

Galapagos reports record revenues and net profit for 2009, foresees sustained profitability

- **Total revenues of €106 M (+34%)**
- **Group net profit of €3 M**
- **R&D revenues of €63.8 M (+76%), driven by alliances**
- **BioFocus recurrent segment profit of €7.9 M (+174%)**
- **Cash position of €47.4 M at year-end**
- **Four programs moved into clinical development**
- **2010 guidance: profitability and positive cash-flow, revenues more than €135 million**

[Click here](#) to access the live audio webcast presentation at 10.00 CET,
call number +32 2290 1791

Mechelen, Belgium; 5 March 2010 – Galapagos NV (Euronext: GLPG) presents financial results for the full year 2009 and highlights the successful execution of its business and R&D strategy.

Galapagos surpassed its financial goals in 2009. Group revenues for the full year 2009 were €106.0 million, or a 34% growth compared to 2008 on a pro forma restated basis¹. The R&D division delivered record revenues of €63.8 million, an increase of 76% over 2008. The service division reported external sales of €43.1 million, or an organic growth of 13% compared to 2008 on a pro forma restated basis,¹ and a segment result of €7.9 million, more than double the 2008 segment result of €2.9 million. Substantially increased alliance payments, combined with service division profits, led the Group to achieve an operating profit of €1.7 million, a positive swing of €10 million when compared to 2008. This operating profit, together with recognition of deferred tax assets from the UK operations, resulted in a net profit of €3.0 million for the Group, €15.2 million above the 2008 results. Galapagos concluded 2009 with €47.4 million in cash, €9.4 million higher than guidance.

For 2010, management reiterates guidance for Group revenues of at least €135 million, with profitability and a positive operating result and cash flow.

Galapagos made significant advances in its R&D and service operations during the course of 2009. The Company successfully completed Phase I trials for its lead program, GLPG0259, with plans to initiate Phase II trials in rheumatoid arthritis patients in the second half of 2010. In total, Galapagos advanced 4 programs into clinical development, delivered 2 pre-clinical candidates and progressed more than 40 discovery programs in 2009. Galapagos signed new strategic alliances with Merck and Roche in 2009, allowing the Company to capitalize further on its risk/reward sharing alliance strategy. Galapagos also expanded her arthritis alliance with GSK, the third expansion since its initiation in 2006. The seven alliances with major pharmaceutical companies have delivered more than €110 million in payments since

¹ 2008 figures have been restated for the sale of the San Diego service operations as well as the reclassification of subsidies and French tax rebates on research activities as revenues for transparency and common industry practice.

2006. Service division BioFocus benefited from its premium positioning through the extension of ongoing partnerships and the establishment of new collaborations to achieve an increase in operating margins.

“2009 was a fantastic year for Galapagos. Following the continued profitability of our BioFocus service operations, we have now reached the point in the Company’s development where we believe we have achieved sustainable net profitability for the entire Group,” said Guillaume Jetten, Galapagos’ Chief Financial Officer. “Galapagos will continue to generate cash, with a continuing growth of revenues from milestones in our pharma alliances plus sales from our services.”

“In 2009, we achieved what we set out to do ten years ago when we started to build this company – create a self-reliant biotech with a pipeline of novel mode-of-action drugs,” said Onno van de Stolpe, CEO and founder of Galapagos. “Through this financial self-reliance, we are now able to focus on the next level of the Company’s development - building a portfolio of novel orphan disease drugs. In 2010, we aim to advance our innovative pipeline, and build further on the foundations of one of the most successful biotech companies in Europe.”

Key figures (consolidated)

(€ millions, except basic result per share)

	31 Dec 2009	Pro forma 31 Dec 2008*	Reported 31 Dec 2008
Revenues	106.0	78.9	77.0
Cost of sales	-25.1	-24.4	-27.8
Gross profit	81.0	54.5	49.2
Other income	-	-	0.8
R&D expenditure	-60.0	-38.3	-38.7
General & administrative	-16.9	-19.1	-21.1
Sales & marketing	-2.1	-2.2	-2.3
Restructuring & integration	-0.3	-3.1	-3.1
Operating profit/loss	1.7	-8.3	-15.2
Net profit/loss for the period	3.0	-12.2	-14.6
Basic profit/loss per share	0.14	-0.58	-0.69
Cash and cash equivalents	47.4	27.3	27.3

*Figures exclude BioFocus’ San Diego operations and reclassify French tax rebates on research activities and other income as revenues

Financial information

Revenues

Galapagos’ revenues for the full year 2009 grew 34% to €106.0 million (pro forma restated 2008: €78.9 million). BioFocus generated €56.5 million in revenues (+6%), including €13.4 million intra-company revenues eliminated in the consolidation. The service operations achieved organic sales growth of 13%,

indicating the resiliency of BioFocus' premium positioning. The R&D division increased its revenues by 76% to €63.8 million, driven by success-based payments in all alliances.

Result

The Group net profit for the full year 2009 was €3.0 million, or €0.14 earnings per share, a positive turnaround of €15.2 million when compared to a loss of €12.2 million, or €0.58 per share, on a pro forma restated basis for 2008. Research and development costs increased from €38.7 million to €60.0 million, making Galapagos' R&D budget one of the largest in European biotech in 2009. BioFocus reported a positive segment result of €7.9 million, compared to €2.9 million in 2008. The service division's substantially improved recurring result was mainly attributable to better gross margins, particularly in the biology division, and to higher capacity utilization. General and administrative costs decreased to €16.9 million (16% of revenues), as compared to €19.1 million (24% of revenues). The group net result was also impacted by recognition of €1.3 million in deferred tax assets from the UK operation, as per early adoption of IFRS 3R and IAS 27R.

Cash position

Galapagos' cash and cash equivalents amounted to €47.4 million on 31 December 2009, compared to €27.3 million at the end of 2008. The positive cash flow from both the R&D and service operations, in combination with the successful €18.2 million private placement in October 2009, resulted in a year-end 2009 cash position of €47.4 million. This is €9.4 million better (25%) than the updated guidance of €38.0 million given in November following the successful private placement.

Operational highlights

R&D division

- Achieved milestones in all pharma alliances
- Signed strategic alliance with Roche in COPD (chronic lung disease)
- Signed new strategic alliance with Merck in inflammatory diseases
- Expanded metabolic disease alliance with Merck to include cardiovascular diseases
- Broadened arthritis alliance with GlaxoSmithKline
- Completed Phase I studies for RA candidate drug GLPG0259, showing good safety and pharmacokinetic profile
- Completed Phase I studies for candidate metastasis drug GLPG0187, showing good safety and biomarker response in healthy volunteers
- Initiated Phase II studies for Nanocort[®] for multiple sclerosis flares
- Initiated Phase I studies for GLPG0555, lead program in arthritis alliance with GSK
- Delivered two development candidates in arthritis alliance with GSK
- Pre-clinical development of cachexia candidate drug GLPG0492
- Progressed antibody alliance with MorphoSys

Service operations

- Increased margins and profitability of BioFocus operations
- Extended service agreements with Amgen, Schering-Plough and Eli Lilly
- Signed new agreements with, among others, Procter & Gamble, Opsona Therapeutics, Medicines for Malaria Venture and TB Alliance
- Achieved €1.6 million in target acceptance payments in oncology target discovery collaboration with Ortho Biotech Oncology Research & Development/Janssen Pharmaceutica
- Strengthened network of cutting-edge capabilities through partnerships with Oncodesign and DiscoverRx

Corporate

- Appointment of Guillaume Jetten as Chief Financial Officer
- Appointment of Werner Cautreels to Galapagos Board
- €18.2 million raised through private placement of 2,125,925 new shares
- Average daily trading volumes up 65% (from 32,000 in 2008 to 53,000 in 2009)

Outlook 2010

Galapagos' acquisition of Argenta Discovery 2009 Ltd in February 2010 created one of the world's largest drug discovery contract research operations. Forecasted revenue from Galapagos' seven alliances with pharmaceutical companies and visibility into the BioFocus and Argenta order books encourage management to give guidance for 2010 Group revenues above €135 million, with profitability and a positive operating income and cash flow for full year 2010. The Company anticipates having six programs in clinical trials in 2010, including a Phase II study with GLPG0259, its first-in-class candidate medicine in rheumatoid arthritis.

Annual Financial Report 2009

Galapagos is currently finalizing its financial statements for the year ended 31 December 2009. The auditor has confirmed that his audit procedures, which are substantially completed, have not revealed any material corrections that are 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 Financial Report for the year 2009 on or before 1 April 2010.

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

27 April 2010	Annual general meeting of shareholders
14 May 2010	First quarter 2010 business update
6 August 2010	First half 2010 results
12 November 2010	Third quarter 2010 business update
4 March 2011	Full year 2010 results

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 40 small molecule discovery/pre-clinical programs. Through risk/reward-sharing alliances with GlaxoSmithKline, Lilly, Janssen Pharmaceutica, Merck & Co. and Roche, Galapagos is eligible to receive up to €3 billion in downstream milestones, plus royalties. With the acquisition of Argenta, Galapagos now has more than 650 employees and operates facilities in six countries, with global headquarters in Mechelen, Belgium. More info at: www.glp.com

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

CONSOLIDATED INCOME STATEMENT

Thousands of €	2009	2008
Services revenue	41,315	43,614
R&D revenue	51,774	29,501
Other income	12,951	8,790
Total operating income	106,041	81,905
Services cost of sales	-25,082	-27,769
R&D expenditure	-60,015	-38,726
General and administrative costs	-16,934	-21,072
Sales and marketing expenses	-2,075	-2,327
Restructuring and integration costs	-277	-3,124
Operating profit/loss (-)	1,659	-11,114
Finance income	738	1,863
Finance cost	-711	-5,126
Profit/loss (-) before tax	1,685	-14,377
Taxes	1,324	-207
NET PROFIT/LOSS (-)	3,010	-14,584
NET PROFIT/LOSS (-) attributable to:		
Owners of the parent	3,010	-14,584
Profit/loss (-) for the period	3,010	-14,584
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Exchange difference arising on translating of foreign operations	282	-1,116
Other comprehensive income	282	-1,116
Total comprehensive income attributable to:		
Owners of the parent	3,292	-15,700

2008 figures have been restated for the reclassification of French tax rebates and subsidies as revenues for transparency and common industry practice.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

Thousands of €	2009	2008
NON-CURRENT ASSETS	59,024	58,975
Goodwill	33,751	33,751
Intangible assets	3,480	4,159
Property plant and equipment	19,285	20,293
Deferred tax assets	1,700	0
Available for sale financial assets	808	772
CURRENT ASSETS	84,686	59,849
Inventories	1,816	3,574
Trade and other receivables	24,305	18,208
Current tax receivables	7,679	8,408
Cash and cash equivalents	47,391	27,316
Other current assets	3,495	2,343
TOTAL ASSETS	143,709	118,824
Thousands of €	2009	2008
TOTAL EQUITY	108,877	84,324
Share capital	122,870	110,855
Share premium account	54,901	48,268
Translation differences	-2,026	-2,307
Accumulated losses	-66,868	-72,492
TOTAL LIABILITIES	34,832	34,500
NON-CURRENT LIABILITIES	3,488	4,749
Pension liabilities	872	830
Provisions	127	850
Deferred tax liabilities	564	201
Finance lease liabilities	964	1,156
Other non-current liabilities	961	1,712
CURRENT LIABILITIES	31,344	29,751
Finance lease liabilities	520	530
Trade and other payables	15,130	13,425
Current tax payable	44	56
Other current liabilities	15,650	15,740
TOTAL LIABILITIES AND EQUITY	143,709	118,824

**CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED
31 DECEMBER**

Thousands of €	2009	2008
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,316	49,295
Result from operations	1,659	-11,115
Adjustments for:		
Depreciation of property, plant and equipment	5,308	6,014
Amortization of intangible fixed assets	1,647	1,352
Impairment loss on intangible assets		1,543
Inventories write off	674	367
Loss on disposal of business		2,568
Exchange gain/loss (-) on translation of net assets of subsidiary	-259	961
Share based compensation	2,642	1,161
Increase/Decrease (-) provisions	-734	-1,852
Increase/Decrease (-) pension liabilities (assets)	42	166
Operating cash flows before movements in working capital	10,979	1,165
Increase (-)/Decrease in inventories	1,265	502
Increase (-)/Decrease in receivables	-6,560	1,352
Increase/Decrease (-) in payables	361	-9,588
Increase/Decrease (-) in provisions	15	-844
Cash generated/used (-) in operations	6,059	-7,413
Interest paid and other financial costs	-439	-709
Taxes	682	-88
NET CASH FLOWS GENERATED/USED(-) IN OPERATING ACTIVITIES	6,303	-8,210
Purchase of property, plant and equipment	-4,128	-5,702
Purchase of and expenditure in intangible fixed assets	-1,058	-1,512
Proceeds from disposal of intangible assets	216	16
Proceeds from disposal of property, plant and equipment	227	198
Acquisitions, disposals of subsidiaries, associates or joint ventures, net of cash acquired		-857
Reclassification from cash and cash equivalents to available for sale financial assets		-2,000
NET CASH USED IN INVESTING ACTIVITIES	-4,743	-9,857
Repayment of obligations under finance leases and other debts	-497	-5,076
Proceeds of Capital and Share premium increases, net of issue costs	18,648	
Interest received and other financial income	364	1,163
NET CASH GENERATED/USED (-) IN FINANCING ACTIVITIES	18,515	-3,913
INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS	20,075	-21,979
CASH AND CASH EQUIVALENTS AT END OF YEAR	47,391	27,316

SEGMENT REPORTING

2009

Revenue

Thousands of €	R&D	Services	Intersegment eliminations	Unallocated	Galapagos Group
External revenues	51,774	41,315			93,089
Other income	12,026	1,872	-948		12,951
Intersegment sales	16	13,301	-13,317		
Total operating income	63,817	56,488	-14,265		106,041
Gross margin	63,817	21,815	-4,673		80,959
R&D expenditure	-63,718		3,703		-60,015
General and administrative costs	-2,488	-11,871	942		-13,416
Unallocated G&A costs				-3,518	-3,518
Sales and marketing expenses	-98	-2,004	28		-2,075
Restructuring and integration costs	-277				-277
Operating results	-2,763	7,940	0	-3,518	1,659