



For Immediate Release

3 March 2006

Galapagos announces 2005 annual results

2006 revenues guidance of € 25 to € 30 million

- Full year 2005 revenues increase 44% to € 11.2 M
- Net loss of € 6.5 M in 2005
- BioFocus profitable in Q4 '05, contributing € 1 M to Galapagos
- Operating cash burn of € 4.7 M in 2005, lower than guidance
- Solid year-end cash position of € 23.6 M
- Strategic acceleration via successful IPO and acquisition of BioFocus
- Substantially expanded customer base
- *In vivo* results from rheumatoid arthritis program validated drug discovery engine

Mechelen, Belgium; 3 March 2006 - Galapagos NV (Euronext & LSE: GLPG), a genomics-based drug discovery company, announces its full year results for 2005 and provides guidance for 2006.

Total revenue for 2005 increased with 44% to € 11.2 million, including the BioFocus plc acquisition, compared to € 7.8 million in 2004. The increase is the result of fourth quarter revenues generated by BioFocus plc, which was acquired October 17, 2005 and consolidated as of that date in Galapagos' revenues. The net loss for 2005 increased as planned to € 6.5 million from € 3.6 million last year, reflecting stepped up R&D program investment. Full year cash burn (excluding IPO and BioFocus acquisition costs) was € 4.7 million, compared to € 2.7 million reported in 2004. Cash and cash equivalents amounted to € 23.6 million on December 31, 2005, compared to € 10.3 million on December 31, 2004.

"Galapagos made several bold moves in 2005. As a result, the Company has grown strongly and has come to be recognized as an important European biotechnology company. We find ourselves in a phase of acceleration that continues into 2006," said Onno van de Stolpe, Galapagos' CEO. "By joining forces with BioFocus plc, Galapagos has achieved critical mass in drug discovery and has become an integrated player spanning all workflows from target discovery to the selection of drug candidates. Furthermore, we have made considerable progress in our in-house drug discovery programs for bone and joint diseases and are accelerating these compounds toward clinical development."

"The integration activities from Q4 are bearing fruit. The order book is strong and we have good visibility on 2006 performance," said David Smith, CFO Galapagos. "Our confidence in the revenue streams allows us to provide guidance on 2006 of between € 25 and € 30 million, a significant step change on 2005 pro forma revenues of € 17.5 million."

Key figures 2005

(€ thousand, except net loss per share)

	Dec 31, 2005	Dec 31, 2004
Revenues	11,240	7,777
Cost of sales	-4,829	-1,288
Gross profit	6,411	6,489
R&D expenditure	-6,700	-5,443
Sales, general, & admin	-6,158	-4,654
Integration costs	-281	
Other	187	19
Net loss for the period	-6,541	-3,589
Basic loss per share (€)	-0.73	-0.60
Cash and cash equivalents	23,617	10,274

Details of the financial results

Note: Consolidation of BioFocus plc results is effective from October 17, 2005.

Revenue

Galapagos' revenues for the full year 2005 increased by 44% to € 11.2 million (2004: € 7.8 million), attributable to the acquisition and consolidation of BioFocus plc in the fourth quarter of 2005. Of these revenues, € 9.1 million were generated by BioFocus (BioFocus plc plus Galadeno, the former service division of Galapagos).

Revenues generated by the former (without the BioFocus plc acquisition) Galapagos in fourth quarter 2005 amounted to € 1.4 million compared to € 4.2 million in the same period last year. This decrease is attributed to the large and unique nature of revenues in fourth quarter 2004, including the asthma target outlicensing to GSK and license payments Celgene and Wyeth. Excluding these agreements, sales in the two periods were comparable.

The newly formed BioFocus service division (BioFocus plc plus Galadeno) generated Q4 2005 consolidated revenues of € 7.4 million. Total Group revenues for Q4 2005 were € 7.9 million, exceeding previous guidance of € 7.7 million.

For comparison purposes, had the BioFocus plc acquisition occurred from January 1st, pro forma consolidated revenues of Galapagos and BioFocus plc would have been € 17.5 million in 2005, excluding inter-company sales of € 0.8 million.



Results

The net loss for the full year 2005 was € 6.5 million, or € 0.73 per share, compared to € 3.6 million, or € 0.60 per share for 2004. The main contributing factor to the planned increase of the net loss is an increase in research and development costs of € 1.3 million.

In Q4, BioFocus has contributed a profit of € 1,0 million to the result of the Group on a fully loaded basis. Total Group loss for Q4 2005 was € 0.9 million.

Total research and development expenses in 2005 were € 6.7 million, compared to € 5.4 million in 2004. The additional investment in R&D allowed us to progress into drug discovery a number of bone and joint targets, with the published result of our lead compound in rheumatoid arthritis that successfully showed reduced paw swelling in a mouse model.

Cash flow and cash position

Galapagos raised € 22.4 million in a public offering priced at € 7 per share, amounting to a net cash contribution of € 20.8 million. Full year operational cash burn, excluding the IPO and BioFocus plc acquisition, amounted to € 4.7 million, a reflection of continued cash management.

Galapagos' cash and cash equivalents amounted to € 23.6 million on December 31, 2005.

Financial outlook 2006

Galapagos expects the full-year revenues for 2006 to fall within the range of € 25 to € 30 million, a 40 to 70% increase over pro forma revenues of € 17.5 million in 2005. The Company expects a maximum investment in research and development of € 9.0 million, a 34% increase over 2005, for progression of Galapagos' internal drug discovery programs in 2006.

Corporate highlights

Galapagos' fourth quarter highlights for 2005 include:

- Proof of Concept (*in vivo*) in rheumatoid arthritis
- Completion of the acquisition of BioFocus plc and listing on the AiM in London
- Integration of Galapagos' service unit, Galadeno, and BioFocus plc completed
- Executive Committee strengthened with the addition of David Smith as CFO, Chris Newton as Senior VP BioFocus, and David Phillips as Senior VP Sales & Marketing
- Secured US patent further protecting our adenoviral based target discovery platform
- BioFocus' North American sales office opened in Boston



Operational highlights

Partnering activities

More than 20 agreements were signed with top biotech and pharmaceutical companies in 2005, many of them extensions or expansions of existing collaborations. New collaboration agreements were signed with Idenix, Novartis, GSK, Lilly, Senexis, Prolysis, Celera Genomics, the Cystic Fibrosis Foundation and the High Q Foundation.

In the fourth quarter, several large agreements with both new and existing customers for BioFocus were concluded:

- Idenix Pharmaceuticals entered a two-year drug discovery collaboration with BioFocus worth up to \$ 2.5 million with the aim to discover compounds for Idenix's infectious disease programs.
- Senexis expanded their collaboration with BioFocus to optimise Senexis' novel inhibitors of amyloid-induced toxicity and neuroinflammation for the treatment of Alzheimer's disease.
- Amgen expanded its drug discovery collaboration with BioFocus. The multi-million dollar deal, which includes a \$ 2.3 million upfront fee for biology and computational/medicinal chemistry services, will run throughout 2006.
- Prolysis and BioFocus extended their research collaboration announced earlier this year. Prolysis will fund the medicinal chemistry program aimed at identifying dual enzyme inhibitors that can overcome the problem of antibiotic resistance throughout 2006.
- BioFocus entered into a collaboration with Cresset BMD to develop a new range of compound libraries. This new product offering will further strengthen BioFocus' competitive edge in targeted compound libraries for high-value drug targets such as GPCRs and ion channels thereby accelerating BioFocus customers' drug discovery programs.

Galapagos drug discovery

- A number of targets validated through Galapagos target discovery engine are being progressed through Galapagos' internal drug discovery programs in bone and joint diseases.
- In our rheumatoid arthritis program, we aim to develop safe and orally available therapeutics to reduce and even stop joint destruction and inflammation. Galapagos' rheumatoid arthritis targets were discovered and validated in disease-relevant assays that use cells derived from rheumatoid arthritis patients. A number of these targets are being progressed through Galapagos' internal drug discovery program. A lead compound, from a series that was designed against the most advanced kinase target, successfully demonstrated an *in vivo* Proof of Concept in the industry standard rheumatoid arthritis animal model. In this mouse model, the lead compound modulated pro-inflammatory cytokines (regulatory proteins that mediate the immune response) such as TNF-alpha and those interleukins that are known to play a pivotal role in the arthritis process. In addition, the lead compound showed a reduction in paw swelling in this mouse model. We will now focus our resources on accelerating this compound series, and the rest of the target portfolio towards clinical development.

- These results provide strong validation for our target discovery platform to deliver novel targets that can be the basis for the development of disease modifying drugs.

Annual report and annual shareholder meeting

The electronic version of Galapagos' Annual Report 2005 is now available online at www.glpq.com/investor/financial_reports.htm. Printed versions of the Galapagos Company Report 2005 will be available shortly and can be requested by e-mailing ir@glpq.com.

Galapagos' 2005 annual shareholder meeting will take place at Galapagos' headquarters in Mechelen, Belgium on April 4, 2006 at 18.00 Central European Time (CET).

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.glpq.com, and will be available for replay a few minutes after the live version airs.

About Galapagos

Galapagos is a publicly traded, genomics-based drug discovery company (Euronext Brussels, GLPG; Euronext Amsterdam, GLPGA, London AiM: GLPG) that has drug discovery programs based on proprietary, novel targets in bone and joint diseases - osteoarthritis, osteoporosis and rheumatoid arthritis. Galapagos offers a full suite of target-to-drug discovery products and services to pharmaceutical and biotech companies through its division BioFocus, encompassing target discovery and validation, and drug discovery services through to delivery of pre-clinical candidates. In addition, BioFocus provides adenoviral reagents for rapid identification and validation of novel drug targets and compound libraries for screening. Galapagos currently employs more than 200 people, including 80 PhDs, and occupies facilities in Mechelen, Belgium, Saffron Walden, UK and Leiden, The Netherlands. The partners of Galapagos include Amgen, AstraZeneca, BASF, Bayer, Boehringer Ingelheim, Celgene, GlaxoSmithKline, Idenix, Novartis, Organon, Serono, Vertex, and Wyeth. More information about Galapagos and BioFocus can be found at www.glpq.com.



CONTACT

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

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