

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.

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Materially mentioned issuers

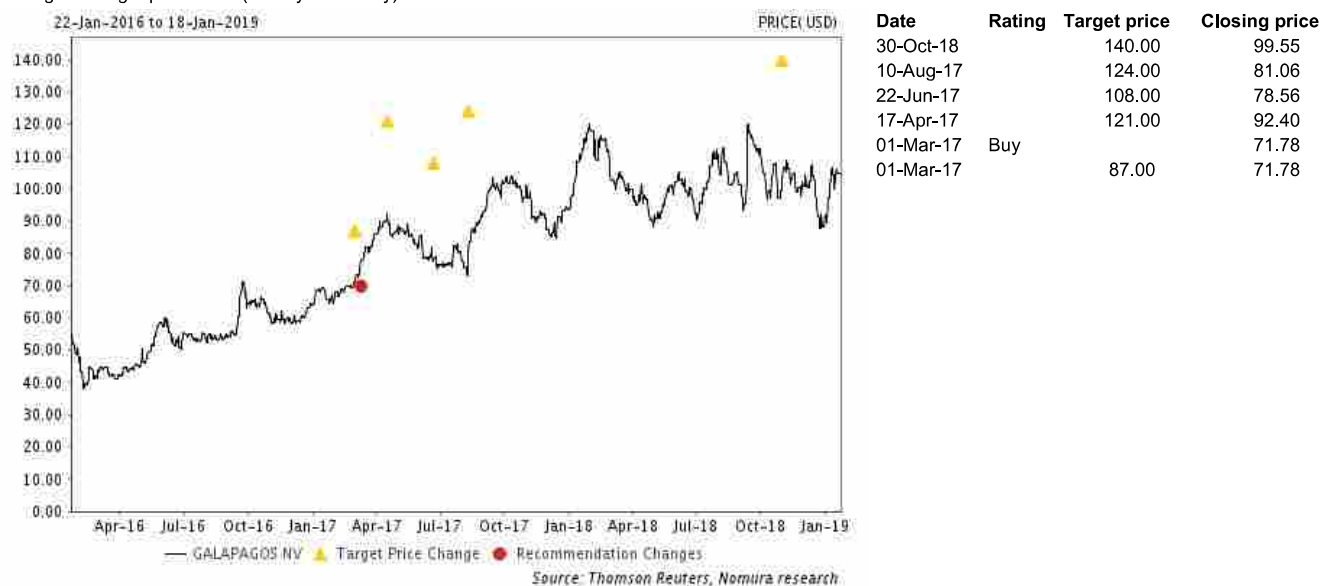
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Galapagos NV	GLPG US	USD 102.59	25-Jan-2019	Buy	Not rated	A4,A5,A6,A7

- A4 The Nomura Group has had an investment banking services client relationship with the subject company during the past 12 months.
- A5 The Nomura Group has received compensation for investment banking services from the subject company in the past 12 months.
- 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.
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Galapagos NV (GLPG US)

USD 102.59 (25-Jan-2019) 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 Our target price of \$140 for Galapagos NV (GLPG) is based on an SOTP analysis, applying a 16x royalty multiple on peak filgotinib U.S. royalties and 6x multiple on peak filgotinib EU profits in 2025E (in RA, PsA, UC, and Crohn's), and an 8x orphan drug multiple on our peak sales estimate of GLPG1690 in IPF (2025E), discounted back to 4Q19E. We estimate filgotinib peak sales of \$6bn in 2025. In filgotinib for RA, we apply a 20% discount rate, reflecting a lower development risk with FINCH 2 readout, and as the target, JAK, is already validated by an approved drug in RA. For filgotinib in UC and Crohn's, we apply a 30% discount rate, reflecting a slightly higher risk for these indications and clinical stage. For filgotinib in PsA, we apply a 40% discount rate, reflecting the P2 clinical stage. For the IPF program, we use an 8x multiple, reflecting a higher value for the higher-margin orphan program and a 40% 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: 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 sales in a saturated market. Competitive risk: A superior oral agent achieves POC or enters market. If Upadacitinib gets approved without black-box label, it could take lion's share of the market. Competing IPF pipeline agents may achieve a speedier path to approval. 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. Enrollment of patients in studies might take longer than anticipated. Safety signals compromising the compound's therapeutic profile may result in black-box label or discontinuation.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

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As at 31 December 2018.

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

** As defined by the EU Market Abuse Regulation

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STOCKS

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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.