

Press release

8 August 2007

Sharp revenue increase and strong progress in research programs for Galapagos in the first half-year 2007

- Revenues increase 140% to €26.3 M
- R&D programs accelerate toward the clinic on R&D investment of €15.7 M
- Expansion of turn-key osteoarthritis alliance with GSK
- Integration of sites and rationalization of operations to reduce fixed costs
- Group net loss of €16.7 M includes €2.7 M restructuring and other one-off costs
- Cash position of €37.1 M on 30 June 2007
- Expected milestone payments from all alliances now exceed €300 M

Webcast audio conference presentation 9.30 CET today at www.glp.com

Mechelen, Belgium; 8 August 2007 – Galapagos NV (Euronext & LSE: GLPG), an integrated drug discovery company, announces its half year results and reiterates guidance for the second half of 2007.

Galapagos' operational and strategic highlights for first half of 2007 include:

- Drug Discovery division reached striking results in its proprietary therapeutic programs; new and strong data in animal tests in the arthritis programs bode well for initiating phase I clinical studies in 2008
- Rodent studies showed that the SARM¹ and OARA² compounds against osteoporosis increase bone strength to a higher level than bisphosphonates, the drugs currently marketed for treatment of osteoporosis
- In the alliance with GlaxoSmithKline in osteoarthritis, Galapagos achieved three milestones and expanded the alliance to include drug discovery programs based on GSK targets. GSK also made an equity investment of €4.4 M in Galapagos
- The BioFocus DPI service division almost doubled its revenues to €22.5 M, representing an overall growth of 95% and an organic growth of 12% compared to the first six months of 2006. A high level of fixed costs has led to a loss for the division of €2.6 M. Synergies and savings will become apparent as our cost saving measures take effect throughout the rest of 2007 and 2008
- Headcount increased to 460 people, including 177 PhD's

Key figures half year 2007

(€ millions, except net loss per share)

Note: The drug discovery operations of Discovery Partners International Inc were acquired 5 July 2006. Inpharmatica Ltd was acquired on 5 December 2006, and ProSkelia SASU on 22 December 2006.

¹ Selective androgen receptor modulator

² Osteoclast adhesion receptor antagonist

	June 30, 2007	June 30, 2006
Revenues³	26.3	11.0
Cost of sales	-14.8	-5.8
Gross profit³	11.5	5.2
R&D expenditure	-15.7	-4.0
General & administrative	-11.7	-5.3
Sales & marketing	-1.1	-1.0
Integration costs	-0.2	-0.1
Finance costs/income	-	-0.3
Taxes and others	0.5	-
Net loss for the period	-16.7	-5.5
Basic and diluted loss per share (€)	-0.72	-0.42
Cash and cash equivalents	37.1	20.0

“Galapagos has strongly accelerated its R&D activities, in line with our strategy to deliver a clinical portfolio in bone & joint disease next year. Not only have we advanced our own programs as planned, but we also have delivered on milestone-bearing alliances with our R&D partners and expanded our turnkey alliance with GSK,” stated Onno van de Stolpe, CEO of Galapagos. “Following the acquisitions last year, BioFocus DPI will be optimizing performance further as it also grows revenues. We expect that the powerful service division we created last year will be capable of generating significant cash flows in future years, thereby reducing the Company’s need for external funding for internal drug discovery programs.”

“Increases in service division revenues and milestone payments led to growth in Group revenues of 140% in the first half of 2007,” said Leo Steenberg, Galapagos’ CFO. “We remain on track to deliver full year revenue growth in line with our guidance, and we will consolidate further the operations acquired last year, reducing our cost base going forward.”

Operational overview

Acceleration of therapeutic programs

Drug Discovery is showing exciting results and the programs are progressing toward the clinic across all three therapeutic areas. The division delivered a total of €4.6 M in milestone revenues in the first half of 2007. Lead compounds in the rheumatoid arthritis program show significant disease-modifying properties in the industry gold standard animal model, including protection against bone loss and reduction in joint swelling. In the osteoarthritis program, Proof of Principle was demonstrated in an animal model through an increase in cartilage and bone. In the anti-catabolic approach for osteoarthritis, the proprietary lead compounds show prevention of cartilage degradation. In the osteoporosis programs, Galapagos announced in June that Wyeth licensed three proprietary bone anabolic drug targets from the 2003 research agreement, resulting in a €1.05 M milestone payment. In rodent studies the SARM and OARA compounds against osteoporosis show an increase in bone strength to higher levels than bisphosphonates, the drugs currently marketed for treatment of osteoporosis. The strong results in all three core

³ Includes “Other Income”

bone & joint disease programs encourage the Company to retain its focus of bringing proprietary drugs towards and into the clinic. With the help of Clinquest Inc., acting Chief Medical Officer Cees Wortel is building the clinical infrastructure necessary to initiate phase I studies in Galapagos' bone & joint programs in 2008.

Estrogen glucoside

Given the success and quality of the internal drug discovery programs, the Company has decided to focus all of its internal resources on these programs and only pursue the estrogen glucoside program in the event a commercial partner is found. Galapagos obtained a license option for estrogen glucoside through the acquisition of ProSkelia in December 2006. Preliminary discussions have been initiated with several parties interested in this program.

Expansion of Galapagos' alliance with GSK in osteoarthritis

In June 2006, Galapagos and GlaxoSmithKline entered into a broad alliance to discover and develop novel drugs in osteoarthritis. In this multi-year, multi-program alliance, Galapagos is developing molecules based on proprietary targets and taking these through to clinical Proof of Concept (Phase IIA), with the option for GSK to further develop and market the resulting drugs. Three milestones have been achieved in the first half of 2007, resulting in payments of €3.6 M from GSK. In June 2007, the scope of the alliance was expanded to include up to two drug discovery programs on selected GSK drug targets. Under the expanded agreement, Galapagos could obtain up to €186 M in total milestones and up to double digit royalties on worldwide sales of two marketed products. With this alliance expansion, the total downstream milestones of all alliances could result in payments to Galapagos in excess of €300 M.

Growth and performance of the service division

BioFocus DPI showed a year-on-year growth of 95% compared to the first six months of 2006, which was due for a large part to the acquisition of the activities of Discovery Partners International and Inpharmatica in 2006. These acquisitions expanded the products and services of BioFocus DPI, propelling the service division into a top tier position in drug discovery worldwide. BioFocus DPI achieved an organic growth of 12% in the first half of 2007, slightly below the Company's target growth for full year 2007 of 15%. BioFocus DPI announced deals with existing partners such as Amgen, AstraZeneca, Ono Pharmaceuticals, Johnson & Johnson and Cancer Research Technology, as well as with new customers such as the US Environmental Protection Agency and the University of Bristol and University of Rochester. BioFocus DPI also announced a milestone payment for progress in the target discovery collaboration with Boehringer Ingelheim.

The segment loss for BioFocus DPI over the first six months of the year was €2.6 M. Synergies and savings will become apparent as cost saving measures work through the rest of 2007 and 2008. This should lead to a well integrated, efficient and cost effective service organization. The target discovery operations were relocated to state-of-the-art facilities in Leiden. The efficiency and profitability of the high-throughput screening and natural products businesses will improve by merging the Heidelberg operations into the Basel operations later this year. Additionally, in November the activities in Cambridge (UK) will be relocated to BioFocus DPI headquarters in Saffron Walden, facilitating easy interaction between the medicinal chemistry and ADMET teams. Galapagos expects that these initiatives will generate cost savings, towards profitability of BioFocus DPI in the years to come.

Details of the financial results

Revenue

Galapagos' revenues for the first half of 2007 amounted to €25.0 M compared to €10.2 M recorded in the same period of 2006. Total revenues including other income amounted to €26.3 M compared to €11.0 M in the first half of 2006. This growth is attributable to organic growth of BioFocus DPI as well as the acquisitions of the Discovery Partners International operations in July 2006, and of Inpharmatica and ProSkelia in December 2006. The revenues from acquired operations are fully reflected in the first half of 2007, but not in the consolidated results of the first half of 2006.

Results

The net loss for the first half-year of 2007 was €16.7 M, including restructuring and other one-off costs of €2.7 M, compared to the loss of €5.5 M for the first six months of 2006.

Total research and development expenses in the first half-year of 2007 were €15.7 M compared to €4.0 M in the same period of 2006.

General and administrative expenses were €11.7 M in the first half of 2007, including €2.7 M restructuring and other one-off costs, compared to €5.3 M in the first six months of 2006. Again, this is directly attributable to the acquisitions in 2006 and therefore is fully reflected in the first half of 2007, but not in the consolidated results of the first half of 2006. Excluding restructuring and other one-off costs, the Company has reduced G&A to 34% of total revenues, as compared to 49% in 1H 2006.

Cash flow and cash position

A net decrease of €14.5 M in cash and cash equivalents was recorded during the first half of 2007. The cash used in operations was €19.3 M, as compared to €1.5 M during the same period in 2006; this is a result of the planned increase in r&d costs, the BioFocus DPI segment result, and restructuring and other one-off costs. Proceeds of the capital increase related to the GSK alliance amounted to €4.4 M. Galapagos' cash and cash equivalents amounted to €37.1 M on 30 June 2007.

Outlook 2007

Based on the visibility in revenue streams, the Company reiterates its full-year 2007 revenue guidance of €54 to €58 million, a 150 - 165% increase in annual consolidated sales of 2006. Furthermore, the Company maintains guidance for R&D expenditure of €33 million and, based on the contracts in the pipeline, a maximum cash burn of €20 million, expecting to result in a 2007 year end cash position exceeding €31 million.

The Company continues to move forward on the strategic objectives for 2007:

- Delivery of pre-clinical candidates in RA and OP
- Continued growth of the BioFocus DPI service division
- Increased revenues from milestone payments to offset r&d costs
- Partnering our r&d programs with big pharma for long term value creation

Interim Report 2007

The electronic version of Galapagos' Interim Report for half year 2007 is now available online at www.glp.com/investor/financial_reports.htm. Printed versions of the report can be requested by e-mailing ir@glp.com.

Conference call and webcast presentation

Galapagos will conduct a conference call open to the public today at 09.30 Central European Time (CET), which will also be webcast. To participate in the conference call, please call +32 2290 1608 ten minutes prior to commencement. A question and answer session will follow the presentation of the results. The live audio webcast can be accessed via Galapagos' website at www.glpj.com. The archived webcast also will be available for replay shortly after the close of the call.

About Galapagos

Galapagos (Euronext Brussels, GLPG; Euronext Amsterdam, GLPGA; London AiM: GLPG) is a drug discovery company with pre-clinical programs in bone and joint diseases and cachexia. Its division BioFocus DPI offers a full suite of target-to-drug discovery products and services to pharmaceutical and biotech companies, encompassing target discovery and validation, screening and drug discovery through to delivery of pre-clinical candidates. BioFocus DPI also provides adenoviral reagents for rapid identification and validation of novel drug targets, compound libraries for drug screening as well as chemogenomics and ADMET database products to select targets and compounds. Galapagos currently employs 460 people and operates facilities in seven countries, with global headquarters in Mechelen, Belgium. More information about Galapagos and BioFocus DPI can be found at www.glpj.com and www.biofocusdpi.com.

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