Regulated information 4 March 2011

Galapagos reports record revenues and increased profitability in 2010

- **Revenues €136.6 M (+29%)**
- **Net profit €4.4 M ('09: €3.0 M)**
- **Operating profit €1.0 M ('09: €1.7 M)**
- **Year end cash €40.4 M**
- **Over 50 R&D programs, including 7 programs in clinical development**
- **2011 guidance: operational and net profitability, positive cash-flow, revenues at least €150 M**

Click here to access the live audio webcast presentation at 10.00 CET, call number +32 2290 1791

Mechelen, Belgium; 4 March 2011 – Galapagos NV (Euronext: GLPG) presents audited financial results for the full year 2010 and highlights the successful execution of its business strategy.

"No other company in the world can discover drug targets the way Galapagos does. We have a unique ability to create new medicines from these targets; this satisfies the patient need for breakthrough therapies in major diseases, at a time when pharmaceutical companies struggle to deliver. Galapagos has grown into a profitable biotech company that is seen as one of the major successes in the industry. The combined cash flow from our services and our pharma alliances enable Galapagos to build a broad pipeline of new mode-of-action drugs. With plans to show results in two patient studies, 2011 will be a pivotal year for the Company," said Galapagos' CEO Onno van de Stolpe.

Guillaume Jetten, Galapagos' CFO, added, "Galapagos achieved its second year of operational and net profitability in 2010, despite the ending of our alliances with Merck. This proves that our business model forms a solid basis for financing our operations. We have a flexible and tightly controlled cost base, we generate milestones on a regular basis and have steady income from fee-for-service deals. This combination enables us to fund over 50 R&D programs, including 7 in clinical development."

Key figures (consolidated)
(€ millions, except basic result per share)

	31 Dec 2010	31 Dec 2009
Revenues	**136.6**	**106.0**
Negative goodwill	5.0	-
Total operating income	**141.6**	**106.0**
Cost of sales	-31.4	-25.1
R&D expenditure	-84.7	-60.0
General & administrative	-21.5	-16.9
Sales & marketing	-2.6	-2.1
Restructuring & integration	-0.4	-0.3

Operating profit	**1.0**	**1.7**
Net profit for the period	**4.4**	**3.0**
Basic profit per share	**0.18**	**0.14**
Cash and cash equivalents	**40.4**	**47.4**

Notes:

1) *Cash and cash equivalents on 31 December 2010 did not include €25.0 million in receivables for revenues recognized in 2010.*
2) *The results of Argenta and Zagreb have been integrated into the full year 2010 financial reporting.*
3) *Negative goodwill was recorded for the Zagreb Research Center. It represents the difference between the net estimated fair value of the net assets acquired and the purchase price.*

Details of the financial results

Revenues

Galapagos' revenues for the full year 2010 grew 29% to €136.6 million. The service operations generated €65.8 million in revenues (+30%), including €15.0 million intra-company revenues, which are eliminated in the consolidation. The R&D division increased its revenues by 41% to €89.9 million, including €3.6 million intra-company revenues.

Result

The Group net profit for the full year 2010 was €4.4 million, or €0.18 earnings per share, compared to €3.0 million, or €0.14 earnings per share in 2009. R&D investment increased from €60.0 million to €84.7 million, making Galapagos' R&D budget one of the largest in European biotech.

The 2010 segment report was impacted by a transfer pricing study, changing the distribution of the operating result between the two divisions. Consequently, the R&D result improved to almost break even. The BioFocus and Argenta service operations reported a gross margin of 33% and a positive segment result of €4.8 million using the new transfer pricing. The service operations showed improved results in the second half of 2010; this was attributable to the acquisition of Argenta, better capacity utilization, and the initiation of work on the two largest service deals to date.

General and administrative costs increased to €21.5 million due to the acquisition of Argenta and the Zagreb Research Center, but remained at an unchanged 16% of revenues. The group net result was positively impacted by recognition of €3.8 million in deferred tax assets.

Cash position

Galapagos' cash and cash equivalents amounted to €40.4 million on 31 December 2010, compared to €47.4 million at the end of 2009. The 2010 cash flow benefited from a share placement of €28.7 million. Although cash flow for the full year was negative, milestones leading to payments totaling €25.0 million were achieved and recognized as revenue in 2010. They are included in accounts receivable on the balance sheet and will be collected in the first quarter of 2011.

Operational highlights

R&D operations

- Achieved milestones across all alliances
- Increased total number of programs in development to eight (two in Phase II, five in Phase I, and one in pre-clinical development)
    - initiated Phase II studies for RA candidate drug GLPG0259 in September 2010

  - completed first-in-human clinical studies for both metastasis candidate drug GLPG0187 and cachexia candidate drug GLPG0492
  - initiated Phase I clinical studies for two arthritis candidate drugs, GLPG0634 and GLPG0778
  - delivered new candidate drug in arthritis alliance with GSK
- Advanced 50 discovery programs, including five antibody programs with MorphoSys, and Alzheimer's and cystic fibrosis drug discovery programs
- Awarded two major grants to progress research in cystic fibrosis and antiviral drug discovery
- Announced a strategic alliance with Roche in chronic lung disease and broadened this alliance to include fibrosis
- Signed strategic alliance with Servier in osteoarthritis
- Acquisition of R&D center in Zagreb, providing increased capacity
- Ended strategic alliances with Merck in February 2011, regaining all rights to targets and assays

Service operations

- Acquired Argenta's service operations, solidified lead position in Western drug discovery services
- Delivered candidate drug in Wellcome Trust funded, anti-aging program
- Capitalized on long-term, integrated service agreements
  - both companies signed their largest deals ever in 2010, for five-year contracts with CHDI (BioFocus) and Janssen Pharmaceutica (Argenta)
  - extended/expanded existing deals with, among others, Amgen, Chiesi and Genentech
- Signed new target, drug discovery deals with Dr. Reddy's, Ono Pharmaceutical, Usher III Patient Foundation and University of Bristol
- Announced compound management agreements with U.S. National Institutes of Health, National Cancer Institute and Lundbeck

Corporate

- Appointed Howard Rowe and Ronald Brus to Galapagos Board
- Raised €28.7 million through private placement of 2,389,347 new shares
- Increased average daily trading volumes and amounts from 53,000 shares/€0.4 million in 2009 to 85,000 shares/€0.9 million in 2010
- Grew from 500 to more than 800 employees in the course of 2010

Outlook 2011

Management anticipates an interim analysis of the Phase II clinical study for GLPG0259 in the second quarter of this year, with top-line results for this trial expected by the end of 2011. The Company expects to make significant progress in both partnered and non-partnered R&D programs as the pipeline continues to mature across a broad range of therapeutic areas. Management also anticipates signing a new alliance and outlicensing one non-partnered program in 2011. The service operations are expected to increase their cash and profit contribution in 2011. Continued growth from alliance revenues and service contracts, and partnering of a proprietary program, encourage management to give guidance of at least €150 million in revenues, sustained operational and net profitability, and positive cash flow in 2011.

Annual Financial Report 2010

Galapagos is currently finalizing its financial statements for the year ended 31 December 2010. 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 full year 2010 on or before 1 April 2011.

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

15 April 2011	R&D Update in Leiden (NL)
26 April 2011	Annual general meeting of shareholders in Mechelen (BE)
13 May 2011	First quarter 2011 business update
5 August 2011	First half 2011 results
10 November 2011	Third quarter 2011 business update
2 March 2012	Full year 2011 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 seven clinical and over 50 discovery programs. Through risk/reward-sharing alliances with GlaxoSmithKline, Eli Lilly, Janssen Pharmaceutica, Roche and Servier, Galapagos is eligible to receive up to €2.5 billion in downstream milestones, plus royalties. The Galapagos Group has over 800 employees and operates facilities in seven countries, with global headquarters in Mechelen, Belgium. More info at: www.glpg.com

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

CONSOLIDATED INCOME STATEMENTS

Thousands of €	**2010**	**2009**
Services revenue	50,857	41,315
R&D revenue	71,553	51,774
Other income	14,148	12,951
Total revenues	**136,558**	**106,041**
Negative goodwill	5,000	
Total operating income	**141,558**	**106,041**
Services cost of sales	-31,367	-25,082
R&D expenditure	-84,649	-60,015
General and administrative costs	-21,483	-16,934
Sales and marketing expenses	-2,586	-2,075
Restructuring and integration costs	-442	-277
Operating profit/loss (-)	**1,031**	**1,659**
Finance income	1,114	738
Finance cost	-1,557	-711
Profit/loss (-) before tax	**588**	**1,685**
Taxes	3,782	1,324
NET PROFIT/LOSS (-)	**4,370**	**3,010**
NET PROFIT/LOSS (-) attributable to:		
Owners of the parent	4,370	3,010

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Exchange difference arising on translating of foreign operations	1,683	282
Other comprehensive income	**1,683**	**282**
Total comprehensive income attributable to:		
Owners of the parent	6,053	3,292

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 31 DECEMBER

Thousands of €	2010	2009
NON-CURRENT ASSETS	**84,738**	**59,024**
Goodwill	42,380	33,751
Intangible assets	13,534	3,480
Property plant and equipment	23,886	19,285
Deferred tax assets	3,658	1,700
Available for sale financial assets and other non-current assets	1,280	808
CURRENT ASSETS	**109,223**	**84,686**
Inventories	1,437	1,816
Trade and other receivables	54,901	24,305
Current tax receivables	8,583	7,679
Cash and cash equivalents	40,397	47,391
Other current assets	3,905	3,495
TOTAL ASSETS	**193,961**	**143,709**

Thousands of €	2010	2009
TOTAL EQUITY	**148,506**	**108,877**
Share capital	137,122	122,870
Share premium account	71,806	54,901
Translation differences	-343	-2,026
Accumulated losses	-60,079	-66,868
TOTAL LIABILITIES	**45,455**	**34,832**
NON-CURRENT LIABILITIES	**7,232**	**3,488**
Pension liabilities	1,129	872
Provisions	842	127
Deferred tax liabilities	2,693	564
Finance lease liabilities	867	964
Other non-current liabilities	1,701	961
CURRENT LIABILITIES	**38,223**	**31,344**
Finance lease liabilities	378	520
Trade and other payables	22,012	15,130
Current tax payable	44	44
Other current liabilities	15,789	15,650
TOTAL LIABILITIES AND EQUITY	**193,961**	**143,709**

Galápagos

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

Thousands of €	2010	2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**47,391**	**27,316**
Result from operations	1,031	1,659
Adjustments for:		
Depreciation of property, plant and equipment	7,773	5,308
Amortization of intangible fixed assets	3,862	1,647
Inventories write off	148	674
Exchange gain/loss (-) on translation of net assets of subsidiary	233	-259
Share based compensation	2,418	2,642
Increase/Decrease (-) provisions	77	-734
Increase/Decrease (-) pension liabilities (assets)	257	42
Negative goodwill	-5,000	
Operating cash flows before movements in working capital	**10,799**	**10,979**
Increase (-)/Decrease in inventories	344	1,265
Increase (-)/Decrease in receivables	-28,145	-6,560
Increase/Decrease (-) in payables	-889	361
Increase/Decrease (-) in provisions	-1	15
Cash generated/used (-) in operations	**-17,892**	**6,059**
Interest paid and other financial costs	-797	-439
Taxes	115	682
NET CASH FLOWS GENERATED/USED(-) IN OPERATING ACTIVITIES	**-18,573**	**6,303**
Purchase of property, plant and equipment	-4,244	-4,128
Purchase of and expenditure in intangible fixed assets	-9	-1,058
Proceeds from disposal of intangible assets		216
Proceeds from disposal of property, plant and equipment	35	227
Acquisitions of subsidiaries, net of cash acquired	-15,958	
NET CASH USED IN INVESTING ACTIVITIES	**-20,176**	**-4,743**
Repayment of obligations under finance leases and other debts	-255	-497
Proceeds of Capital and Share premium increases, net of issue costs	31,157	18,648
Interest received and other financial income	257	364
NET CASH GENERATED/USED (-) IN FINANCING ACTIVITIES	**31,159**	**18,515**
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**597**	
INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS	**-6,994**	**20,075**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**40,397**	**47,391**

SEGMENT REPORTING

2010

Thousands of €	R&D	Services	Intersegment eliminations	Unallocated	Galapagos Group
External revenues	71,553	50,857			122,410
Other income	14,778		-630		14,148
Intersegment sales	3,612	14,974	-18,586		
Negative goodwill	5,000				5,000
Total operating income	**94,943**	**65,830**	**-19,216**		**141,558**
Gross margin	**94,943**	**21,365**	**-6,118**		**110,191**
R&D expenditure	-90,239		5,590		-84,649
General and administrative costs	-4,863	-13,819	431		-18,251
Unallocated G&A costs				-3,232	-3,232
Sales and marketing expenses	-248	-2,342	4		-2,586
Restructuring and integration costs	-134	-401	93		-442
Operating results	**-540**	**4,803**		**-3,232**	**1,031**

2009

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**		**-3,518**	**1,659**

Note: the 2010 segment report is based on a transfer pricing study, while the 2009 segment report is based on business principles. This impacts the distribution of the operating result between the two divisions.