

Galapagos half year results in line with full year guidance

- Confirmation of full year guidance of more than €135 M in revenues, a positive operating income and cash flow, and a positive net result
- Group revenues increased to €49.9 M (+27%)
- Service operations external revenues growth of 24%
- Service operations profit of €3.2 M excluding exceptional costs
- Group net loss of €10.5 M
- Cash used in operations reduced to €4.2 M, (H109: €5.4 M)
- Cash position of €27.2 M on 30 June 2010
- New strategic alliances with Roche and Servier
- Advancement of two additional programs to the clinic, bringing total to five

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Mechelen, Belgium; 6 August 2010 – Galapagos NV (Euronext: GLPG) announces its half year results and reiterates guidance for the full year.

“We have made considerable progress toward our 2010 objectives,” said Galapagos CEO, Onno van de Stolpe. “However, timing of certain expected milestones impacted our interim financial results, and we expect to see revenues from these and additional milestones in the second half improve the full year results. Historically, also for our service division, the second half of the year is much stronger financially. Galapagos now has seven candidate drugs and more than 50 discovery programs, most of which bear milestones. We signed two new strategic alliances, with Roche for COPD, and with Servier for osteoarthritis. Furthermore, the Argenta acquisition has proven to be an excellent addition to our service operations. We are on track to achieve the goals we set for 2010, which will reinforce our top five position in European biotech.”

Guillaume Jetten, Galapagos' CFO added “Galapagos reported a solid financial performance in the first half, and with our controlled and flexible cost base, Galapagos is managing its financial risks well. Based on the order book for the service division and anticipated milestone payments in our pharma alliances in the second half year, both divisions are on track to deliver on their financial goals in 2010. Therefore, Galapagos confirms full year guidance for revenues of €135 M with positive operating income and cash flow, and a positive net result in 2010.”

Key figures half year 2010

(€ millions, except net loss per share)

	30 June 2010	Pro forma 30 June 2009	As reported 30 June 2009
Revenues	49.9	39.4	37.7
Services cost of sales	-16.6	-10.3	-10.3
Gross profit	33.3	29.1	27.3
Other income	-	-	0.5
R&D expenditure	-33.1	-25.8	-25.8
General & administrative	-10.3	-9.9	-9.9
Sales & marketing	-1.4	-1.1	-1.1
Restructuring & integration costs	-0.4	-	-
Operating loss	-11.9	-7.7	-8.9
Net loss for the period	-10.5	-7.3	-7.3
Basic loss per share (€)	-0.45	-0.34	-0.34
Cash and cash equivalents	27.2	18.7	18.7

Notes:

- Galapagos receives R&D incentive payments in various jurisdictions and from various government institutions, which are presented as "other income" since December 2009. For better comparison, pro forma figures for 30 June 2009 have been presented, reflecting this change.
- On 2 February 2010 Galapagos completed the acquisition of Argenta Discovery 2009 Ltd. ('Argenta'), and the results of that company have been integrated into the half year 2010 financial reporting.

Operational overview

R&D division

Five programs in clinical development

Galapagos completed the Phase I clinical trials for GLPG0259, its first-in-class rheumatoid arthritis (RA) candidate drug. GLPG0259 showed good safety and tolerability as well as the desired drug profile to support once-daily oral dosing. We remain on track to start a Phase IIa study in the third quarter of 2010 to assess the efficacy of this novel candidate drug for RA patients. An interim readout of this Phase IIa study is expected in the second quarter of 2011. This is the first candidate drug based on Galapagos' technology to have completed a Phase I study. The candidate is based on the Galapagos target protein kinase MAPKAPK5, which had not been previously associated with RA; Galapagos discovered that MAPKAPK5 plays a key role in inflammation and in the breakdown of collagen in human joints. The candidate drug GLPG0259 demonstrated bone protection and reduced inflammation in a standard RA animal model. GLPG0259 is part of the option agreement with Janssen Pharmaceutica. Upon successful completion of a dose finding Phase II clinical trial for GLPG0259, Janssen has the exclusive option to license the program for €60 M, with further potential milestones to Galapagos of €776 M and double-digit royalties on global sales.

Galapagos also concluded a first-in-human study with metastasis candidate drug GLPG0187, showing good safety and a relevant biomarker response. This candidate drug could offer a new therapeutic approach for cancer patients. It has a highly competitive therapeutic profile compared to currently available agents to treat metastasis. GLPG0187 blocks five integrin receptors known to

be present in many metastatic cancers. In animal studies, oral administration of GLPG0187 inhibits multiple processes involved in the spread and growth of tumors. The Company is on track to initiate a Phase Ib clinical study, including cancer patients, later this year.

Nanocort[®] is undergoing a Phase II study for flares in multiple sclerosis; an interim readout is expected by the end of 2010. The first novel-mode-of action candidate drug from the arthritis alliance with GlaxoSmithKline, GLPG0555, completed a Phase I study and preparations are underway to begin Phase I trials for one more candidate drug in the alliance. Furthermore, cachexia candidate drug GLPG0492 entered Phase I studies, marking the Company's fifth clinical development program.

Moving discovery programs forward, new alliances signed

In addition to its programs in development, Galapagos has research ongoing in over 50 discovery programs across its eight alliances and proprietary programs in orphan and other disease areas.

To date, Galapagos has announced more than €120 M in payments from these pharma alliance partners, demonstrating Galapagos' ability to offset the costs of its own discovery and development programs.

In the first half of the year, Galapagos announced an alliance with Roche for small molecule and antibody therapies based on novel modes of action in COPD; in May this alliance was expanded to include four additional antibody targets. Galapagos also signed an alliance with Servier in osteoarthritis, with Galapagos retaining US commercial rights. Through its eight risk/reward sharing alliances with pharma companies, Galapagos is eligible to receive in excess of €3.3 billion in success-dependent milestone payments plus royalties on the worldwide sales of medicines that may result from these programs.

Strategy to deliver breakthrough medicines to patients with orphan diseases

The lack of novel drugs for orphan diseases presents significant opportunities for a company capable of delivering new mode-of-action therapies. Over the past years, Galapagos has established a strong franchise in orphan diseases. Galapagos has made a strategic decision to pursue cystic fibrosis (CF) as the first orphan disease in which the Company will discover, develop and register its own medicines. This decision is based on the successful collaboration with the CF Foundation, through which Galapagos identified the first ever disease-modifying targets for CF. With this strategy, Galapagos expects to benefit from the accelerated approval procedures and exclusive commercial rights granted to developers of orphan drugs through US and European regulatory agencies, to ultimately provide real medical benefit to this sizeable population of patients.

Service operations

Through the acquisition of Argenta Discovery's service operations in February, Galapagos grew its service operations substantially in 2010. Combined, BioFocus and Argenta showed total revenues of €30.3 M and an external growth of 24%. BioFocus signed new deals with CHDI, the TB Alliance and the University of Bristol, extended its compound management agreement with the U.S. National Institute of Health, and announced achievement of a milestone in its collaboration with Ortho Biotech. Argenta delivered according to expectations following the smooth integration into the Company. With both Argenta and BioFocus in its service division, Galapagos will capitalize on the capability for long-term, integrated service agreements.

Corporate developments

On the corporate level, Crucell CEO Ronald Brus joined the Board of Directors at the AGM in April 2010, thereby replacing Rudi Pauwels, who resigned earlier in the year. In June, Garth Rapeport resigned from the Supervisory Board after the acquisition of his company Respivert by Johnson and Johnson. The Company created two new warrant plans in April - under which, after acceptances, a total of 506,500 warrants were issued for the benefit of employees and 195,040 for the members of the Board. As a result of warrant exercises in April and June, a total of 279,218 new shares were issued and the Company's share capital increased by €2,407,297 (including issuance premium), bringing the total number of shares outstanding per 30 June 2010 to 23,890,038. Galapagos also announced the successful private placement of 1.3 M shares held by Apax Partners France, a venture capital investor since 2003, with European institutional investors in June.

Details of the financial results

Note:

- *Galapagos receives R&D incentive payments in various jurisdictions and from various government institutions, which are presented as other income since December 2009. For better comparison, pro forma figures for 30 June 2009 have been presented, reflecting this change.*

Revenues

Galapagos' revenues for the first half of 2010 amounted to €49.9 M compared to €39.4 M on a pro forma basis in the same period of 2009. The R&D division is on track to full year guidance with revenues of €27.4 M (including €1.2 M intersegment sales), compared to €20.4 M in the same period last year (+28% on external revenues). The service division reported total revenues of €30.3 M, including €6.0 M in intersegment revenues. External revenues for the service division grew by 24% as compared to the same period last year.

Results

The net loss for the first half-year of 2010 was €10.5 M, compared to the loss of €7.3 M on a pro forma basis for the first six months of 2009.

The R&D division reported a segment loss of €11.5 M, compared to €8.7 M the first six months of 2009, on a pro forma basis. R&D expenses for the Group in the first half-year of 2010 were €33.1 M compared to €25.8 M in the same period of 2009. This planned expansion was due to the broader portfolio of research programs across a larger number of alliances, as well as increased costs of later stage clinical programs. The increased R&D expenses also reflect expenditures incurred for a number of potential success-based payments which are anticipated in the second half of 2010.

The segment profit for the services division over the first six months of the year was €1.6 M, or €3.2 M excluding exceptional integration and restructuring costs (€0.4 M) plus ongoing intangible fixed asset depreciation costs of Argenta (€1.2 M for the period to 30 June 2010). Gross margins of the running business of the service operations were 38%, compared to 41% in the first half of last year.

General and administrative expenses for the Group were €10.3 M in the first half of 2010, compared to €9.9 M in the first six months of 2009. The general and administrative expenses decreased to 21% of first half 2010 revenues (from 25% in 2009), reflecting continued focus on cost control within the Group.

Cash flow and cash position

A net decrease of €20.2 M in cash and cash equivalents was recorded during the first half of 2010, compared to a decrease of €8.6 M in the same period last year. This difference is mainly due to the acquisition of Argenta for which Galapagos paid €16.8 M. The net cash flow used in operations was limited to €4.2 M, as compared to €5.4 M during the same period in 2009, despite the planned increase spending in R&D relative to last year. Galapagos' cash and cash equivalents amounted to €27.2 M on 30 June 2010.

Outlook 2010

In previous years, Galapagos has shown a consistent performance of delivering about one-third of revenues in the first half of the year and about two-thirds in the remainder. The Company reiterates full-year 2010 guidance figures: revenues of more than €135 M, a 27% increase compared to consolidated revenues of 2009; a positive operational result and cash flow and a positive net result.

The Company continues to advance toward achievement of its strategic objectives for 2010:

- Six programs in clinical trials before year end, including GLPG0259 in Phase II
- Deliver four pre-clinical candidates
- Advance alliances according to plan
- Capitalize on the Argenta acquisition
- Further leverage the target discovery platform
- Achieve the financial guidance given for full year 2010

Interim Report 2010

The electronic version of Galapagos' Interim Report for half year 2010 is now available online at www.glpq.com/investor/financial_reports.htm. Printed versions of the report can be requested by e-mailing ir@glpg.com.

Conference call and webcast presentation

Galapagos will conduct a conference call open to the public today at 10.00 Central European Time (CET), which will also be webcast. To participate in the conference call, please call +32 2290 1791, ten minutes prior to commencement. A question and answer session will follow the presentation of the results. [Click here](#) to access the live audio webcast. The archived webcast also will be available for replay shortly after the close of the call.

Financial calendar 2010

3Q10 interim update	12 November 2010
Full year results 2010	4 March 2011
Annual shareholders meeting	26 April 2011

About Galapagos

[Galapagos](#) (Euronext: GLPG; OTC: GLPYY) is a mid-size biotechnology company specialized in the discovery and development of small molecule and antibody therapies with novel modes-of-action. The Company is progressing one of the largest pipelines in biotech, with four clinical and over 50 small molecule discovery/pre-clinical programs. Through risk/reward-sharing alliances with GlaxoSmithKline, Eli Lilly, Janssen Pharmaceutica, Merck & Co., Roche and Servier, Galapagos is

eligible to receive €3.3 billion in downstream milestones, plus royalties. Together with its BioFocus and Argenta service operations, Galapagos has over 680 employees and operates facilities in six countries, with global headquarters in Mechelen, Belgium. More info at: www.glp.com

CONTACT

Galapagos NV
Onno van de Stolpe, CEO

Elizabeth Goodwin, Director Investor Relations
Tel: +31 6 2291 6240
ir@glpg.com

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