

Regulated information

2 March 2012

**Pipeline promise confirmed:
mixed financial results for 2011, but with excellent outlook for 2012**

- **Group revenues €115.3 M, with a net loss of €33.1 M**
- **Year-end cash €32.6 M**
- **Very strong year for the Service division: year-on-year external revenues grew 15%, and the segment profit increased by 6%**
- **2012 Abbott partnering deal for GLPG0634 with an upfront of \$150 M, total deal value of up to \$1.35 B, further enhanced by double digit royalties**
- **2012 guidance: operational and net profitability, positive cash-flow, revenues at least €150 M, year-end cash at least €130 M**

[Click here](#) to access the live audio webcast presentation at 10.00 CET,
call number +32-2290-1608

Mechelen, Belgium; 2 March 2012 – Galapagos NV (Euronext: GLPG) presents audited financial results, highlights the key events for the full year 2011 and provides outlook for 2012.

"Galapagos had a complex operational year as it made the natural transition into a substantial Phase 2 company and became more exposed to the ups and downs of R&D. We faced a number of setbacks in the first half of the year, but we scored our biggest success ever with GLPG0634 in a Proof-of-Concept study in rheumatoid arthritis patients just before year end. We then took the time necessary to conclude a partnering deal that was commensurate with the excellent clinical data obtained and with the resulting interest from big pharma. Our strategy was to privilege long term value of the deal over short term financial results for 2011. The service division performed very well, and BioFocus and Argenta reported their best year ever in 2011. In our Pharma alliances, a number of expected milestones were missed or delayed during the year. As a consequence, the Group's financial results for 2011 were disappointing," Onno van de Stolpe, CEO commented. "Earlier this week, our strategy was endorsed when we announced the Abbott agreement for GLPG0634, delivering substantial shareholder value and reducing overall risks for the Company."

"Cost control, combined with efficient planning of our clinical studies, allowed us to end the year with €32.6 million cash on the balance sheet, which excludes €16.3 million cash to be received for milestones recognized as revenues in 2011. The \$150 million upfront cash payment from the deal with Abbott further strengthens the Company's balance sheet, and revenue recognition of this upfront over 30 months will contribute to profitability for the coming three years," commented Guillaume Jetten, CFO of Galapagos. "Management guides for Group revenues of at least €150 million, positive operational and net results, and a year-end cash position of at least €130 million."

Key figures (consolidated)

(€ millions, except basic result per share)

	Continuing Operations 31 Dec 2011	Continuing Operations 31 Dec 2010	Group Total 31 Dec 2011	Group Total 31 Dec 2010
Revenues	112.9	128.3	115.3	136.6
Negative goodwill	-	5.0	-	5.0
Total operating income	112.9	133.3	115.3	141.6
Cost of sales	-38.7	-27.4	-40.5	-31.4
R&D expenditure	-84.5	-84.7	-84.5	-84.7
General & administrative	-22.5	-20.1	-23.1	-21.5
Sales & marketing	-2.3	-2.6	-2.3	-2.6
Restructuring & integration	-	-0.4	-	-0.4
Result on divestment	5.2	-	2.2	-
Operating result	-29.9	-1.9	-32.9	1.0
Net result for the period	-30.1	-0.9	-33.1	4.4
Basic result per share (€)	-1.13	-0.04	-1.24	0.18
Cash and cash equivalents	NA	NA	32.6¹	40.4

Notes:

1) Cash and cash equivalents on 31 December 2011 did not include €16.3 million in receivables for revenues recognized in 2011

Details of the financial results

Revenues

Galapagos' revenues from continuing operations for the full year 2011 amounted to €112.9 million. The Service division generated €67.0 million in total revenues (+16% over 2010) and €57.1 million in external revenues, representing 15% organic growth over 2010. The R&D division reported revenues of €61.7 million, which was lower than management expectations at the start of the year. A number of expected alliance milestones were not achieved as planned, and the conclusion of a deal for GLPG0634 was moved into 2012.

Result

The Group incurred a net loss from continuing operations for the full year 2011 of €30.1 million, or €1.13 loss per share, compared to a loss of €0.9 million, or €0.04 loss per share in 2010. The R&D division incurred a segment loss of €38.4 million in 2011. R&D expenses were stable at €85 million, reflecting efficient cost control and program execution for a maturing pipeline.

The BioFocus and Argenta Service division reported a gross margin of 36% on external revenues and a positive segment result on operations of €12.3 million compared to 39% and €11.6 million last year. The service operations showed a 6% improvement in segment result relative to 2010.

General and administrative costs from continuing operations increased to €22.5 million, primarily due to the annualization of Argenta and Zagreb costs, and the implementation costs of a company-wide ERP system to achieve better cost control and purchasing efficiencies of scale.

Cash position

Galapagos' cash and cash equivalents amounted to €32.6 million on 31 December 2011, excluding €16.3 million in receivables for milestones recognized in 2011 revenues. Cash used by operating activities was reduced to €12.0 million, compared to €18.6 million in 2010. Cash flow was positively impacted by the sale of Compound Focus, Inc., resulting in €8.7 million net cash for the Group.

Operational highlights

On 29 February 2012, Galapagos and Abbott announced a global collaboration to develop and commercialize GLPG0634 to treat autoimmune diseases. Under the terms of the agreement, Abbott made an initial upfront payment of \$150 million for rights related to the global collaboration. This upfront payment will be recognized over 30 months and contribute to Galapagos' profitability the coming three years. Upon successful completion of the rheumatoid arthritis Phase II studies to be completed by Galapagos, Abbott will license the program for a one-time fee of \$200 million if the studies meet certain pre-agreed criteria. Abbott will assume sole responsibility for Phase III clinical development and will have global manufacturing rights. Pending achievement of certain developmental, regulatory, commercial and sales-based milestones, Galapagos will be eligible to receive additional milestone payments from Abbott, potentially amounting to \$1.0 billion, in addition to tiered double-digit royalties on net sales upon commercialization. Furthermore, Galapagos retains co-promotion rights in the Benelux.

R&D operations

- 4 programs in development (1 in Phase II, 3 in Phase I)
 - GLPG0634 showed excellent efficacy and safety in a Proof-of-Concept clinical study in 36 rheumatoid arthritis patients, resulting in the Abbott agreement in 2012
 - completed Phase I program for GLPG0555 and GLPG0778, for which GSK exercised the exclusive option to license both programs in February 2012
 - initiated the Phase I First-In-Human clinical study for GLPG0974, which had been returned to Galapagos by GSK late 2011
 - initiated Phase I Proof-of-Mechanism clinical study for cachexia candidate drug GLPG0492
 - initiated Phase Ib clinical study including cancer patients for metastasis candidate drug GLPG0187
 - terminated Phase II clinical study for candidate drug GLPG0259 due to lack of efficacy in rheumatoid arthritis
- 50 discovery programs in discovery, including cystic fibrosis drug discovery programs and antibody programs with MorphoSys
- New strategic alliance with Servier in oncology
- Two-year grant from the Flemish government agency IWT to progress Galapagos' proprietary antiviral programs
- US patent for GLPG0492, European patent granted for GLPG0187

Service operations

- BioFocus
 - target discovery agreement with Ono Pharma in the field of autoimmune disease
 - panel of validated oncology targets delivered to Janssen Research & Development
 - target discovery agreement with Astellas Pharma
 - compound management business sold to Evotec for up to €12.5 M

- collaboration with the Usher III Initiative extended
- collaboration with The Michael J. Fox Foundation for Parkinson's extended
- collaboration with Chiesi Farmaceutici extended
- two-year extension of drug discovery collaboration between Argenta, BioFocus and Genentech
- research agreement with Almirall
- Argenta
 - two-year, integrated services agreement between Argenta and Pulmagen Therapeutics in respiratory diseases

Corporate

- Ronald Brus resigned as a Director and Vicki Sato was appointed to the Galapagos Board as an Independent Director
- Average daily trading volumes and values in 2011 were 77,836 shares/€0.7 million
- Galapagos won the Scrip Award for Biotech of the Year

Outlook 2012

Management anticipates reporting topline results from the Phase IIa clinical study for GLPG0634 before end 2012, on track to delivering the full Phase II package to Abbott in 2014. 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. The service operations are expected to increase further their cash and profit contribution in 2012. Management guides for at least €150 million in revenues, sustained operational and net profitability, and a year-end cash position of at least €130 million by the end of 2012.

Annual Financial Report 2011

Galapagos is currently finalizing its financial statements for the year ended 31 December 2011. The auditor has confirmed that his audit procedures, which are substantially completed, have not revealed any material corrections 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 2011 on or before 19 March 2012.

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 +32-2290-1608 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 will also be available for replay shortly after the close of the call.

Financial calendar

18 April 2012	R&D Update in Mechelen, Belgium
24 April 2012	Annual general meeting of shareholders in Mechelen
18 May 2012	First Quarter 2012 Business Update
2 Augustus 2012	First Half 2012 results
16 November 2012	Third Quarter 2012 Business Update
8 March 2013	Full Year 2012 results

About Galapagos

[Galapagos](#) (Euronext: GLPG; OTC: GLPYY) is a mid-size clinical stage biotechnology company specialized in the discovery and development of small molecule and antibody therapies with novel

modes-of-action. The Company is progressing GLPG0634, as well as one of the largest pipelines in biotech, with four programs in development and over 50 discovery programs. The Galapagos Group has over 800 employees and operates facilities in six countries, with global headquarters in Mechelen, Belgium. More info at: www.glpg.com

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