

Key takeaways from the phase 1 PK/PD study:

- Single ascending oral doses of GLPG1690 up to 1500 mg and multiple ascending doses up to 1000 mg q.d. administered for 14 days were generally safe and well tolerated in healthy male subjects
- Favorable PK/PD profile, clearly demonstrating the ability to reduce plasma LPA18:2 levels via inhibition of ATX

Next step: Exploratory Phase 2a study with GLPG1690 in IPF patients ongoing (FLORA)

- Randomized, double blind, parallel group, placebo-controlled
- 24 subjects with IPF will receive oral doses of 600 mg GLPG1690 for 12 weeks
- Primary endpoints: safety, tolerability, PK and PD
- Exploratory endpoints: LPA in BALF, disease biomarkers in serum, imaging (HRCT), pulmonary function testing (spirometry), quality of life (SGRQ)

FINANCIAL CONDITION AND OUTLOOK

As of June 30th 2016, Galapagos had cash and cash equivalents of €992M. Additionally, ~\$1.35B in regulatory milestone payments are likely to materialize between 2017 and 2020, by our estimates. Hence, it is highly unlikely Galapagos would need to access the capital markets over the foreseeable future. We are presently modeling filgotinib launch during 2020 and the CF franchise commercial launch during 2020, although a 2019 launch focused on Crohn's may be feasible. For 2016 we are modeling an operating loss of \$(1.11). Based on the anticipated clinical milestones from partners Abbvie and Gilead we expect an operating profit of \$4.28 for FY17.

MANAGEMENT TEAM

Onno van de Stolpe - Chief Executive Officer:

Onno van de Stolpe founded Galapagos in 1999 and has served as its CEO and a member of our board of directors from 1999 to the present. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene B.V. (later Crucell N.V., which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe B.V. He established this European headquarters after joining Molecular Probes, Inc. in the United States. Previously, he worked for The Netherlands Foreign Investment Agency in California, where he was responsible for recruiting biotechnology and medical device companies to locate in The Netherlands. Mr. Van de Stolpe started his career as Manager of Business Development at MOGEN International N.V. in Leiden. He received an MSc degree from Wageningen University.

Piet Wigerinck, PhD - Chief Scientific Officer:

Dr. Piet Wigerinck joined Galapagos in April 2008 from Tibotec (a subsidiary of Johnson & Johnson) where he was VP Drug Discovery, Early Development and CM&C, and a member of the Management Board. He started his professional career as a medicinal chemist at Janssen Research Foundation in 1992. He then joined Tibotec in 1998, where, under his leadership, TMC114 (Prezista) was selected and moved forward into clinical trials. Dr. Wigerinck also played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials. Piet Wigerinck holds a PhD from the K.U. Leuven and is inventor on more than 25 patent applications.

Bart Filius, MBA - Chief Financial Officer:

Bart Filius joined Galapagos as the CFO in December 2014. Prior to that, Bart worked over 13 years at Sanofi, where he was CFO Sanofi Europe the last three years and was instrumental in transforming the Sanofi European organization to be well-positioned beyond the patent cliff. Earlier at Sanofi, Bart was CFO and Country Manager of Sanofi in the Netherlands. Before that, he was Vice President for Mergers & Acquisitions, during which time Bart led and completed the divestiture of various franchises. Prior to joining Sanofi, Bart was a strategy consultant at Arthur D. Little. Bart is a Dutch national and has an MBA degree from INSEAD and a bachelor's degree in business from Nyenrode University.

Andre Hoekema, PhD - Senior Vice President Corporate Development:

Dr. Hoekema joined Galapagos in March 2005 from Invitrogen Corporation, where he was Managing Director of Corporate Development Europe. He brings 20 years of biotech experience from positions at Molecular Probes Europe (Managing Director), Crucell (Director of Business Development), DSM Life Sciences and MOGEN (Research and Project Management) and Genentech, Inc (R&D). Dr. Hoekema has a PhD degree from Leiden University and is the inventor of over 20 series of patent applications, resulting in 15 patents issued in the U.S.

RISKS

Key impediments to our target include study failures and competitive threats from other generics along with the following:

Clinical and development risk: Preliminary data in RA and Crohn's have been robust and have validated the proof-of-concept of selective targeting JAK1 in RA and IBD. While the programs are substantially de-risked, the early data is based on response rates, they have to be validated in the ongoing phase 3 program.

Financial risk: Galapagos has over \$1B in cash and a milestone stream (clinical, regulatory, and commercial) in excess of \$2B. Hence, given its secure financial position we do not expect Galapagos to access the financial markets over the near- to intermediate-term.

Regulatory risk: There is no assurance in drug development that either the FDA or the CHMP will approve a novel therapeutic.

Commercial risk: While Galapagos is partnered with Gilead for its JAK1 program in RA and IBD and with Abbvie for its CF program, both these disease segments are exceptionally competitive. In RA, there at least seven other blockbusters and physicians decision to embrace a new therapeutic with a novel mode of action may take time to play out and negatively impact our market share assumptions. Additionally, in CF, GLPG/ABBV are pursuing a risky development strategy, which may or may not bear commercial fruits.

Reimbursement risk: With terms like "financial toxicity" because of the high cost of cancer and rare disease therapies entering mainstream conversation, future pricing strategies will be closely monitored and could be weighed against clinical benefit. Importantly, the recent decision by ESRX to exclude GILD's hepatitis-C therapies in favor of a competitor, driven solely by pricing considerations, are likely to have long term implications on pricing and profitability assumptions for the biotechnology sector.

Balance Sheet	Estimates											
	Mar '16	Jun '16	Sep '16	Dec '16	Mar '17	Jun '17	Sep '17	Dec '17	FY '18	FY '19	FY '20	
Assets												
Cash & Short-Term Investments	356	987	967	950	867	802	833	817	903	920	1,215	1,532
Cash Only	347	987	967	950	867							
Total Short Term Investments	8	0	0									
Short-Term Receivables	13	15	18	18	20	20						
Accounts Receivables, Net	1	6	7	9	9	10	12	35	59	120	145	220
Other Receivables	12	9	11	9	11	12						
Prepaid Expenses	0	--	--							35	45	25
Miscellaneous Current Assets	3	6	7	7	7	7	7	12	30		45	20
Total Current Assets	372	1,008	992	1,001	921	860	864	899	1,032	1,155	1,589	1,897
Net Property, Plant & Equipment	--	--	--									
Long-Term Note Receivable	14	14	15	16	17	18	18					
Total Assets	443	1,079	1,067	1,081	1,003	943	947	899	1,032	1,155	1,589	1,897
Liabilities & Shareholders' Equity												
ST Debt & Curr. Portion LT Debt	--	--	--									
Accounts Payable	0	0	0	0								
Other Current Liabilities	29	24	23	20	23	25	18	10	9	53	227	375
Miscellaneous Current Liabilities	40	78	87	95	95	80	80	95	120	210	135	165
Total Current Liabilities	72	105	112	115	118	107	100	107	131	249	361	515
Long-Term Debt	--	--	--									
Provision for Risks & Charges	0	0	0	0								
Deferred Tax Liabilities	3	3	3	3	3							
Other Liabilities	--	--	--	2	3							
Deferred Tax Liability-Untaxed Reserves	3	243	222	206	173	154	104	9	0	110	426	377
Other Liabilities (excl. Deferred Income)	--	--	--									
Deferred Income	3	243	222	205	173	200						
Total Liabilities	78	351	337	326	297	261	204	116	131	359	787	892
Non-Equity Reserves	--	--	--									
Preferred Stock (Carrying Value)	0	0	0									
Redeemable Preferred Stock	0	0	0									
Non-Redeemable Preferred Stock	0	0	0									
Preferred Stock issues for ESOP	--	--	--									
ESOP Guarantees - Preferred Stock	--	--	--									
Common Equity	365	729	730	728	729							
Common Stock Par/Carry Value	185	222	223	224	224	225	226	227	229	230	231	232
Additional Paid-In Capital/Capital Surplus	357	647	649	707	707	707	707	707	707	707	707	707
Retained Earnings	-177	-139	-141	-175	-224	-250	-190	-151	-19	-141	-135	66
Total Shareholders' Equity	365	729	730	755	706	682	743	783	917	796	803	1,005
Total Equity	365	729	730	755	706							
Total Liabilities & Shareholders' Equity	443	1,079	1,067	1,081	1,003	943	947	899	1,032	1,155	1,589	1,897

Galapagos NV												
Income Statement												
All figures in millions of Euro, except per share items												
	Estimates											
	Dec '15	Mar '16	Jun '16	Sep '16	Dec '16	Mar '17	Jun '17	Sep '17	Dec '17	FY '18	FY '19	FY '20
Sales+milestone	7.19	14.82	38.67	25.34	28.34	72.54	145.53	113.46	181.04	278.36	464.06	466.34
RA+crohn's+CF+etc											15.77	281.65
Gross Income	7.19	14.82	38.67	25.34	28.34	72.54	145.53	113.46	181.04	278.36	479.83	748.00
SG&A Expense	38.67	3.97	6.73	8.08	8.88	9.15	9.61	10.09	10.59	78.88	118.31	141.98
Depreciation & Amortization Expense	0.88	0.96	1.04	1.14	1.25	1.32	1.38	1.45	1.53	8.52	12.78	19.17
Research & Development	32.84	27.82	34.59	50.16	67.72	88.03	74.83	63.60	44.52	311.64	342.80	411.36
Net OPEX	78.22	33.18	42.36	59.38	77.86	98.50	85.82	75.14	56.64	399.03	473.89	572.50
EBIT (Operating Income)	-32.36	-18.36	-3.69	-34.04	-49.52	-25.96	59.71	38.32	124.40	-120.67	5.93	175.49
Pretax Income	-56.81	35.95	-3.69	-34.04	-49.52	-25.96	59.71	38.32	124.40	-120.67	5.93	175.49
Income Taxes	0.19	0.00	-0.02	-0.20	-0.30	-0.16	-0.36	-0.23	-7.46	-14.48	-0.71	-24.57
Net Income	-57.00	35.95	-3.67	-33.83	-49.22	-25.81	60.07	38.55	131.87	-106.19	6.65	200.06
Preferred Dividends	0.00	0.00	0.00	--								
Net Income available to Common	-57.00	35.95	-3.67	-33.83	-49.22	-25.81	60.07	38.55	131.87	-106.19	6.65	200.06
EPS (recurring)	-0.91	0.81	-0.08	-0.73	-1.06	-0.56	1.29	0.83	2.83	-2.26	0.14	4.17
EPS (diluted)	-1.46	0.79	-0.08	-0.73	-1.06	-0.56	1.29	0.83	2.83	-2.26	0.14	4.17
Basic Shares Outstanding	39.08	44.43	46.11	46.20	46.29	46.39	46.48	46.57	46.67	47.04	47.51	47.98
Diluted Shares Outstanding	39.08	45.84	46.11	46.20	46.29	46.39	46.48	46.57	46.67	47.04	47.51	47.98
EBITDA	-31.48	34.99	-11.19	-34.04	-49.52	-25.96	61.09	39.77	125.93	-112.15	18.71	194.66

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Debjit Chattopadhyay, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Galapagos NV in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

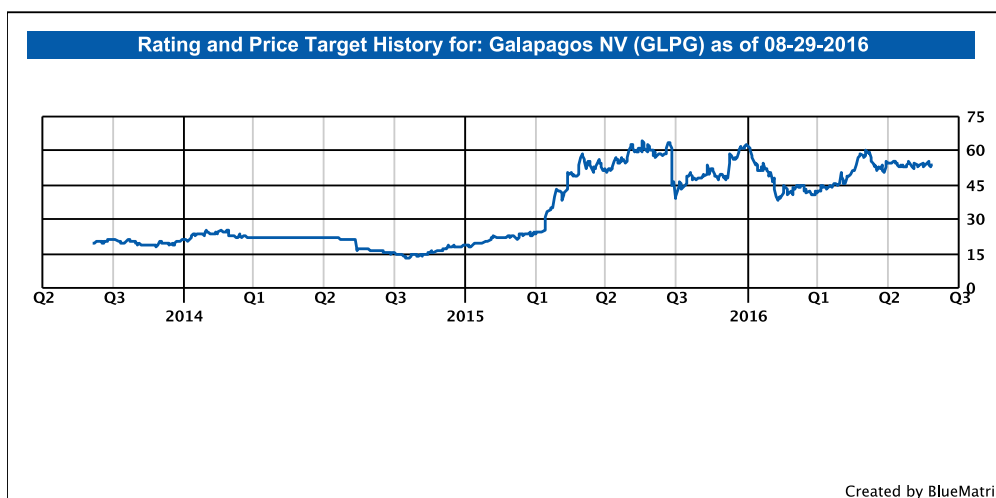
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 06/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	109	52.15	26	23.85
NEUTRAL [N]	98	46.89	11	11.22
SELL [S]	2	0.95	0	0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.