The Galapagos group

An overview of Galapagos, its strategy and portfolio in 2018

we **raise** the bar.

Letter from the management

Dear shareholder,

2018 was a truly pivotal year in the history of our company, with the publication of our first ever Phase 3 results, FINCH 2, for filgotinib in rheumatoid arthritis. We again find the results very promising. Moreover, we and our collaboration partner Gilead also announced promising Phase 2 results in ankylosing spondylitis (TORTUGA) and psoriatic arthritis (EQUATOR), highlighting once more filgotinib's potential as a veritable 'pipeline in a product'. We are proud that both the TORTUGA and EQUATOR results were published in *The Lancet*.

We also expanded our fully proprietary fibrosis portfolio, most notably with the start of the Phase 3 program with autotaxin inhibitor GLPG1690 (ISABELA) and the Phase 2 trial in IPF with our GPR84 inhibitor, GLPG1205 (PINTA). Early 2019, we announced that we broadened the potential reach of our GLPG1690 program with the Phase 2 trial in systemic sclerosis (NOVESA). Beyond fibrosis, our MOR106 program entered a Phase 2 trial (IGUANA) in atopic dermatitis as well as a subcutaneous Phase 1b bridging trial. Together with our collaboration partner Servier, we started a global Phase 2b trial in osteoarthritis (ROCCELLA).

With these proofs of platform now in mid-to-late-stage trials, we continue to leverage our innovative target discovery platform to develop breakthrough drugs and ultimately deliver these to patients with large unmet needs. The best example of our continued efforts to raise the bar in science may be Toledo, our newly revealed preclinical program focused on a fully proprietary, as of yet undisclosed, novel target class. True to our DNA of 'following the data' with agility, scientific rigor, and purpose, we plan to roll out a comprehensive program in a number of indications with multiple candidates exhibiting various selectivity profiles.

All this contributes to our purpose of striving to keep at the forefront of innovation in our core disease areas, inflammation and fibrosis.

In 2019, we look forward to substantial news flow: first and foremost, we just reported that the Phase 3 FINCH 1 & 3 trials with filgotinib in rheumatoid arthritis met their primary and key secondary endpoints. The excellent safety data shown in FINCH 1 & 3 fully confirmed the differentiated safety profile observed in FINCH 2 and other previous studies with filgotinib. Our collaboration partner Gilead will now share these positive data with regulatory agencies and discuss next steps for filings. Also for filgotinib, we expect Gilead to announce the proof-of-concept results in Sjögren's and cutaneous lupus and initiate the Phase 3 in psoriatic arthritis. For MOR106, together with collaboration partners MorphoSys and Novartis, we look forward to the topline results from the IGUANA trial and the subcutaneous bridging study. For Toledo, we expect results of the first Phase 1 in the second half of the year, and plan to initiate a Phase 1 study with a second generation Toledo compound.

From a financial perspective, we ended 2018 with a strong balance sheet, helped by a successful capital transaction, bringing in gross proceeds of EUR 296 million. We also announced two important business development deals: together with collaboration partner MorphoSys, we closed a license agreement with Novartis for MOR106, and we outlicensed our cystic fibrosis portfolio to AbbVie. Looking ahead, we guide for an operational cash burn[1] between EUR 320 and EUR 340 million for full year 2019, mainly driven by our growing and maturing clinical pipeline. In 2019, we expect to run over 40 trials, with a significant number of late-stage and proprietary programs, and we are expanding the team in order to deliver on our pipeline. Further, we continue to build out our commercial organization, as we gear up for the expected market launch of filgotinib.

R&D

In the field of inflammation:

- We and Gilead announced positive results in FINCH 2, the first of three Phase 3 trials in RA patients with our selective JAK1 inhibitor filgotinib
- We and Gilead announced positive results in EQUATOR, a Phase 2 trial with filgotinib in psoriatic arthritis patients. These results were presented in a plenary session at ACR 2018 and published in *The Lancet*
- We and Gilead announced positive results in TORTUGA, a Phase 2 trial with filgotinib in ankylosing spondylitis patients. These results were published in *The Lancet*
- We and Gilead announced that SELECTION, a Phase 2/3 trial with filgotinib in UC patients moved into Phase 3, following a planned futility analysis
- We initiated the IGUANA Phase 2 trial and a Phase 1b bridging trial with MOR106 in atopic dermatitis patients, together with collaboration partners MorphoSys and Novartis

In fibrosis:

- We initiated the Phase 3 ISABELA 1 & 2 trials with fully proprietary autotaxin inhibitor GLPG1690 in IPF patients
- We initiated the PINTA Phase 2 trial with our fully proprietary GPR84 inhibitor GLPG1205 in IPF patients
- We presented the FLORA Phase 2a results with GLPG1690 at ATS 2018 and published them in *The Lancet Respiratory*

In osteoarthritis:

- We and Servier reported that ADAMTS-5 inhibitor GLPG1972 was well tolerated and showed a dose dependent decrease in ARGS neoepitope, a cartilage breakdown biomarker, in serum of osteoarthritis patients
- We and our collaboration partner Servier initiated the global ROCCELLA Phase 2 trial with GLPG1972 in osteoarthritis patients
- We obtained Fast Track review status with GLPG1972 from the FDA

Corporate:

- We raised €296.2 million in gross proceeds in a U.S. public offering of ADS and €7.7 million from warrant exercises
- We restructured our CF collaboration agreement with partner AbbVie
- We and collaboration partner MorphoSys outlicensed MOR106 in atopic dermatitis to Novartis

Post-period events:

- We initiated a Phase 2 trial with fully proprietary autotaxin inhibitor GLPG1690 in systemic sclerosis (SSc; NOVESA), and recruited the first patient
- We initiated a Phase 1 trial with our first Toledo target class inhibitor GLPG3312

[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 2017, the operational cash burn represented €154.1 million

- We announced partnerships with both Fibrocor and Evotec, inlicensing preclinical targets in the field of fibrosis
- We initiated the GECKO study for MOR106, a Phase 2 study testing a subcutaneous formulation of MOR106 in combination with topical corticosteroids in patients with atopic dermatitis
- We and Gilead reported that the Phase 3 FINCH 1 & 3 trials met their primary and most key secondary endpoints, confirming the encouraging safety profile observed in FINCH 2 and other previous studies

2018: Details of the financial results

Revenues

Galapagos' revenues and other income for 2018 amounted to €317.8 million, compared to €155.9 million in 2017. Increased revenues and other income were mainly driven by an upfront payment of €47.5 million from Novartis related to the MOR106 program, increased recognition in revenue of the upfront payment and milestones related to the filgotinib program with Gilead, revenue recognition related to the additional upfront payment of $45.0 million from AbbVie and previous upfront payment and milestones, and the change in accounting treatment from the adoption of IFRS 15 – Revenue from contract with customers on 1 January 2018.

Operating result

The group realized a net operating loss in 2018 of €44.8 million, compared to a net operating loss of €89.8 million in 2017.

R&D expenses for the group in 2018 were €322.8 million compared to €218.5 million in 2017. This planned increase was due mainly to increased efforts on our clinical and preclinical programs, primarily filgotinib, our IPF program, and the proprietary preclinical programs in inflammation and fibrosis.

G&A and S&M expenses of the group were €39.8 million in 2018, compared to €27.2 million in 2017. This increase was due primarily to a planned headcount increase and higher costs for warrant plans (non-cash), mainly as a result of the increase of the Galapagos share price.

Net result

The group realized a net loss in 2018 of €29.3 million, compared to a net loss of €115.7 million in 2017.

Cash position

Cash and cash equivalents totaled €1,290.8 million on 31 December 2018.

A net increase of €139.6 million in cash and cash equivalents was recorded in 2018, compared to an increase of €178.0 million in 2017. Net cash flows from financing activities generated €287.9 million of cash, consisting of €280.2 million net proceeds from the U.S. public offering, and €7.7 million proceeds from warrant exercises. Furthermore, a net cash outflow from operating activities was realized for €142.5 million in 2018. Finally, €15.9 million was used in investing activities and €10.1 million positive exchange rate differences were generated on cash and cash equivalents. The operational cash burn amounted to €158.4 million.

Furthermore, Galapagos' balance sheet holds a receivable from the French government (Crédit d'Impôt Recherche[2]), payable in 4 yearly tranches, and a receivable from the Belgian Government for R&D incentives, for a total of both receivables of €84.6 million.

Outlook 2019

For filgotinib, in the second half of the year, we expect Gilead to report topline results for the proof-of-concept studies in Sjögren's and cutaneous lupus, and to launch a Phase 3 trial in PsA.

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

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

For MOR106, together with our collaboration partners MorphoSys and Novartis, we plan to continue our recently started Phase 2 trial in AtD with MOR106 in combination with topical corticosteroids (the GECKO Phase 2 trial) as well as a Japanese ethno-bridging study. In the second half of the year, we expect the primary analysis of the IGUANA Phase 2 trial in AtD and topline results of the subcutaneous Phase 1 bridging study. Pending positive results, these four studies combined should offer a solid data package for our collaboration partner Novartis to move into Phase 3.

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

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

I wish to thank our shareholders for their support last year. We took substantial steps towards becoming an integrated biopharmaceutical company in 2018. Please stay with us as we continue to "Think Big" and break innovative ground in inflammation and fibrosis.

Regards,

Onno van de Stolpe
CEO

At a glance

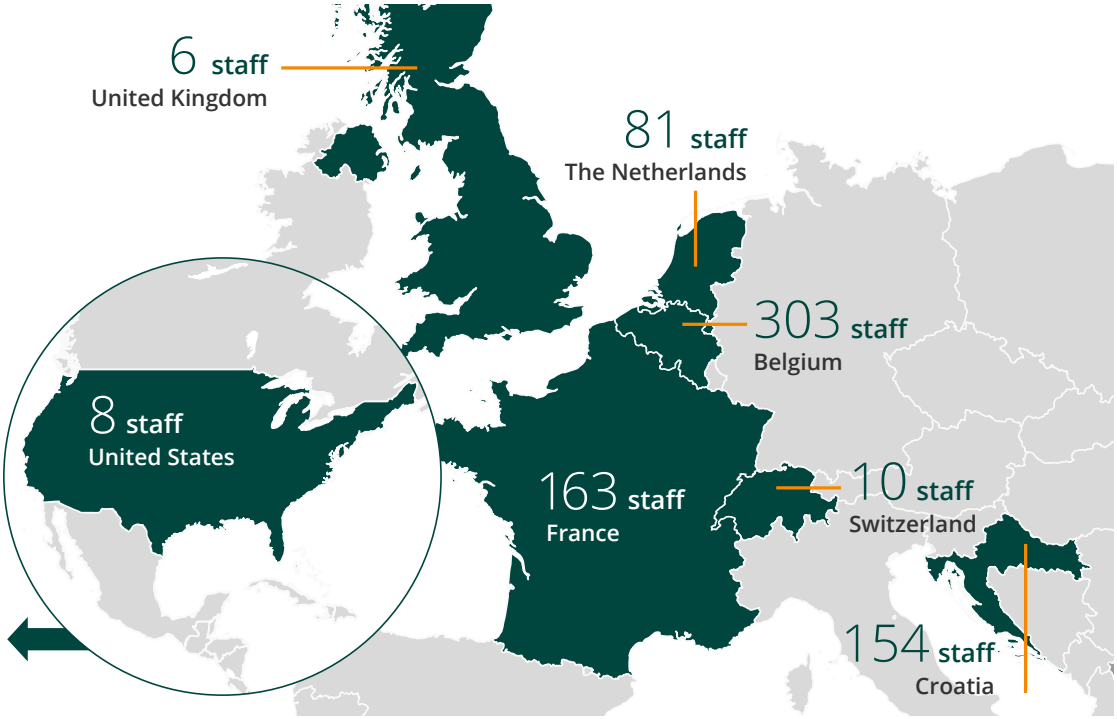
Consolidated Key Figures

(thousands of €, if not stated otherwise)	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
INCOME STATEMENT			
Revenues[1]	288,836	127,087	129,519
Other income	29,009	28,830	22,093
R&D expenditure	(322,875)	(218,502)	(139,573)
S, G&A expenses	(39,776)	(27,218)	(23,530)
Operating expenses	(362,652)	(245,720)	(163,103)
Operating loss	(44,807)	(89,802)	(11,491)
Net financial results	15,598	(25,705)	65,737
Taxes	(50)	(198)	(235)
Net income / loss (-)	(29,259)	(115,704)	54,012
BALANCE SHEET			
Cash and cash equivalents	1,290,796	1,151,211	973,241
R&D incentives receivables	84,646	75,783	64,342
Assets	1,439,496	1,286,274	1,083,338
Shareholders' equity[1]	1,214,249	1,011,983	758,701
Deferred income[1]	149,801	219,892	285,612
Other liabilities	75,446	54,399	39,025
CASH FLOW			
Operational cash burn (-) / operational cash flow[2]	(158,379)	(154,089)	231,881
Cash flow from financing activities	287,876	353,357	395,996
Increase in cash and cash equivalents	129,497	205,778	628,111
Effect of currency exchange rate fluctuation on cash and cash equivalents	10,089	(27,808)	4,816
Cash and cash equivalents on 31 December	1,290,796	1,151,211	973,241
FINANCIAL RATIOS			
Number of shares issued on 31 December	54,465,421	50,936,778	46,256,078
Basic income / loss (-) per share (in €)	(0.56)	(2.34)	1.18
Diluted income / loss (-) per share (in €)	(0.56)	(2.34)	1.14
Share price on 31 December (in €)	80.56	78.98	60.94
Total group employees on 31 December (number)	725	600	508

(1) Our revenues, shareholders' equity and deferred income for the year ended 31 December 2018 were influenced by the adoption of the new standard IFRS 15 – Revenue from contracts with customers, on 1 January 2018. We refer to the notes of this consolidated financial report for additional information.

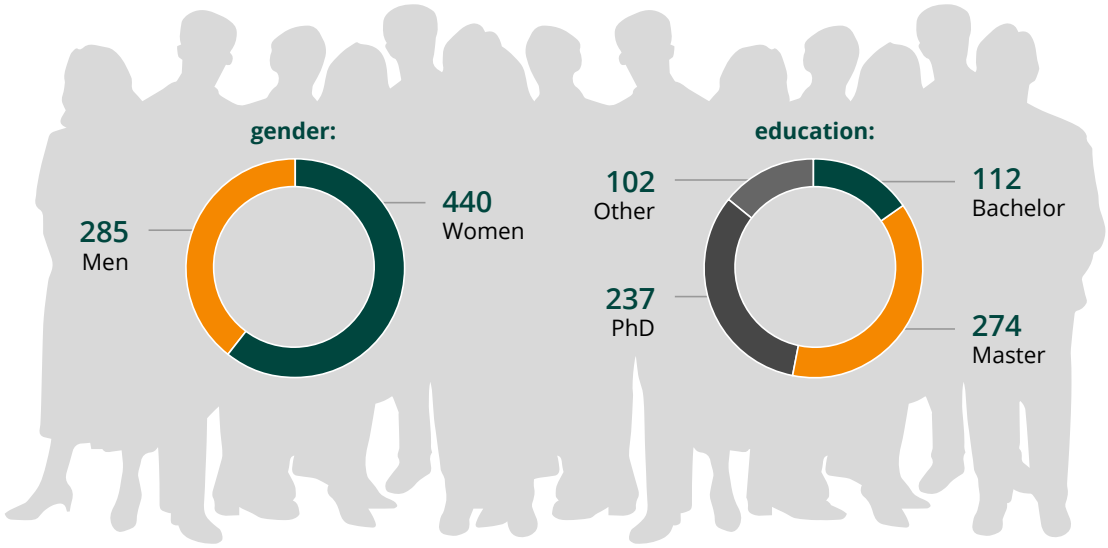
(2) The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the sum of the net cash flows generated / used (-) in operating activities and the net cash flows generated / used (-) in investing activities minus (i) the proceeds or cash used, if any, in acquisitions or disposals of businesses; and (ii) the movement in restricted cash, if any. This alternative performance measure is in our view an important metric for a biotech company in the development stage.

Employees per site



Number of employees Galapagos group

725



Average age:	Number of employees older than 45:	Nationalities:	Average years of service:	Employee turnover:
41	269	38	7	10.7%

Strategy

Our mission is 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 identify and develop small molecules that inhibit these targets, restore the balance, and thereby positively influence the course of the disease. This approach addresses the root cause of the disease rather than just treating symptoms.

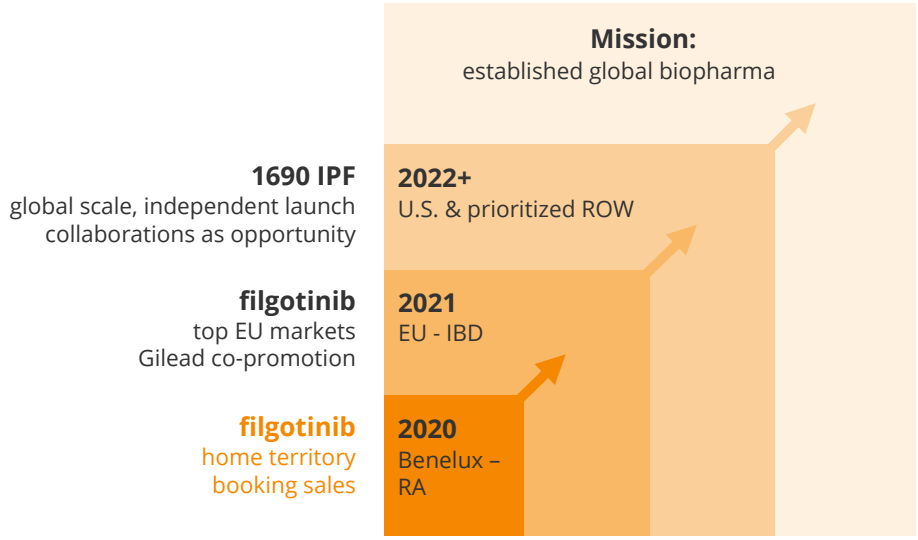
Our ambition is to become a fully integrated biopharmaceutical company focused on the development and commercialization of novel medicines which will improve people's lives.

Key elements of our strategy include:

- **Rapidly advance the development of filgotinib with our collaboration partner Gilead in RA, CD, UC, PsA, AS, and other inflammatory diseases**
  Based on the results from our Phase 2 and Phase 3 clinical trials, we believe that filgotinib is a promising candidate for the treatment of RA, CD, UC, PsA, AS, and other inflammatory diseases. Our collaboration partner Gilead is conducting Phase 3 clinical programs in RA (FINCH), CD (DIVERSITY) and UC (SELECTION) and multiple Phase 2 clinical programs in additional inflammatory diseases. In 2018, we disclosed promising results in a Phase 3 clinical program in RA (FINCH 2) and in Phase 2 clinical programs in PsA (EQUATOR) and AS (TORTUGA).

- **Build a commercial organization**
  We exercised an option to co-promote filgotinib with Gilead in the UK, Germany, France, Italy, Spain, the Netherlands, Belgium, and Luxembourg. We take a step-wise approach: if approved, we aim to co-promote filgotinib in a number of European territories with our collaboration partner, Gilead, keeping full commercial responsibility for RA in our home markets of Belgium, the Netherlands, and Luxembourg. In a next step, we intend to commercialize successful candidates from our fully proprietary fibrosis pipeline, with a focus on IPF. In order to support our commercial ambitions, we are expanding the team, starting with a number of key hires with extensive expertise in our franchises of inflammation and fibrosis. This enables us to set up a commercial organization and make progress in our ambition to grow towards a fully integrated biopharmaceutical company.

We go step by step on commercial



- **Build a fibrosis franchise**
  In 2017, we reported positive results with the FLORA Phase 2a trial evaluating GLPG1690 targeting ATX in IPF patients and initiated the ISABELA global Phase 3 program with GLPG1690 in 2018. We expanded indications with GLPG1690 by initiating the NOVESA Phase 2a trial in SSc in early 2019. We directed an additional candidate program with a distinct mechanism of action toward IPF: we started the PINTA Phase 2a trial with GLPG1205 in IPF patients in 2018. We have worldwide development and commercialization rights for GLPG1690 and GLPG1205. In early 2019, we also inlicensed two early stage compounds with novel modes of action in the field of fibrosis from Fibrocor and Evotec.

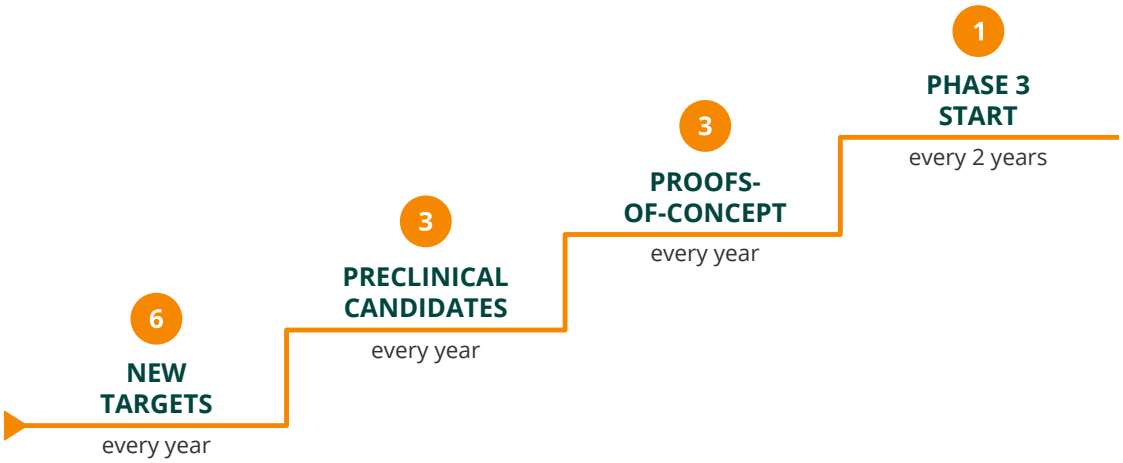
- **Rapidly advance our Toledo class franchise**
  We reported remarkable activity with the first of many compounds targeting the Toledo target class during our R&D Update in 2018. Molecules inhibiting this target family effectuate a dual mode of action on inflammation by stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines. We have observed unprecedented activity in various inflammatory preclinical models with compounds targeting the class. We are executing on a broad program to discover and develop multiple series of compounds acting on Toledo, aimed at activity across several conditions, with a key focus on inflammation. We started the first Phase 1 trial with GLPG3312 in early 2019, and plan to initiate a Phase 1 trial with the second Toledo compound, GLPG3970, later this year.

- **Advance GLPG1972 in OA patient clinical trials with our collaboration partner Servier**
  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 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. We initiated the ROCCELLA global Phase 2 program with GLPG1972 together with collaboration partner Servier in 2018 and intend to complete recruitment in 2019. Servier licensed 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 also lead all clinical development of GLPG1972.

- **Advance MOR106 in AtD patient clinical trials with our collaboration partners MorphoSys and Novartis**
  We 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. We initiated a number of Phase 1 and Phase 2 trials with MOR106 in AtD patients in 2018, with the aim of preparing for Novartis to run the Phase 3 program.

- **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 preclinical programs are GLPG2534, GLPG3121, and GLPG3667 and our second generation Toledo compound GLPG3970 for inflammation, which we plan to take into Phase 1 trials in 2019. Additionally, we are exploring the potential of preclinical product candidates in AS, Pso, IBD, AtD, lupus, IPF, SSc, 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 preclinical product candidates and six 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.

R&D ambition


6
NEW TARGETS
every year
3
PRECLINICAL CANDIDATES
every year
3
PROOFS-OF-CONCEPT
every year
1
PHASE 3 START
every 2 years

THINK BIG.

'We are on a mission'

we **raise** the bar.

In 2018, our team has grown immensely.

Diversity and the complementarity of talents is key: it enables us to develop the company in a way that is sustainable long-term.

+21%

Annelies Missotten has been VP Human Resources at Galapagos since March 2018. In the same year, the company's workforce increased from 600 to 725 employees, and this growth is showing no signs of slowing. "Creating a challenging and secure environment where people can perform at their best, without being afraid to make mistakes along the way, is crucial for realizing our ambitions."

Annelies Missotten

VP Human Resources

"As a company, it's important to be able to offer people a meaningful job with room for personal development. In our case, that's not so difficult: we are all united around a terrific common goal, which is to use our scientific expertise to improve the health of patients. At the same time, we are constantly expanding, which offers a wealth of opportunities that we combine with an attractive work environment. Our transition to a fully integrated, global biopharmaceutical company with a human face offers prospects for plenty of talent."

"

We have to help each other to remain responsive and to remain able to make decisions quickly and flexibly

Vision and audacity

"'Think big' is an inspiring vision that has brought Galapagos to where we are today and it will take us much further still; it sets a challenge and generates a lot of energy. Such an ambitious vision means that you have to dare to step out of your comfort zone on a regular basis, stay alert, be capable of self-reflection, and keep up with what's going on in the wider environment. Furthermore, a very important part of the dynamics of our growth is helping each other to avoid getting bogged down in cumbersome processes, and to remain responsive and able to make decisions quickly and flexibly."

Cultivating talent

"For an emerging biopharmaceutical company, the human capital makes all the difference. How can we best mobilize our knowledge for innovation? Quite a lot depends on the mindset and attitude of our people. It is the role of HR, together with the Galapagos leadership, to ensure that every employee feels engaged and challenged, and that people are supported and guided from the moment they are hired to the start of their career and further development within the organization. It is essential to develop talent management, professionalize the way that newcomers are welcomed, and to maintain a human approach in an ever larger and more geographically widespread organization. Providing a buddy for new employees is one of the many little examples that support this."

Mix & match

"We are deliberately developing this company with people from different industries, with a wide spectrum of backgrounds and experience. Diversity and the complementarity of talents in our teams is a key part of this. This is a well-considered choice: it enables us to develop the company in a way that is sustainable long-term. Recruiting people on the employment market ourselves, wherever possible without intermediaries, is very important for the success of this strategy. A match stands or falls with the cultural fit and we are best positioned to make that call."

Receiving and taking responsibility

"We expect our people to take responsibility and take ownership of their work. Our basic principle is: you have skills and experience, you can do your job in whatever way you think will allow you to make the greatest contribution. It's all about entrepreneurship: you give the best of yourself, take initiative and follow-through. Of course, you may make mistakes along the way. As an employer, we do our best to create the conditions in which you can excel. 'I have the feeling that what I do has impact, that it really matters', is something I hear a lot from employees. Taking care of people and creating an environment that is stimulating and secure, where you can succeed through trial and error, is crucial for realizing our ambition to bring our medicines to patients as rapidly as possible."

THINK BIG.

Charlotte, Karin and Yves share their story

“I really feel part of this company”

Charlotte Op de Beeck is Development Operations Officer and works at Galapagos for about six months. Although the job is pretty demanding, there are no bumps in the road. And you can take that literally.

Are the order numbers correct? Are the invoices under budget? Does everyone have access to the right computer programs? Charlotte will run your administration smoothly. “I’ve already learnt such an enormous amount here,” says Charlotte. “Not just about my job, but also about the company.”

> I am a wheelchair user and I’ve been pleasantly surprised by what they do for me at Galapagos

For Charlotte, it’s enormously important that she feels comfortable in an organization. “I am a wheelchair user and I’ve been pleasantly surprised by what they do for me at Galapagos. Before I started here, a future colleague took me for a quick tour to check whether everything was wheelchair friendly. At my interview, there was a little sill difficult for me to get over with my wheelchair. On my first day of work, that threshold was gone and I could smoothly come and go.”

Charlotte works on the eighth floor. Especially for her, Galapagos has purchased an evacuation chair that will safely bring her downstairs in the event of a fire. “I have already worked in a number of companies, but this is the first time that I’ve come across something like this. There are times I feel a bit shy about it all. But of course, it sets me at ease that everybody is looking after me so well. It means I can take part in everything. I feel I am truly part of the company. That helps me to grow and go through life more independently.”

“Team building combined with a good cause hits the bullseye”

For the first time, the Galapagos Company Day in 2018 was dedicated to a good cause. The annual team-building event focused not just on the employees, but also benefited organizations where help is always welcome.

Every Galapagos site supported a local organization of its own choosing. In Mechelen, Galapagos worked with Sjarabang, a creative atelier where people with intellectual or multiple disabilities work with art, theatre and music. An artist designed a polyester mould in the form of a fish that Galapagos employees decorated to create a beautiful piece of artwork. Team building in the form of art!

“This assignment took our scientists outside their comfort zone,” says Management Assistant Karin Geerts, who was responsible for organizing the day in Mechelen. “Luckily, the members of Sjarabang were there to teach us artistic techniques and guide us.”

> The enthusiasm and the warmth during the Company Day were unforgettable. It made me realize once again that I had come to the right company

Karin was as impressed by how focused everybody was on the job, as well as the variety of creations. The artworks were finally auctioned during the De Warmste Week, a Belgian event that raises funds for charity, with the proceeds going to Sjarabang. “For me, it’s important that as a company, we leave our ivory towers and meet people who might not have things quite so easy. The enthusiasm and the warmth during the Company Day were unforgettable. It made me realize once again that I had come to the right company.”

"Making a difference, one day at a time"

Yves Galimidi is responsible for procuring a range of corporate services and products, ranging from electricity to company cars. In every aspect of his work, he thinks about a bright, clean and green future.

Green energy

"I'll give you an example of how we have gone green. Our electricity provider offered two options: normal electricity and sustainably sourced electricity. It's my job to screen options and analyze figures so we can make the right decision. In this case, despite the slightly higher cost, management agreed to opt for an environmentally friendly option. In Mechelen, we are now powered entirely by electricity from renewable sources."

Driven to lower CO_2

"We are working on a project for our fleet of company cars, and are including hybrids and electric cars. The average CO_2 emissions for every car in our fleet will drop from 118 g/km to 99 g/km between 2018 and 2020."

Virtual meetings

"Of course, there's no point in travelling when it isn't necessary. We are in the age of video conferencing and Skype calls are a click away. Working this way is very efficient. It slashes our ecological footprint."

Proud to be green

"Galapagos is very much aware of environmentally friendly solutions that are better for the environment. Thanks to the choices we make, we are making a difference. One day at a time."

THINK BIG.

We deliver

20 years ago Onno van de Stolpe founded Galapagos together with two scientists ...

... Galapagos R&D doubled in staff from 298 in December 2014 to 571 employees in December 2018 ...

... In 2015 we conducted 8 clinical studies, in 2019 we plan to conduct more than 40, an increase of **400%** ...

... Our **cash balance** increased from 198.4 million euro at years' end 2014 to 1.291 billion euro in December 2018 ...

... From 68,751 average daily trading volume of ordinary shares on Euronext in 2014 to approximately 481,000 ordinary shares and ADS average daily trading volume on **Euronext and Nasdaq** year to date in 2019 ...

... Our ambition is to deliver 6 new targets, 3 preclinical candidates and 3 proof-of-concepts a year, and 1 Phase 3 start every other year ...

... To date, **12 Galapagos compounds** with novel modes of action discovered by us have entered studies in patients ...

... We went from 8 investment banks covering Galapagos in 2008 to 19 in 2019 ...

... To date, we have 3 novel mechanisms showing promising patient results:

filgotinib in multiple inflammatory diseases

GLGP1690 in IPF and

MOR106 in atopic dermatitis ...

... In our senior management levels, **33% of our staff is female** ...

... On 20 June 2019 we will celebrate our **20th birthday** as a company ...

... In 2018, we nominated 4 new preclinical candidates, **all with a novel mechanism of action** ...

... Our global presence extended from 4 sites in 2014 to 7 in 2018 ...

... In 2019, we plan to file our first medicine for **registration** ...

... We went from 21 nationalities in 2015 to 38 in 2018 ...

... The **stock price on Euronext has increased >1,000%** and the market capitalization has increased from ~€62 million to ~€4.8 billion (>7,000%) from 10 May 2005 to 13 March 2019 ...

... We keep delivering.

Going concern statement

To date, we have incurred significant operating losses, which are reflected in the balance sheet showing €297.8 million accumulated losses as at 31 December 2018. We realized a consolidated net loss of €29.3 million for the year ended 31 December 2018. The board of directors has examined the financial statements and accounting policies. Based on conservative assumptions, we believe that our existing cash and cash equivalents of €1,290.8 million at 31 December 2018 will enable us to fund our operating expenses and capital expenditure requirements at least through the next 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 31 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 2018 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.

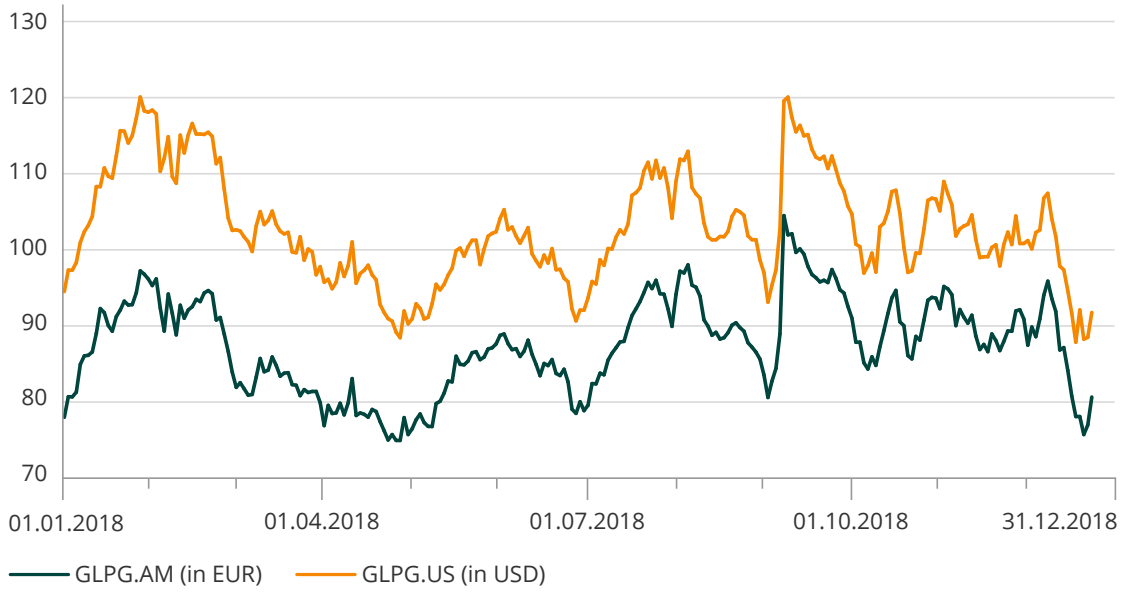
As described in Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules implementing such act, we will include the management and the statutory auditor's assessment of the effectiveness of internal control over financial reporting in our annual report on Form 20-F, which is expected to be filed 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 2018.

The Galapagos share

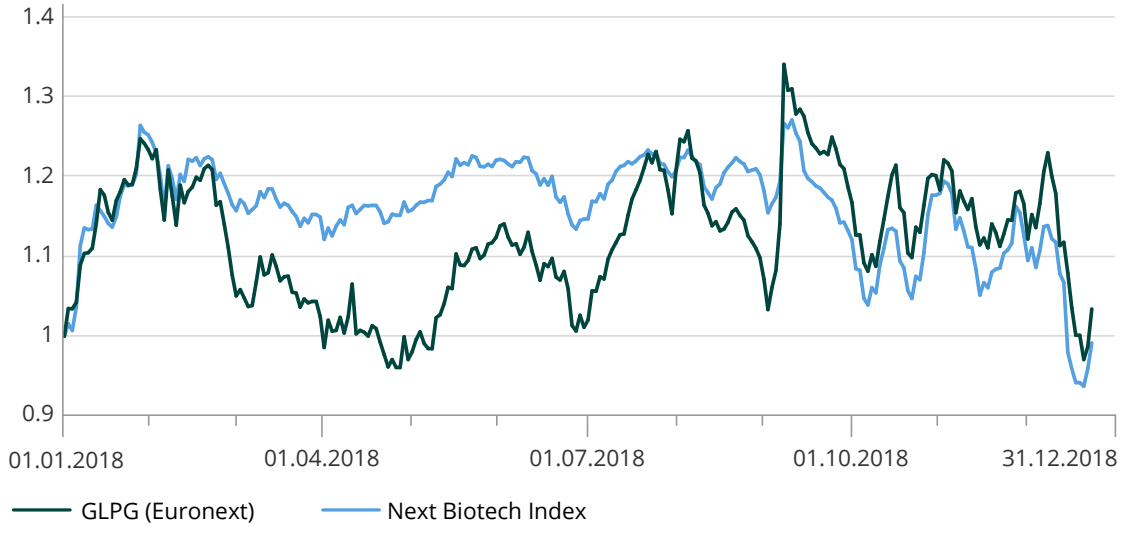
Galapagos NV (ticker: GLPG) has been listed on Euronext Amsterdam and Brussels since 6 May 2005 and on the Nasdaq Global Select Market since 14 May 2015. Galapagos NV forms part of the Bel20 index (top 20 listed companies) on Euronext Brussels, the AEX Index (top 25 listed companies) on Euronext Amsterdam,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

The Galapagos share in 2018

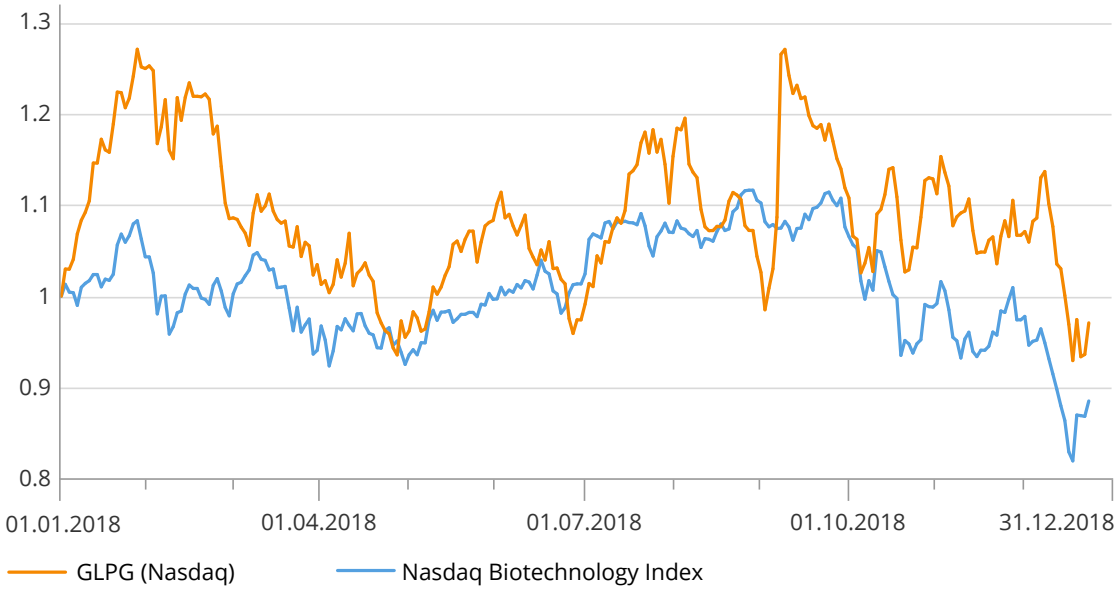


In 2018, the average daily trading volume on Euronext was 440,551 shares and €38.7 million turnover. The daily trading volume on Nasdaq in 2018 was 113,218 ADSs and $11.7 million turnover.

Galapagos vs Next Biotech Index in 2018



Galapagos vs Nasdaq Biotechnology Index



Investor relations activities

We attracted additional sell-side analyst coverage by U.S. and European banks in 2018. Our IR team presented at a number of conferences in 2018 and did several of broker-organized and self-organized roadshows throughout the U.S. and Europe. We presented 2017 Full Year, and Q1, Half Year, and Q3 2018 results, and our Annual R&D Update via webcasts.

The main topics of discussion with investors included the filgotinib development programs with collaboration partner Gilead, our Phase 3 plans with GLPG1690 in IPF patients, our ROCCELLA global Phase 2b trial with collaboration partner Servier in osteoarthritis, and our Toledo program for inflammation.

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 2018 amounted to €513.1 million compared to €350.6 million in 2017. This increase is due to internally generated intangible assets – being capitalized R&D expenses – which contributed by €86.6 million more to operating income than previous year, and due to €87.4 million higher turnover due to increased milestone revenues and upfront payments. Other operating income amounted to €9.2 million, including €2.0 million of grants recognized for R&D projects, €1.4 million of recharges to subsidiaries and €5.4 million recuperation of withholding taxes for scientists. The income recognized for tax incentives for investments in intangible fixed assets of €11.3 million (2017: €11.2 million, classified as other operating income), is in 2018 considered as tax income.

The operating costs of 2018 amounted to €654.6 million compared to €490.4 million in 2017. Services and other goods increased substantially to €299.8 million compared to €201.2 million in 2017, primarily due to increased internal and external subcontracting for our preclinical studies and clinical trials as well as increased fees for insourced personnel.

Material purchases increased slightly from €4.8 million in 2017 to €6.2 million in 2018.

Personnel costs in 2018 amounted to €33.4 million compared to €24.8 million in 2017. The number of employees at Galapagos NV at the end of 2018 amounted to 262 as compared to 214 at the end of 2017, excluding insourced personnel.

Depreciation increased to €305.7 million in 2018, compared to €251.4 million in 2017, and related primarily to amortization of R&D expenses.

Galapagos NV's 2018 financial income increased to €35.7 million compared to €8.4 million in 2017, while financial costs decreased to €21.3 million compared to €34.4 million in 2017. This can mainly be explained by non-cash currency exchange gains on U.S. dollar in 2018, as compared to non-cash currency exchange losses on U.S. dollar in 2017.

Taxes recorded in 2018 consist of €11.3 million tax income, as compared to €34 thousand tax expenses in 2017. This is due to the reclassification in 2018 of the income recognized for tax incentives for investments in intangible fixed assets.

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 is zero in 2018 compared to €18.7 million in 2017. 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 all amortized at 31 December 2018.

Investments in fixed assets in 2018 amounted to €10.0 million, excluding the internally generated assets. They consisted mainly of costs for the new building, new laboratory and IT equipment, as well as investments in intangible assets, being software and licenses.

Accrued income in 2017 included receivables for tax incentives of €39.7 million; in 2018 the receivable for tax incentives amounted to €48.2 million and was included in other receivables.

Galapagos NV's cash position at the end of 2018 amounted to €1,274.0 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 2018 closed with a loss of €115.7 million compared to a loss of €165.9 million in 2017. Overall, the result of Galapagos NV is 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 €1.1 million in 2018, compared to a negative impact of €17.4 million in 2017. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €459.5 million as at 31 December 2018; we refer to the Going Concern Statement for justification for the application of the valuation rules under the going concern assumption.

In 2018, 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 organized under the laws of 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

Investor Relations
Generaal De Wittelaan L11 A3 2800 Mechelen
Belgium
Tel: +32 15 34 29 00
E-mail: ir@glpg.com

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 2019", guidance from management regarding the expected operational use of cash during financial year 2019, 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 GLPG1690 and GLPG1205 in IPF, (iii) with MOR106 in atopic dermatitis, (iv) with GLPG1972 in osteoarthritis, and (v) with GLPG3312 in inflammation. We caution the reader that forward-looking statements are not guarantees of future performance. Forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause our actual results, financial condition and liquidity, performance or achievements, or the development of the industry in which we operate, to be materially different from any historic or

future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. Among the factors that may result in differences are that our expectations regarding our 2019 revenues and financial results and our 2019 operating expenses may be incorrect (including because one or more of our assumptions underlying our revenue or expense expectations may not be realized), the inherent uncertainties associated with competitive developments, clinical trial and product development activities and regulatory approval requirements (including that data from our clinical research programs in rheumatoid arthritis, Crohn's disease, ulcerative colitis, psoriatic arthritis, ankylosing spondylitis, 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 GLPG1972, Servier, and our collaboration partners for MOR106, MorphoSys and Novartis), 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.