Galápagos

A kick-start

Q1 Report 2016

Contents

The Galapagos Group

Financial statements

Report of the statutory auditor

Other information

The Galapagos Group

An overview of Galapagos, its strategy and portfolio in Q1 2016

Letter from the management

Dear Shareholders,

A kick-start: that is how I would describe the first quarter of 2016. The closing of the transaction with Gilead for filgotinib brought our cash balance to €1.0 billion on 21 January.

This substantial cash position provides Galapagos with more degrees of freedom and advantages in a more strategic way. Well-capitalized biotech companies are able to make smart decisions, as you have more options with regard to the portfolio and the fields in which you want to move forward. We have never been so well capitalized in our history, and so well positioned to execute on our promising pipeline.

We focused on transitioning the filgotinib programs over to Gilead, as they prepared for the discussions with regulatory authorities and the roll-out of Phase 3 programs in rheumatoid arthritis and Crohn's disease. Prof Vermeire, the primary investigator for the FITZROY Phase 2 study in Crohn's disease, presented the findings from the first ten weeks at ECCO: filgotinib presents a potential new, oral therapy option for the treatment of Crohn's disease.

We also announced substantial progress in our cystic fibrosis programs with AbbVie, with an expanded portfolio of potentiator and corrector drug candidates to increase our chances of success with a potential triple combination therapy for Class II mutation patients. We initiated a Phase 1 study with corrector GLPG2222, and we started the SAPHIRA Phase 2 program with potentiator GLPG1837 in Class III mutation patients.

We announced further progress in our pipeline in April, with the start of the FLORA Phase 2 study with GLPG1690 in idiopathic pulmonary fibrosis and a Phase 1 study with novel monoclonal antibody MOR106. We continue to invest in our pipeline, as we put our strong cash balance to work in 2016 and beyond.

Operational overview Q1 2016

Rheumatoid arthritis (RA)

- Transitioned filgotinib program to new collaboration partner Gilead Sciences, Inc.
- Submitted final dossier to regulatory authorities for End of Phase 2 meetings for RA

Inflammatory bowel disease (IBD)

- Reported that GLPG1205 did not show efficacy in a Phase 2 Proof-of-Concept study. Galapagos stopped further development of this compound in ulcerative colitis (UC) and is exploring potential other indications for GLPG1205

Cystic fibrosis (CF)

- Initiated SAPHIRA, a Phase 2 Proof-of-Concept study in CF patients with the G551D or S1251N mutations. Topline results expected in second half of this year
- Initiated a Phase 1 study with GLPG2222, triggering a $10 million advance milestone payment from collaboration partner AbbVie. Topline results expected in first half of this year
- Announced expansion of the CF portfolio to include lead and follow on compounds for each of the three triple combination components: potentiator, early binding (C1) corrector, and late binding (C2) corrector. Multiple Phase 1 study initiations expected this year

Other/corporate

- Closed the collaboration agreement with Gilead Sciences, Inc., with a $425 million equity investment by Gilead and an upfront payment to Galapagos of $300 million
- Received transparency notices from Johnson & Johnson and Wellington, indicating that both had crossed below the 5% ownership threshold
- Included in the BEL20 index on Euronext Brussels

Q1 2016 financial result

Revenues and other income

Our revenues and other income for the first three months of 2016 amounted to €14.8 million, compared to €20.0 million in the same period of 2015. Revenues (€10.1 million vs €14.8 million last year) were lower due to a decrease in revenue recognition of upfront payments made by AbbVie for the filgotinib and CF programs. Other income (€4.7 million vs €5.2 million last year) decreased in the first three months of 2016, driven mainly by lower income recognized from grants in Belgium.

Results

We realized a net profit of €35.9 million for the first three months of 2016, compared to a net loss of €14.2 million in the first three months of 2015. This evolution was primarily driven by €57.5 million fair value gain from the re-measurement of the financial asset triggered by the recent Share Subscription Agreement with Gilead.

We reported an operating loss amounting to €17.4 million for the first three months of 2016, compared to an operating loss of €15.3 million for the same period last year.

Our R&D expenses in the first three months of 2016 were €27.8 million, compared to €31.6 million for the same period in 2015. This planned decrease was mainly due to lower outsourcing costs for our filgotinib program since Phase 3 development is expected to start later this year.

Our G&A and S&M expenses were €4.4 million in the first three months of 2016, compared to €3.8 million in the first three months of 2015. This increase mainly resulted from higher costs recognized in relation to the warrant plans as a result of the increase of our share price in the past year.

Financial results were primarily driven by the fair value re-measurement of the Share Subscription Agreement, which is explained under the next caption below. Other financial expenses in the first three months of 2016 amounted to €4.8 million, compared to €1.2 million in 2015 and was primarily attributable to €4.5 million of unrealized exchange loss on our cash position in USD due to the fluctuation of the USD exchange rate in the first quarter of 2016.

Finally, income taxes of €1.5 million in the first three months of 2015 reflected the setup of an additional deferred tax asset. We had a total of €1.7 million deferred tax assets on the balance sheet for two subsidiaries at the end of the first three months of 2015 and 2016.

Fair value re-measurement of Share Subscription Agreement

On 16 December 2015, Gilead and Galapagos entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This agreement was effectively completed and entered into force on 19 January 2016 and the full payment was received.

In connection with this agreement, we recognized in December 2015 a short term financial asset (derivative) and an offsetting deferred income of €39 million upon signing of the Share Subscription Agreement with Gilead as required under IAS 39. This financial asset initially reflected the share premium that Gilead committed to pay above our closing

share price on the day of entering into the Share Subscription Agreement. Under IAS 39 the fair value of the financial asset was re-measured at year-end and again upon closing the Share Subscription Agreement on 19 January 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the income statement.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the Share Subscription Agreement and 31 December 2015 resulted in a negative, non-cash fair value adjustment of €30.6 million in the financial results of 2015.

The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between 1 January 2016 and 19 January 2016 resulted in a positive non-cash adjustment of €57.5 million in the financial result of the first quarter of 2016.

On 19 January 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This financial asset expired on the effective date of the Share Subscription Agreement.

Liquid assets position

Cash, cash equivalents and restricted cash totaled €987.6 million on 31 March 2016.

A net increase of €638.0 million in cash and cash equivalents was recorded during the first three months of 2016, compared to a decrease of €26.4 million during the same period last year. Net cash flows from financing activities were generated for €392.0 million through the share subscription by Gilead. Furthermore, a net cash inflow from operating activities was realized for €251.5 million in the first three months of 2016 resulting from the license fee of $300 million (€275.6 million) received from Gilead and an operating cash burn of €24.0 million. Finally, €1.0 million was used in investing activities and €4.5 million unrealized negative exchange rate differences were generated on cash and cash equivalents.

Restricted cash amounted to €7.9 million at the end of December 2015, and increased to €9.3 million at the end of March 2016. The increase relates to €1.4 million cash received from warrant exercises that remained on a blocked account until 1 April 2016 when the notary deed formally establishing the capital increase was enacted.

Finally, our balance sheet holds an unconditional and unrestricted receivable from the French government (*Crédit d'Impôt Recherche*[1]) now amounting to €35.8 million, payable in yearly tranches from 2016 to 2020. Our balance sheet also holds a receivable from the Belgian Government for R&D incentives now amounting to €26.2 million, payable in yearly tranches from 2016 to 2026.

Outlook 2016

The first quarter of 2016 put Galapagos into a great position to start its transition into an integrated biopharmaceutical company. The full year 2016 promises to be an exciting execution year, with topline results expected from GLPG1837 in the SAPHIRA Phase 2 program, topline results with GLPG2222, GLPG2451, and GLPG1972 in Phase 1, and with expected starts of Phase 3 programs with filgotinib in RA and Crohn's disease.

Based on the forecast for the remainder of the year, management retains 2016 guidance for operational cash burn, excluding payments received from our partner Gilead for filgotinib: €100 - €120 million.

We thank you again for your support of Galapagos. We aim to discover and develop more novel medications, bring our programs into patients to investigate their potential, bring the successful therapies to the market, and improve people's lives.

Onno van de Stolpe
CEO

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

At a glance

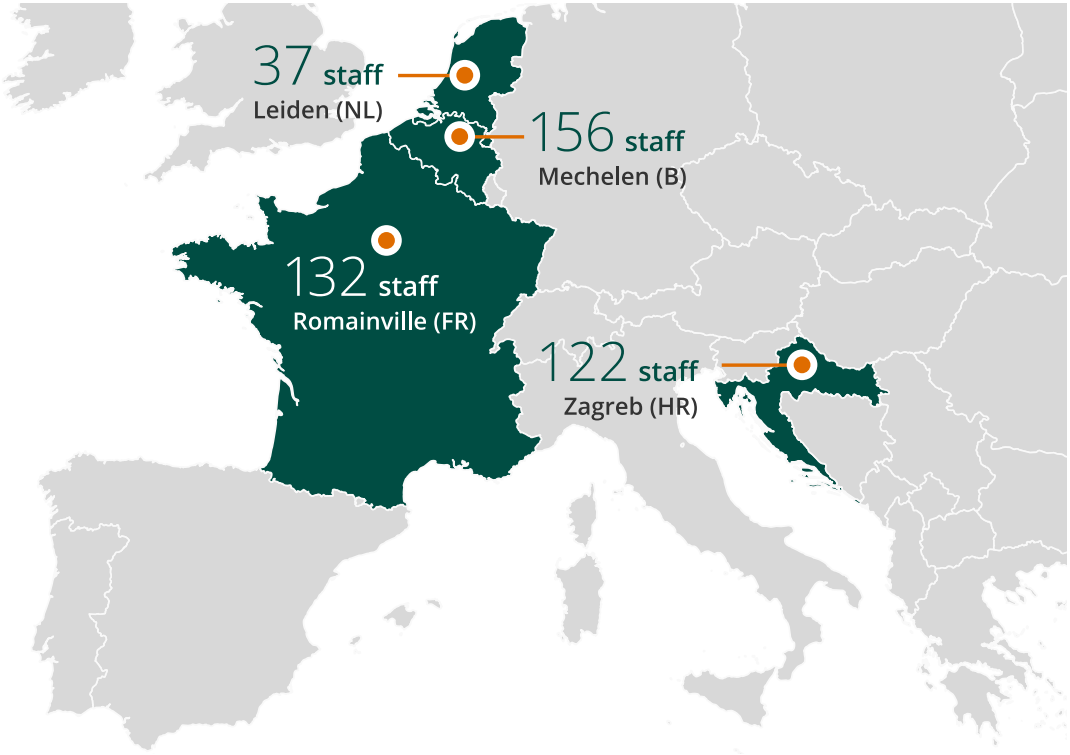
Key figures (IFRS) Galapagos Group (unaudited)

(in € thousands, if not stated otherwise)	31/03/2016	31/03/2015
Results		
Revenues and other income	14,817	20,022
R&D expenditure	(27,818)	(31,570)
S, G&A expenses	(4,394)	(3,784)
Personnel expenses (including share-based compensation)	(11,251)	(9,357)
Capital expenditure	1,065	477
Depreciation and amortization of (in)tangible assets	(964)	(708)
Operating loss	(17,395)	(15.331)
Net financial results	53,345	(364)
Taxes	–	1,468
Net income / loss (–)	35,950	(14,227)
Galapagos share		
Number of shares issued on 31 March	45,837,043	30,870,677
Basic income / loss (–) per share (in €)	0.81	(0.47)
Diluted income / loss (–) per share (in €)	0.79	(0.47)
Share price on 31 March (in €)	36.99	22.07
Personnel data		
Total Group employees on 31 March (Number)	447	420

Balance sheet

(thousands of €, if not stated otherwise)	31/03/2016	31/12/2015
Total assets	1,079,287	442,514
Cash, cash equivalents and restricted cash	987,646	348,216
Total liabilities	350,741	77,515
Stockholders' equity	728,545	364,999
Equity ratio (in %)	68%	82%

Employees per site as of 31 March 2016



Risk factors

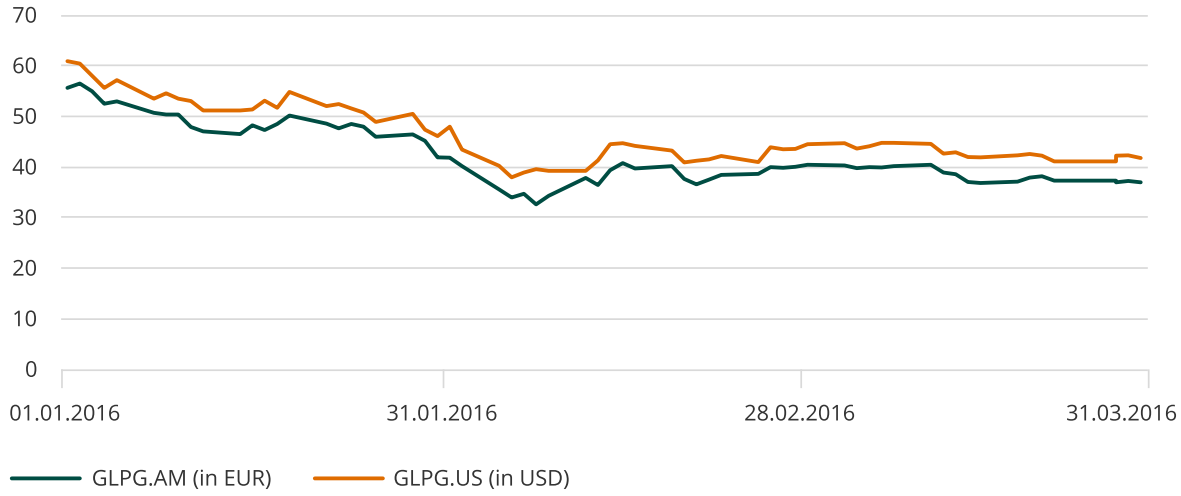
We refer to the description of risk factors in the 2015 Annual Report, pp. 53-59, as supplemented by the description of risk factors in the annual report on Form 20-F filed with the U.S. Securities and Exchange Commission, pp. 5-45. In summary, the principal risks and uncertainties faced by us relate to: our financial position and need for additional capital; product development, regulatory approval and commercialization; our reliance on third parties; our competitive position; our intellectual property; our organization, structure and operation (including but not limited to certain risks related to our status as a U.S. publicly listed company following the public offering of shares (in the form of ADSs) and listing on NASDAQ in May 2015) and market risks relating to our shares and ADSs.

We also face a risk related to the accounting treatment under IFRS for the Share Subscription Agreement for the Gilead transaction. We refer to the note on significant judgement applied in that respect included in the 2015 Annual Report. After careful analysis of the contract and the applicable IFRS literature, management has judged that it was appropriate to account for this transaction as a derivative financial asset with variances in fair value through the income statement between entering into the transaction (16 December 2015) and the date of closing the transaction (19 January 2016). Our statutory auditor has audited this significant transaction and agreed with the position taken by management. In the framework of the preparation of the listing prospectus for the shares issued following this transaction, the FSMA reviewed the draft prospectus and our annual accounts for the year ended 31 December 2015 including the accounting for the Share Subscription Agreement under IFRS. The FSMA concluded that, taking into account the complexity of the questions and the lack of specific authoritative literature, it should first seek the advice from the European Securities and Markets Authority via its European Enforcers Coordination Sessions (EECS) forum, a forum in which all EU National Enforcers of financial information meet to exchange views and discuss experiences of enforcement of IFRS to arrange for consistent application of IFRS in judgmental areas across the jurisdictions. On the date of this report, no advice from EECS has been received yet. It is currently uncertain whether the European supervisory authorities will require a change in the way the share subscription part of the Gilead transaction was accounted for in our audited financial statements for the year ended 31 December 2015 and our unaudited interim financial statements for Q1 2016 included in this report. The final decision would not affect our cash position or cash flows.

We also refer to the description of the Group's financial risk management given in the 2015 Annual Report, pp. 131-134, which remains valid.

The Galapagos share

Performance of the Galapagos share on Euronext and NASDAQ



Disclaimer and other information

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

This report is available to the public free of charge and upon request:

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Listings

Euronext Amsterdam and Brussels: GLPG
NASDAQ: GLPG

Forward-looking statements

This report contains forward-looking statements, all of which involve certain risks and uncertainties. These statements are often, but are not always, made through the use of words or phrases such as "believe," "anticipate," "expect," "intend," "plan," "seek," "estimate," "may," "will," "could," "stand to," "continue," as well as similar expressions. Forward-looking statements contained in this report include, but are not limited to, statements made in the "Letter from the management", the information provided in the section captioned "Outlook 2016", guidance from management regarding the expected operational use of cash during financial year 2016, 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 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 and Crohn's disease, (ii) with GLPG2222 and GLPG2451 in cystic fibrosis, (iii) with GLPG1837 in Class III cystic fibrosis patients, (iv) with GLPG1690 in IPF, (v) with GLPG1972 in osteoarthritis, and (vi) with MOR106. 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 2016 revenues and financial results and our 2016 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, cystic fibrosis, idiopathic pulmonary fibrosis, osteoarthritis, and other inflammatory indications may not support registration or further development of our product candidates due to safety, efficacy or other reasons), our reliance on collaborations with third parties (including our collaboration partner for filgotinib, Gilead, and our collaboration partner for cystic fibrosis, AbbVie), and estimating the commercial potential of our product candidates. A further list and description of these risks, uncertainties and other risks can be found in our Securities and Exchange Commission filing and reports, including in our most recent annual report on Form 20-F filed with the SEC and our other filings and reports. We also refer to the "Risk Factors" section of this report. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. We expressly disclaim any obligation to update any such forward-looking statements in this document to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements, unless specifically required by law or regulation.

Financial statements

Consolidated interim financial statements for the first quarter 2016

Consolidated interim financial statements

Consolidated statements of income and comprehensive income (unaudited)

Consolidated Income Statement

	Three months ended 31 March	
(thousands of €, except share and per share data)	**2016**	**2015**
Revenues	10,121	14,798
Other income	4,696	5,225
Total revenues and other income	**14,817**	**20,022**
Research and development expenditure	(27,818)	(31,570)
General and administrative expenses	(3,972)	(3,602)
Sales and marketing expenses	(422)	(182)
Operating loss	**(17,395)**	**(15,331)**
Fair value re-measurement of Share Subscription Agreement	57,479	–
Other financial income	626	841
Other financial expenses	(4,761)	(1,205)
Profit / loss (–) before tax	**35,950**	**(15,695)**
Income taxes	–	1,468
Net income / loss (–)	**35,950**	**(14,227)**
Net income / loss (–) attributable to:		
Owners of the parent	35,950	(14,227)
Basic income / loss (–) per share	**0.81**	**(0.47)**
Diluted income / loss (–) per share	**0.79**	**(0.47)**
Weighted average number of shares – Basic (in thousands of shares)	44,425	30,331
Weighted average number of shares – Diluted (in thousands of shares)	45,492	30,331

Consolidated statements of comprehensive income

	Three months ended 31 March	
(thousands of €)	2016	2015
Net income / loss (–)	**35,950**	**(14,227)**
Items that may be reclassified subsequently to profit or loss:		
Translation differences, arisen from translating foreign activities	(382)	979
Other comprehensive income, net of income tax	**(382)**	**(13,248)**
Total comprehensive income attributable to:		
Owners of the parent	35,567	(13,248)

Consolidated statements of financial position
(unaudited)

	As at 31 March	As at 31 December
(thousands of €)	2016	2015
Assets		
Intangible assets	1,382	**1,550**
Property, plant and equipment	14,110	13,782
Deferred tax assets	1,726	1,726
Non-current R&D incentives receivables	52,803	49,384
Non-current restricted cash	1,046	1,046
Other non-current assets	557	557
Non-currents assets	**71,624**	**68,044**
Inventories	347	325
Trade and other receivables	5,914	3,931
Current R&D incentives receivables	9,161	9,161
Cash and cash equivalents	978,334	340,314
Current restricted cash	8,266	6,857
Current financial asset from Share Subscription Agreement	–	8,371
Other current assets	5,640	5,512
Current assets	**1,007,664**	**374,470**
Total assets	**1,079,287**	**442,514**
Equity and liabilities		
Share capital	221,779	185,399
Share premium account	647,098	357,402
Other reserves	(18)	(18)
Translation differences	(849)	(467)
Accumulated losses	(139,465)	(177,317)
Total equity	**728,545**	**364,999**
Pension liabilities	2,754	2,693
Provisions	56	55
Finance lease liabilities	50	63
Other non-current liabilities	894	2,291
Non-current deferred income	242,251	–
Non-current liabilities	**246,006**	**5,103**

	As at 31 March	As at 31 December
(thousands of €)	2016	2015
Finance lease liabilities	52	52
Trade and other payables	24,223	29,482
Advance from customer	8,783	
Current tax payable	2,579	2,583
Accrued charges	616	490
Deferred income	68,483	39,806
Current liabilities	**104,736**	**72,412**
Total liabilities	**350,741**	**77,515**
Total equity and liabilities	**1,079,287**	**442,514**

Consolidated cash flow statements
(unaudited)

	Three months ended 31 March	
(thousands of €)	2016	2015
Cash and cash equivalents at beginning of year	**340,314**	**187,712**
Net income / loss (–)	35,950	(14,227)
Adjustments for:		
Tax income (–) / expenses	–	(1,468)
Other net financial expense	4,134	364
Fair value re-measurement of Share Subscription Agreement	(57,479)	–
Depreciation of property, plant and equipment	755	476
Amortization of intangible fixed assets	209	232
Net realized loss on foreign exchange transactions	(724)	(41)
Share-based compensation	1,902	492
Increase in pension liabilities	61	73
Gain on sale of fixed assets	(13)	–
Operating cash flows before movements in working capital	**(15,206)**	**(14,099)**
Increase in inventories	(23)	(31)
Increase in receivables	(5,209)	(4,116)
Increase / decrease (–) in payables	928	(2,114)
Increase / decrease (–) in deferred income	270,926	(12,584)
Cash generated / used (–) in operations	**251,416**	**(32,944)**
Interest paid	(13)	(15)
Interest received	144	228
Net cash flows generated / used (–) in operating activities	**251,547**	**(32,731)**
Purchase of property, plant and equipment	(1,024)	(432)
Purchase of and expenditure in intangible fixed assets	(41)	(45)
Proceeds from disposal of property, plant and equipment	16	43
Proceeds from disposal of intangible fixed assets	–	182
Decrease in restricted cash	–	568

(thousands of €)	Three months ended 31 March 2016	2015
Net cash flows generated / used (–) in investing activities	**(1,050)**	**316**
Repayment of obligations under finance leases and other debts	(17)	(5)
Proceeds from capital and share premium increases, net of issue costs	392,044	–
Proceeds from capital and share premium increases from exercise of warrants	–	5,819
Net cash flows generated in financing activities	**392,027**	**5,814**
Effect of exchange rate differences on cash and cash equivalents	**(4,505)**	**151**
Increase / decrease (–) in cash and cash equivalents	**638,020**	**(26,450)**
Cash and cash equivalents at end of reporting period	**978,334**	**161,262**

Consolidated statements of changes in equity
(unaudited)

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2015	**157,274**	**114,182**	**(1,157)**	**(220)**	**(63,944)**	**206,135**
Net loss					(14,227)	(14,227)
Other comprehensive income			979	–		979
Total comprehensive income			**979**	**–**	**(14,227)**	**(13,248)**
Share-based compensation					492	492
Exercise of warrants	3,092	2,727				5,819
On 31 March 2015	**160,366**	**116,909**	**(178)**	**(220)**	**(77,679)**	**199,199**
On 1 January 2016	**185,399**	**357,402**	**(467)**	**(18)**	**(177,317)**	**364,999**
Net income					35,950	35,950
Other comprehensive income			(382)	–		(382)
Total comprehensive income			**(382)**	**–**	**35,950**	**35,567**
Share-based compensation					1,902	1,902
Issue of new shares	36,575	289,696				326,271
Share issue costs	(195)					(195)
On 31 March 2016	**221,779**	**647,098**	**(849)**	**(18)**	**(139,465)**	**728,545**

Notes

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *'Interim Financial Reporting'* as adopted by the European Union. The condensed interim financial statements do not contain all information required for an annual report and should therefore be read in conjunction with Galapagos' Annual Report 2015.

The condensed interim financial statements were subject to a limited review by the Statutory Auditor, but have not been audited.

Details of the unaudited interim results

Revenues and other income

Revenues

The following table summarizes our revenues for the three months ended 31 March 2016 and 2015.

	Three months ended 31 March	
(thousands of €)	2016	2015
Recognition of non-refundable upfront payments	4,843	12,423
Milestone payments and costs reimbursments	3,950	1,211
Other revenues	1,327	1,164
Total Revenues	**10,121**	**14,798**

Revenues (€10.1 million vs €14.8 million last year) were lower due to a decrease in revenue recognition of upfront payments, which was only partially compensated by higher costs reimbursements.

The following table summarizes the upfront payments recognition for the three months ended 31 March 2016 and 2015.

Agreement	Upfront received	Upfront received	Date of receipt	Revenue recognized, three months ended 31 March 2016	Revenue recognized, three months ended 31 March 2015	Outstanding balance in deferred income as at 31 March 2016
	(thousands of $)	(thousands of €)		(thousands of €)		
AbbVie Collaboration Agreement for CF	45,000	34,001	September 2013		4,914	
AbbVie Collaboration Agreement for RA and CD (filgotinib)	150,000	111,582	February 2012		6,022	
First Amendment to AbbVie Collaboration Agreement for RA and CD (filgotinib)	20,000	15,619	March 2013		1,488	
Gilead Collaboration Agreement for filgotinib	300,000	275,558	January 2016	4,243		271,315
Gilead Share Subscription Agreement	N.A.	39.003(*)	January 2016	600		38,403
Total recognition of non-refundable upfront payments				**4,843**	**12,423**	**309,718**

(*) deferred income of €39 million booked upon signing of the Share Subscription Agreement with Gilead as required under IAS 39.

Revenue recognized in 2015 from upfront non-refundable payments related to the CF collaboration agreement with AbbVie signed in September 2013 and the contract signed with AbbVie in February 2012 for our filgotinib program (including the extension signed in March 2013). Those upfront payments were fully recognized into revenues by the end of August 2015.

In September 2015 AbbVie decided not to opt in, which ended the collaboration agreement regarding our filgotinib program and consequently the period of our involvement. There are no outstanding commitments for us regarding this terminated collaboration for our filgotinib program.

On 16 December 2015, we entered into a global partnership with Gilead Sciences, Inc. for the development and commercialization of the JAK1-selective inhibitor filgotinib for inflammatory indications. On 19 January 2016, we completed the closing of the global collaboration agreement with Gilead, in the framework of which Gilead made a $425 million (or €392 million) equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This resulted in Gilead owning 6,760,701 ordinary shares of Galapagos NV, representing 14.75% percent of the then outstanding share capital of Galapagos. We also received a license fee of $300 million. In addition, we are eligible for payments of up to $755 million in development and regulatory milestones and $600 million in sales milestones, with tiered royalties starting at 20% and a profit split in co-promotion territories. Finally, we agreed on a 20-80 cost split for development costs of the licensed product, i.e. we will support 20% of all development costs. As we do not expect to have a statutory taxable base in the foreseeable future, we did not recognize any additional deferred tax asset following the signing of this new collaboration.

The global partnership with Gilead foresees continuous involvement from us since we will perform certain R&D activities in the development phase of the filgotinib program and therefore management assessed that the upfront payment of $300 million (or €276 million) received in January 2016 from Gilead should be spread in function of the costs incurred for this program, applying the percentage of completion method. In Q1 2016, €4.2 million revenues have been recognised regarding this upfront payment.

In connection with the agreement with Gilead, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the Share Subscription Agreement with Gilead as required under IAS 39. We refer to the note below for further detail. The deferred income will be recognized in function of the costs incurred for this program, applying the percentage of completion method, along with the upfront payment. In Q1 2016, €0.6 million revenues were recognized in the income statement.

Other income

The following table summarizes our other income for the three months ended 31 March 2016 and 2015.

	Three months ended 31 March	
(thousands of €)	2016	2015
Grant income	594	1,121
Other income	4,102	4,104
Total other income	**4,696**	**5,225**

Other income (€4.7 million vs €5.2 million last year) decreased in the first three months of 2016, driven mainly by lower income recognized from grants in Belgium.

Results

We realized a net profit of €35.9 million for the first three months of 2016, compared to a net loss of €14.2 million in the first three months of 2015.

Our R&D expenses in the first three months of 2016 were €27.8 million, compared to €31.6 million in 2015. This planned decrease was mainly due to lower outsourcing costs for our filgotinib program since Phase 3 development is expected to start later this year.

Our G&A and S&M expenses were €4.4 million in the first three months of 2016, compared to €3.8 million in the first three months of 2015. This increase mainly resulted from higher costs recognized in relation to the warrant plans as a result of the increase of our share price in the past year.

Financial results were primarily driven by the fair value re-measurement of the Share Subscription Agreement, which is explained under the next caption below. Other financial expenses in the first three months of 2016 amounted to €4.8 million compared to €1.2 million in 2015 and was primarily attributable to €4.5 million of unrealized exchange loss on our cash position in USD due to the fluctuation of the USD exchange rate in the first quarter of 2016.

Finally, income taxes of €1.5 million in the first three months of 2015 reflected the setup of an additional deferred tax asset. We had a total of €1.7 million deferred tax assets on the balance sheet for two subsidiaries at the end of the first three months of 2015 and 2016.

Fair value re-measurement of Share Subscription Agreement

On 16 December 2015, Gilead and Galapagos entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This agreement was effectively completed and entered into force on 19 January 2016, and the full payment was received.

In connection with this agreement, we recognized in December 2015 a short term financial asset (derivative) and an offsetting deferred income of €39 million upon signing of the Share Subscription Agreement with Gilead as required under IAS 39. This financial asset initially reflected the share premium that Gilead committed to pay above our closing share price on the day of entering into the Share Subscription Agreement. Under IAS 39 the fair value of the

financial asset was re-measured at year-end and again upon entering into force of the Share Subscription Agreement on 19 January 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the income statement.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the Share Subscription Agreement and 31 December 2015 resulted in a negative, non-cash adjustment fair value charge of €30.6 million in the financial results of 2015.

The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between 1 January 2016 and 19 January 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of the first quarter of 2016.

On 19 January 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This amount was composed of (1) the initial measurement on the day of entering into the Share Subscription Agreement for an amount of €39 million which was reported in deferred income and (2) the subsequent re-measurements of the financial asset, reported as financial result under IAS 39: €30.6 million fair value loss reported in the year 2015 and €57.5 million fair value gain reported in the first quarter of 2016, together a net fair value gain of €26.8 million. This financial asset expired on the effective date of the Share Subscription Agreement.

Segment information

Since the last quarter of 2015, the IFRS 8 threshold of 10% of the combined revenues, external and intersegment, of all segments was met by the external and internal revenues reported by our fee-for-service business Fidelta, located in Croatia. Consequently, there are two reportable segments: R&D and fee-for-service business.

	Segment information for the three months ended 31 March 2016			
(thousands of €)	R&D	Fee-For-Services	Inter-segment elimination	Group
External revenue	8,840	1,281	–	10,121
Internal revenue	–	1,310	(1,310)	–
Other income	4,636	60	–	4,696
Revenues & other income	**13,476**	**2,651**	**(1,310)**	**14,817**
Segment result	**(14,624)**	**(869)**	**–**	**(15,493)**
Unallocated expenses[(1)]		–	–	(1,902)
Operating loss		**–**	**–**	**(17,395)**
Financial (expenses) / income		–	–	53,345
Result before tax		**–**	**–**	**35,950**
Incomes taxes		–	–	–
Net income / loss (–)		**–**	**–**	**35,950**

(1) Unallocated expenses consist mainly of expenses for warrant plans under IFRS 2.

	Segment information for the three months ended 31 March 2015			
(thousands of €)	R&D	Fee-For-Services	Inter-segment elimination	Group
External revenue	13,694	1,104	–	14,798
Internal revenue	–	1,271	(1,271)	–
Other income	5,088	137	–	5,225
Revenues & other income	**18,782**	**2,512**	**(1,271)**	**20,022**
Segment result	**(14,069)**	**(894)**	**–**	**(14,963)**
Unallocated expenses[1]		–	–	(368)
Operating loss		**–**	**–**	**(15,331)**
Financial (expenses) / income		–	–	(364)
Result before tax		**–**	**–**	**(15,695)**
Incomes taxes		–	–	1,468
Net income / loss (–)		**–**	**–**	**(14,227)**

(1) Unallocated expenses consist of €492 thousand of expenses for warrant plans under IFRS 2 and €124 thousand of positive adjustment on depreciation charges reported by Fee-For-Services reflecting the expected useful lifetime of certain fixed assets following the purchase accounting of the acquisition of Fidelta in 2010.

The basis of accounting for any transactions between reportable segments is consistent with the valuation rules and with transactions with third parties.

Liquid assets position

Cash, cash equivalents and restricted cash totaled €987.6 million on 31 March 2016.

A net increase of €638.0 million in cash and cash equivalents was recorded during the first three months of 2016, compared to a decrease of €26.4 million during the same period last year. Net cash flows from financing activities were generated for €392.0 million through the share subscription by Gilead. Furthermore, a net cash inflow from operating activities was realized for €251.5 million in the first three months of 2016 resulting from the license fee of $300 million (€275.6 million) received from Gilead and an operating cash burn of €24.0 million. Finally, €1.0 million was used in investing activities and €4.5 million unrealized negative exchange rate differences were generated on cash and cash equivalents.

Restricted cash amounted to €7.9 million at the end of December 2015, and increased to €9.3 million at the end of March 2016. The increase related to €1.4 million cash received from warrant exercises that remained on a blocked account until 1 April 2016 when the notary deed formally establishing the capital increase was enacted.

Restricted cash on 31 March 2016 was composed of (1) €1.4 million advances on capital increase through the exercise of warrants, (2) €0.3 million and €0.7 million bank guarantees on real estate lease obligations in Belgium and in the Netherlands respectively, and (3) €6.9 million escrow account containing part of the proceeds from the sale of the service division in 2014 for which the release will be possible after final agreement between the parties on the exposure regarding one outstanding claim. An amount of €0.3 million was accrued in March 2015 based on a preliminary estimate of the exposure.

Cash and cash equivalents amounted to €978.3 million at the end of March 2016 and comprised cash at banks, short term bank deposits and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value. Our cash management strategy may allow short term deposits with an original maturity exceeding 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprised €347.8 million of term deposits with an original maturity longer than 3 months but which are available upon one month notice period. Cash at banks

were mainly composed of savings accounts and current accounts. We maintain our bank deposits in highly rated financial institutions to reduce credit risk. Cash invested in highly liquid money market funds represented €85.0 million and was aimed at meeting short-term cash commitments, while reducing the counterparty risk of investment.

	As at 31 March	As at 31 December
(thousands of €)	2016	2015
Cash at banks	545,507	240,292
Term deposits	347,830	100,000
Money market funds	84,996	–
Cash on hand	2	22
Total cash and cash equivalents	**978,334**	**340,314**

On 31 March 2016, our cash and cash equivalents included $113 million held in USD which could generate unrealized exchange gain or loss in our financial results in accordance with the fluctuation of the EUR/USD exchange rate as our functional currency is EUR. We expect to use this cash held in USD to settle our future payables in USD which will be primarily linked our global collaboration with Gilead for the development of filgotinib.

Furthermore, our balance sheet held an unconditional and unrestricted receivable from the French government (*Crédit d'Impôt Recherche*[2]) amounting to €35.8 million as of 31 March, 2016, payable in yearly tranches from 2016 to 2020. Our balance sheet also holds a receivable from the Belgian Government for R&D incentives amounting to €26.2 million as of 31 March, 2016, payable in yearly tranches from 2016 until 2026.

Finally, our balance sheet includes an advance payment of $10 million (€8.8 million) received from AbbVie regarding the CF program as pre-payment of a development milestone that both parties would include in an amended and restated Collaboration Agreement.

Capital increase

On 19 January 2016, Gilead made a $425 million equity investment in Galapagos NV by subscribing to 6,760,701 new ordinary shares at a price of €58 per share, including issuance premium.

Galapagos received €392.1 million of gross proceeds, decreased by €0.2 million of expenses, of which €0.01 million has been paid at 31 March 2016 and €0.19 million remained to be settled in cash. The total net cash proceeds from the share subscription by Gilead after remaining settlements are expected to amount to €391.9 million.

The €65.9 million current financial asset from the Share Subscription Agreement reflecting the premium that Gilead paid compared to the closing price of our shares on 19 January 2016 were derecognized via the share premium account.

On 31 March 2016, Galapagos NV's share capital was represented by 45,837,043 shares. All shares were issued, fully paid up and of the same class.

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

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and Share premium
On 1 January 2016	**39,076,342**	**185,399**	**357,402**	**542,801**
19 January 2016: share subscription by Gilead				
Ordinary shares (fully paid)	6,760,701	36,575	355,546	392,121
Derecognition of financial asset from Share Subscription Agreement			(65,850)	(65,850)
Capital increase expenses (fully paid)		(10)		(10)
Capital increase expenses not yet settled in cash at 31 March 2016		(185)		(185)
Total share subscription by Gilead	**6,760,701**	**36,380**	**289,696**	**326,076**
On 31 March 2016	**45,837,043**	**221,779**	**647,098**	**868,877**

Contingencies and commitments

Contractual obligations and commitments

We entered into lease agreements for office and laboratories which qualify as operating leases. We also have certain purchase commitments principally with CRO subcontractors.

On 31 March 2016, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Operating lease obligations	29,271	3,902	6,755	5,458	13,156
Purchase commitments	32,765	31,472	1,293	–	–
Total contractual obligations & commitments	**62,036**	**35,374**	**8,048**	**5,458**	**13,156**

Contingent liabilities and assets

On 13 March 2014, we announced the signing of a definitive agreement to sell the service division operations to Charles River Laboratories International, Inc. (the "Buyer") for a total consideration of up to €134 million. The Buyer agreed to pay us an immediate cash consideration of €129 million. The potential earn-out of €5 million due upon achievement of a revenue target 12 months after transaction closing has not been obtained. Approximately 5% of the total consideration, including price adjustments, is being held on an escrow account. To date, four claims have been introduced by the Buyer, of which three claims have been settled for a total amount of €1.0 million. One claim is still being investigated. An amount of €0.3 million has been accrued in March 2015 based on a preliminary estimate of the exposure. The release of the escrow account will be possible after final agreement between the parties on the amounts at stake.

Following the divestment, we remain guarantor for a limited transitional period in respect of the lease obligations for certain U.K. premises amounting to £4 million future rent payments. The Buyer will fully indemnify us against all liabilities arising in connection with the lease obligation. We evaluated the risk to be remote. Finally, following common practice, we have given representations and warranties which are capped and limited in time (since 1 April 2016, the Buyer can only introduce a claim covered by the Tax Deed (during a period of 5 years), other claims related to the sale cannot be submitted anymore).

In the course of 2008, a former director of one of the subsidiaries sued for wrongful termination and sought damages of €1.1 million. We believe that the amount of damages claimed is unrealistically high. In 2014, the court requested an external advisor to evaluate the exact amount of damages. Considering the defense elements provided and the recent judgment in the court in our favor, our Board and management evaluated the risk to be remote to possible, but not likely. Accordingly, it was decided not to record any provision in 2016, as the exposure was considered to be limited.

Significant accounting policies

There were no significant changes in accounting policies applied by us in these condensed consolidated interim financial statements compared to those used in the most recent annual financial statements of 2015, except for the adoption of new standards and interpretations described below.

New standards and interpretations applicable for the annual period beginning on 1 January 2016

- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (applicable for annual periods beginning on or after 1 January 2016)
- Amendment to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016)

The nature and the effect of these changes were taken into consideration, but the above amendments did not affect the interim condensed consolidated financial statements. We have not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Critical judgments in applying accounting policies

We refer to the description of critical judgments in applying accounting policies in the 2015 Annual Report, pp. 94-95: Share subscription agreement with Gilead – classification as derivative financial asset or equity instrument.

In the framework of the preparation of the listing prospectus for the shares issued following the Gilead transaction, the FSMA reviewed the draft prospectus and our annual accounts for the year ended 31 December 2015 including the accounting for the Share Subscription Agreement under IFRS. The FSMA concluded that, taking into account the complexity of the questions and the lack of specific authoritative literature, it should first seek the advice from the European Securities and Markets Authority via its European Enforcers Coordination Sessions (EECS) forum. On the date of this report, no advice from EECS has been received yet. We refer to the Risk factors in this report for further detail.

Seasonality

The impact of seasonality or cyclicality on our operations is not regarded as applicable to the unaudited interim condensed consolidated financial statements.

Events after the end of the reporting period

On 1 April 2016, 131,695 warrants were exercised at various exercise prices (with an average exercise price of €10.70 per warrant) of which 60,470 warrants were exercised by key management personnel, resulting in a share capital increase (including issuance premium) of €1,409 thousand and the issuance of 131,695 new ordinary shares. The closing price of the Galapagos share at this date was €36.64. The cash regarding this transaction was received from the warrant holders on 31 March 2016 and was booked as restricted cash.

Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 26 April 2016.

Report of the statutory auditor

Report on review of the consolidated interim financial information for the three-month period ended 31 March 2016

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of income and comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the period of three months then ended, as well as selective notes.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Galapagos NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The consolidated condensed statement of financial position shows total assets of 1,079,287 (000) EUR and the consolidated condensed income statement shows a consolidated profit for the period then ended of 35,950 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Galapagos NV has not been prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Diegem, 26 April 2016
The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees

Glossary of terms

ACR

American College of Rheumatology

ACR20 (ACR 20/50/70)

American College of Rheumatology 20% response rate signifies a 20% or greater improvement in the number of swollen and tender joints as well as a 20% or greater improvement in three out of five other disease-activity measures. ACR 50 and ACR70 reflect the same, for 50% and 70% response rates, respectively

ADR

American Depositary Receipt; Galapagos has a Level 3 ADR listed on NASDAQ with ticker symbol GLPG and CUSIP number 36315X101. One ADR is equivalent to one ordinary share in Galapagos NV

Atherogenic index

Total cholesterol over HDL ratio. Improvement of the atherogenic index may be a forecast of cardiovascular health

Attrition rate

The historical success rate for drug discovery and development, based on publicly known development paths. Statistically seen, investment in at least 12 target-based programs is required to ensure that at least one of these will reach a Phase 3 study. Most new drug R&D programs are discontinued before reaching Phase 3 because they are not successful enough to be approved

BID dosing

Twice daily dosing (*bis in die*)

Bioavailability

Assessment of the amount of (candidate) drug that reaches a body's systemic circulation after (oral) administration

Biomarker

Substance used as an indicator of a biological process, particularly to determine whether a candidate drug has a (desired) biological effect

Black & Scholes model

A mathematical description of financial markets and derivative investment instruments that is widely used in the pricing of European options and warrants

Candidate drug

Substance that has satisfied the requirements of early pre-clinical testing and has been selected for development, starting with formal preclinical safety evaluation followed by clinical testing for the treatment of a certain disorder in humans

CFTR

Cystic **F**ibrosis **T**ransmembrane conductance **R**egulator protein. CFTR is an ion channel that transports chloride and thiocyanate ions across epithelial cell membranes. Mutations in the CFTR gene, that codes for the CFTR protein, cause cystic fibrosis

CIR

Crédit d'Impôt Recherche, or research credit. Under the CIR, the French government refunds up to 30% of the annual investment in French R&D operations, over a period of three years. Galapagos benefits from the CIR through its operations in Romainville, just outside Paris

Class II mutation

A genetic mutation in cystic fibrosis resulting in errors in CFTR folding, transport of functional CFTR to the cell membrane, and CFTR channel opening, whereby chloride ion flow at the cell surface in the membrane of affected organs is impacted negatively. More than 90% of cystic fibrosis patients are carriers of the Class II mutation. It is believed that a potentiator and multiple correctors will be needed to address the CFTR malfunction of Class II mutation patients.

Class III mutation

A genetic mutation in cystic fibrosis resulting in errors in CFTR channel opening, whereby chloride ion flow at the cell surface in the membrane of affected organs is impacted negatively. Approximately 4% of cystic fibrosis patients are carriers of the Class III mutation. It is believed that a potentiator is needed to address the malfunction of Class III mutation patients.

Clinical Proof of Concept (PoC)

Point in the drug development process where the candidate drug shows efficacy in a therapeutic setting

Compound

A chemical substance, often a small molecule with drug-like properties

Contract research organization

Organization which provides drug discovery and development services

Corrector drug

Drug that restores the correct protein formation in cystic fibrosis patients. In most CF patients, a potentiator and corrector drug are needed in combination to restore the channel function of the CFTR. Galapagos and AbbVie are planning to combine a potentiator with two correctors to treat CF patients with the most prevalent mutation of CFTR

Crohn's disease (CD)

An inflammatory bowel disease involving inflammation of the small and large intestines, leading to pain, bleeding, and ultimately in some cases surgical removal of parts of the bowel

CRP

C-reactive protein is a protein found in the blood, the levels of which rise in response to inflammation

Cystic fibrosis (CF)

A life-threatening genetic disease that affects approximately 80,000 people worldwide. Although the disease affects the entire body, difficulty breathing is the most serious symptom as a result of clogging of the airways due to mucus build-up and frequent lung infections

DAS28

DAS28 is an RA Disease Activity Score based on a calculation that uses tender and swollen joint counts of 28 defined joints, the physician's global health assessment and a serum marker for inflammation, such as C-reactive protein

Development

All activities required to bring a new drug to the market. This includes pre-clinical and clinical development research, chemical and pharmaceutical development and regulatory filings of drug candidates

Discovery

Process by which new medicines are discovered and/or designed. At Galapagos, this is the department that oversees target and drug discovery research through to nomination of pre-clinical candidates

Disease-modifying

Addresses the cause of disease and modifying the disease progression, not just the symptoms of the disease

Dose-range finding study

Phase 2 clinical study exploring the trade-offs between efficacy and safety among various doses of treatment in patients. Results are used to determine doses for later studies

Drug development

See: Development

Drug discovery

See: Discovery

Efficacy

Effectiveness for intended use

EMA

European Medicines Agency, in charge of European market authorization of new medication

FDA

The U.S. Food and Drug Administration is an agency responsible for protecting and promoting public health and in charge of American market authorization of new medication

Fee-for-service

Payment system where the service provider is paid a specific amount for each procedure or service performed

FIH

First-in-human clinical trial, usually conducted in healthy volunteers with the aim to assess the safety, tolerability and pharmacokinetics of the candidate drug

Filgotinib

Formerly known as GLPG0634. Small molecule selective JAK1 inhibitor which showed excellent efficacy and safety in rheumatoid arthritis and Crohn's disease patients in Phase 2 trials. Filgotinib is partnered with Gilead. Galapagos and Gilead expect to start Phase 3 trials with filgotinib in RA and Crohn's disease in the course of 2016

FSMA

The Belgian market authority: Financial Services and Markets Authority, or *Autoriteit voor Financiële Diensten en Markten*

FTE

Full-time equivalent; a way to measure a worker's involvement in a project. For example, an FTE of 1.0 means that the equivalent work of one full-time worker was used on the project

GLPG0634

Molecule number nowadays known as filgotinib

GLPG1205

Novel mode-of-action medicine, fully owned by Galapagos. GLPG1205 did not meet the primary endpoint in a Phase 2 proof-of-concept study in ulcerative colitis in 2016. Galapagos is exploring other possible indications for GLPG1205

GLPG1690

A novel drug targeting autotaxin, with potential applications in idiopathic pulmonary fibrosis. Fully proprietary to Galapagos. A Phase 2 proof-of-concept study in IPF has been initiated

GLPG1837

A potentiator drug currently in Phase 2 in Class III cystic fibrosis mutation patients

GLPG1972

A novel mode-of-action drug that is part of the osteoarthritis alliance with Servier. GLPG1972 entered Phase 1 in November 2015

GLPG2222

A corrector drug currently in Phase 1

IBD

Inflammatory Bowel Disease. This is a general term for an autoimmune disease affecting the bowel, including Crohn's disease and ulcerative colitis. Crohn's disease affects the small and large intestine, while ulcerative colitis affects the large intestine. Both diseases involve inflammation of the intestinal wall, leading to pain, bleeding, and ultimately in some cases surgical removal of part of the bowel

IPF

Idiopathic pulmonary fibrosis. A chronic and ultimately fatal disease characterized by a progressive decline in lung function. Pulmonary fibrosis involves scarring of lung tissue and is the cause of shortness of breath. Fibrosis is usually associated with a poor prognosis. The term "idiopathic" is used because the cause of pulmonary fibrosis is still unknown

Inflammatory diseases

A large, unrelated group of disorders associated with abnormalities in inflammation

In-/out-licensing

Receiving/granting permission from/to another company or institution to use a brand name, patent, or other proprietary right, in exchange for a fee and/or royalty

Intellectual property

Creations of the mind that have commercial value and are protected by patents, trademarks or copyrights

Intersegment

Occurring between the different operations of a company

Investigational New Drug (IND) application

United States Federal law requires a pharmaceutical company to obtain an exemption to ship an experimental drug across state lines, usually to clinical investigators, before a marketing application for the drug has been approved. The IND is the means by which the sponsor technically obtains this exemption, allowing them to perform clinical studies

JAK

Janus kinases (JAK) are critical components of signaling mechanisms utilized by a number of cytokines and growth factors, including those that are elevated in rheumatoid arthritis

Milestone

Major achievement in a project or program; in Galapagos' alliances, this is usually associated with a payment

MTX

Methotrexate

Molecule collections

Chemical libraries, usually consisting of drug-like small molecules that are designed to interact with to specific target classes. These collections can be screened against a target to generate initial "hits" in a drug discovery program

MOR106

A novel mode-of-action antibody that is being developed in inflammatory diseases and part of the alliance with MorphoSys. MOR106 has entered Phase 1 in Q1 2016

NDA

New Drug Application

Oral dosing

Administration of medicine by the mouth, either as a solution or solid (capsule, pill) form

Osteoarthritis

The most common form of arthritis, usually occurring after middle age, marked by chronic breakdown of cartilage in the joints leading to pain, stiffness, and swelling

Outsourcing

Contracting work to a third party

Pharmacokinetics (PK)

Study of what a body does to a drug; the fate of a substance delivered to a body. This includes absorption, distribution to the tissues, metabolism and excretion. These processes determine the blood concentration of the drug and its metabolite(s) as a function of time from dosing

Phase 1

First stage of clinical testing of a potential new treatment designed to assess the safety and tolerability, pharmacokinetics of a drug, usually performed in a small number of healthy human volunteers

Phase 2

Second stage of clinical testing, usually performed in 20-300 patients, in order to determine efficacy, tolerability and the most effective dose to use

Phase 3

Large clinical trials, usually conducted in 300-3000 patients to gain a definitive understanding of the efficacy and tolerability of the candidate treatment by comparing it to the "gold standard" treatment; serves as the principal basis for regulatory approval

Placebo-controlled

A clinical study can only show statistical significance when the effect of a candidate drug is measured against that of a placebo, a substance having no pharmacological effect but administered as a control in testing experimentally or clinically the efficacy of a biologically active preparation

Potentiator drug

Drug that restores the CFTR ion channel opening in cystic fibrosis patients. In most CF patients, a potentiator and corrector drug are needed in combination to restore the genetic defect causing CF. Galapagos and AbbVie are planning to combine a potentiator with two correctors to treat CF patients with the most prevalent mutation of CFTR

Pre-clinical

Stage of drug research development, undertaken prior to the administration of the drug to humans. Consists of *in vitro* and *in vivo* screening, pharmacokinetics, toxicology, and chemical upscaling

Pre-clinical candidate (PCC)

A new molecule and potential drug that meets chemical and biological criteria to begin the development process

Rheumatoid arthritis (RA)

A chronic, systemic inflammatory disease that causes joint inflammation, and usually leads to cartilage destruction, bone erosion and disability

R&D operations

Research and development operations; unit responsible for discovery and developing new candidate drugs for internal pipeline or as part of risk/reward sharing alliances with partners

Screening

Method usually applied at the beginning of a drug discovery campaign, where a target is tested in a biochemical assay against a series of small molecules or antibodies to obtain an initial set of "hits" that show activity against the target. These hits are then further tested or optimized

Service operations

Business unit primarily focused on delivering products and conducting fee-for-service work for clients. Galapagos' service operations included the BioFocus and Argenta business units, which were both sold in April 2014 to Charles River Laboratories

Target

Protein that has been shown to be involved in a disease process and forms the basis of therapeutic intervention or drug discovery

Target discovery

Identification and validation of proteins that have been shown to play a role in a disease process

Technology access fee

License payment made in return for access to specific technology (e.g. compound or virus collections)

TNF

Tumor necrosis factor

Ulcerative colitis (UC)

UC is an inflammatory bowel disease (IBD) causing chronic inflammation of the lining of the colon and rectum (unlike CD with inflammation throughout the gastrointestinal tract)

Financial calendar

29 July 2016

First Half 2016 Results

28 October 2016

Third Quarter 2016 Results

3 March 2017

Full Year 2016 Results

Financial year
The financial year starts on 1 January and ends on 31 December.

Auditor
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Colophon

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