

Press release

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Galapagos announces milestone payment of €0.8 million in osteoarthritis alliance with GlaxoSmithKline

Mechelen, Belgium; 16 June 2008 – Galapagos NV (Euronext: GLPG) announced today that it has reached two new milestones in its multi-year drug discovery alliance with GlaxoSmithKline in osteoarthritis, triggering a payment of €0.8 million from GSK.

In June 2006, GSK's Center of Excellence for External Drug Discovery (CEEDD) and Galapagos initiated a program to deliver disease-modifying drugs with clinical Proof of Concept to GSK's global research and development organization. The aim of this agreement is for Galapagos to expand its portfolio of novel targets in the field of osteoarthritis, to conduct compound screening, identify tractable hits, pursue a number of hit-to-lead programs, and develop the resulting leads into candidate selection compounds through to a successful Proof of Concept in clinical research Phase IIa. GSK has exclusive options to further develop and commercialize these compounds on a worldwide basis. Galapagos will have the right to further develop and commercialize compounds for which GSK does not exercise its option. In July 2007, GSK made a €4.4 million equity investment in Galapagos and the alliance was expanded to include up to two selected GSK targets. Now part of GSK's Immunoinflammation Center of Excellence for Drug Discovery alliance portfolio, the expanded alliance is worth up to €186 million in milestones for two marketable products to Galapagos, plus royalties on global product sales.

Today's announcement marks the fifth milestone payment made to Galapagos since the start of the osteoarthritis alliance. To date, Galapagos has received a total of €15.9 million in access fees and milestone payments from GSK under the alliance.

"We are pleased that the osteoarthritis alliance with GSK is progressing as planned, in line with our expectation to deliver a pre-clinical candidate this year," said Onno van de Stolpe, Chief Executive Officer of Galapagos. "Our successful track record in risk-sharing alliances demonstrates that this model is a viable strategy to progress a number of drug discovery programs while retaining the upside."

Commenting on the collaboration, Jose Carlos Gutierrez-Ramos, Ph.D., Senior Vice President and head of the Immuno-Inflammation Center of Excellence for Drug Discovery at GSK noted "Galapagos is proving to be a partner which consistently delivers results. We are confident that our alliance will continue to advance GSK's pipeline in osteoarthritis."

About osteoarthritis

Osteoarthritis (OA) is the most common form of arthritis, typically affecting people aged 45 and older. It is a degenerative disease characterized by joint destruction and loss of articular cartilage. Cartilage is the slippery tissue that covers the ends of bones in a joint. Healthy cartilage allows bones to glide over one another. It also absorbs energy from the shock of physical movement. In OA, the surface layer of cartilage breaks down and wears away. This allows bones under the cartilage to rub together, causing pain, swelling, and loss of motion of the joint. Over time, the joint may lose its normal shape. Also, bone spurs - small growths called osteophytes - may grow on the edges of the joint. Bits of bone or cartilage can break off and float inside the joint space. This causes more pain and damage. No currently available treatments prevent OA or even reverse or block the disease process. Treatment of OA involves pain control, weight control, and exercise. Many OA patients have pain that persists despite these measures. Most of these patients use non-steroidal anti-inflammatory drugs (NSAIDs) that relieve the symptoms without changing the course of the underlying disease. Healthcare providers are concerned about long-term NSAID use due to serious

possible side effects. It is expected that with the ageing of the population, more individuals will be prone to develop OA. As mobility of seniors is of high importance to maintaining a high quality of life, preventing the severity of OA is seen as an immense clinical need over the next decade. The market potential of a disease-modifying drug could exceed \$8 billion annually¹, based on the current market and the absence of disease-modifying treatment.

Galapagos' osteoarthritis program

Galapagos focuses its osteoarthritis research programs on chondrocytes, the main cell types in cartilage. These programs will be the basis of the alliance with GSK. Galapagos has identified a number of novel targets that have been validated in cellular disease models and has progressed these into drug discovery. Modulation of these targets in human chondrocytes should lead to a net production of stable cartilage and should therefore be able to prevent and repair damage to this cartilage in patients.

In February 2008, Galapagos announced achievement of a Proof of Principle (reduction of a disease marker) and Proof of Concept (reduction of targeted symptoms) in pre-clinical models in its osteoarthritis (OA) program. Galapagos compounds block cartilage degradation in diseased cartilage explants, while diseased mouse joints treated with this compound also showed reduced cartilage destruction. Galapagos' osteoarthritis program has progressed from validated targets to a Proof of Principle in 18 months, in this challenging area where there are currently no marketed disease-modifying drugs. The data generated thus far encourage Galapagos to aim for delivery of a pre-clinical candidate in OA by end 2008.

About Galapagos

Galapagos (Euronext Brussels: GLPG; Euronext Amsterdam: GLPGA; OTC: GLPYY) is a drug discovery company with pre-clinical programs in bone and joint diseases and bone metastasis. 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 six countries, with global headquarters in Mechelen, Belgium. More information about Galapagos and BioFocus DPI can be found at www.glpg.com and www.biofocusdpi.com.

About GlaxoSmithKline

GlaxoSmithKline, one of the world's leading research-based pharmaceutical and healthcare companies, is committed to improving the quality of human life by enabling people to do more, feel better and live longer. For information about GlaxoSmithKline visit the company website at www.GSK.com.

About the Immuno-Inflammation Center of Excellence for Drug Discovery (II-CEDD)

GlaxoSmithKline's Immuno-Inflammation Centre of Excellence for Drug Discovery is dedicated to discovering therapies for inflammatory diseases. It is designed to integrate and better coordinate the progression of inflammatory disease medicines from therapeutic hypothesis to clinical proof of concept. It focuses on building an innovative pipeline through both internal efforts and external alliances with other companies and research institutions and will focus on 'virtualising' a portion of the inflammatory diseases pipeline by forming multiple risk-sharing/reward-sharing alliances.

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¹ Galapagos estimates based on Datamonitor Market Research, "Global Overview Arthritis," January 2004



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