

For immediate release

2 March 2007

## Galapagos announces 2006 full year results

- Revenues more than tripled to €35.2 M
- Year-end cash position of €51.5 M
- R&D spend increased from €8.9 M in 2005 to €15.9 M
- Net loss per share increased from €0.73 in 2005 to €0.84
- Established and progressed turn-key osteoarthritis alliance with GlaxoSmithKline
- Created biotech leader in bone and joint disease through acquisition of ProSkelia
- Built top-tier service division with acquisitions of Inpharmatica and DPI assets

*Webcast audio conference presentation 9.30 CET at [www.glpj.com](http://www.glpj.com)*

**Mechelen, Belgium; 2 March 2007 - Galapagos NV (Euronext & LSE: GLPG), an integrated drug discovery company, announces its full year results for 2006 and provides market guidance for 2007.**

In 2006, Galapagos succeeded in tripling the revenue base and accelerating the product pipeline towards the clinic. An active M&A strategy as well as organic growth contributed to these results, creating a drug discovery company well balanced between profitable services and a strong product pipeline. Galapagos made major progress in the bone and joint programs and signed a turn-key alliance with GlaxoSmithKline in osteoarthritis. The acquisition of ProSkelia added a number of advanced bone disease programs to our portfolio as well as valuable expertise. To fund the progression of the combined development programs towards and into the clinical testing phase, the Company raised €42 million in two private placements in 2006. The BioFocus DPI service division was expanded through two acquisitions (the assets of Discovery Partners International and Inpharmatica), to become a world-leading provider of drug discovery services.

### Key figures 2006

(€ millions, except net loss per share)

*Note: The drug discovery operations of Discovery Partners International Inc were acquired 6 July 2006. Inpharmatica Ltd was acquired on 6 December 2006, and ProSkelia SASU on 22 December 2006.*

	Dec 31, 2006	Dec 31, 2005
<b>Revenues</b>	<b>35,2</b>	<b>11,2</b>
Cost of sales	-19,5	-4,8
<b>Gross profit</b>	<b>15,6</b>	<b>6,4</b>
Other income	3,0	0,1
R&D expenditure	-15,9	-8,9
General & administrative	-12,0	-3,5
Sales & Marketing	-1,9	-0,4
Integration costs	-0,6	-0,3
Other	0,4	0,2
<b>Net loss for the period</b>	<b>-11,3</b>	<b>-6,5</b>
<b>Basic loss per share (€)</b>	<b>-0.84</b>	<b>-0.73</b>
<b>Cash and cash equivalents</b>	<b>51,5</b>	<b>23,6</b>

"In 2006, we saw the BioFocus DPI service division deliver a profitable segment result and strong organic revenue growth, far outpacing market growth rates. The acquisitions made in 2006 will solidify the division's top tier position and the combined entity should secure continued growth," stated Onno van de Stolpe, CEO of Galapagos. "In our internal drug discovery, we made great progress in all of our therapeutic programs. The alliance with GSK in osteoarthritis has enabled us to gear up this program for the delivery of clinical candidates. By acquiring ProSkelia, we obtained a number of bone programs based on clinically validated targets, derisking our portfolio and increasing the chances of having multiple programs in the clinic in 2008. This year we intend to fully capitalize on the combined synergies of the acquisitions completed in 2006, placing us in prime position to become one of Europe's leading biotechs."

"The major steps taken in 2006 have transformed the Company financially for 2007," said David Smith, Galapagos' CFO. "Accordingly, we anticipate that Group revenues in 2007 will be in the range of €54-58 million. Furthermore, with a significant step up in R&D investment to support progression of our clinical and pre-clinical programs in 2007, we expect that full year cash burn will be €20 million."

## **Operational overview**

### ***Drug Discovery division***

In our rheumatoid arthritis (RA) program, lead compounds have shown good pharmacokinetic properties and efficacy in relevant animal models of the disease. These molecules also show substantial protection against bone loss in the industry standard RA animal models. The compounds target a proprietary kinase protein that was identified using the Galapagos' SilenceSelect target discovery platform. Based on these encouraging results, Galapagos anticipates initiation of pre-clinical studies in 2007, with the potential of a candidate drug entering clinical Phase I in 2008.

On 7 June 2006, Galapagos and GlaxoSmithKline's Center of Excellence for External Drug Discovery announced a turn-key drug discovery and development alliance in osteoarthritis (OA) worth €137 million in upfront, milestone, and equity payments and up to double-digit royalties on commercial products. Galapagos will build upon its existing OA program to deliver drug candidates from target through to clinical Phase IIa proof of concept. This alliance validated the Company's target discovery platform as well as our drug discovery capabilities. In this program, Galapagos reported the achievement of Proof of Principle with compounds against its proprietary targets, showing *ex vivo* protection of bovine cartilage explants. Galapagos has several series of compounds in hit-to-lead and lead optimization that have potential to deliver novel therapeutics for the treatment of OA.

With the acquisition of ProSkelia on 22 December 2006, Galapagos enhanced its product portfolio with the addition of three programs in bone diseases (two for osteoporosis and one for bone metastasis), and one in cachexia (muscle atrophy and weight loss). The combined drug discovery portfolio will contribute to Galapagos' goal of having multiple clinical programs in bone and joint diseases by the end of 2008. The transaction with ProSkelia also included an exclusive license option to oestradiol glucoside (E2G), a product for treatment of 'hot flashes', a menopausal symptom. Galapagos has started the preparations to initiate a Phase IIb clinical trial for this compound in Q4 of 2007. In addition to its programs, the acquisition of ProSkelia contributes capabilities and facilities that will greatly accelerate the Galapagos programs in bone and joint diseases.

### ***BioFocus DPI division***

Galapagos acquired Inpharmatica and the operational activities of Discovery Partners International as part of its strategy to make BioFocus DPI a worldwide leader in drug discovery services. The

appeal of this synergistic offering has been validated through a number of recent deals in which a combination of services were included, like the recently announced collaboration with the University of Bristol that combines Inpharmatica's Admensa and BioFocus DPI's medicinal chemistry expertise.

BioFocus DPI continues to be successful in securing multi-year contracts such as the three-year target discovery alliance with ArthroGen, the three-year exclusive library contract with Roche and the extension of its long term collaboration with Amgen into 2008.

BioFocus DPI also expanded its solid relationship with non-profit organizations by initiating a multi-year drug discovery collaboration with OneWorld Health, entering a new €2.4 million target discovery alliance with the ALS Association, and extending the collaboration with the Cystic Fibrosis Foundation.

In addition to these previously announced service deals, Galapagos also announces today that BioFocus DPI has extended its drug discovery agreement with Eli Lilly and Company (NYSE:LLY) until the end of 2007. Total contract extension value is expected to exceed €1 million.

## **Details of the financial results**

### ***Revenue***

Galapagos' revenues for the full year 2006 more than tripled to €35.2 million (2005: €11.2 million). Of these revenues, €31.0 million were generated by BioFocus DPI. The Drug Discovery division contributed €4.2 million to Group revenues.

### ***Results***

BioFocus DPI contributed approximately €3.4 million to the result of the Group on a segment basis in 2006. The Group net loss for the full year 2006 was €11.3 million, or €0.84 per share, compared to €6.5 million, or €0.73 per share for 2005.

The main contributing factor to the planned increase of the net loss was an increase in research and development costs from €8.9 million to €15.9 million. The method of measuring R&D expenditure has been changed in order to better reflect the true nature of the costs involved, following the ProSkelia acquisition and increased importance of our R&D spend within the group. Galapagos now includes indirect costs such as premises costs, support staff and other site related costs; these costs would previously have been shown in G&A. Therefore, the comparatives for 2005 and 2004 have been updated to reflect these changes. Before implementing the change, the investment in R&D would have been €12.1 million in 2006, in line with guidance.

### ***Cash flow and cash position***

Galapagos' cash and cash equivalents amounted to €51.5 million on 31 December 2006 up from €23.6 million at the end of 2005.

Through private placements on 19 September 2006 (€11 million) and 22 December 2006 (€31 million), Galapagos raised €40.3 million net of costs. After making an estimate for the cash acquired with Inpharmatica, for which shares are to be issued, and removing the purchase price of the acquisition of the DPI assets of €4.3 million, the full year cash burn was €11.9 million.

## **Outlook 2007**

Galapagos anticipates growth in revenues from milestones in its Drug Discovery division and an increase in sales from BioFocus DPI, resulting in a full-year revenue guidance between €54 – 58 million in 2007. R&D expenditure will increase to approximately €33 million as a result of initiating clinical Phase IIb trials of the E2G compound in Q4 2007, progressing its RA and OP drug candidates into preclinical studies, and advancing its other R&D programs in bone and joint diseases. The R&D

expenditure will be partly offset by anticipated milestones from its alliance partners. We believe this investment in R&D will create the shareholder value expected from entering the clinic with multiple programs in 2008. Through continued cost control, full year cash burn in 2007 should be limited to €20 million.

### **Consolidated Financial Statements 2006**

The electronic version of Galapagos' Consolidated Financial Statements 2006 is now available online at [www.glpq.com/investor/financial\\_reports.htm](http://www.glpq.com/investor/financial_reports.htm). Printed versions of the report can be requested by e-mailing [ir@glpg.com](mailto:ir@glpg.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.glpq.com](http://www.glpq.com). The archived webcast also will be available for replay shortly after the close of the call.

### **Addendum to Board Change Announcement made on 12 January 2007**

Rudi Pauwels has no other mandates at this time. Dr Pauwels' previous mandates in the past five years included: Founder, CEO, and CSO of Tibotec NV (Mechelen, Belgium), Founder and Chairman of VIRCO NV (Mechelen, Belgium), Chairman of Galapagos Genomics NV (Mechelen, Belgium).

### **About Galapagos**

Galapagos (Euronext Brussels, GLPG; Euronext Amsterdam, GLPGA; London AiM: GLPG) is a drug discovery company with clinical and pre-clinical programs in bone and joint diseases, cachexia, and menopausal hot flashes. 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<sup>1</sup> database products to select targets and compounds. Galapagos currently employs 450 people and operates facilities in eight countries, with global headquarters in Mechelen, Belgium. More information about Galapagos and BioFocus DPI can be found at [www.glpq.com](http://www.glpq.com).

### **CONTACT**

Galapagos NV  
Onno van de Stolpe, CEO  
Tel: +31 6 290 980 28  
[ir@glpg.com](mailto:ir@glpg.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.*

---

<sup>1</sup> ADMET is the acronym for Absorption, Distribution, Metabolism, Excretion, and Toxicity: Meeting parameters against these five criteria is critical to the success of a pharmaceutical compound as a drug.

*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.*

Silence Select<sup>®</sup> is a registered trademark of Galapagos NV