

Explanatory notes to resolutions to be proposed in the Annual General Meeting 2020 of Pharming Group N.V.

Annual General Meeting of Pharming Group N.V. (the “Company”) to be held on Wednesday 20 May 2020 at 14.00 hours (CEST) at the Company’s premises in Leiden, the Netherlands.

Proposal 2 Annual Report 2019

- a) *Explanation of the business, the operations and the results for the year ending on 31 December 2019*

The Company's Annual Report over the financial year 2019 has been made available on the Company's website (www.pharming.com) and at the Company's office address.

- b) *Remuneration Report for 2019*

The implementation of the Company's remuneration policy in 2019 for members of the Board of Management and the Board of Supervisory Directors has been outlined in pages 77 up to and including 93 of the Company's Annual Report over the financial year 2019. The remuneration report has been prepared in accordance with the requirements imposed by the revised European Union Shareholder Rights Directive (SRD II) as transposed into Dutch law. In accordance with these requirements, the remuneration report is submitted to the General Meeting for discussion and an advisory vote. Accordingly, the result of the vote is not binding, but the Company will duly consider the outcome and will explain in next year's remuneration report how this vote of the General Meeting was taken into account.

- c) *Corporate Governance*

The Company is subject to the Dutch Corporate Governance Code, which contains principles and best practice provisions on corporate governance, financial reporting, disclosure and compliance that apply to the Company, members of its Board of Management and Board of Supervisory Directors. The Company explains in its 2019 Annual Report and the Corporate Governance Statement as published on the Company’s website how it has applied the provisions of the Dutch Corporate Governance Code over the financial year 2019, including any deviations.

- d) *Explanation of the dividend policy*

The Company does not intend to pay dividends for the foreseeable future. Payment of future dividends to shareholders will effectively be at the discretion of its Board of Management, subject to the approval of its Board of Supervisory Directors after taking into account various factors including the Company's business prospects, cash requirements, financial performance and new product development. In addition, payment of future dividends may be made only if the

Company's shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Company's articles of association.

e) Proposal to adopt the financial statements

The Company's annual accounts over the financial year 2019 have been made available on the Company's website (www.pharming.com) and at the Company's office address. It is proposed that these annual accounts be adopted.

f) Proposal to discharge the members of the Board of Management for their responsibilities

It is proposed that the members of the Board of Management be discharged and therefore released from liability for the exercise of their duties during the financial year 2019. The scope of this discharge extends to the exercise of their respective duties insofar as these are reflected in the Company's Annual Report or annual accounts over the financial year 2019, in other public disclosures and statements during the General Meeting.

g) Proposal to discharge the members of the Board of Supervisory Directors for their responsibilities

It is proposed that the members of the Board of Supervisory Directors be discharged and therefore released from liability for the exercise of their duties during the financial year 2019. The scope of this discharge extends to the exercise of their respective duties insofar as these are reflected in the Company's Annual Report or annual accounts over the financial year 2019, in other public disclosures and statements during the General Meeting.

Proposal 3 *Remuneration*

a) Remuneration policy for the Board of Management

In accordance with Dutch law implementing the revised European Union Shareholder Rights Directive (SRD II), the Supervisory Board proposes the General Meeting of Shareholders to adopt the remuneration policy for the Board of Management as outlined on pages 73 up to and including 82 of the 2019 Annual Report, including approval of the proposed Long Term Incentive Plan (LTIP) as described therein.

In summary, the proposed remuneration policy for members of the Board of Management provides for a remuneration package to be awarded by the Board of Supervisory Directors to individual members of the Board of Management that consists of (i) fixed remuneration, (ii) variable remuneration, i.e. an annual bonus as a percentage of the fixed component and short- or long-term incentives by way of shares (LTIP) and/or options to shares in the Company, and (iii) other components, such as contribution pension premiums, travel allowance and holiday allowance. The LTIP has a target value of 30% of the annual salary and is dependent on the performance of the Company share price over a three-year period when compared to a peer group of European biotech companies.

The remuneration policy for members of the Board of Management supports the continuous efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success and enhancing the other long-term value and interests of the Company, enabling the Company to attract, retain and motivate top talent in a competitive and global environment. The remuneration policy supports the strategy and long term interests of the Company inter alia by linking part of the remuneration to the performance of each Board of Management member, as to be reviewed annually, against a set of financial and non-financial targets that is determined by the Supervisory Board and that is consistent with and supportive of the aforesaid strategy and long term interests of the Company. Risk alignment is also embedded in the target setting to promote sound and effective risk management. A consistent and competitive remuneration structure, which applies across the workforce, is another core principle to promote a culture of shared purpose and performance, focusing all Members of the Board of Management and all staff members on delivering on Pharming's mission, vision and strategy and creating stakeholder value.

With regard to the need for the Company to attract, retain and motivate top talent in a highly competitive and global environment, the remuneration policy specifically aims to contribute thereto by the objective that during the period covered by this policy (2020-2023) the average level of cash remuneration should be moving to the median and for equity based compensation reaching the lower 25th percentile of the benchmark that is relevant to the Company. The Company will continue to disclose information regarding remuneration in the annual reports of the Company in line with the applicable statutory rules and regulations.

In accordance with the Dutch law implementing the revised European Union Shareholder Rights Directive (SRD II), the resolution to adopt the remuneration policy requires a majority of at least 75% of the votes cast. Once adopted, the policy will become effective with retrospective effect from 1 January 2020. The Company will publish an integrated document describing the remuneration policy, including the above considerations, on its website following the General Meeting.

b) Share Option Plan for employees and Board of Management

As explained to the General Meeting of Shareholders on 22 May 2019, the Board of Supervisory Directors decided in 2019, based upon the results from two independent benchmark studies and a recommendation by the Remuneration Committee, to seek each year the approval by the General Meeting of Shareholders of a specific amount of equity that can be used for granting staff options in that year. This practice is consistent with (international) industry standards and appropriate for the Company's complexity and (commercial) stage of development and will allow the Company to offer its eligible staff a competitive annual equity incentive.

In accordance with the foregoing, as in 2019, the Company proposes the General Meeting of Shareholders on 20 May 2020 to approve the authority to

grant in 2020 up to 2.8% of its outstanding share capital, equating to 17,678,000 stock options in total, to its staff and a defined number of options for the Board of Management. The requested authority is proposed to become effective from the date of the Annual General Meeting until and including the Annual General Meeting to be held in 2021, equating to 17,678,000 stock options in total. This excludes the grants to the Board of Management members, which are dealt with separately by the Board of Supervisory Directors as explained below.

Board of Management 2020 option grants

As explained to the General Meeting of Shareholders on 22 May 2019, the Supervisory Board, following recommendations by the Remuneration Committee, determined that, as from 2019 onwards, the Company returns to its previous practice of annual stock option grants which vest when the respective Directors continue to be in service on 31 January of the year following the grant.

For 2020, the following grants, as in 2019, are proposed for approval by the Annual General Meeting as part of this proposal:

- (i) Mr. Sijmen de Vries; 2,800,000 options; and
- (ii) Mr. Bruno Giannetti; 1,600,000 options.

In line with Dutch Corporate Governance Code, Mr. de Vries and Mr. Giannetti are not allowed to exercise any of the options within 36 months of the date of the Annual General Meeting approving the grant. In addition, as is normal in such option schemes in the Netherlands, in the event of a change of control of the Company becoming irrevocable, all granted but unvested options will vest immediately. In case of such an event resulting in a change of control or in case of the announcement of a (contemplated) public offer for all shares in the Company, the Board of Supervisory Directors can decide that the Company shall settle the options for the Board of Management in cash upon launch of such offer.

If this proposal is approved by the Annual General Meeting, the General Meeting of Shareholders also authorizes the Board of Management as the company body authorized to, subject to the approval of the Board of Supervisory Directors, make the above-mentioned option grants to the respective members of staff and the Board of Management and, if relevant, to exclude any pre-emptive rights in connection therewith. This authorization shall be in addition to, and without prejudice to, the authorization being requested in Proposals 3 sub a) above and 7 below.

c) Remuneration policy for the Board of Supervisory Directors

In accordance with Dutch law implementing the revised European Union Shareholder Rights Directive (SRD II), the Supervisory Board proposes the General Meeting of Shareholders to adopt the remuneration policy for the Board of Supervisory Directors as outlined on pages 83 up to and including 85 of the 2019 Annual Report.

In light of the increasing need for board members with experience and expertise in the complex US market, considering the significant growth in the US market, the Company aims to ensure that remuneration packages for members of the Board of Supervisory Directors are competitive with US standards to attract needed expertise in order to

effectively supervise the further growth and sustainable success of the Company and its business in light of the Company's strategy and long term interests. Based upon a benchmark analysis of US peers, the Remuneration Committee has ascertained that there is a need for an increase in base cash compensation and the implementation of an equity plan. Accordingly, the Remuneration Policy for the years 2020-2023, if approved by the General Meeting of Shareholders on 20 May 2020, will allow for the allocation of the following remuneration package to the members of the Board of Supervisory Directors for each of the years 2020-2023:

- Board of Supervisory Directors: Chair €60,000 per annum, respectively a Member €42,000 per annum in cash and in addition, €40,000 per annum for the Chair, respectively €30,000 per annum for the members in restricted shares in the Company; vesting in four annual tranches and each year valued at the 20 Day VWAP preceding the Annual General Meeting of Shareholders
- Audit Committee: Chair €9,000 and Member €3,000;
- Remuneration Committee: Chair €6,000 and Member €3,000; and
- An additional compensation of €1,000 per day is permitted to be paid in case of extraordinary activities.

The Company will continue to disclose information regarding remuneration in the annual reports of the Company in line with the applicable statutory rules and regulations.

In accordance with the Dutch law implementing the revised European Union Shareholder Rights Directive (SRD II), the resolution to adopt the remuneration policy requires a majority of at least 75% of the votes cast. Once adopted, the policy will become effective with retrospective effect from 1 January 2020. The Company will publish an integrated document describing the remuneration policy, including the above considerations, on its website following the General Meeting.

If this proposal is approved by the Annual General Meeting, the General Meeting of Shareholders also authorizes the Board of Management as the company body authorized to, subject to the approval of the Board of Supervisory Directors, grant the above-mentioned restricted shares to the respective members of the Board of Supervisory Directors and to exclude any pre-emptive rights in connection therewith. This authorization shall be in addition to, and without prejudice to, the authorizations being requested in Proposals 3 above and 6 below.

Proposal 4 **Amendment of the Articles of Association**

The Articles of Association of the Company provide in article 4 that the authorised capital amounts to eight million Euros (€8,000,000 or 800,000,000 shares with a nominal value of one Eurocent (€0,01) each). The Board of Management, with the approval of the Board of Supervisory Directors, proposes the General Meeting to amend the Articles of Association of the Company to the effect that the authorised capital is increased by 10% to eight million eight hundred thousand Euros (€8,800,000 or 880,000,000 shares with a nominal value of one Eurocent (€0,01) each) in consideration of the currently issued share capital (as per 25 March 2020 €6,337,260

consisting of 633,726,014 shares of one Eurocent (€0.01) each), existing obligations and to facilitate the further growth of the Company.

In addition, the Board of Management, with the approval of the Board of Supervisory Directors, proposes the General Meeting to amend the Articles of Association of the Company to implement the requirements imposed by the revised European Union Shareholder Rights Directive (SRD II) as transposed into Dutch law.

Finally, it is proposed to authorize each civil law notary, candidate civil law notary and lawyer working with NautaDutilh N.V. to execute the deed of amendment to effect the aforementioned amendments.

The draft deed of amendment to the Articles of Association drawn up by NautaDutilh N.V. and the full text of the Articles of Association following the proposed amendments are included in the meeting documents for the General Meeting.

Proposal 5 Appointment of the external auditor of the Company.

Deloitte Accountants B.V. was first appointed as external auditor by the General Meeting of Shareholders on 22 May 2019. The Board of Supervisory Directors evaluated the performance by Deloitte Accountants B.V. of its duties with regard to the financial year 2019 and recommends the General Meeting of Shareholders to instruct Deloitte Accountants B.V. to examine the Annual Report and the Financial Statements for the financial year 2020, to report to the Board of Supervisory Directors and the Board of Management, and to issue an auditor's statement.

Proposal 6 Designation of the Board of Management as the Company's body, authorized to: (i) issue shares, (ii) grant option rights and (iii) restrict or exclude pre-emptive rights.

The General Meeting of Shareholders has periodically designated the Board of Management as the company body authorized, subject to the approval of the Board of Supervisory Directors:

- (i) to issue shares;
- (ii) to grant rights to acquire shares; and
- (iii) to limit or exclude pre-emptive rights.

It is proposed to replace the current authorization as granted by the General Meeting on 22 May 2019 and to designate the Board of Management as the company body authorized to issue shares and/or grant rights to acquire shares and to limit or exclude pre-emptive relating thereto, subject to the approval of the Board of Supervisory Directors.

Without prejudice to and notwithstanding proposal 3 above, the proposed authorization of the Board of Management is limited to 10% of the issued share capital as per the moment of the resolution of the Board of Management to issue shares and/or grant rights to acquire shares. It is being proposed to confer this authorization on the Board of Management for the period from 20 May 2020 to 20 July 2021.

Any issue of or grant of rights to acquire shares in excess of this authorization will require the approval of the General Meeting of Shareholders.

Proposal 7 **Authorization of the Board of Management to repurchase shares in the Company**

It is proposed to authorize the Board of Management for a period from 20 May 2020 to 20 July 2021 to repurchase, subject to the approval of the Board of Supervisory Directors, not more than 10% of the issued capital, through the stock exchange or otherwise, for a price not less than the nominal value and not exceeding 100% of the average final closing rates for shares as listed in the Official Price Gazette of Euronext Amsterdam N.V. during five consecutive trading days prior to the date of repurchase.