

Galapagos delivered in 2017

Key 2017 results:

- **Expansion of filgotinib franchise:**
 - **Start of 8 new disease area trials**
 - **Opt-in to co-promote in Europe**
- **Second and third platform successes:**
 - **Halt of disease progression in FLORA trial with GLPG1690 in IPF patients**
 - **Promising results with MOR106 in atopic dermatitis patient trial**
- **ALBATROSS and FLAMINGO trials with GLPG2222 showed expected activity in cystic fibrosis patients**
- **Strong biomarker reduction and favorable tolerability with GLPG1972 in osteoarthritis patients**
- **Group revenues increased by €4.3 million to €155.9 million**
- **Operating loss increased by €78.3 million to €89.8 million**
- **Net loss of €115.7 million, compared to a net profit of €54.0 million in 2016**
- **Operational cash burn of €154.1 million**
- **Net proceeds from capital increase of €353.4 million**
- **Cash balance increased by €171.5 million to €1,152.4 million at year-end**

Webcast presentation tomorrow, 23 February 2018 at 14.00 CET/8 AM ET, +32 2 404 0659, www.glpg.com

Mechelen, Belgium; 22 February 2018, 22.01 CET, regulated information – Galapagos NV (Euronext & NASDAQ: GLPG) presents financial results and highlights the key events for the full year 2017.

"We look back on another very successful execution year at Galapagos. Our strategy is to leverage our innovative target discovery platform to develop breakthrough drugs and ultimately deliver these to patients with large unmet need. Our successes with filgotinib in rheumatoid arthritis and Crohn's trials in previous years showed that JAK1 inhibition can make a difference. In 2017 we showed that GLPG1690 (autotaxin inhibitor) halted IPF disease progression in the FLORA trial, as well as a marked reduction of signs and symptoms with MOR106 (IL-17C inhibitor) in atopic dermatitis patients, adding two new proofs of platform for our approach to finding novel medicines," CEO Onno van de Stolpe commented. "The coming year will be data-rich, as we expect the first Phase 3 data with filgotinib in rheumatoid arthritis, along with an interim decision to move to Phase 3 in the ulcerative colitis trial and readouts in our trials in ankylosing spondylitis and psoriatic arthritis. In cystic fibrosis, we will see topline results from the PELICAN trial and a first interim readout with FALCON, a patient trial of our first triple combination therapy. We expect to launch pivotal trials with GLPG1690 in IPF, building our fully proprietary IPF franchise. And with our planned start of Phase 2 trials for GLPG1205, GLPG1972, MOR106, and more CF triple combinations, we set the foundations for the next set of clinical results. Meanwhile, we continue to expand our organization to be able to execute the increasing number of clinical trials and to be ready for the anticipated market introduction of our drug candidates. We consider our progress in 2017 to be just the beginning, as we continue to discover new modes of action and plan to bring them all the way to patients."

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

Key figures (consolidated)

(€ millions, except basic income/loss per share)

	31 Dec 2017 Group total	31 Dec 2016 Group total
Revenues and other income	155.9	151.6
R&D expenditure	-218.5	-139.6
G&A and S&M expenses	-27.2	-23.5
Operating loss	-89.8	-11.5
Non-cash adjustment on short term financial asset ¹		57.5
Other financial result	-25.7	8.2
Income taxes	-0.2	-0.2
Net result for the period	-115.7	54.0
Basic income / loss (-) per share (€)	-2.34	1.18
Cash, Cash equivalents and Restricted cash at year-end	1,152.4	980.9

Notes:

1) Reflects non-cash financial asset adjustment resulting from the Gilead subscription agreement.

Details of the financial results

Revenues and other income

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

Operating result

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

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

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

Net result

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

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

Cash position

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

A net increase of €171.5 million in cash, cash equivalents and restricted cash was recorded in 2017. Net cash flows from financing activities generated €348.1 million through a public offering in the United States, as well as €5.3 million from warrant exercises. Furthermore, a net cash outflow from operating activities was realized for €147.0 million in 2017. Finally, €7.1 million was used in investing activities (when excluding the movement in restricted cash) and €27.8 million unrealized negative exchange rate differences were generated on cash and cash equivalents.

The operational cash burn¹ amounted to €154.1 million, within the guided range for 2017 of €135 - 155 million.

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

Outlook 2018

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

The Company expects an operational cash burn between €220 and €240 million in 2018.

¹ The operational cash burn (or operational cash flow if this performance measure is positive) is equal to the sum of the net cash flows generated / used (-) in operating activities and the net cash flows generated / used (-) in investing activities minus (i) the proceeds or cash used, if any, in acquisitions or disposals of businesses; and (ii) the movement in restricted cash, if any. This alternative performance measure is in our view an important metric for a biotech company in the development stage. For 2016, the operational cash flow generated represented €231.9 million, which was significantly impacted by the upfront payment from Gilead of €275.6 million.

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

Annual report 2017

Galapagos is currently finalizing its financial statements for the year ended 31 December 2017. The auditor has confirmed that his audit procedures, which are substantially completed, have not revealed any material corrections required to be made to the financial information included in this press release. Should any material changes arise during the audit finalization, an additional press release will be issued. Galapagos expects to be able to publish its fully audited annual report for the full year 2017 on or around 23 March 2018.

Conference call and webcast presentation

Galapagos will conduct a conference call open to the public tomorrow, 23 February 2018, at 14:00 CET/8 AM ET, which will also be webcast. To participate in the conference call, please call one of the following numbers ten minutes prior to commencement:

Confirmation Code: 9171161

Belgium:	+32 2 404 0659
France:	+33 1 76 77 2274
Netherlands:	+31 20 721 9251
United Kingdom:	+44 330 336 9105
USA:	+1 323 701 0225

A question and answer session will follow the presentation of the results. Go to www.glpq.com to access the live audio webcast. The archived webcast will also be available for replay shortly after the close of the call.

Financial calendar

24 April 2018	Annual shareholders' meeting in Mechelen, Belgium
25 April 2018	First quarter 2018 results (webcast 26 April 2018)
2 August 2018	Half year 2018 results (webcast 3 August 2018)
25 October 2018	Third quarter 2018 results (webcast 26 October 2018)
21 February 2019	Full year 2018 results (webcast 22 February 2019)

About Galapagos

Galapagos (Euronext & NASDAQ: GLPG) is a clinical-stage biotechnology company specialized in the discovery and development of small molecule medicines with novel modes of action. Galapagos' pipeline comprises Phase 3 through to discovery programs in cystic fibrosis, inflammation, fibrosis, osteoarthritis and other indications. Our target discovery platform has delivered three novel mechanisms showing promising patient results in, respectively, inflammatory diseases, pulmonary idiopathic fibrosis and atopic dermatitis. Galapagos is focused on the development and commercialization of novel medicines that will improve people's lives. The Galapagos group, including fee-for-service subsidiary Fidelia, has approximately 600 employees, operating from its Mechelen, Belgium headquarters and facilities in the Netherlands, France, Switzerland, the US and Croatia. More information at www.glpq.com.

All the drug candidates mentioned in this press release are investigational; their efficacy and safety are yet to be established.

Contacts

Investors:

Elizabeth Goodwin
VP IR & Corporate Communications
+1 781 460 1784

Paul van der Horst
Director IR & Business Development
+31 71 7506 707
ir@glpg.com

Media:

Evelyn Fox
Director Communications
+31 6 53 591 999
communications@glpg.com

Forward-looking statements

This release may contain forward-looking statements, including, among other things, statements regarding the guidance from management (including guidance regarding the expected operational cash burn during financial year 2018), financial results, the timing of audited financial results, timing and/or results of clinical trials, investment in commercial capabilities, and interaction with regulators, including the potential approval of our current or future drug candidates. Galapagos cautions the reader that forward-looking statements are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which might cause the actual results, financial condition and liquidity, performance or achievements of Galapagos, or industry results, to be materially different from any historic or future results, financial conditions and liquidity, performance or achievements expressed or implied by such forward-looking statements. In addition, even if Galapagos' results, performance, financial condition and liquidity, and the development of the industry in which it operates 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 Galapagos' expectations regarding its 2018 operating expenses may be incorrect (including because one or more of its assumptions underlying its expense expectations may not be realized), Galapagos' expectations regarding its development programs may be incorrect, the inherent uncertainties associated with competitive developments, clinical trial and product development activities and regulatory approval requirements (including that data from Galapagos' ongoing clinical research programs may not support registration or further development of its product candidates due to safety, efficacy or other reasons), Galapagos' reliance on collaborations with third parties, and estimating the commercial potential of its development programs. A further list and description of these risks, uncertainties and other risks can be found in Galapagos' Securities and Exchange Commission (SEC) filings and reports, including in Galapagos' most recent annual report on Form 20-F filed with the SEC and other filings and reports filed by Galapagos with the SEC. 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. Galapagos expressly disclaims any obligation to update any such forward-looking statements in this document to reflect any change in its 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.



Consolidated financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

Consolidated statement of income

(thousands of €, except share and per share data)	2017	2016
Revenues	127.087	129.519
Other income	28.830	22.093
Total revenues and other income	155.918	151.612
Research and development expenditure	(218.502)	(139.573)
General and administrative expenses	(24.415)	(21.744)
Sales and marketing expenses	(2.803)	(1.785)
Total operating expenses	(245.720)	(163.103)
Operating loss	(89.802)	(11.491)
Fair value re-measurement of share subscription agreement	-	57.479
Other financial income	4.877	9.950
Other financial expenses	(30.582)	(1.692)
Profit / loss (-) before tax	(115.507)	54.246
Income taxes	(198)	(235)
Net income / loss (-)	(115.704)	54.012
Net income / loss (-) attributable to:		
Owners of the parent	(115.704)	54.012
Basic income / loss (-) per share	(2,34)	1,18
Diluted income / loss (-) per share	(2,34)	1,14
Weighted average number of shares - Basic (in thousands of shares)	49.479	45.696
Weighted average number of shares - Diluted (in thousands of shares)	49.479	47.308

Consolidated statement of comprehensive income:

(thousands of €)	2017	2016
Net income / loss (-)	(115.704)	54.012
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	(40)	(583)
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of available-for-sale financial assets	(220)	(399)
Translation differences, arisen from translating foreign activities	(664)	(623)
Other comprehensive income, net of income tax	(924)	(1.605)
Total comprehensive income attributable to:		
Owners of the parent	(116.629)	52.406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Assets

(thousands of €)	2017	2016
Intangible assets	2.495	1.023
Property, plant and equipment	16.692	14.961
Deferred tax assets	1.978	1.957
Non-current R&D incentives receivables	64.001	54.188
Non-current restricted cash	1.158	1.098
Other non-current assets	2.303	2.880
Non-currents assets	88.627	76.107
Inventories	279	300
Trade and other receivables	27.966	9.728
Current R&D incentives receivables	11.782	10.154
Cash and cash equivalents	1.151.211	973.241
Current restricted cash	-	6.570
Other current assets	6.409	7.239
Current assets	1.197.647	1.007.232
Total assets	1.286.274	1.083.338

Equity and liabilities

(thousands of €)	2017	2016
Share capital	233.414	223.928
Share premium account	993.025	649.135
Other reserves	(1.260)	(1.000)
Translation differences	(1.754)	(1.090)
Accumulated losses	(211.441)	(112.272)
Total equity	1.011.983	758.701
Pension liabilities	3.582	3.520
Provisions	65	63
Finance lease liabilities	-	9
Other non-current liabilities	1.597	2.469
Non-current deferred income	97.348	214.785
Non-current liabilities	102.592	220.846
Finance lease liabilities	9	54
Trade and other payables	47.122	31.269
Current tax payable	865	1.022
Accrued charges	1.159	619
Deferred income	122.544	70.827
Current liabilities	171.699	103.791
Total liabilities	274.291	324.637
Total equity and liabilities	1.286.274	1.083.338

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER

(thousands of €)	2017	2016
Cash and cash equivalents at beginning of year	973.241	340.314
Net income / loss (-)	(115.704)	54.012
Adjustments for:		
Tax expense	198	235
Other net financial expense / income (-)	25.705	(8.258)
Fair value re-measurement of share subscription agreement	-	(57.479)
Depreciation of property, plant and equipment	3.633	3.322
Amortization of intangible fixed assets	652	860
Net realized gain / loss (-) on foreign exchange transactions	(357)	1.229
Share-based compensation	16.536	11.034
Increase in provisions	1	7
Increase in pension liabilities	22	244
Gain on sale of fixed assets	-	(14)
Operating cash flows before movements in working capital	(69.315)	5.192
Decrease in inventories	22	25
Increase in receivables	(27.656)	(12.978)
Increase in payables	14.772	2.102
Increase / decrease (-) in deferred income	(65.722)	245.806
Cash generated / used (-) in operations	(147.899)	240.148
Interest paid	(273)	(47)
Interest received	1.341	1.066
Income taxes paid	(199)	(1.763)
Net cash flows generated / used (-) in operating activities	(147.030)	239.403

(thousands of €)	2017	2016
Purchase of property, plant and equipment	(5.312)	(4.458)
Purchase of and expenditure in intangible fixed assets	(2.125)	(332)
Proceeds from disposal of property, plant and equipment	7	18
Decrease in restricted cash	6.510	235
Acquisition of (-) / proceeds from sale of available-for-sale financial assets	372	(2.750)
Net cash flows used in investing activities	(549)	(7.287)
Repayment of obligations under finance leases and other debts	(65)	(49)
Proceeds from capital and share premium increases, net of issue costs	348.134	391.784
Proceeds from capital and share premium increases from exercise of warrants	5.288	4.261
Net cash flows generated in financing activities	353.357	395.996
Effect of exchange rate differences on cash and cash equivalents	(27.808)	4.816
Increase in cash and cash equivalents	177.970	632.927
Cash and cash equivalents at end of the year	1.151.211	973.241

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2016	185.399	357.402	(467)	(18)	(177.317)	364.999
Net income					54.012	54.012
Other comprehensive income			(623)	(982)		(1.605)
Total comprehensive income			(623)	(982)	54.012	52.406
Share-based compensation					11.034	11.034
Issue of new shares	36.575	289.696				326.271
Share issue costs	(269)					(269)
Exercise of warrants	2.223	2.037				4.261
On 31 December 2016	223.928	649.135	(1.090)	(1.000)	(112.272)	758.701
On 1 January 2017	223.928	649.135	(1.090)	(1.000)	(112.272)	758.701
Net loss					(115.704)	(115.704)
Other comprehensive income			(664)	(260)		(924)
Total comprehensive income			(664)	(260)	(115.704)	(116.629)
Share-based compensation					16.536	16.536
Issue of new shares	23.331	340.593				363.924
Share issue costs	(15.837)					(15.837)
Exercise of warrants	1.992	3.296				5.288
On 31 December 2017	233.414	993.025	(1.754)	(1.260)	(211.441)	1.011.983