

FLAMINGO Results Kick Off A Data Rich 2018

GLPG Programs Drive R&D Spending Higher, Competitor Catalyst Comes into Focus

We review key potential 2018 catalysts upcoming for **GLPG** and potentially competitive programs (Fig. 1 & 2, Pg. 3). Today, **GLPG** announced results from FLAMINGO and a CF program update. FLAMINGO demonstrated that '2222 monotherapy was safe, well tolerated, and achieved targeted exposures in patients – resulting in a dose dependent reduction in sweat chloride (up to 18mmol/L at highest dose at 29 days) and trends toward benefit on FEV1. We also anticipate key data for filgotinib and competitors that will continue to help differentiate the drug with safety and possible efficacy advantage in TNF-refractory RA patients from the FINCH study by 2H18.

Model Update for Milestones and Higher 2018 R&D Spend. Given the additional R&D associated with the 2018 pivotal P3 IPF trial for GLPG1690 and expansion of the filgotinib development program (20% co-funded by **GLPG**), we are increasing our estimated 2018 R&D spending to \$317mn, up from \$275mn. The '2851 P1 trial start triggers a \$10mn milestone payment, (in addition to the '3221 \$10mn milestone in Nov.) both to be recognized in 4Q17.

- **FLAMINGO Sets Up First of Many 2018E CF Updates.** **GLPG** recently started a P1 of backup C1 corrector '2851, with data anticipated at an upcoming medical meeting. The first patient was dosed in PELICAN, a P2 of '2737 in combo with Orkambi in homo F508del patients. "Triple combo 1" ('2451,'2222,'2737) P2 should start 1Q18, data in 3Q18; the P1 "triple combo 2" ('3067,'2222,'2737) also recently started dosing. In 2018, we also anticipate **VRTX** will announce P2 data for VX-445 and VX-659 triple combos, initiation of pivotal triple combo, and US/EU tezacaftor/ivacaftor NDA.
- **JAK Updates Anticipated:** Baricitinib (JAK1,2 inhibitor) label (potentially late June), potential for black box warning, doses included other potential safety disclosure (resubmission included new safety and efficacy data). **PFE** (PF-04965842) P2b atopic derm data in 1Q18E. We also anticipate several events in the JAK space from competitors (Fig 2), including **1)** filing of **LLY's** resubmitted baricitinib NDA that occurred on Dec. 17 (PDUFA potentially late June, given Class 2 resubmission), **2)** data for **PFE's** new selective JAK1 in atopic derm 1Q18, and **3)** updates for **ABBV's** upadacitinib.
- **GLPG1690 to Start Phase 3 in IPF.** Traditionally challenging IPF remains an upside to most estimates; initiation of a Ph3 trial is expected in 2018.

Year-end: Dec	2016A		2017E			2018E		
EPS (€)	Actual	Prev.	Curr.	Cons.	Prev.	Curr.	Cons.	
1Q	0.79A	-0.29A	-0.29A	N/A	-0.76E	-0.81E	-0.54E	
2Q	-0.08A	-0.72A	-0.72A	N/A	-0.97E	-1.05E	-0.54E	
3Q	-0.52A	-0.72A	-0.72A	N/A	-1.00E	-1.29E	-0.67E	
4Q	0.96A	-0.64E	-0.44E	-0.67E	-0.41E	-1.01E	-0.47E	
Year	1.14A	-2.39E	-2.19E	-1.96E	-2.40E	-4.17E	-1.78E	
Cash & Equivalents (€k)	973,241	1,152,929	1,162,929	1,163,377	1,055,422	988,916	1,047,271	

Source: Company data, FactSet, Instinet estimates

Key company data: See next page for company data and detailed price/index chart.

Instinet, LLC, Equity Research

2 January 2018

Rating Remains	Buy
Target Price Remains	USD 124.00
Closing price 2 January 2018	USD 94.51
Potential upside	+31.2%

Research analysts

Americas Biotech

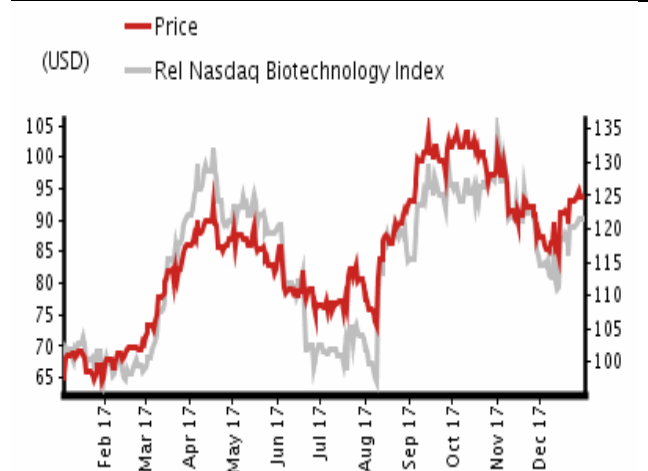
Christopher Marai, Ph.D. - ILLC
 Christopher.Marai@Instinet.com
 + 1 212-310-5466

Key data on Galapagos NV

Rating

Stock	Buy
Sector	Not rated

Relative performance chart



Source: Thomson Reuters, Instinet research

Performance as of 2 January 2018

(%)	1M	3M	12M
Absolute	8.3	-8.0	47.2
Relative to Nasdaq Biotechnology Index	7.1	-2.7	26.2

Market data

Current Stock Price (\$)	94.51
Market Cap (\$mn)	4,814.1
52-week Low (\$)	63.69
52-week High (\$)	104.09
Shares Outstanding (mn)	50.94

Source: Thomson Reuters, Instinet research

Valuation

Year-end: Dec	2016A	2017E	2018E
EV/Sales (€k)	12.6	17.9	N/A

Source: Company data, Instinet estimates

Summary Income Statement

Year-end: Dec; €k	2016A	2017E	2018E
Revenue	151,612	159,898	175,417
Income Tax	235	265	0
Net Income (adj.)	65,046	-93,143	-189,347
GAAP EPS	1.14	-2.19	-4.17
EPS (adj.)	1.37	-1.85	-3.70
Diluted Shares (k)	47,308	50,476	53,758

Summary Balance Sheet

€k	2016A	2017E	2018E
Cash & Equivalents	973,241	1,162,929	988,916
PP&E	14,961	31,282	53,553
Total Assets	1,083,338	1,289,348	1,137,605
Total Debt	63	63	63
Total Liabilities	324,637	327,956	365,561
Shareholders' Equity	758,701	961,392	772,044
Total Liabilities & Equity	1,083,338	1,289,348	1,137,605

Summary Cash Flow Statement

€k	2016A	2017E	2018E
Cash from Operations	239,405	-86,083	-143,922
Change in Working Capital	234,450	3,319	37,605
Cash from Investing	-7,287	-20,061	-30,092
Capital Expenditures	-4,458	-20,061	-30,092
Cash from Financing	395,996	295,833	0
Free Cash Flow	234,450	3,319	37,605

Other Metrics

	2016A	2017E	2018E
Enterprise Value (€k)	1,912,547	2,863,053	N/A

Source: Company data, Instinet estimates

Potential Upcoming Catalysts

Fig. 1: Upcoming catalysts

Timing	Impact	Drug	Indication	Details	Phase	Program	NCT (or EU) #
Filgotinib							
2H18 data	+++	filgotinib	Rheumatoid arthritis	alone and in combo with mtx	3	FINCH 2	NCT02873936
2H18 topline results	+++	filgotinib	Rheumatoid arthritis	inadequate response to biologics	3	FINCH 3	NCT02886728
1H18 data	+++	filgotinib	IBD (ulcerative colitis)	induction and maintenance	2b/3	SELECTION 1	NCT02914522
2Q18, complete	++	filgotinib	Ankylosing spondylitis	safety and efficacy	2	TORTUGA	NCT03117270
2Q18, complete	++	filgotinib	Psoriatic arthritis	safety and efficacy	2	EQUATOR	NCT03101670
1H18 data	++	filgotinib	Cutaneous lupus erythematosus	in combo with GS-9876 (SYK inhibitor)	2	n/a	NCT03134222
2H18 data	++	filgotinib	Sjogren syndrome	safety and efficacy	2	n/a	NCT03100942
Cystic Fibrosis							
4Q18 data	++	2222	Cystic Fibrosis	monotherapy in homozygous F508del patients	2a	FLAMINGO	NCT03119649
2018	++	2851	Cystic Fibrosis	Topline results at future med. conference	1	n/a	not yet avail.
1H18 topline results	++	2737	Cystic Fibrosis	in Orkambi treated F508del patients	2a	PELICAN	2017-002181-42
2H18 data	+++	2451 + 2222 + 2737	Cystic Fibrosis	1Q18 initiation, interim readout summer 2018	pivotal?	"triple combo" (1)	n/a
4Q18 data	+++	3067 + 2222 + 2737	Cystic Fibrosis	1Q18 initiation, topline at future med. conference	pivotal?	"triple combo" (2)	n/a
1Q19 data	+++	3067 + 2222 + 3221	Cystic Fibrosis	3Q18 initiation	pivotal?	"triple combo" (3)	n/a
Other Pipeline							
1Q18	+	Otezla (Celgene)	Ulcerative colitis	Potential results for Otezla (apremilast, PDE4i)	2	RELIEF trial	NCT02289417
2H18		PF-04965842 (Pfizer)	atopic dermatitis	Ph2b topline results, Phase 3 to be initiated	3	JADE Mono-1	NCT03349060
2018 Ph1b topline data	++	1972	Osteoarthritis	MAD study	1b	n/a	NCT03311009
2018 initiate Ph2	+	MOR106	Atopic dermatitis	SAD/MAD support ph2	1	n/a	NCT02739009
2018 initiate Ph3	+	1690	Idiopathic pulmonary fibrosis	FLORA complete, successful	2	FLORA	NCT02738801

Source: Instinet research

Fig. 2: Upcoming filgotinib competitor events

Timing	Drug	Company	Details
1Q18	Otezla	Celgene	Potential Phase 2 study results for Otezla (apremilast, PDE4i) in UC
2H18	PF-04965842	Pfizer	Ph2b topline results, Phase 3 to be initiated (NCT03349060)
2018	ABT-494	AbbVie	Topline results from the SELECT-COMPARE 12 weeks on ABT-494 on top of stable background of csDMARDs compared with adalimumab
2018	ABT-494	AbbVie	Topline results from the SELECT-EARLY 12 weeks on ABT-494 in compared with MTX in MTX naive patients
2H18	ABT-494	AbbVie	Topline results from SELECT-CHOICE 12 weeks on ABT-494 on top of stable background of csDMARDs in pts who are IR to bDMARDs vs abatacept
2019	Ozanimod	Celgene	Phase 3 study results in UC (enrollment anticipated to be complete 2H18 push from in YE17) endpoints remission at wk10, and wk 52

Source: Instinet research

Financial Model

Fig. 3: Income Statement

(€1000s, except per share data) [FY - Dec]	2015	2016	1Q17A	2Q17A	3Q17A	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
US Filgotinib Sales (RA Only)	0	0	0	0	0	0	0	0	0	19,225	70,246	169,192	243,418	250,149	257,066
Intl Filgotinib Sales (RA Only)	0	0	0	0	0	0	0	0	0	0	22,601	60,632	114,366	161,074	243,060
US Filgotinib Sales (Crohn's)	0	0	0	0	0	0	0	0	0	0	40,245	82,717	127,506	174,708	179,539
Intl Filgotinib Sales (Crohn's)	0	0	0	0	0	0	0	0	0	0	0	14,817	29,811	59,981	60,341
US Filgotinib Sales (UC only)	0	0	0	0	0	0	0	0	0	0	0	4,799	11,095	25,338	26,039
Intl Filgotinib Sales (UC only)	0	0	0	0	0	0	0	0	0	0	0	0	4,869	11,896	26,751
Total Filgotinib Royalties/Profit Share	0	0	0	0	0	0	0	0	0	19,225	133,093	332,156	531,067	683,146	792,795
US GLPG- Triple Combo Royalties (CF)	0	0	0	0	0	0	0	0	0	0	7,314	111,645	181,772	184,966	188,217
Intl GLPG- Triple Combo Royalties (CF)	0	0	0	0	0	0	0	0	0	0	0	23,103	46,995	101,570	159,513
Total GLPG1837+Corrector Royalties	0	0	0	0	0	0	0	0	0	0	7,314	134,748	228,767	286,536	347,730
Filgotinib (Belenux Region)	0	0	0	0	0	0	0	0	0	0	5,909	19,725	38,967	60,902	86,314
R&D revenue	39,563	129,519	33,992	26,933	26,945	47,166	135,036	129,260	133,037	135,697	138,411	105,885	72,002	36,721	37,455
Other Income	21,017	22,093	5,871	6,235	6,378	6,378	24,862	46,156	84,862	94,862	94,862	94,862	94,862	94,862	94,862
Total Revenues	60,579	151,612	39,863	33,168	33,323	53,544	159,898	175,417	217,899	249,785	373,681	667,651	926,697	1,101,265	1,272,842
Costs & Expenses:															
Cost of Goods Sold	0	0	0	0	0	0	0	0	0	0	295	986	1,948	3,045	4,316
R&D	129,714	139,573	44,930	47,984	56,313	61,944	211,169	316,754	332,592	339,243	346,028	352,949	360,008	367,208	374,552
G&A	19,127	21,744	5,603	6,327	5,853	6,438	24,220	31,910	41,483	47,705	52,475	55,099	57,579	60,458	62,271
Sales and Marketing	1,182	1,785	556	535	808	606	2,504	10,016	10,517	11,043	11,634	13,015	14,939	17,133	19,674
Collaboration Split (Belenux Region)	0	0	0	0	0	0	0	0	0	0	1,935	6,460	12,762	19,945	28,268
Total Operating Expenses	150,023	163,103	51,088	54,845	62,973	68,988	237,894	358,680	384,591	397,991	412,368	428,509	447,236	467,789	489,081
Operating Income	(89,444)	(11,491)	(11,225)	(21,677)	(29,650)	(15,443)	(77,995)	(183,263)	(166,692)	(148,206)	(38,687)	239,142	479,462	633,476	783,761
Interest and Other Income (Expense), net	(30,632)	57,479	0	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income (Loss)	(119,628)	54,246	(13,605)	(35,552)	(36,538)	(22,331)	(108,025)	(213,255)	(196,684)	(178,198)	(68,679)	209,150	449,470	603,484	753,769
Income tax expense (Benefit)	(1,218)	235	0	92	69	104	265	0	0	0	0	0	0	24,139	51,256
Net Income (Loss) as reported	(118,410)	54,012	(13,605)	(35,644)	(36,607)	(22,434)	(108,289)	(213,255)	(196,684)	(178,198)	(68,679)	209,150	449,470	579,345	702,513
Stock option expense	5,036	11,034	3,023	3,945	4,729	3,449	15,146	23,908	26,921	27,859	28,866	29,996	31,306	32,745	34,236
Net Income (Loss) Non-GAAP	(113,374)	65,046	(10,582)	(31,699)	(31,878)	(18,985)	(93,143)	(189,347)	(169,763)	(150,339)	(39,813)	239,145	480,776	612,090	736,749
Diluted Earnings Per Share Non-GAAP	(€3.18)	€1.37	(€0.22)	(€0.61)	(€0.63)	(€0.37)	(€1.85)	(€3.70)	(€3.32)	(€2.93)	(€0.78)	€4.43	€8.90	€11.32	€13.61
Earnings Per Share, Diluted Fully Taxed	€3.32	€0.77					nm	nm	nm	nm	nm	€2.65	€5.68	€7.62	€9.51
Basic Earnings Per Share Non-GAAP	(€2.94)	€1.42	(€0.23)	(€0.64)	(€0.63)	(€0.37)	(€1.88)	(€3.70)	(€3.32)	(€2.93)	(€0.78)	€4.66	€9.35	€11.89	€14.30
Diluted Earnings Per Share	(€3.32)	€1.14	(€0.29)	(€0.72)	(€0.72)	(€0.44)	(€2.19)	(€4.17)	(€3.84)	(€3.48)	(€1.34)	€3.88	€8.32	€10.72	€12.98
Basic Earnings Per Share as reported	(€3.08)	€1.18	(€0.29)	(€0.72)	(€0.72)	(€0.44)	(€2.19)	(€4.17)	(€3.84)	(€3.48)	(€1.34)	€4.07	€8.74	€11.26	€13.64
Basic Shares Outstanding (th)	35,700	45,696	46,256	49,830	50,902	51,029	49,504	51,157	51,208	51,259	51,311	51,362	51,413	51,465	51,516
Diluted Shares Outstanding (th)	38,506	47,308	48,330	51,644	50,902	51,029	50,476	53,758	53,809	53,860	53,911	53,963	54,014	54,065	54,117

Source: Instinet estimates

Fig. 4: Balance Sheet

(€1000s, except per share data) [FY - Dec]	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
ASSETS											
Current assets:											
Cash and cash equivalents	340,314	973,241	1,162,929	988,916	773,434	558,865	431,276	562,905	886,630	1,222,082	1,673,445
Current restricted cash	6,857	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570
Current R&D incentives receivables	9,161	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154
Current financial assets from share subscription agreement	8,371	0	0	0	0	0	0	0	0	0	0
Short term marketable securities	0	0	0	0	0	0	0	0	0	0	0
Trade & other receivables	3,931	9,728	9,728	9,728	9,728	9,728	9,728	9,728	9,728	55,063	63,642
Inventory	325	300	300	300	300	300	300	300	300	300	300
Prepaid expenses and other current assets	5,512	7,239	7,239	7,239	7,239	7,239	7,239	13,353	18,534	22,025	25,457
Total current assets	374,470	1,007,232	1,196,920	1,022,907	807,425	592,856	465,267	603,010	931,916	1,316,194	1,779,568
Property and equipment, net	13,782	14,961	31,282	53,553	85,302	131,682	200,321	302,579	455,441	684,342	958,846
Goodwill	0	0	0	0	0	0	0	0	0	0	0
Intangible assets	1,550	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023
Deferred tax assets/receivables	1,726	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957
Non-current R&D incentives receivables	49,384	54,188	54,188	54,188	54,188	54,188	54,188	54,188	54,188	54,188	54,188
Non-current restricted cash	1,046	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
Other non-current assets	557	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Total assets	442,514	1,083,338	1,289,348	1,137,605	953,873	785,685	726,734	966,735	1,448,503	2,061,682	2,799,559
LIABILITIES AND STOCKHOLDER'S EQUITY											
Current liabilities:											
Trade and other payables	29,482	31,269	34,494	71,736	57,689	39,799	20,618	21,425	22,362	23,389	24,454
Current obligations under finance lease	52	54	54	54	54	54	54	54	54	54	54
Current tax payable	2,583	1,022	1,022	1,022	1,022	1,022	1,022	1,022	1,022	1,022	1,022
Accrued charges	490	619	714	1,076	1,154	1,194	1,237	1,286	1,342	1,403	1,467
Deferred income	39,806	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	72,412	103,791	107,110	144,715	130,745	112,896	93,758	94,614	95,606	96,696	97,824
Long term debt	0	0	0	0	0	0	0	0	0	0	0
Obligations under finance lease	63	9	9	9	9	9	9	9	9	9	9
Deferred Revenue	0	214,785	214,785	214,785	214,785	214,785	214,785	214,785	214,785	214,785	214,785
Provisions	55	63	63	63	63	63	63	63	63	63	63
Pension liabilities	2,693	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520
Other liabilities	2,291	2,469	2,469	2,469	2,469	2,469	2,469	2,469	2,469	2,469	2,469
Total liabilities	77,515	324,637	327,956	365,561	351,591	333,742	314,604	315,460	316,452	317,542	318,670
Stockholders' equity:											
Common Stock	185,399	223,928	223,928	223,928	223,928	223,928	223,928	223,928	223,928	223,928	223,928
Additional paid in capital	357,402	649,135	944,968	944,968	944,968	944,968	944,968	944,968	944,968	944,968	944,968
Other reserves	(18)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Translation differences	(467)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)
Accumulated other comprehensive loss	0	0	0	0	0	0	0	0	0	0	0
Accumulated Deficit	(177,319)	(112,272)	(205,415)	(394,762)	(564,525)	(714,864)	(754,677)	(515,532)	(34,756)	577,334	1,314,083
Total stockholders' equity	364,999	758,701	961,392	772,044	602,282	451,943	412,129	651,275	1,132,051	1,744,141	2,480,889
Total liabilities and stockholders' equity	442,514	1,083,338	1,289,348	1,137,605	953,873	785,685	726,734	966,735	1,448,503	2,061,682	2,799,559

Source: Instinet estimates

Fig. 5: Cash Flows

(€1000s, except per share data) [FY - Dec]	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
CASH FLOWS FROM OPERATING ACTIVITIES											
Net Income (Loss)	(118,410)	54,012	(108,289)	(213,255)	(196,684)	(178,198)	(68,679)	209,150	449,470	579,345	702,513
Adjustments											
Tax income/expenses	(1,218)	235	0	0	0	0	0	0	0	0	0
Other net financial income	(448)	(8,258)	0	0	0	0	0	0	0	0	0
Fair value measurement of share subscription	30,632	(57,479)	0	0	0	0	0	0	0	0	0
Depreciation and amortization	3,402	4,182	3,740	7,820	13,388	21,325	32,921	50,080	75,645	113,860	171,085
Net realized loss for foreign exchange transaction	(398)	1,229	0	0	0	0	0	0	0	0	0
Stock based compensation	5,036	11,034	15,146	23,908	26,921	27,859	28,866	29,996	31,306	32,745	34,236
Other	0		0	0	0	0	0	0	0	0	0
Change in assets and liabilities:											
Increase/decrease in provisions	(125)	7	0	0	0	0	0	0	0	0	0
Increase pension liabilities	30	244	0	0	0	0	0	0	0	0	0
Gain on sale of fixed assets	(62)	(14)	0	0	0	0	0	0	0	0	0
Inventories	(44)	25	0	0	0	0	0	0	0	0	0
Account receivables	(7,220)	(12,978)	0	0	0	0	0	0	0	(45,335)	(8,579)
Prepaid expenses & other assets	0	0	0	0	0	0	0	(6,114)	(5,181)	(3,491)	(3,432)
Accounts payable and accrued expenses	(26,728)	2,102	3,319	37,605	(13,970)	(17,849)	(19,138)	856	992	1,089	1,128
Interest paid	(49)	(47)	0	0	0	0	0	0	0	0	0
Interest received	1,106	1,066	0	0	0	0	0	0	0	0	0
Income taxes paid/received	(94)	(1,763)	0	0	0	0	0	0	0	0	0
Current obligations under finance lease	0	2	0	0	0	0	0	0	0	0	0
Deferred revenues & other	0	245,806	0	0	0	0	0	0	0	0	0
Net cash provided by (used in) operating activities	(114,590)	239,405	(86,083)	(143,922)	(170,344)	(146,863)	(26,030)	283,967	552,232	678,213	896,952
CASH FLOWS FROM INVESTING ACTIVITIES											
Purchases of property and equipment	(6,100)	(4,458)	(20,061)	(30,092)	(45,137)	(67,706)	(101,559)	(152,338)	(228,507)	(342,761)	(445,589)
Purchase of and expenditure of intangible fixed assets	(565)	(332)	0	0	0	0	0	0	0	0	0
Proceeds from disposal of PPE	110	18	0	0	0	0	0	0	0	0	0
Increase/decrease in restricted cash	2,258	235	0	0	0	0	0	0	0	0	0
Investments, net	0	(2,750)	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Net cash used in investing activities	(4,297)	(7,287)	(20,061)	(30,092)	(45,137)	(67,706)	(101,559)	(152,338)	(228,507)	(342,761)	(445,589)
CASH FLOWS FROM FINANCING ACTIVITIES											
Proceeds from issuance of shares, net cost	271,413	391,784	295,833	0	0	0	0	0	0	0	0
Exercise of options	0	4,261	0	0	0	0	0	0	0	0	0
Repayment obligations under finance and other debt	(43)	(49)	0	0	0	0	0	0	0	0	0
Repurchase of common stock	0	0	0	0	0	0	0	0	0	0	0
Other	0		0	0	0	0	0	0	0	0	0
Net cash provided by financing activities	271,370	395,996	295,833	0	0	0	0	0	0	0	0
Effect of exchange rate on cash	118	4,816									
Net increase in cash and cash equivalents	152,483	632,927	189,689	(174,014)	(215,481)	(214,569)	(127,589)	131,629	323,725	335,452	451,363
Cash and cash equivalents at beginning of period	187,712	340,314	973,241	1,162,929	988,916	773,434	558,865	431,276	562,905	886,630	1,222,082
Cash and cash equivalents at end of period	340,314	973,241	1,162,930	988,916	773,434	558,865	431,276	562,905	886,630	1,222,082	1,673,445

Source: Instinet estimates

Appendix A-1

Analyst Certification

I, Christopher Marai, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The terms "Nomura" and "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries, including Nomura Securities International, Inc. ('NSI') and Instinet, LLC('ILLC'), U. S. registered broker dealers and members of SIPC.

Materially mentioned issuers

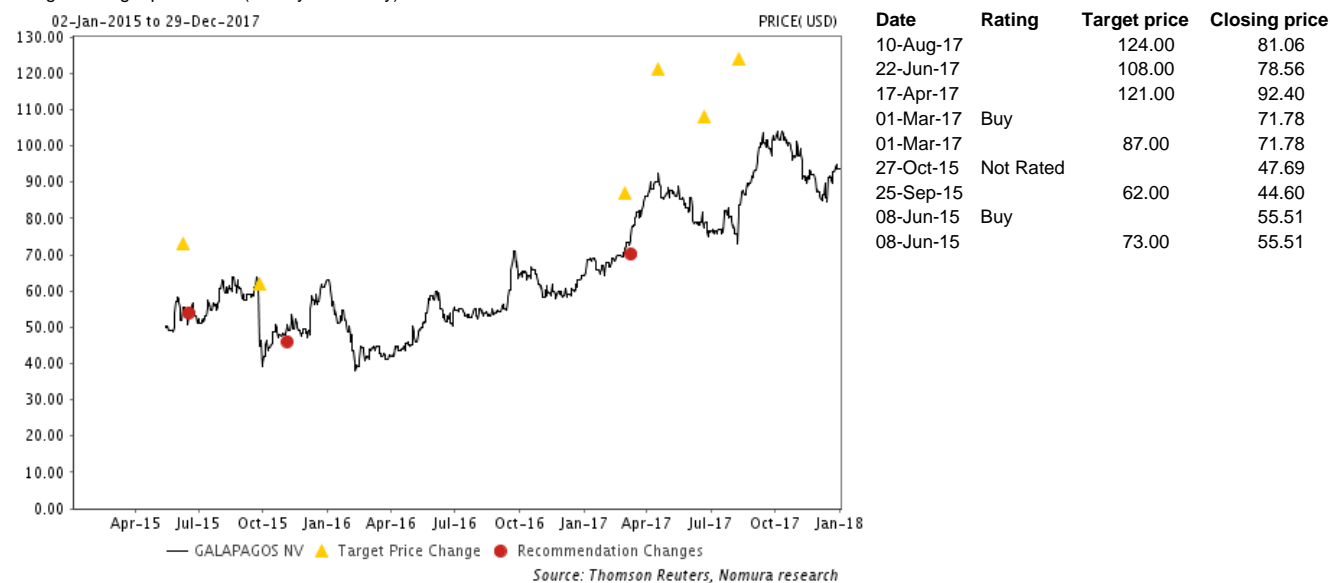
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Galapagos NV	GLPG US	USD 94.51	02-Jan-2018	Buy	Not rated	A6

A6 The Nomura Group expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.

Galapagos NV (GLPG US)

USD 94.51 (02-Jan-2018) Buy (Sector rating: Not rated)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology For Galapagos NV (GLPG), we use a top-line revenue multiple valuation, a method widely used for early-stage biotech companies. Our target price of \$124 represents a 6x multiple for EU profit share on filgotinib across inflammatory indications and a 16x multiple for U.S. royalties on filgotinib. In filgotinib for RA, we apply a 15% discount rate, reflecting a lower development risk, as the target, JAK, is already validated by an approved drug in RA. In filgotinib in UC and Crohn's, we apply a 20% discount rate, reflecting a slightly higher risk for these indications, as no JAK inhibitor is approved. For the Cystic Fibrosis program, we use an 18x multiple, reflecting a higher value for the higher-margin orphan program and a 25% discount that reflects a higher development risk. For the IPF program, we use an 8x multiple, reflecting a higher value for the higher-margin orphan program and a 45% discount that reflects a higher development risk. The benchmark for this stock is the Nasdaq Biotechnology Index.

Risks that may impede the achievement of the target price Regulatory risk: The FDA may require Galapagos to present data on the efficacy of the individual triple-combo drugs in the target patient population, which would require the company to conduct a large Phase 2 study. Enrollment of patients in these studies might be challenging, due to the low expectation of efficacy from a single compound. For filgotinib, the FDA may issue a class label on the risk for serious infections and malignancies. This action will not prevent filgotinib from reaching the market, but it could create a negative perception of the

drug among patients and physicians, which would affect commercial viability. Competitive risk: Baricitinib, a JAK 1/2 inhibitor, was expected to be approved by January 19, 2017. In clinical studies, the drug presented compelling efficacy superior to adalimumab. If baricitinib is found to be safe and approved without a black-box warning, it could take the lion's share of the market. Celgene's mongersen, an SMAD7 anti-sense RNA, showed compelling safety and efficacy profile in a Phase 2 study in CD patients. The compound is in a Phase 3 study and is set to report top-line data by 2H18. If approved, mongersen would have first-mover advantage as the only orally available DMT for Crohn's. Clinical risk: The Phase 2 study with filgotinib in CD used the CDAI as the primary outcome measure. The Phase 3 study is using the more traditional PRO as the primary outcome measure. This difference in design may result in a smaller efficacy difference between the placebo and treatment arms in the Phase 3 study.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., or Instinet, LLC on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI or ILLC, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("NIplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and NIplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Distribution of ratings (Nomura Group)

The distribution of all ratings published by Nomura Group Global Equity Research is as follows:

50% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 41% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

42% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 51% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

8% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 6% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 30 September 2017.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Distribution of ratings (Instinet, LLC)

The distribution of all ratings published by Instinet, LLC Equity Research is as follows:

54% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

41% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

5% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A '**Bullish**' stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A '**Neutral**' stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A '**Bearish**' stance, indicates that

the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan:** Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This publication contains material that has been prepared by the Nomura Group entity identified on page 1 and, if applicable, with the contributions of one or more Nomura Group entities whose employees and their respective affiliations are specified on page 1 or identified elsewhere in the publication. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries including: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Instinet, LLC ('ILLC'); Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; PT Nomura Sekuritas Indonesia ('PTNSI'); Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; NIHK, Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034, MCX: INE261299034; SEBI Registration No. for Merchant Banking : INM000011419; SEBI Registration No. for Research: INH000001014 and Nlplc, Madrid Branch ('Nlplc, Madrid'). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under an agreement between CNS and NSL. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements. The "BDO-NS" (which stands for "BDO Nomura Securities, Inc.") placed next to an analyst's name on the front page of a research report indicates that the analyst is employed by BDO Unibank Inc. ("BDO Unibank") who has been seconded to BDO-NS, to provide research assistance services to NSL under an agreement between BDO Unibank, NSL and BDO-NS. BDO-NS is a Philippines securities dealer, which is a joint venture between BDO Unibank and the Nomura Group.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) OTHER THAN DISCLOSURES RELATING TO THE NOMURA GROUP, BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Other than disclosures relating to the Nomura Group, the Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by the Nomura Group are hereby excluded and the Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. The Nomura Group is under no duty to update this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The Nomura Group does not provide tax advice.

The Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. The Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

The intellectual property rights and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee accuracy, completeness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. The Nomura Group publishes research product in a number of different ways including the posting of product on the Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss' levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or Nomura prices and yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nlplc. Nlplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nlplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes. This document has been approved by NIIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIIHK. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or 'professional clients' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or 'Business Customers' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nlplc or any other member of the Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or 'professional clients' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an 'Authorised Person', an 'Exempt Person' or an 'Institution' in Saudi Arabia or that you are a 'professional client' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

Notice to Canadian Investors: This research report is not a personal recommendation and does not take into account the investment objectives, financial situation or particular needs of any particular individual or account. It is made available to you in reliance on NI 31-103, section 8.25.

For report with reference of TAIWAN public companies or authored by Taiwan based research analyst:

THIS DOCUMENT IS SOLELY FOR REFERENCE ONLY. You should independently evaluate the investment risks and are solely responsible for your investment decisions. NO PORTION OF THE REPORT MAY BE REPRODUCED OR QUOTED BY THE PRESS OR ANY OTHER PERSON WITHOUT WRITTEN AUTHORIZATION FROM NOMURA GROUP. Pursuant to Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers and/or other applicable laws or regulations in Taiwan, you are prohibited to provide the reports to others (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities in connection with the reports which may involve conflicts of interests. INFORMATION ON SECURITIES / INSTRUMENTS NOT EXECUTABLE BY NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT BE CONSTRUED AS A RECOMMENDATION OR A SOLICITATION TO TRADE IN SUCH SECURITIES / INSTRUMENTS.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF THE NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web

page: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2018 Instinet Incorporated and/or its affiliates. All rights reserved.