

Galapagos reports revenue growth and improved net result in 1H 2009

- Revenues increased to €37.7 M (from €31.6 M on pro forma basis, +19%)
- Net loss reduced to €7.3 M (from €7.9 M, -7 %)
- Cash burn reduced to €8.6 M (from €21.9 M, -61%)
- BioFocus DPI external revenues growth of 11%
- BioFocus DPI operating profit of €3.4 M (from loss of €1.2 M)
- Cash position of €18.7 M on 30 June 2009
- Confirmation guidance of €100 M full year revenues and €20 M year end cash position
- Positive results of clinical Phase I study with GLPG0259 in rheumatoid arthritis
- Ongoing clinical Phase I study with GLPG0187 in bone metastasis
- Announced two alliances with Merck & Co. for a potential value of €490 M plus royalties
- Achieved milestones in all three bone & joint alliances

[Click here](#) to access the live audio webcast presentation at 11.00 CET, call number +32.2290.1791

Mechelen, Belgium; 7 August 2009 – Galapagos NV (Euronext: GLPG) announces its half year results and reiterates guidance for the full year.

“Galapagos has met all its objectives in the first six months of 2009,” said Galapagos CEO, Onno van de Stolpe. “Galapagos now has three candidate drugs in clinical development, three pre-clinical programs, which will enter human trials in 2010, and a broad portfolio of discovery programs moving toward the clinic. The rheumatoid arthritis compound GLPG0259, our first program based on a proprietary Galapagos target, has demonstrated a good safety and pharmacokinetic profile in a Phase I study, supporting once-daily oral dosing. We have an ongoing Phase I study with bone metastasis compound GLPG0187, for which we will report the outcome within the next couple of months. We continue to achieve successes across our alliances, allowing us to advance one of the largest R&D portfolios in European biotech.”

“The Company continues to grow its business and meet its operational objectives from a well-controlled cost base. The improved contribution of BioFocus DPI, combined with achievement of milestones in the alliance programs, have helped to reduce substantially the Company’s cash burn and net loss in the first half of 2009,” noted Guillaume Jetten, Chief Financial Officer. “With both divisions set to continue their performance in the second half, Galapagos retains full year guidance for revenues of €100 M and a year end cash position of €20 M.”

Key figures half year 2009

Note: In November 2008 Galapagos sold BioFocus DPI's San Diego operations. For better comparison, pro forma figures for June 30, 2008 have been presented based on continuing business streams.

(€ millions, except net loss per share)

	June 30, 2009	Pro forma ¹ June 30, 2008	As reported June 30, 2008
Revenues	37.7	31.6	33.6
Cost of sales	-10.3	-12.2	-14.2
Gross profit	27.3	19.4	19.4
Other income	0.5	0.3	0.3
R&D expenditure	-25.8	-18.0	-18.0
General & administrative	-9.9	-9.3	-10.0
Sales & marketing	-1.1	-1.4	-1.4
Integration costs	-	-0.1	-0.1
Operating loss	-8.9	-9.1	-9.8
Finance costs/income	0.3	0.6	-
Taxes and other	1.3	0.6	0.4
Net loss for the period	-7.3	-7.9	-9.4
Basic and diluted loss per share (€)	-0.34	-0.37	-0.44
Cash and cash equivalents	18.7	27.4	27.4

Operational overview

R&D division

In March 2009, Galapagos initiated Phase I clinical development of its novel mechanism of action, first-in-class candidate drug GLPG0259 for rheumatoid arthritis (RA), the first small molecule from Galapagos' target discovery platform to enter the clinic. In the single ascending and multiple dose studies completed thus far, GLPG0259 demonstrated good safety and an excellent pharmacokinetic profile, supporting once-daily oral dosing. A multiple ascending dose trial will be initiated in the third quarter. GLPG0259 is a compound in Galapagos' internal RA program, which falls under 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 up to double-digit royalties on global sales. In its other alliance programs with Janssen Pharmaceutica, Galapagos achieved milestones worth €3.4 M in the first half of the year.

In June 2009, Galapagos initiated a first-in-human trial for its integrin receptor antagonist (IRA), GLPG0187. Pre-clinical studies demonstrated that GLPG0187 affects several steps in cancer disease progression and could therefore offer a promising new therapeutic approach for treating bone metastasis. Based on these studies, Galapagos was granted permission to evaluate this compound's safety, tolerability and pharmacokinetic properties in healthy volunteers. Galapagos' GLPG0187 program is funded by the Company.

In its Nanocort[®] program, Galapagos is preparing for Phase II studies to evaluate the effectiveness of this therapeutic in treating inflammatory diseases. This includes production of clinical batches of the product, trial design, and preparation of the regulatory filings. The Phase

¹ Excludes BioFocus DPI's San Diego operations

I/II trial for Nanocort demonstrated safety as well as faster and more pronounced decrease in rheumatoid arthritis symptoms as compared to a standard steroid treatment. Based on these findings, a Phase II trial will be initiated in the fourth quarter to evaluate Nanocort's efficacy in multiple sclerosis, an autoimmune disease affecting the central nervous system. In addition a Phase II study designed to evaluate Nanocort's effectiveness in targeting inflamed joints is being scheduled. The Nanocort program is funded by the Company.

Galapagos has also moved three programs into pre-clinical development in the first half of 2009. Two of these are part of the osteoarthritis alliance with GlaxoSmithKline. The first pre-clinical candidate of this alliance is on track to start Phase I testing by the end of 2009. The second candidate nomination was achieved in the first half of 2009. The third pre-clinical program is the SARM (selective androgen receptor modulator) candidate drug which is being developed for the treatment of cachexia (loss of weight and muscle mass). At the start of 2009, Galapagos announced the remarkable success of this program to produce a novel compound that overcame the limited bioavailability reported at the beginning of 2008. The SARM program is funded by the Company.

In addition to its clinical and pre-clinical programs, Galapagos is advancing more than 40 discovery programs across its arthritis, osteoporosis, and infectious diseases alliances. On top of the milestones received in the arthritis alliances, Galapagos received a €2.5 M payment from Eli Lilly for advancing one of the programs in the osteoporosis alliance to the next stage of drug discovery. Furthermore, Galapagos has initiated an Alzheimer's drug discovery program based on the novel Alzheimer's target described earlier this year in the journal *Science*², with the aim to deliver a candidate drug to treat Alzheimer's disease.

In the first half of the year, Galapagos announced alliances with Merck & Co. in diabetes and obesity and in inflammatory diseases. The Company also expanded its anti-infectives alliance with GSK. Through its six risk/reward sharing alliances with big pharma, Galapagos is eligible to receive in excess of €2.2 billion in success-dependent milestone payments plus up to double-digit royalties on the worldwide sales of medicines that result from these programs. In the first half of 2009, Galapagos achieved €11.1 M in milestone payments in its alliances, for a total since 2006 of more than €77 M in payments to date.

BioFocus DPI service division

BioFocus DPI had a solid first half year, with external sales growth of 11% and the best financial performance in its history. The unit showed resiliency in a tough economic climate; while the chemistry division again reported a strong performance, much of the growth was driven by the biology division. BioFocus DPI signed deals with partners such as Lilly, Medicines for Malaria Venture and Opsona Therapeutics.

Corporate developments

In June 2009, Geoff McMillan and Laurent Ganem stepped down as Board Members and Werner Cautreels, CEO of Solvay Pharmaceuticals, joined the Board as an independent member. In June the Company also announced the resignation of CFO Leo Steenbergen, and the appointment of Guillaume Jetten as his replacement as per 1 July 2009. Galapagos received the Innovative Enterprise qualification in France, opening up the Galapagos investment opportunity to a new category of French investors.

² Full reference: Thathiah, A., Spittaels, K., Hoffmann, M., Staes, M., Cohen, A., Horr , K., Vanbrabant, M., Coun, F., Baekelandt, V., Delecourte, A., Fischer, D.F., Pollet, D., De Strooper, B., and Merchiers, P. The orphan G protein-coupled receptor 3 modulates amyloid-beta peptide generation in neurons. *Science* **323** (2009), 946-951.

Details of the financial results

Note: All comparisons are relative to pro forma figures for June 30, 2008 which exclude BioFocus DPI's San Diego operations.

Revenues

Galapagos' revenues for the first half of 2009 amounted to €37.7 M compared to €31.6 M on a pro forma basis in the same period of 2008. The R&D division is on track with revenues of €18.0 M compared to €14.2 M in the same period last year (+27%). BioFocus DPI reported total revenues of €26.1 M, including €6.4 M in inter-company revenues. BioFocus DPI external revenues grew by 11% as compared to the same period last year.

Results

The net loss for the first half-year of 2009 was €7.3 M, compared to the loss of €7.9 M on a pro forma basis for the first six months of 2008. The R&D division reported a segment loss of €9.9 M, compared to €5.8 M the first six months of 2008. The segment profit for BioFocus DPI over the first six months of the year was €3.4 M, compared to a €1.2 M segment loss in the same period last year, on a pro forma basis. This improvement is the result of higher margins and further payback of earlier restructuring efforts, and is in line with management expectations. Visibility in the pipeline and the improved margins give management confidence that BioFocus DPI remains on track to deliver improved revenues, profit, and cash generation for the full year.

R&D expenses for the group in the first half year of 2009 were €25.8 M compared to €18.0 M in the same period of 2008. This planned increase was due to the broader portfolio of research programs and increased costs of later stage clinical programs.

General and administrative expenses for the group were €9.9 M in the first half of 2009, compared to the €9.3 M in the first six months of 2008. The general and administrative expenses decreased as a percentage of revenues from 29% in 2008 to 26% in 2009.

Cash flow and cash position

A net decrease of €8.6 M in cash and cash equivalents was recorded during the first half of 2009, compared to a decrease of €21.9 M in the same period last year. The net cash flow used in operating activities was €5.4 M, as compared to €17.7 M during the same period in 2008; this decrease is due to a larger tax refund received from the French government for research investments, an additional non-cash provision for share-based compensation, as well as differences in timing between revenue recognition and cash received in the two periods. Galapagos' cash and cash equivalents amounted to €18.7 M on 30 June 2009.

Outlook 2009

The Company reiterates full-year 2009 guidance figures: revenues of €100 M, a 30% increase in annual consolidated sales of 2008; R&D revenues of approximately €60 M; an improved cash contribution from BioFocus DPI and, based on the contracts in the pipeline and anticipated R&D payments, a maximum cash burn of €7 M, resulting in a year end cash position of €20 M.

The Company continues to advance toward achievement of its strategic objectives for 2009:

- Completion Phase Ia, initiation of Phase Ib for GLPG0259 first-in-class molecule
- Completion Phase Ia for GLPG0187 bone metastasis molecule
- Initiation Phase II trial for Nanocort
- Finalization of pre-clinical testing for SARM & osteoarthritis candidates
- Increased revenues, profit, and cash flow from the BioFocus DPI service division
- Further capitalize on target discovery platform

Interim Report 2009

The electronic version of Galapagos' Interim Report for half year 2009 is now available online at www.glpj.com/investor/financial_reports.htm. Printed versions of the report can be requested by e-mailing ir@glpj.com.

Conference call and webcast presentation

Galapagos will conduct a conference call open to the public today at 11.00 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 2009

3Q09 interim update	13 November 2009
Annual results 2009	5 March 2010
Annual shareholders meeting	27 April 2010

About Galapagos

[Galapagos](#) (Euronext: GLPG; OTC: GLPYY) is a drug discovery and development company with small molecule programs in bone and joint diseases, bone metastasis, cachexia, anti-infectives and metabolic diseases. It has established risk sharing alliances with GSK, Janssen Pharmaceutica, Eli Lilly and Merck and Co. Through an alliance with MorphoSys, Galapagos is also developing new antibody therapies in bone and joint diseases. Its division BioFocus DPI offers a full suite of target-to-drug discovery products and services to pharmaceutical and biotech companies and to patient foundations, encompassing target discovery and validation, screening and drug discovery through to delivery of pre-clinical candidates. Galapagos currently employs 495 people and operates facilities in six countries, with global headquarters in Mechelen, Belgium. More info at: www.glpj.com.

CONTACT

Galapagos NV
Onno van de Stolpe, CEO
Tel: +31 6 2909 8028
ir@glpj.com

This release may contain forward-looking statements, including, without limitation, statements containing the words "believes," "anticipates," "expects," "intends," "plans," "seeks," "estimates," "may," "will," "could," "stands to," and "continues," as well as similar expressions. Such forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause the actual results, financial condition, performance or achievements of Galapagos, or industry results, to be materially different from any historic or future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements. 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, unless required by law or regulation.