, amongst others, Clinical Development, Clinical Operations, Regulatory, Biometrics, Drug Discovery, Marketing, Information Systems, and Finance in order to be able to meet our goals.

Corporate social responsibility

Our commitment to corporate social responsibility (CSR) is incorporated in our company's core purpose and our vision, which is to find new ways to improve healthcare and quality of life for patients and their families with our novel mode of action medicines. We believe we have a responsibility to ensure our actions not only benefit our main stakeholders (patients, shareholders and employees), but also society as a whole. At Galapagos, being socially responsible is already a consideration in everything we do.

Our core business is discovery of breakthrough therapies for diseases with large unmet medical need. On a daily basis, we aim to make a lasting contribution to society with our discovery and clinical development efforts. Filgotinib, GLPG1690, and MOR106 have shown the first clinical examples of how our approach to finding novel mechanism of action medicines may be able to make a difference for patients in many disease areas. We have a substantial pipeline of new mechanism of action candidate medicines in inflammation and fibrosis, which we are committed to developing until we ascertain the impact they could have on patients. We aim to bring impactful medicines to patients ourselves.

In our business operations we strive to comply with all relevant laws, standards, and guidelines. We also consider the well-being of our employees a priority, and we aim to minimize our impact on the environment. We have high ethical standards and aim to conduct business with companies and within countries that share our ethics and respect the protection of internationally proclaimed human rights. We aim to support and respect the protection of human rights through policies that address responsible supplier management, ethical procedures, and health and safety procedures.

The table below provides the references to the sections of our annual report in which the non-financial information required by article 96, §4 and article 119, §2 of the Belgian Companies Code is disclosed. We have the ambition to report in the future according to frameworks such as the Global Reporting Initiative (GRI) Sustainability Reporting Standards (SRS) and European Federation of Financial Analysts Societies Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation.

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Employee well-being & our ambition to improve lives

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Going concern statement

To date, we have incurred significant operating losses, which are reflected in the balance sheet showing €211.4 million accumulated losses as at 31 December 2017. We realized a consolidated net loss of €115.7 million for the year ended 31 December 2017. 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 €1,152.4 million at 31 December 2017 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 situation 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 32 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 SEC and is a large accelerated filer within the meaning of Rule 12b-2 of the U.S Securities Exchange Act of 1934, 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 2017 management has reviewed 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.

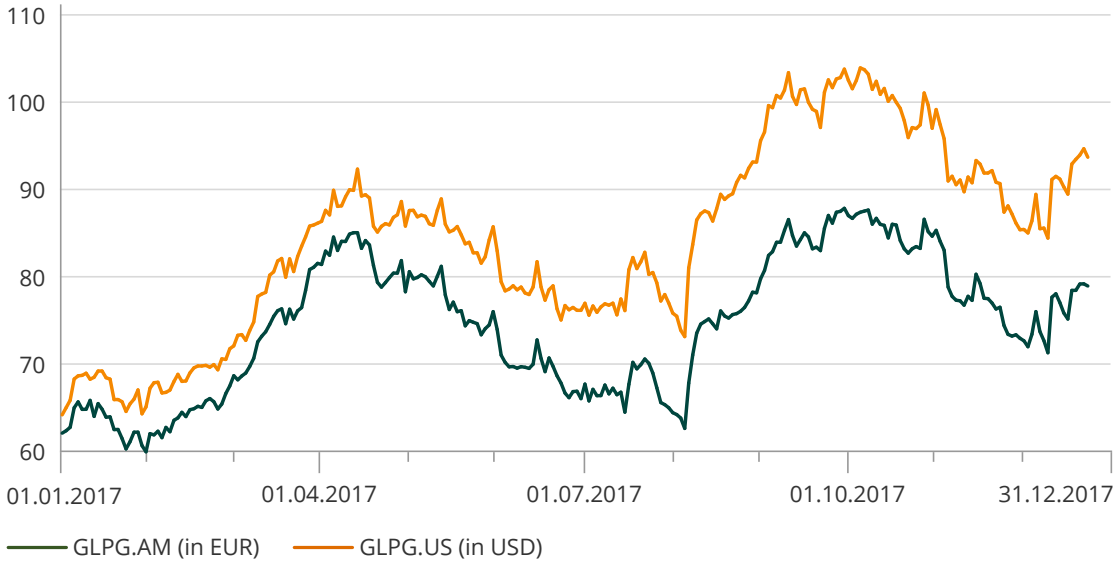
As described in Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules implementing such act, we will include the management and the statutory auditor's assessment of the effectiveness of internal control over financial reporting in our annual report on Form 20-F, which is expected to be filed 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 2017.

The Galapagos share

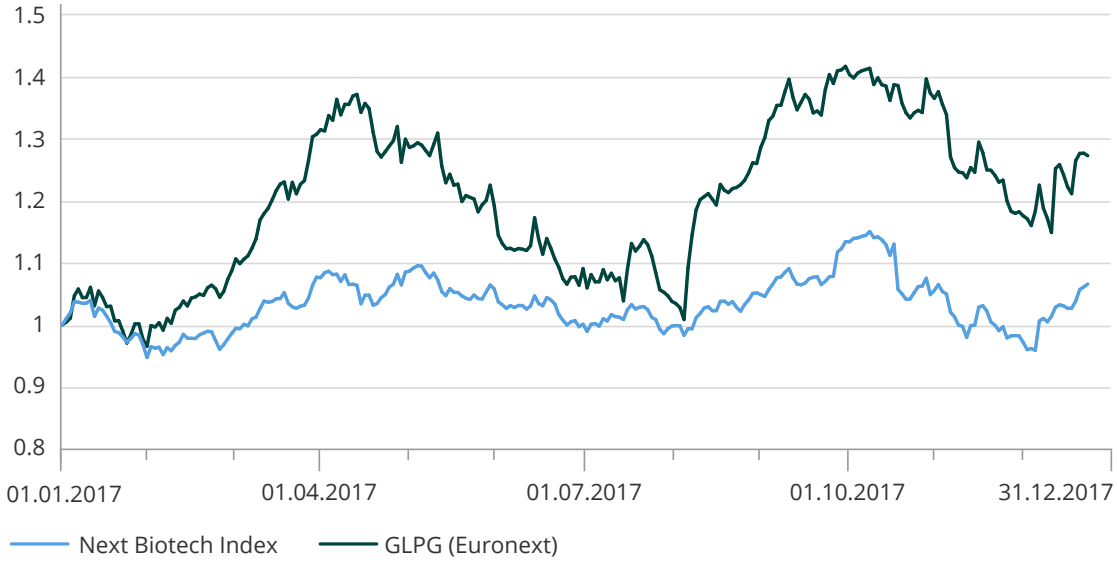
Galapagos NV (ticker: GLPG) has been listed on Euronext Amsterdam and Brussels since 6 May 2005 and on the NASDAQ Global Select Market since 14 May 2015. Galapagos NV forms part of the Bel20 index (top 20 listed companies) on Euronext Brussels, the AEX Index (top 25 listed companies) on Euronext Amsterdam,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

The Galapagos share in 2017

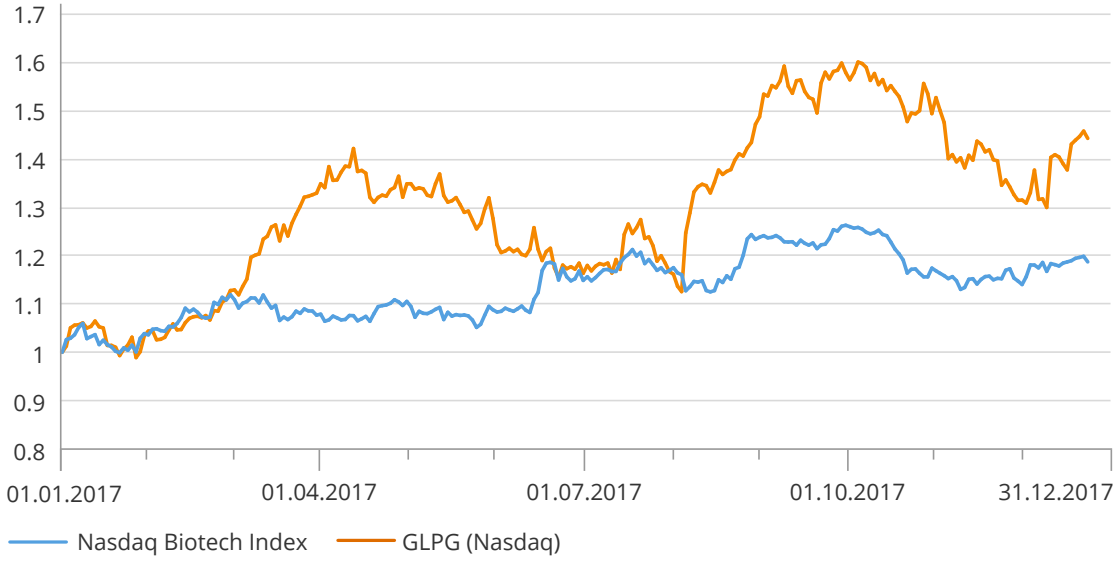


In 2017, the average daily trading volume on Euronext was 426,756 shares and €31.8 million turnover. The daily trading volume on NASDAQ in 2017 was 147,322 ADSs and $12.4 million turnover.

Galapagos vs Next Biotech Index in 2017



Galapagos vs Nasdaq Biotechnology Index



Investor relations activities

We attracted additional sell-side analyst coverage by U.S. and European banks. Our IR team presented at a number of conferences in 2017 and did several of broker-organized and self-organized roadshows throughout the U.S. and Europe. We presented 2016 Full Year, and Q1, Half Year, and Q3 2017 results, the FLORA results, and our R&D Update via webcasts.

The main topics of discussion with investors included the filgotinib programs, our results with GLPG1690 in the FLORA Phase 2a trial in IPF patients and future plans with this fully proprietary asset, and progress toward developing a triple combination therapy for cystic fibrosis patients.

Subsequent events

On 20 March 2018, 298,184 warrants were exercised (with an average exercise price of €13.16 per warrant) of which 15,000 warrants were exercised by our CEO, 115,000 warrants by other members of our executive committee, and 13,800 warrants by other members of our board of directors. This resulted in a share capital increase (including issuance premium) of €3,9 million and the issuance of 298,184 new ordinary shares. The closing price of our share on 20 March 2018 was €83.72.

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 2017 amounted to €350.6 million compared to €303.3 million in 2016. This increase is due to internally generated intangible assets – being capitalized R&D expenses – which contributed by €73.3 million more to operating income than previous year, partially offset by €30.5 million lower turnover due to decreased milestone revenues. The other operating income amounted to €20.8 million, including €2.5 million of grants recognized for R&D projects, €1.4 million of recharges to subsidiaries and €11.2 million (2016: €5.8 million) of income recognized for tax incentives for investments in intangible fixed assets.

The operating costs of 2017 amounted to €490.4 million compared to €355.9 million in 2016. Services and other goods increased substantially to €201.2 million compared to €119.3 million in 2016, primarily due to increased internal and external subcontracting for our pre-clinical studies and clinical trials as well as increased fees for insourced personnel.

Material purchases increased slightly from €4.3 million in 2016 to €4.8 million in 2017.

Personnel costs in 2017 amounted to €24.8 million compared to €16.6 million in 2016. The number of employees at Galapagos NV at the end of 2017 amounted to 214 as compared to 154 at the end of 2016, excluding insourced personnel.

Depreciation increased to €251.4 million in 2017, compared to €203.5 million in 2016.

Non-recurring operating costs amounted to €0.5 million in 2017, compared to €5.9 million in 2016, which consisted of extraordinary write-offs of capitalized R&D costs with regard to research projects which were either placed on hold or stopped.

Galapagos NV's 2017 financial income decreased to €8.4 million compared to €8.9 million in 2016, while financial costs increased significantly to €34.4 million compared to €1.5 million in 2016. This can mainly be explained by increased non-cash currency exchange losses on U.S. dollar.

Taxes recorded in 2017 consist of €34 thousand tax expenses, as compared to €19 thousand in 2016.

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 (e.g. future peak sales, market share, sale prices, 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 (e.g. 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 €18.7 million in 2017 compared to €70.8 million in 2016. The driver for this decrease was the amortization of internally generated intangible assets prior to 2016. R&D expenses capitalized as from 2016 onwards are fully amortized in the year in which they're capitalized. R&D expenses capitalized in previous years are still amortized over a 3-year period.

Investments in fixed assets in 2017 amounted to €4.1 million, excluding the internally generated assets. They consisted mainly of new laboratory and IT equipment, as well as investments in intangible assets, being software and in process technology.

Accrued income in 2017 included receivables for tax incentives of €39.7 million, as compared to €30.3 million in 2016.

Galapagos NV's cash position at the end of 2017 amounted to €1,145.8 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 2017 closed with a loss of €165.9 million compared to a loss of €45.2 million in 2016. Overall, the result of Galapagos NV is largely affected by the fact that, as from financial year 2010, Galapagos NV capitalized some of its R&D expenses and revenues that were eligible for such capitalization under Belgian GAAP and amortized these costs over a 3-year period until 2015. R&D expenses capitalized as from 2016 onwards are fully amortized in the year itself. This amortization negatively impacted the net result of Galapagos NV by €17.4 million in 2017, compared to a negative impact of €29.9 million in 2016. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €343.9 million as at 31 December 2017; we refer to the Going Concern Statement for justification for the application of the valuation rules under the going concern assumption.

In 2017, neither Galapagos NV nor its affiliates made direct or active use of financial instruments such as hedging instruments.

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 a 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 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 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, ulcerative colitis, and other indications (ii) with GLPG1837, GLPG2451, GLPG3067, GLPG2222, GLPG2851, GLPG2737, and GLPG3221 or combinations thereof in cystic fibrosis, (iii) with GLPG1690, GLPG1205, and GLPG3499 in IPF, (iv) with MOR106 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 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, psoriatic arthritis, ankylosing spondylitis, 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, our collaboration partner for cystic fibrosis, AbbVie, our collaboration partner for GLPG1972, Servier, and our collaboration partner for MOR106, 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 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.