



Press Release

ProStrakan Group plc

ProStrakan increases focus on Specialty Pharma model with sale of its Drug Discovery Unit (ProSkelia) to Galapagos

Galashiels, Scotland, 22 December 2006 - ProStrakan Group plc ("ProStrakan" LSE: PSK), the European specialty pharmaceutical company, announces today the sale of ProSkelia SASU ("ProSkelia"), its Paris-based Drug Discovery unit, to Galapagos NV ("Galapagos" Euronext & London AIM: GLPG) in a transaction valued in total at a maximum of c. €45 million. The transaction will have the following benefits for ProStrakan:

- Focus resources entirely on expansion, development and commercialisation of its specialty pharmaceutical product portfolio
- Monetise considerable value in ProSkelia, while retaining involvement in selected commercialisation rights
- Substantially reduce the Company's annual cash burn
- Increase the certainty of breakeven within the current timeframe

ProStrakan is now wholly focused on accelerating revenue growth through break-even and beyond. With 5 potential product launches in Europe over the next 24 months and 3 potential product launches in the US in the next 30 months, the Board is increasingly confident of building the business by continuing to invest in its sales and marketing capabilities and in the launch and further acquisition of late stage new products. The divestment of the Discovery unit brings substantially increased certainty to breakeven and allows optimum flexibility for investment in the future growth of the Company. Going forward, ProStrakan will concentrate resources on in-licensing, development and commercialisation of specialty products through its own sales forces, initially in EU and, over time, in the USA.

Galapagos, as an integrated drug discovery company, provides a strong therapeutic and strategic fit with ProSkelia. As successful progression of the project portfolio develops, ProStrakan retains the option to commercialise selected compounds, by prior agreement.

Under the terms of the agreement, ProStrakan will receive €12.5 million of Galapagos shares. ProStrakan will also receive cash payments totalling €14.5 million over time on the achievement of certain milestones and collaboration agreements by Galapagos. In addition, ProStrakan retains 75% of the future milestones and royalties from the Amgen and Novartis collaborations signed earlier this year. ProStrakan has further retained a right of first refusal over the Selective Androgen Receptor Modulator (SARM) programme for cachexia. Finally, ProStrakan has granted an option to Galapagos to license its Oestradiol Glucoside (E2G) programme under which Galapagos will pay for and conduct a Phase II trial which, if successful, will trigger the grant of the licence to Galapagos in return for agreed milestones and royalties. ProSkelia currently employs approximately 65 people and is expected to have an operating cost base in 2006 (excluding depreciation and amortisation) of c. £9 million. The transaction is expected to close shortly.

Commenting on the agreement, **Dr Wilson Totten, CEO of ProStrakan**, said: "I am delighted to be able to announce this deal, which brings major strategic benefit both to ProStrakan and to Galapagos. We have been extremely successful in developing and acquiring new late-stage products, to the point where we have a unique range of new product launches

in EU and USA in the near term. Divesting our Discovery unit in the structure announced today preserves our interest in future up-side from a number of the programmes, and enables us to focus even more of our resources on successfully delivering commercial growth. Avoiding the substantial running costs involved in Discovery also provides greater certainty in breakeven and significantly reduces the near term cash needed to run the business.

“By signing Research agreements with Amgen and Novartis earlier this year, we have validated the scientific excellence of the ProSkelia unit. I am certain that this will be continued under Galapagos’ leadership, and we look forward to future successes.”

Analysts Call

ProStrakan Management will be hosting a conference call at 9.30am UK time on 22nd December. For joining details please call Mo Noonan at Financial Dynamics on +44 (0)20 7831 3113

For more information, please contact:

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Notes to Editors

Details of the transaction

Under the transaction, ProStrakan is selling 100% of the share capital of ProSkelia SASU to Galapagos. The consideration being received is as follows:

- 1,396,648 shares in Galapagos which have a value of €12.5 million, assuming a value per Galapagos share of €8.95. ProStrakan has entered into a lock-up agreement in relation to these shares whereby it will not, other than in certain defined circumstances, sell any of the shares for a period of 12 months from Completion;
- €14.5 million in cash receivable by ProStrakan over time as a proportion of the revenues received by Galapagos in the future from entering into collaborations around any of the pre-clinical assets being transferred; and
- A right of first refusal to a worldwide licence to progress development of the SARM programme once that programme has successfully demonstrated clinical proof of concept in a Phase IIa clinical trial in cachexia.

ProStrakan has further agreed with Galapagos that Galapagos may retain all of the FTE funding receivable and 25% of all milestones and royalties receivable under the collaborations signed by ProStrakan with Amgen and Novartis in 2006. 75% of all milestones and royalties under these collaborations shall be paid over to ProStrakan as and when they arise.

ProStrakan has also entered into an option agreement whereby Galapagos has received an option to develop and enter into an exclusive worldwide licence to its Oestradiol Glucoside programme (being a novel approach to Hormone Replacement Therapy). Under this agreement, and should Galapagos choose to exercise its option, ProStrakan would receive: (i) an upfront payment in cash or Galapagos shares (ii) a share of any licensing or distribution revenues receivable by Galapagos in the future up to a determined limit and (iii) a royalty on sales.

The anti-androgen programme (for acne and alopecia) and the Trimegestone patch (for HRT and contraception) – currently owned by ProSkelia - do not form part of this transaction and so are being transferred from ProSkelia to ProStrakan. Given the status of these programmes, the consolidated holding values in ProStrakan's books of €2.7 million will be written down to zero as a non-cash item in ProStrakan's 2006 accounts.

ProStrakan is also in discussion with Sanofi-Aventis and the French taxation authorities regarding the taxation implications of this transaction and certain commitments given at the time of the acquisition of ProSkelia in August 2004.

ProStrakan

ProStrakan Group plc is a rapidly growing international specialty pharmaceutical company engaged in the development and commercialisation of prescription medicines for the treatment of unmet therapeutic needs in major markets. Headquartered in Scotland, and following this transaction, the Company's Development facilities are situated in Galashiels in Scotland. EU-wide sales and marketing of ProStrakan's portfolio of products are handled by commercial subsidiaries based in the UK, France, Germany and Spain.

ProStrakan was listed on the London Stock Exchange in June 2005.

On 13th Sept 2006, the Company announced its Preliminary Results for the first half of 2006: revenues on continuing products increased by 28% over the prior period to £16.1 million; total gross profit increased by 14% to £9.9 million and retained loss increased by 6% to £14.9 million.

www.prostrakan.com

Galapagos NV

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 DPI, encompassing target discovery and validation, and drug discovery services through to clinical Proof of Concept. In addition, BioFocus DPI provides adenoviral reagents for rapid identification and validation of novel drug targets and compound libraries for screening. Prior to this transaction, Galapagos employed more than 380 staff, and occupies facilities in the US, the UK, Belgium, Switzerland, Germany and the Netherlands.

www.glp.com