Pharming®

Annual Report

2022

Serving the unserved rare disease patient

Annual Report 2022

Index

ESEF filing

This copy of the Pharming Group N.V. Annual Report 2022 is not in the ESEF format as specified by the European Commission in the Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The Annual Report 2022 ESEF filing is available in the financial documents section on our corporate website (www.pharming.com).

Forward-looking statements

This 2022 Annual Report of Pharming Group N.V. and its subsidiaries ("Pharming", the "Company" or the "Group") may contain forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by their use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "milestones", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases. Examples of forward-looking statements may include statements with respect to timing and progress of Pharming's preclinical studies and clinical trials of its product candidates, Pharming's clinical and commercial prospects, and Pharming's expectations regarding its projected working capital requirements and cash resources, which statements are subject to a number of risks, uncertainties and assumptions, including, but not limited to the scope, progress and expansion of Pharming's clinical trials and ramifications for the cost thereof; and clinical, scientific, regulatory and technical developments. In light of these risks and uncertainties, and other risks and uncertainties that are described in Pharming's 2022 Annual Report and the Annual Report on Form 20-F for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission, the events and circumstances discussed in such forward-looking statements may not occur, and Pharming's actual results could differ materially and adversely from those anticipated or implied thereby. All forward-looking statements contained in this press release are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Any forward-looking statements speak only as of the date of this press release and are based on information available to Pharming as of the date of this release. Pharming does not undertake any obligation to publicly update or revise any.

Directors report 2022 within the meaning of section 2:391 of the Dutch Civil Code

The following sections of this Annual Report form the director's report within the meaning of section 2:391 of the Dutch Civil Code: Business section, Risk Management and Control section, Corporate Governance section, Report of the Board of Directors Section, Report of the Remuneration Committee section and the Corporate Social Responsibility section.

“Pharming is moving from a one product company in one geography to a multiple product company in many geographies”

Sijmen de Vries,
Executive Director and Chief Executive Officer

Chief Executive Officer's Statement

Laying the strategic foundations for transformational change

We took significant steps in 2022 towards realizing our ambition of becoming a global leader in the rare disease space. Of note, we continued to deliver strong sales performance from our lead product RUCONEST® and made significant regulatory progress towards the U.S. Food and Drug Administration (FDA) approval of our second product, Joenja® (leniolisib) in March 2023.

Operational excellence

The first quarter of 2022 will be remembered as a key moment in Pharming's history as we reported positive data for leniolisib from a pivotal Phase II/III study in patients with activated phosphoinositide 3-kinase delta syndrome (APDS), a serious and progressive rare primary immunodeficiency disease. These positive results set the tone for the remainder of the year, allowing us to move forward with the global regulatory process to bring this important product to patients with a significant unmet need.

Throughout 2022, we continued to hit the ambitious milestones that we had set internally. In the third and fourth quarters, leniolisib was validated by the FDA and EMA under priority review and accelerated assessment, respectively.

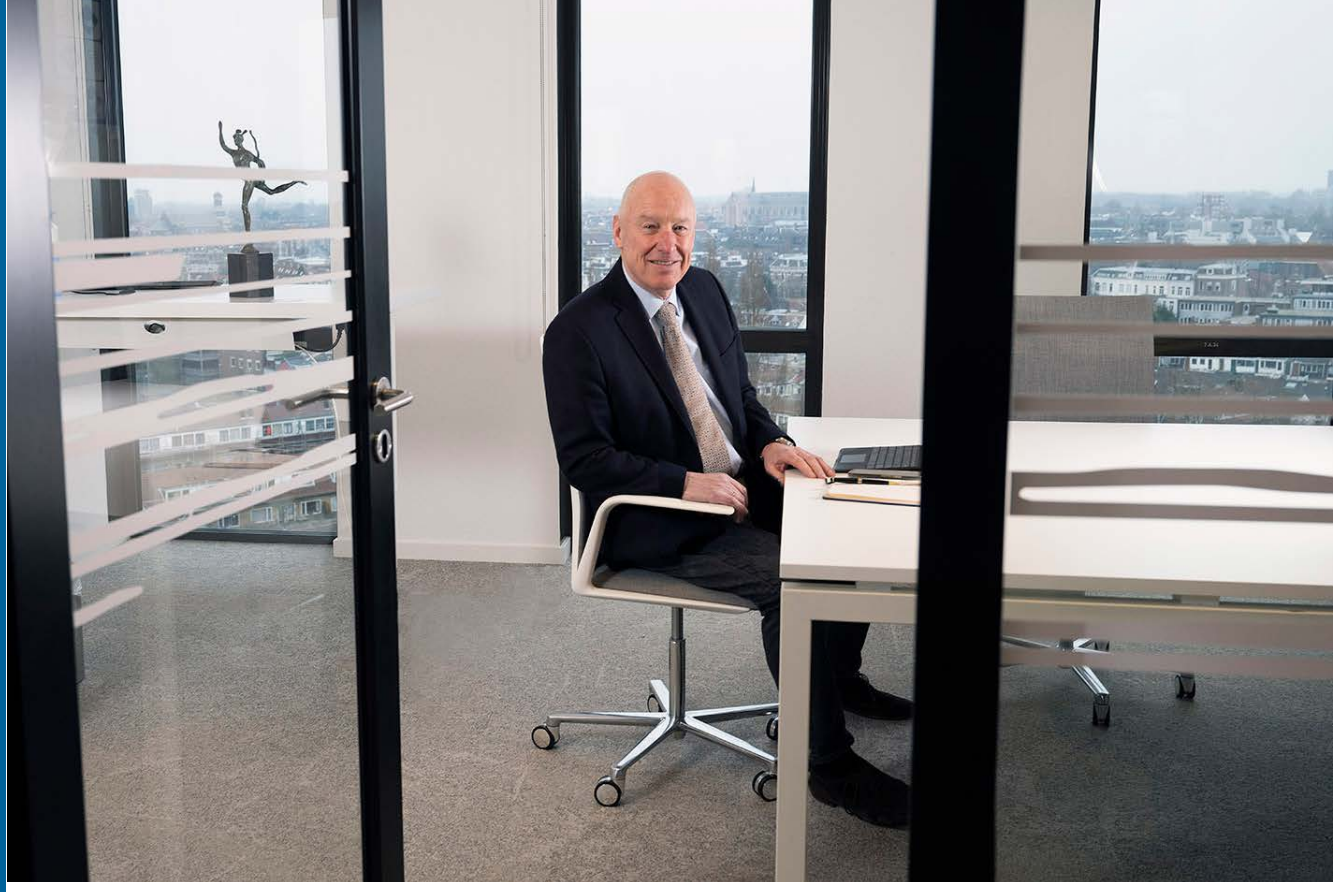
I am proud to report that leniolisib, now to be known under the branded name of Joenja®, was approved by the FDA on March 24, 2023, and will launch in early April. This approval will allow APDS patients in the United States to become the first to gain access to the only disease modifying, targeted treatment for this indication. We anticipate a CHMP opinion from EMA in the second half of 2023 and look forward to strengthening our portfolio as we continue to make Joenja® available to all APDS patients.

Alongside the approval of Joenja® in the U.S., our work to reach patients is only just beginning. As APDS is a relatively new disease, we will continue to educate healthcare providers and identify patients who may benefit from this treatment. To do so, in 2021 we partnered with Invitae Corporation, a leading medical genetics company, to launch the navigateAPDS program in the U.S. and Canada, which offers local immunologists access to a sponsored, no-charge genetic testing program for patients who exhibit symptoms consistent with APDS.

In Europe, our patient identification efforts continue as we work together with immunology centers of excellence who are treating patients with APDS and other rare primary immune deficiencies. Furthermore, we continue to support patient organizations who seek to create awareness, advocacy, and education for APDS patients and their families. These efforts reinforce our commitment to transform the lives of patients with a rare disease such as APDS, and deliver meaningful improvements to their quality of life.

The value driver

Our investment in Joenja® has been made possible by the underlying strength of our business and driven by sales of RUCONEST®. In 2022, RUCONEST® returned to positive growth, achieving US$205.6 million in revenues and demonstrating the sustainability of our product for the treatment of acute HAE attacks, first commercialized in the United States in 2014. Moreover, as the second most prescribed acute treatment in the United States, RUCONEST® continues to highlight the ongoing need for a safe and effective acute hereditary angioedema therapy.



A focused pipeline

In our drive to focus on the launch and commercialization of Joenja®, increasing RUCONEST® sales, and the management of our pipeline, we completed an internal review of our C1-inhibitor pipeline in August. As a result of these initial findings, we took the strategic decision to discontinue the development of recombinant C1 esterase inhibitor (rhC1INH) for acute kidney injury and pre-eclampsia. In line with this decision, we have also de-prioritized further development in the large-scale production of rhC1INH through the use of our transgenic cattle herd and discontinued our Phase IIb study.

With these decisions, we continue to evolve as a company, and continue to focus our efforts and resources on the most value enhancing initiatives for our stakeholders.

Looking towards the future

Reinforced by the approval of Joenja® in March 2023, we announced an updated strategy to ensure the business continues to grow as we strengthen our position as a global leader in the rare disease space. This strategy will see us work to transform our portfolio from sole dependency on RUCONEST® sales, heavily weighted towards the U.S. market, to a company with multiple commercialized products in multiple geographies, generating revenues across key markets.

To support this goal, collaboration has been, and remains crucial as we work to create innovative medicines to improve the quality of life of rare disease patients. With this in mind, I want to thank our employees and partners for their tireless work and dedication to our patients. I also want to thank our shareholders for their continued support. These efforts allow us to support patients around the world, both now and into the future.

Looking ahead, and in line with our strategy, the anticipated launch and commercialization of Joenja® will be supported by our strong balance sheet and the steady sales of RUCONEST®. We will also continue to focus on the development of our pipeline as we look to bring the unserved rare disease patient the solutions they need. 2023 is set to be transformational for Pharming as we become a multiple-product company.

Leiden, April 4, 2023

Sijmen de Vries

Executive Director and Chief Executive Officer


Patient safety is our highest priority
Serving the unserved rare disease patient

Our Business

About Pharming

Pharming is a global biopharmaceutical company developing and commercializing innovative protein replacement therapies and precision medicines to serve the unserved rare disease patient.

Our commitment to the rare disease community requires Pharming to be a sustainable partner for all stakeholder groups including but not limited to patients, employees, healthcare professionals, third-party suppliers and partners, our shareholders, and the wider society.

Pharming is headquartered in Leiden, the Netherlands with its U.S. headquarters located in Warren, New Jersey. Pharming is dually listed on the Amsterdam Euronext (PHARM) and Nasdaq (PHAR) exchanges.

Business overview

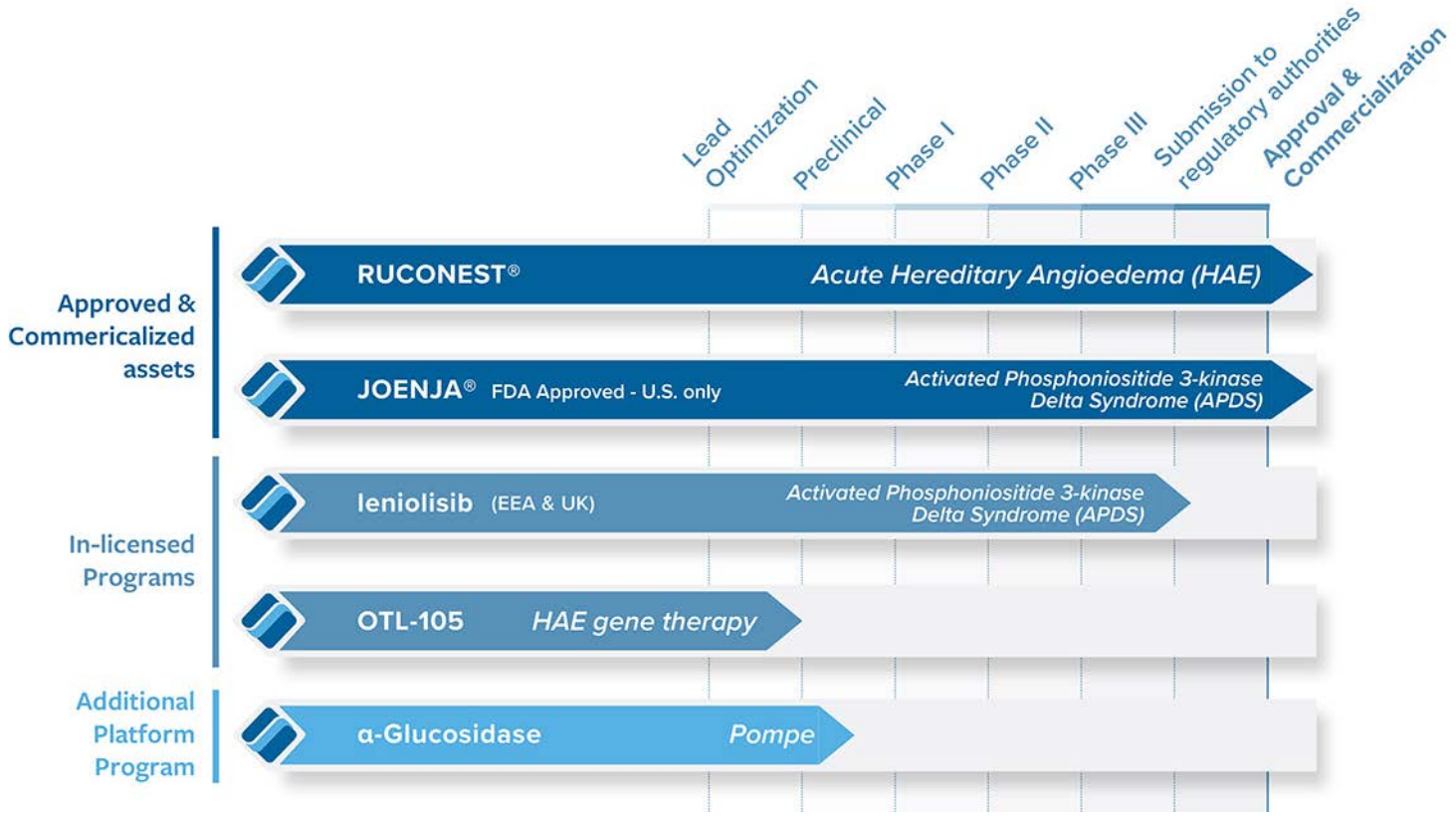
Pharming's first commercialized product, RUCONEST® is a plasma-free rhC1INH protein replacement therapy. It is approved for the treatment of acute hereditary angioedema (HAE) attacks. RUCONEST® is commercialized in the United States, the European Economic Area, and the United Kingdom through our own sales and marketing organization, and in the rest of the world through our distribution network. The product is available on a named-patient basis in other territories where it has not yet obtained marketing authorization.

Its second commercialized product, Joenja®, was licensed from Novartis in 2019 for the treatment of activated PI3K delta syndrome (APDS) in adults and adolescents aged 12 and older, and was approved by the FDA on March 24, 2023. In the European Economic Area, Pharming now anticipate a CHMP opinion in the second half of 2023 following a shift by the Committee for Human Medicinal Products (CHMP) of Pharming's Marketing Authorisation Application from an accelerated assessment to a standard review timetable. Additionally, we plan to develop new indications for leniolisib and expect update the market further on these plans in 2023. More information regarding Joenja®(leniolisib) can be found in the pipeline section of this annual report.

Looking at our pre-clinical pipeline, OTL-105 an investigational ex vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of hereditary angioedema (HAE), has made progress in the development of the lentiviral vector to enhance C1-inhibitor expression and is now testing in preclinical HAE disease models. We anticipate providing further updates as we move towards preparing an Investigational New Drug (IND) filing.

Finally, we are continuing the preclinical investigation of a next-generation alpha-glucosidase therapy for the treatment of Pompe disease and are currently evaluating potential differentiating features of our product candidate in these preclinical studies.

To further build out our pipeline, Pharming continues to explore in-licensing as well as M&A opportunities.



The chart above summarizes the status of our product and our main product candidate portfolio.
Additional information regarding our pipeline can be found on the Pharming website: www.pharming.com or in further sections of this report.

Highlights of 2022

January

A positive decision was made by the European Medicines Agency (EMA) on the Paediatric Investigation Plan (PIP) for leniolisib, a phosphoinositide 3-kinase (PI3K) inhibitor, in development for the treatment of activated phosphoinositide 3-kinase delta syndrome (APDS), also known as PASLI (p110δ-activating mutation causing senescent T cells, lymphadenopathy, and immunodeficiency).

February

Positive results were announced from the pivotal Phase II/III double-blind, randomized, placebo-controlled registration-enabling study of leniolisib for the treatment of APDS.

April

New data from the pivotal Phase II/III trial of leniolisib and Principal Investigator V. Koneti Rao, M.D., a staff physician in the Primary Immune Deficiency Clinic at the National Institutes of Health (NIH) in Bethesda, Maryland, United States, were shared in a presentation at the Clinical Immunology Society (CIS) 2022 Annual Meeting.

A positive decision was received from the U.K.'s Medicines and Healthcare Products Regulatory Agency (MHRA) on a Paediatric Investigation Plan (PIP) submission for leniolisib, in the treatment of patients with APDS from 1 year of age to less than 18 years of age.

The MHRA granted Promising Innovative Medicine (PIM) designation to leniolisib for the treatment of APDS.

A change was announced regarding our minority holding in BioConnection B.V, a contract development and manufacturing organization (CDMO) and the long-time fill and finish partner in the production of Pharming's product RUCONEST®. Previously, in April 2019, the company announced it had invested €4.1 million to acquire a 43.85% stake in BioConnection through its 100% subsidiary Pharming Technologies B.V. As a result of the transaction, the minority stake held by Pharming in BioConnection reduced to 22.98% and Pharming received one-off net cash proceeds and a preference share in 2Q 2022.

August

European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) granted an accelerated assessment for the Marketing Authorisation Application (MAA) of leniolisib in adults and adolescents 12 years of age or older in the European Economic Area (EEA).

A new diagnosis code for reporting cases of APDS was added to the International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10-CM) by the U.S. Centers for Disease Control and Prevention (CDC).

September

U.S. Food and Drug Administration (FDA) accepted, for priority review, Pharming's New Drug Application (NDA) for leniolisib for the treatment of APDS in adults and adolescents 12 years of age and older in the U.S. The FDA assigned a Prescription Drug User Fee Act (PDUFA) goal date of March 29, 2023, aligned with a Priority Review classification.

October

Pharming submitted an MAA to the European Medicines Agency (EMA) for leniolisib for the treatment of APDS in adults and adolescents 12 years of age or older.

The MAA for leniolisib was validated for scientific evaluation under an accelerated assessment by the EMA's Committee for Medicinal Products for Human Use (CHMP).

The ICD-10-CM code - diagnosis code D81.82 – Activated Phosphoinositide 3-kinase Delta Syndrome APDS - went into effect on October 1, 2022.

December

Positive results of our Phase 3 clinical trial of the investigational drug leniolisib, a rare primary immunodeficiency, were published in *Blood*, the peer-reviewed international medical journal of the American Society of Hematology.

Data, including new evidence from an interim analysis of the open-label extension (OLE) study evaluating the investigational drug leniolisib, were presented by Principal investigator V. Koneti Rao, M.D who shared the positive findings in an oral presentation at the 2022 Annual Meeting of the American Society of Hematology (ASH).

Our strategy

Pharming's vision is to become the leading global rare disease company of choice with a specific focus on transformative medicines in rare diseases. Our mission is to bring the unserved rare disease patients the solutions they need through our fully integrated and ongoing drug development and commercialization expertise.

Pharming creates long-term value by leveraging its core strengths in clinical development and rare-disease drug commercialization. To sustain longer-term additional growth, it is our objective to transform our pipeline from sole dependency on our c1INH technology platform, with the majority of revenues generated from one geography, to a company with multiple commercialized products in multiple geographies generating revenues across key markets. Additionally, Pharming aims to include a broader range of acquired and in-licensed technologies, as well as developing future indications for leniolisib.

Operational excellence and execution

Our key objectives 2022:

Our objectives for 2022 were based on our three-pillar strategy.

- Single digit growth in Group revenues from RUCONEST® sales. Quarterly fluctuations are expected.
- Subject to a positive outcome from the FDA review, we anticipate marketing authorization in the US for leniolisib at the end of Q1 2023, with an anticipated launch and commercialization in Q2 2023.
- Subject to a positive outcome from the EMA review, we anticipate a positive opinion from the CHMP for leniolisib, followed by the issuance of an MAA by the European Commission towards the end of H1 2023. Initial commercial launches in EU markets are planned for H2 2023.
- Following an anticipated positive CHMP opinion, we intend to submit an ECDRP filing for leniolisib with the MHRA in the UK in H2 2023.
- Pharming will continue to allocate resources towards the anticipated launch and commercialization of leniolisib with the view of accelerating future growth. Investments in launch preparations and focused clinical development for leniolisib will continue to impact profit for the remainder of 2022 and throughout 2023. However, no additional financing to support the current business is expected with the continued cash flow from RUCONEST® funding these investments.
- Investment and continued focus on potential acquisitions and in-licensing of new, late-stage development opportunities and assets in rare diseases. Financing, if required, would come via a combination of our strong balance sheet and access to capital markets.

*Size based on population and available literature (1-2 patients per million)

Delivering on key objectives 2022:

In 2022, we delivered on the following objectives.

We continued to execute on our strategic objectives of building a sustainable business by focusing on reaching additional HAE patients, on RUCONEST® sales, the approval, launch and commercialization of leniolisib, and the ongoing development and management of our pipeline.

RUCONEST® sales

RUCONEST® continues to be marketed in all major international markets, providing a stable foundation of cash for the business, as well as helping to fund leniolisib and pipeline development management. For the financial year 2022, revenues from RUCONEST® were $205.6 million and were in line with our guidance of single digit growth for the year. This sales growth was supported by a price increase below Consumer Price Index (CPI), as well as an increase in physicians prescribing and the number of patients using RUCONEST®.

Launch and commercialization of Joenja® (leniolisib)

For Joenja® (lenolisib), Pharming has a three-step approach planned for the coming years.

The first step is the anticipated regulatory approval and commercial launch of leniolisib for the treatment of activated PI3K delta syndrome (APDS) in adults and adolescents aged 12 and older and was approved in the U.S. on March 24, 2023. This will be followed by key markets in the European Economic Area (EEA) and the U.K., subject to an anticipated positive CHMP opinion in the second half of 2023. The Company currently plans to pursue regulatory approvals in Japan, Canada, and Australia, and will evaluate additional countries and regions for product expansion, and will commercialize the product either directly or through strategic distribution partnerships.

The second step includes clinical development and regulatory approvals to expand the marketing of leniolisib as a treatment for APDS to children as young as one year of age.

The third step is the development of leniolisib in additional indications beyond APDS. Prioritization and preclinical testing work is ongoing and we expect to announce further details on our plans to develop leniolisib in additional indications in the second half of 2023.

Pipeline development

The development of our pipeline will be through a combination of internal development projects - including the development of additional indications for leniolisib and OTL-105 as a gene therapy for HAE and rhaGLU, an enzyme replacement therapy for Pompe disease - as well as through actively seeking potential acquisitions of new, late-stage assets through in-licensing and M&A opportunities.

Should the Company find a suitable asset, a deal will be financed through a combination of positive cash flow from the RUCONEST® business, anticipated future leniolisib revenue, and available cash from our strong balance sheet. If required, Pharming may access additional funding from the capital markets both in Europe (Euronext Amsterdam) and the U.S. (Nasdaq).

And finally, it was announced during first half financial results in August 2022, that two programs - Acute Kidney Injury (AKI) and Pre-Eclampsia (PE) - would have further development discontinued. Additional information regarding these programs can be found in our Pipeline and Products section of this Annual Report.

ESG

In 2022, we said that as we grew in size and maturity, the Company has a responsibility to its employees and stakeholders to report on its environmental, social and governance (ESG) impact. As such, in 2022, we set up an ESG steering committee and launched an ESG program. Additional information regarding the ESG program can be found in the ESG section of this report.

Objectives 2023:

Our objectives for 2023 are to continue to pursue our three-pillar strategy; to grow our commercialization to fully capitalize on the robust sales of RUCONEST® globally, to prepare for, and execute the launch of Joenja® (leniolisib), and to continue to augment and advance our pipeline. As we commercialize Joenja® (leniolisib) we will continue to make significant investments in commercialization activities. The Company expects that these investments will have a negative effect on profit in the year 2023. Expected revenue for Joenja® (leniolisib), if approved in markets outside of the U.S., will contribute to future revenue growth.

In addition, the Company will evaluate the lifecycle management of Joenja® (leniolisib) for new indications. As in 2022, the Company will continue to search for viable in-licensing or acquisition opportunities to bolster its pipeline both near- and long-term.

Lastly, as Pharming grows in size and maturity, the Company believes it has a responsibility to its employees and its stakeholders to report on its environmental, social and governance (ESG) impact. As such, the Company has set up an ESG steering committee with the goal of creating a proactive program to establish ESG goals and a plan to continue building a sustainable business.

Environmental, Social and Governance (ESG) and building a sustainable business

During 2022, we made additional progress in our ESG journey.

Amongst others, Pharming launched an ESG Program and created an internal ESG steering committee, of which three of the four presiding members are part of the Executive Committee. To oversee the daily management and the implementation of ESG themes in a holistic way, an ESG program manager was appointed and a task force assembled from all departments within the company, which is being supported by an external consultant.

Materiality

Pharming does not choose to view ESG purely as an obligation, where the objective is to deliver the required mandatory information, but instead, Pharming intends to embed ESG more explicitly in its strategy, planning processes and internal reward systems to build a sustainable business. A robust ESG strategy can support this sustainable development, have a positive impact on the environment and society, enhance our corporate reputation, strengthen stakeholder engagement, improve the workplace and the health and well-being of employees, help ensure accountability and transparency, and manage risks and opportunities. Integration of ESG into the overall strategy and practices of the Company are of utmost importance and will be used to guide and build a solid foundation to help improve our long-term performance.

With this in mind, the Company hired external advisors to guide the Company in its creation of these comprehensive objectives.

In 2022, we performed a baseline and benchmark analysis. In this definitive phase of the ESG program, an internal and external stakeholder analysis was performed, providing important insights into the Company's current ESG initiatives, as well as the assessment of the current ESG landscape for our industry, and the ESG performance of our peers.

Furthermore, we are working on becoming CSRD (Corporate Sustainability Reporting Directive) compliant, as Pharming is required to report on CSRD in the 2025 Annual Report. Performing the materiality assessment, for ESG topics that may be relevant to Pharming according to this specific standard was a first step in this process. This materiality assessment enables the Company to prioritize its ESG topics. We will link these priority topics to Pharming's strategy, and will define for each of these priority topics an ambition level, value drivers and related KPIs in 2023.

Climate change is also a mandatory reporting topic under CSRD. In anticipation of our mandatory reporting from the Annual Report 2025 onwards, we have also started evaluating this topic in 2023 as part of our ESG program and we will be taking further actions in the coming period to become CSRD compliant.

Our Company Culture

At Pharming, we believe that everyone deserves the chance to have a good quality of life. As a leading biopharmaceutical company, we bring our patients the solutions that they need.

Together, working as one team, communicating with one language and one story, we can achieve great things. That is the Pharming culture. It is a reflection of who we are and it inspires us to go the extra mile for our patients.

Our behaviors complement our core values and focus on self-development, teamwork, leading people and being results orientation.

In our growing organization, it is important that employees feel connected and engaged. This is why in 2022 we globally launched the core values and behaviors. They are an essential part of our Strategy.

We care

Everything we do is in the interest of our patients

We build strong relationships

We innovate in the interest of patients

We are dedicated to helping each other being successful

We collaborate

Working together to archieve our goals

We are committed to the team

We pro-actively share information

We keep our entrepreneurial spirit alive

We walk the talk

We do what we say and say what we do

We are aware of our impact

We have a sense of urgency

We let integrity guide us

Our core values are the foundation of our Culture

The launch of an internal visual identity ensures our core values and behaviors are embedded in our organization. To connect employees, regardless of their location or area of responsibility, we developed several tools, like animated videos and a Culture Chart. We organized workshops and trainings, developed training materials and appointed Culture Ambassadors.

Our mission and vision

Our mission is to bring the unserved rare disease patients the solutions they need through the development and commercialization of innovative treatment options. Our core values enable our mission and create a clear pathway forward to meet our strategic goals and objectives. The Executive Committee and Board of Directors approved our new mission, vision and core values at the Board meeting on August 2, 2022.

Our People

Our employees play a vital role in the continuing success of Pharming. We are dedicated to attracting, motivating and retaining the most talented employees in our field by actively promoting a high-performance environment where people from different backgrounds and careers are eager to learn from those inside and outside of the Company. We also recognize that to remain competitive in the highly competitive biotech industry we must continuously develop the expertise and competencies of our people.

In the drive to continuously develop our expertise and to formalize the importance of employee feedback and insights, we established a Works Council in the Netherlands on January 1, 2023. Elections were held in December 2022 that resulted in the election and appointment of nine members, representing all Pharming departments and locations in the Netherlands.

Safety and office space

The health and well-being of our employees is a top priority for the Company. We have a policy in place for reporting incidents and we strive for zero incidents in the workplace.

Our offices have an open-plan atmosphere that encourages employees to connect and make use of the flexible, hybrid spaces. We continue to invest in solutions to optimize the creation of a pleasant working environment with regularly ventilated air, optimal acoustics, and a good distribution of daylight.

Performance Management and Development

Our Performance management philosophy is built around the belief that to perform at our best and to reach our goals, we must work well together, role model the right behaviors, and use our knowledge and skills to get the desired results.

In 2022, we designed and launched the Pharming Competency Framework, which covers 16 competencies and helps us to drive the performance of the organization. For 2022, we set the following four competencies as a priority: Self-Development, Teamwork, Result Orientation and Leading People. This Competency Framework, and the subsequent priority competencies, are the backbone of our people strategy and programs, and are being integrated into our performance management process and into the new Pharming Academy for Learning & Development.

We have invested in a learning and development approach and system that supports this philosophy and is based on the following principles:

- Learning opportunities are everywhere
  - Continuous learning and improvement from anyone and anywhere
- We help each other grow
  - We empower employees: feedback, guidance, self-development
- We have a consistent learning environment with one language
  - Consistency across business units using our Blueprint framework and Development Council
- Learning is a personal journey
  - The expert was once a beginner
- We create learning memories We learn from the best with in-house experts across the organization and excellent external partners/providers

Performance review cycle

Reviewing the talent of our people happens throughout the year. While there are three, formal appraisal meetings per year, we encourage performance conversations and feedback on an ongoing basis helping to stimulate self-development and keep Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) goals on track.

Succession planning in key roles

To ensure business continuity, Pharming has a proactive approach to retention to develop the capabilities we need for challenges ahead, including succession planning. Key roles have been identified and individuals have been selected to develop future successors for key positions in the organization.

Headcount at the end of the year

Employee statistics

The Company hired 121 new employees in 2022 (93 in 2021), of which 28 nationalities are represented. In 2022, 55 employees left the Company (32 in 2021). As of December 31, 2022, 390 people were employed by Pharming Group compared to 321 in 2021.

In 2022, our headcount grew by 21.5% to further strengthen our organization across all disciplines in line with the business strategy.

The growth is expected to continue in 2023 with the anticipated approval and commercialization of leniolisib in additional key markets.

Headcount at the end of the year	2022	2021	2020
The Netherlands	227	217	174
France	22	17	15
Germany	3	0	1
Italy	2	0	—
Spain	1	0	—
United Kingdom	11	7	3
United States	124	80	69
Total	**390**	**321**	**262**

Headcount at the end of the year	2022	2021	2020
General & Administration	83	70	51
Research & Development	156	192	160
Manufacturing	58	0	—
Marketing & Sales	93	59	51
Total	**390**	**321**	**262**

Diversity, Equity and Inclusion

Diversity and inclusion are essential to our Company culture. A workforce diverse in age, race, gender expression, nationality, sexual orientation, physical ability, and background enriches our work environments and helps the Company to ensure long-term success. With operations and stakeholders all over the world, we see cultural diversity as a strength. Ensuring equal opportunities for all is a key principle for us.

On November 23, 2020, the Board of Directors adopted a Diversity Policy, which confirms and supports Pharming's aspiration to foster a diverse and inclusive culture where all of Pharming's stakeholders feel respected and valued; from our employees and shareholders to our customers and partners. We continually look for new ways to improve our inclusive culture.

Diversity of the Board of Directors and Executive Committee

We believe that it is important for the Board of Directors and the Executive Committee to represent diverse perspectives of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints. We seek to combine the skills and experience of long-standing members of the Board of Directors and the Executive Committee with the fresh perspectives, insights, skills and experiences of new members.

To further increase the range of viewpoints, perspectives, talents and experience within the Board and the Executive Committee, we strive for a mix of ages in the composition of those bodies, but we do not set a specific target in this respect.

Pharming meets the minimum percentage of 30% representation of both men and women in the Board of Directors recommended by the Dutch Civil Code. Since May 19, 2022, three out of the eight (Executive and Non-Executive) members have been female making the current ratio 37.5% female.

We are committed to seeking broad diversity in the composition of the Board of Directors and the Executive Committee and will consider these attributes when evaluating new candidates in the best interests of our Company and its stakeholders.

In terms of experience and expertise, we intend for the Board of Directors and the Executive Committee to be composed of individuals who are knowledgeable in one or more of the following areas:

Experience and expertise

- *the industry and markets in which the Company operates;*
- *general management;*
- *finance, administration and accounting;*
- *risk management and controls;*
- *strategy;*
- *governance;*
- *marketing and sales;*
- *manufacturing, production and supply;*
- *innovation, research and development;*
- *safety, environment and sustainability;*
- *human resources, personnel and organization;*
- *stakeholder management;*
- *information technology; and*
- *legal and regulatory affairs.*

The Board of Directors recently conducted a self-evaluation to map the knowledge of the individual Non-Executive Members. That self-evaluation confirmed that the members, as a group, have the knowledge and skills available to adequately fulfil the tasks and responsibilities assigned to them.

Remuneration

Pharming believes that competitive remuneration plays a vital role in attracting and retaining the most talented employees within our industry.

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 staff members to deliver on Pharming's mission, vision and strategy and creating long-term stakeholder value.

In 2022, we established a sustainable, adaptable, and transparent Job and Development framework. This framework supports Pharming in balancing the need for standardization with the need for flexibility within Employee Segments.

Patient safety, product use & treatment outcomes

Our highest priority is patient safety. By consistently reviewing and improving our processes, we work to improve the quality of our product and the treatment our patients receive. Our product and all of our planned pharmaceutical products are produced and sold at the highest of regulatory standards to ensure safety and quality. In addition, our in-house Quality Assurance (QA) department conducts internal and external audits of manufacturing facilities, testing laboratories, suppliers of materials and service providers on a regular basis. These procedures have been implemented to monitor, control, and improve the quality of our products continuously.

Code of Conduct and Animal Welfare Policy

Our proprietary transgenic manufacturing technology platform is the foundation upon which we have built our Company. We have developed a unique, scalable, reproducible, current Good Manufacturing Practices, or cGMP, validated methodology for the production of high-quality recombinant human proteins. Our manufacturing process utilizes transgenic animals to produce human recombinant proteins in their milk. This process enables the production of the protein in the milk of the animals without the animals suffering or being altered in other aspects of their biology.

Once the rabbit lines are produced, we raise them at specialized facilities that incorporate protections against contamination of their environment, high standards of animal husbandry, and security. Moreover, special attention is given to the strict identification and segregation of transgenic and non-transgenic materials and animals. In addition, the Company follows strict procedures to prevent the prohibited release of transgenic animals, their semen or any other reproductive transgenic material into nature.

In these facilities, the consistent and regulated handling of animals is carefully monitored. The resulting milk goes through several stage of cGMP processes.

Furthermore, Pharming has a strict Code of Conduct which not only enforces the strict regulatory control over the Company's transgenic biological materials and animals, with regard to the environment and particularly the continuous well-being of our animals, but also emphasizes our commitment that we treat animals respectfully, refining procedures and reducing discomfort and stress as much as possible.

R&D, pipeline and innovation

To bolster long-term growth, it is our objective to transform our pipeline from the sole dependency on one product and one technology platform, into a rare-disease company with multiple approved and commercialized products. We plan to develop additional indications for leniolisib, as well as to acquire rights to late-stage products and technologies.

We continuously invest in the education of our people to increase their knowledge in innovative and sustainable technologies. We work together with industry and educational institutions to search for new treatments and technologies, as well as to be a training ground for their students.

Environmental responsibility

Climate change is a global challenge and responding to it calls for a number of parallel approaches.

The use of our technologies should be safe for our employees and animals, and the impact on the

environment should be minimized. Our production processes have a high consumption of consumables and liquid process waste. The reduction of waste and a circular economy are a growing point of attention.

In 2022, we moved forward with the evaluation of our existing facilities identifying the most efficient ways to reduce our carbon footprint. Our most recent location for upstream processing (transgenic platform, 2021) includes high-quality isolation methods and a full-electric concept (except for one natural gas boiler for extreme conditions).

Our Headquarters in Leiden is located in a building that received the Breeam-NL label 'excellent', provided by the Dutch Green Building Council.

Sustainable economic performance

Economic sustainability is one of our top priorities after the safety of our patients, of our animals and our people. In order to provide a sustainable return on investment to our shareholders, we aim to innovate, become more efficient and increase the value-add in every department.

Our policy is to provide all stakeholders with the timely and fair disclosure of material information regarding news that may have an influence on our share price.

GDPR

Given the growing importance, relevance, and complexity of international transfers of personal data, Pharming has expanded its effort in embedding the Privacy Program as an integral part of decision making during 2022. Based on the first implementation project of the GDPR back in 2018, it was decided to hire an external specialized consultancy firm to assess the level of compliance with applicable Data Privacy Legislation. Based on the results of this assessment, a project was deployed to mitigate the risks as described in the report.

As part of a strong focus on the development and training of employees and contractors, a multi-level E-Learning program on Data Privacy was introduced for the education of different target groups within Pharming. Furthermore, Pharming has embraced a new Data Privacy Governance model in which an internal Privacy Officer will collaborate with an external Data Protection Officer. The former will manage the Privacy Program operationally, the latter will independently control Privacy practices within Pharming. This model will assure patients but also other stakeholders that their privacy is being protected at the highest level.

Ethical conduct

At Pharming, we have made it our mission to develop innovative products for the safe, effective treatment of rare diseases and unmet medical needs. We are committed to going further and transforming the future for our patients so that even more people living with rare diseases can believe in a better tomorrow.

To be successful at delivering on this commitment and to be considered as trusted partners by our patients and stakeholders, there is only one way forward: holding ourselves to the highest ethical standards across our entire business - going beyond legal requirements - based on our values of integrity, quality and respect. This is because our ethical reputation, together with our scientific excellence, are the key to deliver this ambitious commitment to patients and stakeholders.

Ethical and regulatory expectations and scrutiny are increasingly growing in our sector, raising the level of complexity. Within this context, the Company always places business integrity at the core of our culture and as an essential part of the way we work. We firmly believe that any good business is unreservedly an ethical business, and we demonstrate this and understand that a robust reputation is essential for any strong successful business today.

We have the trust of our patients and stakeholders because we conduct our business with integrity, transparency, quality and respect, collectively and as individual employees.

We always stand accountable as individual employees, showing patients, healthcare professionals, the authorities and society at large that they can trust our actions as well as our words and that we own business integrity, choosing to do the right thing even when it is hard, even when no one is watching.

Based on a solid three-year strategy to equip Pharming with a world-class compliance program, we have introduced new or enhanced policies around anti-corruption, conflicts of interest, antitrust and fair promotion. These key policies have been accompanied by

more operational procedures covering a variety of related matters from interactions with patient organizations to donations, from the approval of promotional materials to the vetting of high-risk third parties. The introduction of these policies and procedures has been accompanied by a robust training program, composed of both live and e-Learning modules, targeted at audiences selected according to a risk-based approach.

During 2022, being the third year of the 3-year strategic plan, the Company further consolidated its business integrity framework by enhancing a culture of business integrity and by strengthening an integrated value-based program.

Code of Conduct

We expect all Pharming employees, partners, and third-party suppliers to act in line with our Code of Conduct by conducting any business related to Pharming according to our principles and ethical standards. The Code of Conduct, which in 2022 was further updated, includes:

Code of Conduct

We reject corruption;
We value our third parties;
We act with financial integrity;
We embrace fair competition;
We embody diversity;
We promote a safe work environment;
We avoid conflict of interests;
We reject insider trading;
We value our healthcare stakeholders;
We promote responsibility;
We respect privacy;
We uphold quality;
We communicate responsibly;
We respect confidentiality;
We protect the environment;
We report concerns.

The Code of Conduct can be found in the Corporate Governance section of Pharming's corporate website.

Alert Reporting Procedure

Pharming's whistleblower policy referred to as Alert Reporting & Investigations Procedure can be found in the Corporate Governance section of the Company's website. This procedure describes the internal reporting and investigation procedures for suspected irregularities pertaining to the general, operational and/or financial activities in the Company. The Alert Reporting & Investigations Procedure applies to all Pharming entities in all countries. Pharming will not discharge, demote, suspend, threaten or harass any employee or consultant in the process of any lawful actions by the employee or consultant regarding good faith reporting of complaints or issues nor as a result of their participation in any related investigation.

Pharming evaluated its Alert Reporting & Investigations Procedure at the end of 2022. Taking into account the EU Whistleblower Directive 2019/1937 of which the implementation in national legislation due in 2022 was delayed in the Netherlands, Pharming has updated its Alert Reporting & Investigations Procedure in anticipation of the drafted changes. Further changes will be updated as soon as possible and once the new directives are expected to come into effect in 2023.

Our markets

The value of the combined global acute and prophylactic market in 2022 for HAE medications according to Global Data is ~$2.6 billion per annum.

U.S.A.

Pharming markets and distributes RUCONEST® directly through its in-house commercial organization of 124 employees based in the U.S. Pharming U.S. is headquartered in Warren, New Jersey.

Over the past three years the U.S. market has evolved with 75% of patients now using a prophylactic therapy, up from 30% in 2018. RUCONEST® is the second most prescribed acute treatment after icatibant. Despite the widespread use of prophylactic treatment many patients continue to experience breakthrough attacks requiring treatment with an acute medication such as RUCONEST®.

RUCONEST® serves patients across the spectrum with mild, moderate or severe disease in terms of attack frequency. In the U.S. where prophylaxis for HAE is widely used, patients still need access to acute medications to treat breakthrough attacks.

European Economic Area (EEA) and the United Kingdom (U.K.)

In January 2020, Pharming reacquired the commercial rights to distribute RUCONEST® in Europe from Swedish Orphan Biovitrum AB, or SOBI.

The European HAE market is highly competitive, especially with the launch of generic icatibant, while offering broader patient choice, it impacts the uptake of RUCONEST® in Europe. Nevertheless, the efficacy and reliability of RUCONEST® in both therapeutic effect and supply is leading to greater adoption by national medicines agencies and important clinics across the region.

RUCONEST® has biologics reference product exclusivity in the United States expiring July 16, 2026.

Middle East & Africa (MENA)

Pharming creates access to RUCONEST® in MENA via a mixture of direct sales and marketing, local partners, commercial partners and the ongoing utilization of the HAEi GAP program in certain territories. In Israel, our existing partner Kamada, has consolidated its RUCONEST® activities. In addition, in 2021 we entered into an exclusive license agreement with Newbridge Pharmaceuticals for the distribution of RUCONEST® in the Middle East and North Africa (MENA).

China

Our collaboration with China State Institute of Pharmaceutical Industry (CSIPI) and the Chengdu Institute of Biological Products (CDIBP), both Sinopharm companies, continues to progress. This collaboration includes development and commercialization rights for RUCONEST® in China. The RUCONEST® manufacturing process and quality system has been transferred to Sinopharm, enabling future manufacture for China. The arrangement provides for Pharming to receive certain regulatory and manufacturing-associated milestones, and low to mid-single digit royalties from sales in China by CDIBP or other affiliates of Sinopharm.

Other markets

RUCONEST® continues to be commercialized in Colombia, Costa Rica, the Dominican Republic and Panama through our partner, Cytobioteck. We continue to assess the viability of opportunities within the Asia Pacific Region outside of China.

HAEi global access program (HAEi GAP)

RUCONEST® is the first therapy available under the HAEi Global Access Program (HAEi GAP). This program ensures that in countries where no HAE therapies are approved or otherwise available, all eligible HAE patients can have access to safe and effective treatment through their treating physician. As part of this program, several requests have been received and treatments were started in countries such as South Africa and the Democratic Republic of the Congo. It is the only known program of this type which has been initiated through a patient group (HAEi).

Serving the unserved rare disease patient

After year end 2022

February

Pharming announced that the European Medicines Agency's (EMA) Committee for Human Medicinal Products (CHMP) decided to shift its assessment of the Marketing Authorisation Application (MAA) for leniolisib to a standard review timetable. Pharming received the list of questions from EMA which included a request to submit additional data from the ongoing long-term extension study collected after the interim analysis included in the original MAA.

Additionally, Pharming announced that the first patient had been enrolled in its Phase III clinical trial evaluating the investigational drug leniolisib in children with activated phosphoinositide 3-kinase delta syndrome (APDS), at sites in the United States, Europe, and Japan. The single-arm, open-label, multinational clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in approximately 15 children aged 4 to 11 years who have a confirmed APDS diagnosis.

March

On March 12, Pharming was made aware that that the Federal Deposit Insurance Corporation ("FDIC") had been appointed receiver of Silicon Valley Bank ("SVB US") and that the Bank of England, barring any intervening events, intended to put Silicon Valley Bank UK Limited ("SVB UK") into insolvency. As of December 31, 2022, Pharming had total cash and cash equivalents, together with restricted cash, of approximately US$209 million.

At the time of government intervention of both SVB US and SVB UK, Pharming held US$26 million in SVB US and US$19 million in SVB UK. Pharming's deposits with SVB US were largely uninsured and its deposits with SVB UK largely exceeded the applicable protected limit.

On March 12 and 13, 2023, Pharming issued three press releases regarding the events surrounding Silicon Valley Bank and confirmed that the Company had full access to its deposits.

Pharming announced the FDA approval of Joenja® (leniolisib) on March 24, 2023, as the first and only treatment indicated for the treatment of adults and adolescents aged 12 years and older with activated phosphoinositide 3-kinase delta syndrome (APDS), a rare primary immunodeficiency. Pharming intends intent to launch Joenja® in early April 2023.

Financial review 2022

The financial objectives for 2022 were:

- Ensure that investments in all RUCONEST® markets are optimized so that the maximum commercial potential for the product can be achieved in the HAE indication and sales can return to (single digit) growth;
- Ensure that any opportunities for acquisitions, licenses of new products, large or small, that may be expected to enhance shareholder value are captured on a financial basis that is optimized for shareholders;
- Ensure sufficient and focused investments in preparing for leniolisib launches, balanced with focused research and clinical development activities (leniolisib pediatrics, future leniolisib Japan market entry and rhC1INH additional indications) such that the Company maintains its strong financial position without recourse to shareholders, except for additional large in- licensing or merger/ acquisition opportunities offered to shareholders.

Pharming kept investing in its key market U.S.A. as well outside the U.S.A. There was growth in the number of doctors prescribing RUCONEST® and the number of patients. RUCONEST® was sold in more than 25 countries in 2022 and revenues grew inside the U.S. and remained stable in Europe and the rest of world.

The Company intensified its business development activities. The systematic search and evaluation activities for licensing or acquisition of additional late-stage assets in rare or ultra-rare diseases led to various ongoing discussions with several potential partners or merger/ acquisition targets.

The preparations and investments for the launch of leniolisib were significantly intensified, as we saw an increased commercial potential for leniolisib emerging. We believe that these investments will provide a commercial transformation of the Company following launches of leniolisib from 2023 onwards. Research and clinical development activities were further focused as the programs related to Acute Kidney Injury (AKI), the cattle platform, pre-eclampsia and Covid 19 were discontinued. As such, the Company maintained its strong financial position.

Financial Objectives for 2023

Our objectives for 2023 are to continue to pursue our three-pillar strategy; to grow our commercialization to fully capitalize on the robust sales of RUCONEST® globally, to prepare for and execute the launch of leniolisib in the U.S. market - expected in the first quarter of 2023 -, and to continue to augment and advance our pipeline. As we approach the launch of leniolisib we will continue to make significant investments in (pre-) launch activities. The Company expects that this will have a negative effect on profit in the year 2023. Expected revenue for leniolisib, if approved in markets outside of the US, will contribute to further revenue growth.

In addition, the Company will evaluate the lifecycle management of leniolisib for new indications and will invest in development when appropriate.

As in 2022, the Company will continue to search for viable in-licensing or acquisition opportunities to bolster its pipeline both near- and long-term. These potential acquisitions and in-licensing will be financed through a combination of positive cash flow from the RUCONEST® business, anticipated future leniolisib business, as well as available cash from our strong balance sheet. If required, Pharming will access additional funding from the capital markets.

Lastly, the Company believes it has a responsibility to its employees and its stakeholders to report on its environmental, social and governance (ESG) impact. The Company has created a program to establish ESG goals and plans to continue building a sustainable business. This program will include a plan to report on ambitions and progress of its ESG strategy in 2023.

Financial review

Amounts in US$m except per share data	2022	2021	% Change
Consolidated Income Statement			
Revenues	205.6	198.9	3%
Gross profit	188.1	177.7	6%
Operating profit	18.2	13.6	34%
Profit for the year	13.7	16.0	(14)%
Consolidated Balance Sheet			
Cash & marketable securities	208.7	193.0	8%
Share Information			
Basic earnings per share (US$)	0.021	0.025	(16)%
Fully-diluted earnings per share (US$)	0.019	0.023	(17)%

In 2022, Pharming's revenues increased by 3% to US$205.6 million and operating profit increased by 34% to US$18.2 million. Net profit decreased by 14% to US$13.7 million.

This section will further elaborate on Pharming's financial performance in 2022.

Revenues and Gross Profit

The increase in revenues was primarily a result of higher sales of RUCONEST® in the U.S. market (US$200.1 million in 2022 compared to US$193.4 million in 2021), which was supported by a price increase below CPI, as well as an increase in physicians prescribing and the number of patients using RUCONEST®.

Revenues in Europe remained the same as last year at US$4.9 million in 2022. Revenue in the rest of the world, excluding Europe, increased to US$0.6 million from US$0.5 million in 2021.

Cost of sales decreased by 17% from US$21.1 million in 2021 to US$17.6 million in 2022. Cost of sales related to product sales in 2022 amounted to US$17.4 million compared to US$19.1 million in 2021. The remainder of costs in 2022 (US$0.2 million) stem from impairment charges on inventory designated for commercial activities (2021: US$2.0 million).

Gross profit increased by US$10.4 million, or 6%, to US$188.1 million for the year 2022. The main reasons for this increase were higher sales of RUCONEST®, a favorable currency translation effect and favorable production results.

Operating Profit and Other Operating Costs

For 2022, the operating profit increased by US$4.6 million to US$18.2 million compared with US$13.6 million for the prior year. This increase was driven by increased gross profit (US$10.4 million) as mentioned above, increased other income (US$11.9 million) and offset by increased operating costs (US$17.6 million).

Other income increased significantly by US$11.9 million in 2022 to US$14.5 million as compared to US$2.6 million in 2021 as Pharming reduced its minority stake in BioConnection from 43.85% to 22.98% in April 2022. As a result of this transaction, Pharming received one-off net cash proceeds of US$7.3 million and recognized a gain of US$12.2 million. This was partly offset by a decrease in government grants on R&D projects, due to Pharming's renewed strategy and pipeline.

The operating costs for 2022 increased primarily from additional investments in leniolisib (development, medical affairs, commercial launch preparation). Furthermore, costs for the OTL-105 development increased and impairment costs were incurred from the discontinuation of the development of AKI and the cattle platform. Out of pocket costs of closed programs (Covid 19, PE, and AKI) were reduced versus the previous year.

Financial income and expenses

Other finance income decreased by US$10.4 million, to US$4.5 million for the year-end December 31, 2022. This decrease was primarily caused by fluctuations in the U.S. Dollar versus Euro during 2021 and 2022. This had a particular impact on the bank balances due to our net cash position.

During 2022, Pharming reduced its currency translation exposure causing the decrease of currency translation income in 2022 as compared to 2021.

Other finance expenses decreased by US$0.7 million, from US$6.2 million for year-end December 31, 2021, to US$5.5 million for the year ended December 31, 2022, mainly caused by currency translation effects.

The fair value loss on revaluation (US$1.2 million) relates to fair value adjustments in the BioConnection preference share which is included in Pharming's balance sheet as an investment in equity instruments designated at the Fair Value Through the Statement of Profit and Loss (FVTPL).

Income tax expense

Income tax expense decreased by US$5.8 million from US$7.1 million for the year ended December 31, 2021, to US$1.3 million for the year ended December 31, 2022, mainly due to the decrease in profit before tax and income from the BioConnection transaction, as mentioned above, being tax exempt.

Profit for the year

A total net profit in 2022 of US$13.7 million represented a decrease of 14% over 2021 (US$16.0 million). The decrease was mainly caused by an increase in operating costs - due to company growth - investments in Pharming's product pipeline, decreasing foreign exchange gains and impairment charges on the cancelled downstream production facility. These increased costs were partly offset by an increase in revenues and other income.

Intangible assets

In 2022, intangible assets decreased by US$8.7 million from US$83.8 million in 2021 to US$75.1 million in 2022. The decrease was caused by regular amortization (US$4.3 million) and foreign currency effects (US$5.0 million), and was partly offset by investments in assets (US$0.6 million).

Amortization

This relates to regular amortization of software and the re-acquired rights related to the acquisition of all North American commercialization rights from Bausch Health in 2016 and the acquisition of all European commercialization and distribution rights from Swedish Orphan International AB ("Sobi") in 2020. Amortization is charged based on the economic lifetime of the intangible asset. The economic lifetime of the North American commercialization rights from Bausch Health is 20 years, where the economic lifetime of the European commercialization and distribution rights from Swedish Orphan International AB is 12 years. This estimate did not change compared to the previous year.

Investments

Investments in intangible assets relate to software. Assets acquired related to software (US$0.6 million) mainly relate to the improvements and updates to Pharming's ERP system SAP S/4HANA. The ERP system was implemented and operational as of January 1, 2022, and amortized over five years, which is considered to be the expected economic lifetime.

Property, plant and equipment

Property, plant and equipment decreased from US$13.2 million for 2021 to US$10.4 million for 2022. The decrease was mainly caused by regular depreciation (US$2.6 million), foreign currency effects US$0.7 million and impairments and divestment activities (US$0.9 million). These activities were related to assets designated to the development of rhC1INH therapy for Acute Kidney Injury, which was stopped.

The decrease was partly offset by capital expenditures of US$1.4 million mainly relating to new machinery and equipment for Pharming's production process.

Right-of-use assets

The right-of-use assets increased by US$8.9 million to US$28.8 million for 2022 (2021: US$19.9 million). Investments of US$16.8 million in 2022, were primarily related to a new asset caused by the inception of the lease contract for the DSP facility at Pivot Park, Oss. As communicated in the prior year, as a result of our renewed strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A., Pharming decided to complete the construction of the new building, but will

no longer pursue the realization of its own downstream production capacity at Pivot Park in Oss. During 2022 the lease commenced and resulted in an investment of US$14.6 million. Pharming is currently looking into possibilities for alternative use. As a result of aforementioned decision, the right-of-use asset was impaired for an amount of US$3.9 million. The remainder of the investments relate to investments in Pharming's lease car portfolio.

The increase in the right-to-use assets is partly offset by regular depreciation (US$3.0 million) and foreign currency effects (US$0.8 million).

Investments

Investments increased by US$1.1 million to US$9.7 million at December 31, 2022. This was caused by a decrease in investments accounted for using the equity method of US$4.7 million in 2022 from US$7.2 million at the end of the year in 2021, which resulted in a balance of US$2.5 million for the year ended December 31, 2022. Next to this, a decrease was applicable in investments in debt instruments designated as at the Fair Value Through Other Comprehensive Income (FVTOCI) of US$1.0 million to US$0.4 million for the year ended December 31, 2022 (2021: US$1.4 million). Finally, Pharming recognized a new investment in a debt instrument designated as at FVTPL (US$6.8 million).

Investments accounted for using the equity method

The asset relates to an investment in the ordinary shares of BioConnection Investments B.V. During the second quarter of 2022, Pharming entered into a share purchase agreement, following receipt of an offer for all shares in BioConnection by Gimv, a European investment company listed on Euronext Brussels. The existing shareholders (including Pharming) reached an agreement with Gimv on the sale of all issued and outstanding shares to a new holding company (BioConnection Investments B.V.) incorporated by Gimv, followed by a partial re-investment by existing shareholders of the purchase price in the share capital of BioConnection Investments B.V. The re-investment relates to the purchase of ordinary shares and a preference share. The transaction diluted Pharming's stake in BioConnection from 43.85% in 2021 to 22.98% in 2022, which caused a decrease of US$3.0 million

As a result of this transaction, Pharming received one-off net cash proceeds of US$7.3 million (EUR6.9 million) and recognized a gain of US$12.2 million.

Furthermore, the remainder of the decrease was caused by the recognition of Pharming's share in the results of BioConnection and currency translation effects.

Investment in debt instruments designated as at FVTPL

The asset relates to the preference share as obtained as part of the agreement referred to above relating to BioConnection Investments B.V. The fair value was calculated based on a commonly accepted valuation method, the option pricing model ("OPM"). As a result, Pharming recognized a fair value asset of US$7.9 million at inception date in Q2 2022. Management reassessed the fair value at December 31, 2022, resulting in a decrease of the fair value of US$1.2 million.

Inventories

Inventories increased from US$27.3 million for the year ended December 31, 2021, to US$42.3 million for the year ended December 31, 2022. This was largely due to an increase in work in progress inventory.

Cash and cash equivalents

Cash and cash equivalents, together with restricted cash, increased to US$208.7 million at the year-end 2022, compared with US$193.0 million for the year ended December 31, 2021. This was a result of positive cash flows from operating activities of US$22.5 million and positive cash flows generated from investing activities of US$5.3 million. This was offset by net cash flows used in financing activities of US$5.0 million and currency translation effect of US$7.4 million.

Equity

The equity position increased by US$11.7 million from US$192.9 million for the year ended December 31, 2021, to US$204.6 million for the year ended December 31, 2022. This was mainly due to the changes in the net result achieved by Pharming (US$13.7 million) and transactions recognized directly in equity relating to share-based compensation and exercised options (US$8.7 million), and

was partly offset by other comprehensive income relating to the currency translation reserve of US$10.4 million and fair value changes on investments designated as fair value with changes through other comprehensive income (US$0.7 million).

Convertible bond

The convertible bond has decreased by US$7.5 million to US$133.4 million at year-end 2022, moving from US$140.9 million as of December 31, 2021. This was mainly caused by foreign currency effects of US$8.3 million, which was partly offset by amortization of transactions costs (US$0.8 million). During 2022, a total of US$4.0 million of interest was paid on the bond.

Lease liabilities

Lease liabilities increased by US$12.4 million from US$20.9 million as of 2021 to US$33.3 million per December 31, 2022. The increase (US$16.2 million) was mainly due to new lease contracts for our DSP facility at Pivot Park, Oss in the Netherlands, inflation increases on lease prices for other facilities, and additions to the liability due to expansion of Pharming's car fleet. This was partly offset by monthly or quarterly lease payments (US$3.3 million). The remainder relates to regularly accrued interest expenses and foreign exchange effects.

Outlook 2023

For 2023, the Company anticipates:

- Continued low single digit growth in annual revenues from RUCONEST®. Quarterly fluctuations are expected.
- Following FDA approval, we plan to commercialize Joenja® in the U.S. in early April 2023
- We anticipate a positive CHMP opinion for leniolisib in 2H 2023. Marketing authorisation in Europe expected ~2 months later, followed by commercial launches in individual EU countries.
- Following an anticipated positive CHMP opinion in 2H 2023, we intend to submit an ECDRP filing for leniolisib with the U.K. MHRA for leniolisib shortly thereafter. Approval expected several months later.
- Pharming will continue to allocate resources to accelerate future growth. Investments in launch preparations, commercialization, and focused clinical developments for leniolisib, including to support pediatric and Japan approvals and for the development of leniolisib in additional indications, will continue to impact profit throughout 2023. Our current cash on hand including the continued cash flow from RUCONEST® are expected to be sufficient to fund these investments.
- Further details on our plans to develop leniolisib in additional indications to be provided in 2H 2023.
- Investment and continued focus on potential acquisitions and in-licensing of late-stage opportunities in rare diseases. Financing, if required, would come via a combination of our strong balance sheet and access to capital markets.

No further specific financial guidance for 2023 is provided.

Going concern

Pharming's 2022 financial statements have been drawn up on the basis of a going concern assumption.

The 2022 year-end cash balance (including restricted cash) of US$208.7 million is expected to fund the Company for more than twelve months from the date of this report.

The Board of Directors anticipate significant investments in the preparations of the launch of leniolisib, expected in 2023. These investments will have a negative effect on the profit in the year 2023. Consequently, cash and cash equivalents may reduce during the year as the company invests in its future. Revenue for leniolisib is expected to increase significantly from 2023 onwards. The company remains confident in the robustness of RUCONEST® sales, in the expansion of its pipeline, and the addition of leniolisib for the treatment of APDS.

Presently, however, no further assurance can be given on either the timing or size of future profits. In addition, in the event that the Company needs to raise capital by issuing additional shares, shareholders' equity interests may be diluted as to voting power, and their interests as to value will depend on the price at which such issues are made. The Company sees no further need to raise capital to support its current operations, but may take an opportunity to do so in either equity issue or through an expansion of the current convertible debt or to raise debt, or through a combination of such instruments, to support an acquisition or in-licensing of additional assets, if appropriate terms can be obtained that are in the best interests of shareholders.

Our products

RUCONEST® approved for the treatment of acute HAE attacks

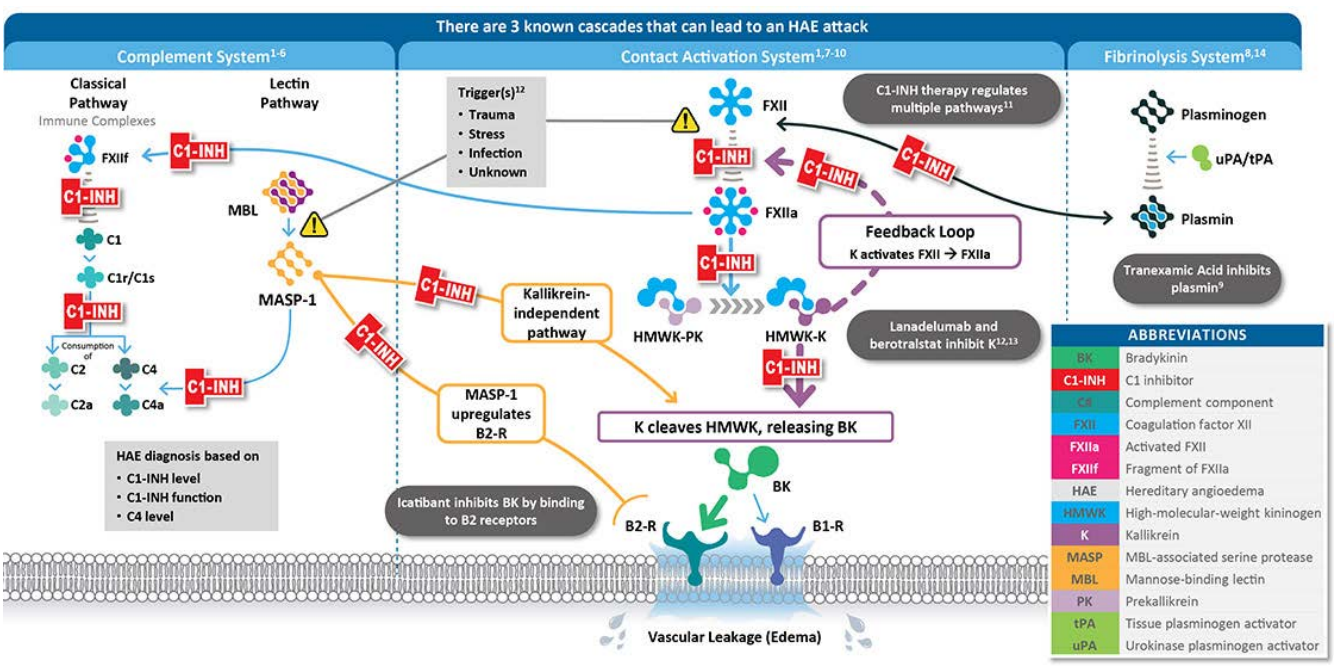
Our lead product, RUCONEST® is the first and only recombinant C1 inhibitor protein replacement therapy that is approved for the treatment of acute hereditary angioedema (HAE) attacks.

Hereditary angioedema (HAE) is a serious, debilitating, and potentially life-threatening disease. HAE is a rare genetic condition that occurs in between approximately 1 in 10,000 and 1 in 50,000 people worldwide.

In the most common forms, it is caused by a functional deficiency of a plasma protein called C1-inhibitor (C1INH). The patients' C1INH deficiency leads to the uncontrolled activation of the complement cascade, resulting in the over-production of some mediators, leading to the leaking of fluid from blood vessels to the tissue space. The most common symptoms of an HAE attack are caused by overproduction of the bradykinin initiator protein, kallikrein, and thus excessive leakage of fluid into tissue spaces (edema or swelling). Patients may suffer bouts of excruciating abdominal pain, nausea and vomiting that is exacerbated by swelling in the intestinal wall. Airway, or laryngeal, swelling is particularly dangerous and can lead to death by asphyxiation. Untreated, attacks can last for several days.

Consequently, the approach to treatment has been initially focused on replacing the missing protein with exogenous C1-inhibitor, either collected from pooled plasma or derived recombinantly. More recently, with greater understanding of the pathogenesis, treatments have been developed to block the patients' contact system.

RUCONEST® has been shown to normalize C1INH activity levels to normal and has been shown to be clinically relevant in HAE attack treatment. The standard posology for the treatment of HAE attacks is 50 units per kilogram of the reconstituted product. RUCONEST® is administered through a slow intravenous (IV) injection. One vial contains 2100 U of lyophilized product to be reconstituted with 14ml of water for injection. RUCONEST® irreversibly binds to several target molecules, including, importantly the coagulation factor FXII and the protease kallikrein, which (when unbound) cleaves a plasma protein into bradykinin and other products. By binding to and chemically deactivating these molecules, RUCONEST® stops the production of bradykinin and all other mediators and thereby stops the HAE attack.



Adapted from a clinical cascade developed in partnership with Dr. Allen Kaplan. This is a current scientific understanding of the cascades. Clinical implications are unknown. The figure above demonstrates the importance of C1INH on multiple inflammatory cascades, and its significance for HAE.

Market Access

We currently market RUCONEST® in the United States, the United Kingdom and the European Union through our own sales force. For additional information on partner distribution networks please see Our Markets section of this Annual Report.

Patent protection

RUCONEST® has patent protection in the U.S. and E.U. until October 7, 2026, as well as biologics reference product exclusivity in the United States expiring July 16, 2026.

Global competition HAE treatment

There are four therapies available to treat HAE attacks and an additional four to prevent attacks in the U.S. These therapies have transformed the lives of HAE patients. The early years of treatment focused on limiting the consequences of attacks, and very few patients used prophylactic medications. With the improvement of prophylactic therapy, many patients now use this and have had significant benefit.

Nevertheless, patients taking prophylactic medications still experience breakthrough attacks and immediate access to an acute treatment medication is required and recommended in all HAE treatment guidelines. With two of the prophylactic medications (HAEGARDA® and TAKHZYRO®), published data from randomized-controlled studies (https://www.jacionline.org/article/S0091-6749(20)31484-6/pdf) indicate that approximately 50% of patients still had breakthrough attacks. Likewise, with the oral prophylactic medication ORLADEYO® 90% of patients had breakthrough attacks in a randomized-controlled clinical trial. Lastly, many patients need to re-dose acute therapies that do not address the underlying C1INH deficiency.

RUCONEST®, a recombinant C1 esterase inhibitor that blocks production of bradykinin, is an option for patients who continue to experience breakthrough attacks while on prophylaxis or for patients who need to re-dose other acute therapies due to relapse of their attacks. As RUCONEST® is intravenously delivered it is immediately and completely bioavailable to stop the progression of an HAE attack.

Joenja® (leniolisib) for the treatment of Activated Phosphoinositide 3-kinase Delta Syndrome APDS

Discovered in 2013, APDS is a rare, genetic condition which affects approximately 1-2 people per million (https://primaryimmune.org/news/new-diagnostic-code-ultrarare-primary-immunodeficiency-promises-multiple-benefits). It is a clinically heterogenous disease that can lead to end-organ damage and early mortality. APDS is a progressive primary immunodeficiency and regulatory disorder characterized by severe, recurrent sinopulmonary infections; persistent, severe, or recurrent herpesvirus infections, particularly Epstein-Barr virus (EBV) and Cytomegalovirus (CMV); lymphadenopathy, hepatomegaly, splenomegaly, and/or nodular lymphoid hyperplasia; autoimmune cytopenias; enteropathy; bronchiectasis; possible malignancy; and dysregulated B and T cell function.

Although awareness of APDS has increased since its discovery in 2013, the disease may still be misdiagnosed in patients not seen by a specialist. Increased education among physicians is needed to aid early diagnosis and accurate treatment. Untreated APDS may be associated with significantly increased morbidity and mortality. Diagnostic delay may lead to an accumulation of damage over time, including bronchiectasis. APDS patients also have a significant risk of developing lymphoma due to the unchecked lymphoproliferation. Management of APDS frequently includes treatment such as prophylactic antibiotics, immunoglobulin replacement, immunosuppression, chemotherapy for lymphoma, or stem cell transplantation. Many of these drugs can cause serious side effects and transplant has significant morbidity and mortality.

Joenja® (leniolisib) is an oral small molecule phosphoinositide 3-kinase delta (PI3Kδ) inhibitor approved in the US as the first and only targeted treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in adult and pediatric patients 12 years of age and older. Joenja® inhibits the production of phosphatidylinositol-3-4-5-trisphosphate, which serves as an important cellular messenger and regulates a multitude of cell functions such as proliferation, differentiation, cytokine production, cell survival, angiogenesis, and

metabolism. Results from a randomized, placebo-controlled Phase II/III clinical trial demonstrated clinical efficacy of Joenja® in the coprimary endpoints; demonstrating statistically significant impact on immune dysregulation and normalization of immunophenotype within these patients, and interim open label extension data has supported the safety and tolerability of long-term Joenja® administration (RAO VK, et al Blood. 2023 Mar 2;141(9):971-983.). Leniolisib is currently under regulatory review by the European Medicines Agency, with plans to pursue further regulatory approvals in the U.K., Canada, Australia and Japan. Leniolisib is also being evaluated in a Phase III clinical trial in children aged 4 to 11 with APDS, with a further trial planned in children aged 1 to 6 years with APDS.

Studies

In partnership with Novartis, we studied leniolisib to assess the efficacy and safety of leniolisib in patients with APDS. The study, a phase 2/3 potentially registration enabling study is composed of two sequential parts. The first part included 6 patients in an open-label dose escalation study designed to assess the safety, tolerability, pharmacodynamics and pharmacokinetics of leniolisib; this dose-finding study has been completed.

The first part of the study showed that oral leniolisib led to a dose-dependent reduction in PI3K/AKT pathway activity assessed ex-vivo and improved immune dysregulation. We observed normalization of circulating transitional and naive B-cells, reduction in PD-11CD41 and senescent CD571CD42 T cells and decreases in elevated serum immunoglobulin M and inflammatory markers including interferon g, tumor necrosis factor, CXCL13, and CXCL10. After 12 weeks of treatment, all patients showed amelioration of lymphoproliferation with lymph node sizes and spleen volumes reduced by 39% (mean; range, 26%-57%) and 40% (mean; range, 13%- 65%), respectively. Leniolisib was well tolerated and improved laboratory and clinical parameters in APDS, supporting the specific inhibition of PI3Kδ as a potential therapy in APDS and other diseases characterized by over-activation of the PI3Kδ pathway. (Blood. 2017;130(21):2307-2316.)

The second part was a randomized, blinded, placebo-controlled study, which enrolled 31 patients with APDS who were 12 years of age or older. Patients were randomized 2:1 to receive either leniolisib 70mg twice daily or placebo for 12 weeks. Following this, patients were permitted to rollover to an open-label extension study to evaluate long-term safety, tolerability, and efficacy. Co-primary endpoints were differences from baseline in lymph node size and in percentage of naïve B cells in peripheral blood, assessed as proxies for immune dysregulation and deficiency.

The primary efficacy results demonstrated clinical efficacy of leniolisib over placebo with a statistically significant reduction in the size of the lymph nodes ($p=0.0006$) and normalization of immune dysfunction, as evidenced by increased proportion of naïve B cells ($p=0.0002$). These Key secondary evaluations were supportive, including patient and physician global assessment tools which showed increased well-being and less disease activity, respectively, of patients randomized to leniolisib as compared to placebo.

In the study, leniolisib was generally safe and well-tolerated. The majority of reported adverse events in both treatment groups were classified as mild. There were no adverse events that led to discontinuation of study treatment, there were no deaths, and the incidence of serious adverse events (SAEs) was lower in the leniolisib group than the placebo group. None of the SAEs were suspected related to study treatment. (Blood. 2022 Nov 18:blood.2022018546. doi: 10.1182/blood.2022018546. Online ahead of print)

In December 2022, Principal investigator V. Koneti Rao, M.D., a staff physician in the Primary Immune Deficiency Clinic at the National Institutes of Health in Bethesda, Maryland, U.S., shared the positive findings in an oral presentation at the 2022 Annual Meeting of the American Society of Hematology (ASH) from an interim analysis of its open-label extension study evaluating the investigational drug leniolisib.

The ongoing extension study includes 37 patients with APDS aged 12 years or older who, at the time of data cutoff for the interim analysis, had received 70 mg of the selective PI3Kδ inhibitor leniolisib twice a day for up to six years and three months, with a median duration on study therapy of 102 weeks. The study was primarily designed to assess the safety and tolerability of long-term leniolisib treatment in adolescent and adult patients with APDS who previously participated in a Phase II/III leniolisib study. The extension study's secondary endpoints are intended to evaluate the efficacy and pharmacokinetics of long-term leniolisib treatment in these patients.

The interim analysis found that leniolisib was well tolerated to this point in the study. It also indicated the durability of the efficacy results seen in the randomized, controlled trial, which showed significant improvement over placebo in the co-primary endpoints of reduction in lymph node size and increase in naïve B cells. The interim results indicate a favorable long-term impact on the immune dysregulation and deficiency often seen in patients with APDS, with clinical manifestations including infections, lymphoproliferation, autoimmunity, enteropathy, bronchiectasis, increased risk of lymphoma, and early mortality.

The majority of adverse events (AEs) reported in the interim analysis were grades 1 and 2, and included upper respiratory tract infection, headache and pyrexia. Grade 1 AEs are the least severe and grade 5 the most severe. Overall, 13.5% of AEs were study drug-related; these affected five patients and included weight gain, arthralgia, hyperglycemia, and decreased neutrophil count. Of all AEs assessed in the analysis, 16.2% were classified as serious, but none of these were identified as related to study treatment. There was one death among study participants which was identified as not related to study treatment.

Among study participants, some experienced reductions in APDS disease markers, with levels of response varying between individuals. Responses included:

- reduced lymphadenopathy, splenomegaly, and IgM levels;
- improved or resolved anemia, thrombocytopenia, and lymphopenia; and
- resolved neutropenia in all affected patients.

Importantly, 37% of participants who were on immunoglobulin replacement therapy (IRT) were able to reduce their IRT use while taking leniolisib. Six patients became IRT-independent, with four of those patients having been IRT-independent for 1 to 2.5 years at the data cutoff. As of the data cut-off for the interim analysis, among three patients who had a history of lymphoma prior to the trial, none had a recurrence or new lymphoma while participating in the study.

Regulatory milestones

United States

On March 24, 2023, the FDA approved Pharming's NDA of Joenja® (leniolisib). The FDA evaluated the Joenja® application for APDS under Priority Review, which is granted to therapies that have the potential to provide significant improvements in the treatment, diagnosis or prevention of serious conditions. Joenja® is expected to launch in the U.S. in early April 2023 and will be available for shipment in mid-April 2023.

Leniolisib was previously granted Orphan Drug Designation by the U.S. Food and Drug Administration (FDA) in January 2018 for the treatment of Activated PI3Kδ Syndrome (APDS) or p110δ-activating mutation causing senescent T cells, lymphadenopathy and immunodeficiency (PASLI).

On July 29, 2022, a New Drug Application (NDA) was submitted to the U.S. FDA for leniolisib, for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in adults and adolescents aged 12 or older. Our dossier was accepted and received Priority Review in September with the FDA assigning a Prescription Drug User Fee Act (PDUFA) goal date for leniolisib of March 29, 2023.

Finally, the ICD-10-CM code for APDS took effect on October 1, 2022. The assignment of the ICD10-CM code enables physicians and payors in the U.S. to add a diagnosis of APDS to patients' health records, which will help connect these individuals with researchers studying the prevalence and course of the disease. In addition, by allocating a specific diagnosis, the new ICD-10-CM code may help confirm medical necessity in individual patients, thus improving their access to relevant care options through US health insurance plans.

Market access

As of March 24, 2023, the FDA in the United States approved Joenja® (leniolisib) for the treatment of APDS in adults and adolescents 12 years of age and older in the United States.

Identifying future patients

On March 2, 2021, we announced the launch of a sponsored genetic testing program, "navigateAPDS", designed to assist clinicians in identifying patients and their family members with activated PI3Kδ syndrome (APDS), which may lead to earlier diagnosis. A genetic test enables a clinician to confirm their clinical suspicions and definitively diagnose APDS.

Pharming's support of the navigateAPDS program will continue to facilitate genetic testing and counselling for eligible individuals in the United States and Canada at no charge. The navigateAPDS program offers testing with the choice of either the Invitae Primary Immunodeficiency Panel or the Invitae Inborn Errors of Immunity and Cytopenias Panel, which analyzes 429 and 574 genes, respectively, that are associated with inherited disorders of the immune system. In addition to providing genetic testing to individuals who may present with a clinical picture known to be associated with APDS, navigateAPDS will offer pre-test and post-test genetic counseling through a third party, and all blood relatives of patients found to have variants for APDS are qualified to be tested through the program. By offering access to these panels, physicians and patients are more likely to identify the underlying cause and potential diagnosis without the need for additional expanded patient testing.

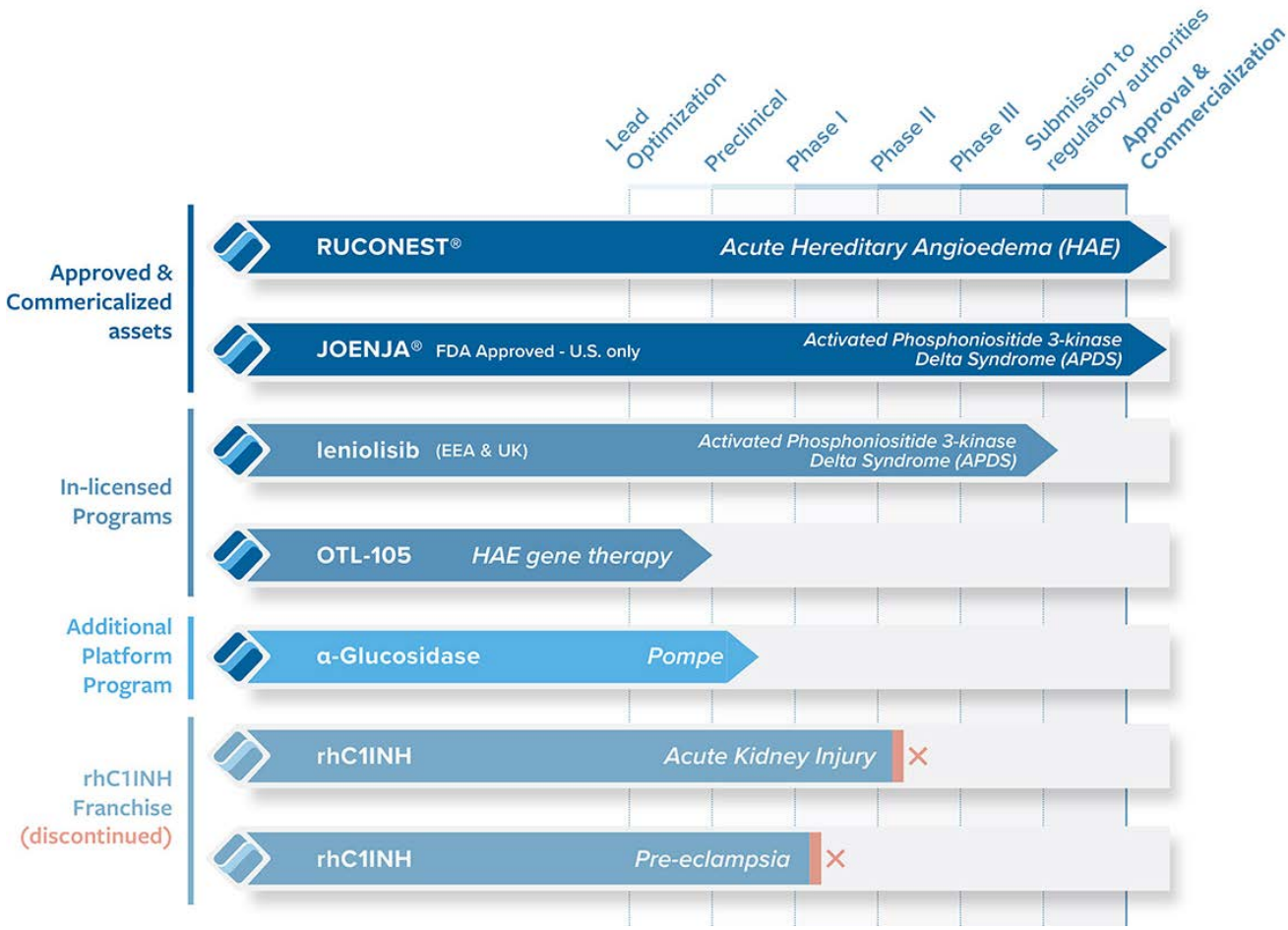
In Europe, we are intensifying our patient identification efforts together with leading immunology centers of excellence treating patients with APDS and other rare immune deficiencies.

As of December 2022, Pharming has found more than 500 APDS patients in the U.S., Europe, U.K., Australia, Canada and Japan.

Patent protection

Pharming expects to have patent protection for leniolisib in APDS under the Novartis composition of matter patent (U.S. Patent No. 8,653,092, EU patent EP259097B1) and applicable patent term adjustments, extensions, and pediatric extension through early 2037 in the US and EU.

The following chart summarizes the status of our product and our main product candidate portfolio.



Pipeline development

leniolisib regulatory milestones

European Economic Area

In October 2020, we announced that the European Commission had granted orphan drug designation for leniolisib for the treatment of activated phosphoinositide 3-kinase delta syndrome (APDS), based on a positive opinion from the Committee for Orphan Medicinal Products (COMP) of the European Medicine Agency (EMA).

In January 2022, a positive decision was made by the European Medicines Agency (EMA) on the Pediatric Investigation Plan (PIP) for leniolisib. For the registration of new medicines in Europe, biopharmaceutical companies are required to provide a PIP which outlines the strategy for investigation of a new medicinal product in the pediatric population. The positive PIP opinion from the Pediatric Committee (PDCO) is an endorsement of the clinical program to evaluate the safety and efficacy of leniolisib in patients from 1 year of age to less than 18 years of age with APDS.

In August 2022, Pharming announced the leniolisib MAA was granted accelerated assessment by EMA's CHMP. The accelerated assessment reduces the review timeframe from 210 days to 150 days. Upon request, EMA will grant an accelerated assessment of an MAA if they decide the product is of major interest for public health, and in particular, from the viewpoint of therapeutic innovation.

The MAA is supported by positive data from a Phase II/III study of leniolisib, announced on February 2, 2022, which met its co-primary endpoints of reduction in lymph node size and increase in percentage of naïve B cells in patients with APDS. Furthermore, safety data from the study showed that leniolisib was well tolerated by participants. Also submitted as part of the MAA were data from a long-term, open-label extension clinical trial in patients with APDS treated with leniolisib.

On October 28, 2022, Pharming announced that its Marketing Authorisation Application (MAA) for leniolisib has been validated for scientific evaluation under an accelerated assessment by the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP).

In February 2023, Pharming Group announced that the EMA's Committee for Human Medicinal Products (CHMP) decided to shift its assessment of the MAA for leniolisib to a standard review timetable. The list of questions received by Pharming from EMA included a request to submit updated data from the ongoing long-term extension study collected after the interim analysis included in the original MAA. We anticipate that the CHMP will issue its opinion on the leniolisib MAA in the second half of 2023 and expect European marketing authorisation approximately two months later.

Additionally, Pharming announced that the first patient had been enrolled in its Phase III clinical trial evaluating the investigational drug leniolisib in children with activated phosphoinositide 3-kinase delta syndrome (APDS), at sites in the United States, Europe, and Japan. The single-arm, open-label, multinational clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in approximately 15 children aged 4 to 11 years who have a confirmed APDS diagnosis.

United Kingdom

In April 2022, the Medicines and Healthcare products Regulatory Agency (MHRA) granted Promising Innovative Medicine (PIM) designation to leniolisib for the treatment of APDS. A PIM designation is an early indication that leniolisib is a candidate for the MHRA's Early Access to Medicines Scheme. This scheme provides an opportunity for treatment options to be used in clinical practice in parallel with the later stages of the regulatory process.

Finally, on September 30, 2022, the U.K. government took the decision to extend the European Commission Decision Reliance Procedure (ECDRP) by 12 months, until December 31, 2023. The ECDRP allows a company to submit a product that has received approval from EMA to the U.K.'s MHRA. The MHRA can grant a license relying on the EMA's decision, thereby ensuring a less time consuming in-country review.

The extension of the ECDRP has several benefits including aligned EU and U.K. dossiers, consistent labeling across the EU and U.K., and the potential for an earlier Marketing Authorisation Approval. As such, Pharming has decided that the ECDRP procedure will be used for the application of leniolisib to the MHRA. Under ECDRP, if the submission of an application is made within five days of an EMA CHMP

positive opinion, the MHRA will aim to determine a decision within a 67-day timeline. Pharming intends to file the leniolisib dossier to the U.K.'s Medicines and Healthcare products Regulatory Agency (MHRA) within five days of a positive CHMP opinion; expected in the second half of 2023.

Pediatric clinical trial

Pharming has developed a clinical plan to include children as young as one year of age. During the first half of 2022, positive decisions were received from EMA and MHRA on the Pediatric Investigation Plan (PIP) for leniolisib as a treatment for APDS in children. The leniolisib PIP includes two planned, global clinical trials in pediatric patients with APDS aged 4 to 11 with a second study in patients aged 1 to 6. These two studies will support regulatory filings worldwide.

In February 2023, Pharming announced that the first patient had been enrolled in its Phase III clinical trial evaluating the investigational drug leniolisib in children with activated phosphoinositide 3-kinase delta syndrome (APDS), at sites in the United States, Europe, and Japan. The single-arm, open-label, multinational clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in approximately 15 children aged 4 to 11 years who have a confirmed APDS diagnosis.

Patent protection

In the European Economic Area, upon successful completion of the agreed PIP, leniolisib would be eligible for up to an additional two years of marketing exclusivity in the EU, on top of the ten-year EU market exclusivity after market approval as result of its EU Orphan Drug Designation.

PI3Kδ technology platform

As we continue to work towards regulatory approvals of leniolisib for APDS in Europe and the United Kingdom and pediatric indications in the U.S., we have also commenced working towards prioritizing other indications where leniolisib has the potential to deliver value for patients. PI3Kδ has been identified as an important player in a variety of disease states, and leniolisib has demonstrated an attractive, long-term efficacy, safety and tolerability profile in clinical trials conducted in both healthy volunteers and patients. This provides a solid basis for our plans for the investigation and investment in further leniolisib indications.

Pre-Clinical Pipeline

OTL-105

In 2021 Pharming and Orchard Therapeutics signed a license agreement for OTL-105, an ex-vivo autologous gene therapy for the treatment of patients with HAE due to a deficiency of C1 esterase inhibitor (C1INH). This novel approach has the potential of being curative, allowing HAE patients to live a normal life, without being dependent upon acute or prophylactic use of HAE medication.

OTL-105 is based on Orchard Therapeutics' platform of ex-vivo autologous gene therapy approach which is designed to use the HAE patients' own blood stem cells and insert those cells into a working copy of the gene that is reduced in HAE. Specifically, CD34+ stem cells are isolated from the patients' blood and transduced with a lentiviral vector encoding the human SERPING1 gene. Once these gene-corrected stem cells are returned to the patient, the stem-cell derived leukocytes start producing the corrected gene product. In pre-clinical proof of concept studies, OTL-105 expressed the SERPING-1 gene and the gene-corrected stem cells produced relevant active C1-esterase inhibitor.

Other gene therapy approaches for the treatment of HAE target liver cells using adeno-associated viral (AAV) vectors. Due to the continuous, slow self-renewal of liver cells and immune responses to the viral capsids, the percentage of transduced liver cells slowly decreases. Hence, it is expected that liver-directed gene therapy for HAE will not provide a permanent cure, unless the vector DNA is stably integrated into that of the liver cells. Although the liver is known to produce much of the natural C1INH, production of C1INH has also been demonstrated in other cells, including leukocytes. Ex-vivo autologous gene therapy therefore potentially provides a way to reach stable, increased production of C1INH in leukocytes to treat HAE.

If the data from pre-clinical HAE animal studies meets scientific requirements, then we expect to start IND-enabling studies in 2023.

Next-Generation Enzyme Replacement Therapies: Alpha-Glucosidase, for the treatment of Pompe Disease

We are developing a next-generation alpha-glucosidase replacement therapy for the treatment of Pompe disease. Pompe disease, also known as Acid Maltase Deficiency or Glycogen Storage Disease type II, is an inherited muscular myopathy disorder caused by the build-up of a polymer sugar called glycogen in the body's cells. The disease affects around 1 in 40,000 people, varying within different ethnic groups. Pompe disease is a rare multisystem genetic disorder that is characterized by absence or deficiency of the lysosomal enzyme alpha-glucosidase, or GAA. This enzyme is required to break down, or metabolize, the complex carbohydrate glycogen and convert it into the simple sugar glucose. Failure to achieve its proper breakdown results in massive accumulation of lysosomal glycogen in cells, particularly in cardiac, smooth, and skeletal muscle cells.

Pompe disease is a single-disease continuum with variable rates of disease progression and different ages of onset. The infantile form is characterized by severe muscle weakness and abnormally diminished muscle tone, or hypotonia, without muscle wasting, and usually manifests within the first few months of life. Additional abnormalities may include enlargement of the heart (cardiomegaly), the liver (hepatomegaly) and/or the tongue (macroglossia). Without treatment, progressive cardiac failure usually causes life-threatening complications by the age of 12 to 18 months. Pompe disease can also present in childhood, adolescence or adulthood, collectively known as late-onset Pompe disease. The extent of organ involvement may vary among affected individuals, but skeletal muscle weakness is usually present with minimal cardiac involvement. Initial symptoms of late-onset Pompe disease may be subtle and may go unrecognized for years.

We are continuing the preclinical investigation of a next-generation alpha-glucosidase therapy for the treatment of Pompe disease, and are currently evaluating potential differentiating features of our product candidate in these preclinical studies. We expect to update the market on our findings in the second quarter of 2023.

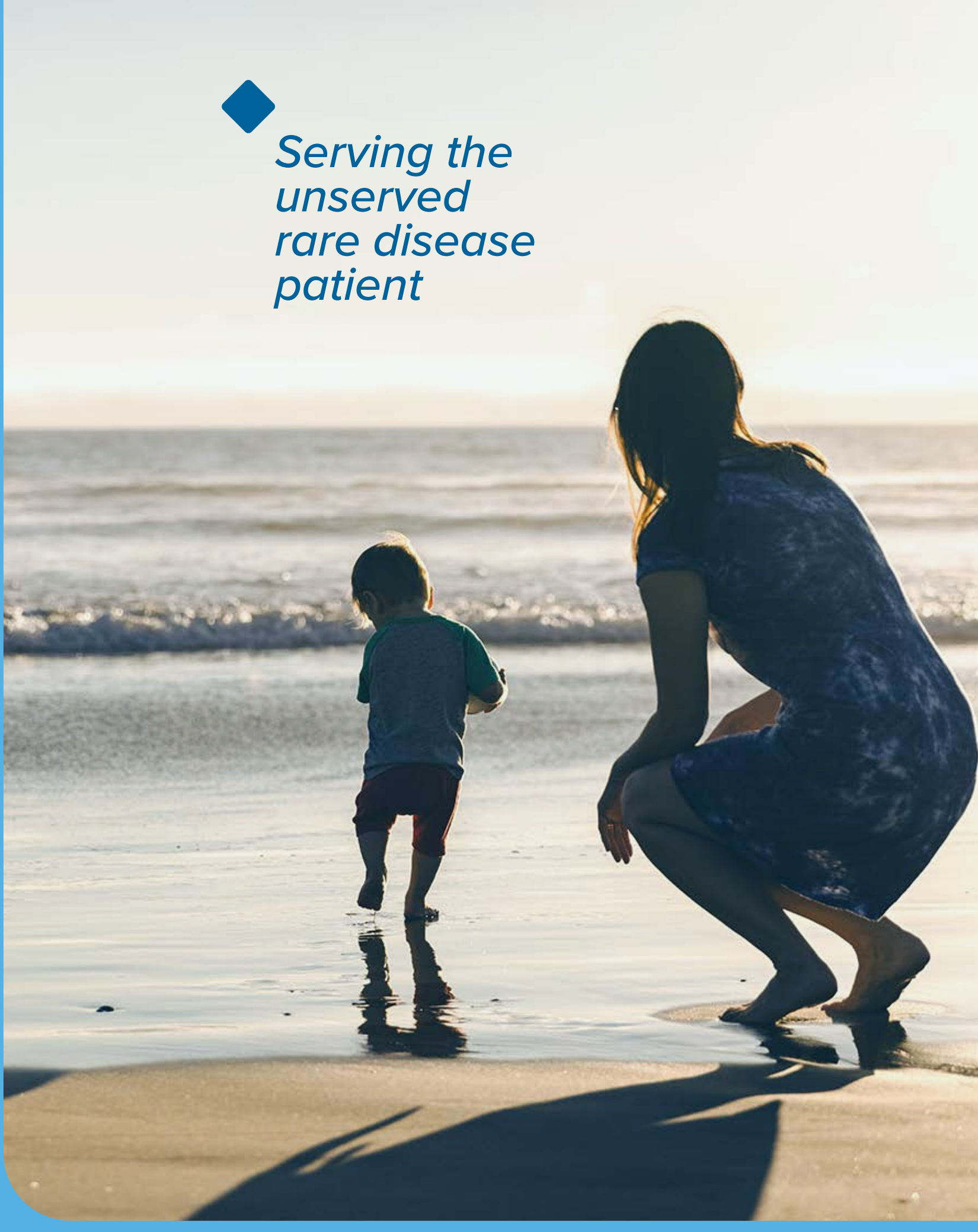
Discontinuation of non-rare diseases assets

Acute Kidney Injury (AKI)

As announced at our half year results in August 2022, following an internal review of our pipeline, we have taken the strategic decision to discontinue further development of rhC1INH therapy for Acute Kidney Injury. Two further announcements regarding this platform were made at our full year financial results. Those included the discontinuation of the cattle herd program and the Phase IIb clinical trial.

Pre-eclampsia (PE)

As announced at our half year results in August 2022, following an internal review of our pipeline, a decision was made to discontinue further developments and investment in this area.



Serving the unserved rare disease patient

Risk management is integral to Pharming's strategy and to the achievement of Pharming's long-term goals

Risk Management and Internal Control

Risk management is integral to Pharming's strategy and to the achievement of Pharming's long-term goals. Pharming's Executive Committee is responsible for designing, implementing, and operating the Company's internal risk management and control systems. The Executive Committee is aware of the importance of a comprehensive approach to risk management and has developed an internal risk management and internal control framework, incorporating Pharming's strategy and the Five Components Cube of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework is tailored to the COSO risk factors that are relevant to the Company, and its size and complexity. We have identified material weaknesses in our internal control over financial reporting across the principles for each component of the COSO framework, and accordingly, across the business and IT processes of the Company. For a detailed description of the material weaknesses and managing of the related risk, refer to chapter "Risk Factors" of this report.

We are in the process of remediating the material weaknesses identified including further developing and implementing formal policies, processes, internal controls and documentation relating to our financial reporting. We have developed a risk assessment framework and scoping, which outlines our key processes and controls, and which outlines what key controls we have designed to be implemented. We are actively working on implementing key controls and have put in place an implementation plan. A summary of the risks that could prevent Pharming from achieving its objectives are included in the section "Risk factors" of this report.

Plan to become SOX compliant

Management is aware of the importance of becoming Sarbanes-Oxley Act (SOX) compliant and is following the roadmap which was established in 2021.

During 2022, Management established a control implementation plan and has worked on implementing mainly Entity Level Controls as well as IT General Controls which are the fundamental pillars of our control framework. Management has taken steps in laying the foundation for the internal control environment by means of the implementation of SAP, establishing Enterprise Risk Management, risk governance, and risk awareness. Improvements were realized by preparing SOX process narratives for all key business processes and completing Control Self-Assessments over control design effectiveness. Furthermore, we have focused on improving high risk areas such as continuing to implement the entity level controls. An Anti-Fraud Framework was established which encompasses fraud assessment, a quarterly fraud disclosure questionnaire which must be completed by managers and process owners with the purpose of identifying changes in controls and possible (indications of) fraud. Next to that an Anti-Fraud Policy and Alert Reporting Investigation Procedure were developed, and fraud awareness trainings were given. The Business Integrity Transformation Strategy Plan has continued to be rolled out. Management also established Internal Delegation of Authority which has been rolled out in 2022 and is currently working on implementing Governance Risk & Compliance (GRC) tool to manage segregation of duties. Pharming has started to develop a cyber risk program aimed at identifying the critical assets, risks and implementing security measures accordingly based on risk classification. Trainings are provided annually and to all employees to keep them aligned with the cyber security requirements. Several policies and procedures have been updated and trainings have been initiated during the year and further implementation mainly over business process controls has been scheduled for 2023.

Our internal risk management and control systems make use of various measures including:

- Annual evaluation by the Board of Directors of the objectives reached;
- Periodical updates to the Board of Directors reviewing developments relating to operations, finance, commercial development, research and development, business development, clinical development, compliance matter, and investor relations;
- Quarterly reporting and review of the financial position and projections by the Executive Committee to the Board of Directors;
- Periodic review meetings by the Executive Committee with relevant managers;
- Annual, quarterly and monthly meetings, incorporating financial and operational objectives, cash flow forecasts and evaluation of progress objectives;
- According to the Company's whistleblower policy, each employee and any Third Party may file a complaint regarding actual or alleged irregularities of a general, operational, fraud, ethical and financial nature in relation to the Company and its subsidiaries, including deviations from the Code of Conduct. Pharming has issued a revised Code of Conduct that addresses the key risks related to potential breaches of ethical standards, which has been communicated and trained to all employees and published on the Company's website;
- Regular meetings to discuss the financial results, controls and procedures between the Audit Committee, the Board of Directors and the Independent Auditor;

The Company maintains records and procedures designed to:

- Reflect accurately and fairly the transactions and disposition of the assets of the Company;
- Provide reasonable assurance that transactions, receipts, and expenditures are recorded and made by authorized employees in accordance with generally accepted accounting principles;
- Provide reasonable assurance of the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The internal risk and control framework of the Company is undertaken by the Audit Committee and regularly discussed between the Executive Committee and the Board of Directors. These Committees regularly review significant risks and decisions that could have a material impact on Pharming. These reviews consider the level of risk that Pharming is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure.

Our risk management and internal control framework may not provide assurance that Pharming will achieve its objectives and we may not be successful in deploying some or all of our mitigating actions. If the circumstances in these risks occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected. Risks and uncertainties could also cause actual results that vary from those described, which may include forward looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.

With respect to the financial reporting risks please also refer to the note 26 "Financial risk management".

The Company is currently further developing its internal control framework in light of a newly implemented Enterprise Resource Planning (ERP) system including controls such as; a provision for separation of responsibilities for issue, receipt and payment of invoices and funds; multiple layers of authorization for any payments out of the Company or issue of invoices to third parties, as well as approvals of all invoices coming in to the Company; regular as well as occasional snap reconciliation of all balances with creditors, debtors and bank balances; regular review and updates of accounting policies and their application; internal analytical review and external audit. In addition, the Company uses specific accounting advice and external tax advice from a variety of highly reputable external consultants, which are mainly major accountancy and tax firms and payroll services providers. As a large company under Title 9 of the Dutch Civil Code, the Company provides additional information in this Management Report to enable users of the report to assess the Company, the risks it faces and the external factors acting upon it.

Risk Factors

Management started the Enterprise Risk Management implementation and formal quarterly assessments in 2021. We ensured that risk owners and leadership team understand the importance of risk identification, assessment and management and were willing to embrace it through risk awareness trainings.

In 2022, we continued to improve the maturity of our Risk Management, as the world continues changing rapidly and risk landscapes evolve, Pharming has been performing periodic bottom-up risk assessments. In order to create a common view on the risk landscape of Pharming, management has engaged with external advisors to also obtain the views of both the Executive Committee and the Board of Directors into account. This increased awareness on the importance and added value of risk management within the organization. We have validated and updated the risk landscape with the insights of the Executive Committee and the Board of Directors and have created alignment between the Board of Directors, the Executive Committee, and top management on the main risks.

The following risk factors have been identified by the Executive Committee and the Board of Directors as the main risk areas challenging Pharming in achieving its objectives. Included are the risk-mitigating actions we have taken. Overall, there is alignment between the Board of Directors and the Executive Committee in both the identified risks as well as the risk assessments. The Board of Directors is more focused on strategical matters (e.g., business development, development of the Pharming vision and strategy, and compliance with upcoming ESG standards). The Executive Committee is more focused on operational areas (e.g., manufacturing, approval by regulatory authorities, commercializing products and exchange rate (FX) fluctuations).

Our risk appetite and approach to risk management differs by risk type:

- Strategic risks: we aim to deliver on our strategic ambitions and priorities and are willing to accept reasonable risks to achieve these. The following risks are assessed in more detail in this Report:
    - Commercial risk
    - Limited product diversification
    - Limited or no approval by regulatory authorities
    - Inadequate coverage and reimbursement
    - Changes in pricing regulations
    - Inadequate Business Development pipeline or integration of acquired companies
- Operational risks: we face operational challenges that may require management attention. Our objective is to avoid risks that could negatively impact our goal in achieving operational efficiency, while ensuring our quality standards are unaffected. The following risks are assessed in more detail in this Report:
    - Inadequate performance by Third Parties - Clinical Trials
    - Inadequate performance by Third Parties - Production Procedures
    - Disruptions in the supply chain
    - Disruptions in the manufacturing processes
    - Inadequate information security (data breaches and cyber-attacks)
    - Inability to recruit or retain the right employees
- Compliance & Reputational Risks: we strive to be fully compliant with our Code of Conduct (https://www.pharming.com/about-us/corporate-governance) as well as national and international laws and regulations of the countries in which we operate. The following risks are assessed in more detail in this Report:
    - Non-compliance with rules and regulations
    - Non-compliance with SOX regulation
    - Non-compliance to ESG standards

- Financial & Fraud Risks: our financial strategy is focused on a strong financial position and creating long-term value for our shareholders. The following risks are assessed in more detail in this Report:

    - Inaccurate or fraudulent financial reporting
    - Non-compliance with tax rules and regulations
    - Insufficient liquidity
    - Unexpected fluctuations in FX rates

To determine if a risk is acceptable, the Board of Directors, as well as the Executive Committee, conducts a risk assessment to identify the nature of risks to the business and the level of such risks the Company deems acceptable, with or without mitigation activity in respect of such risks, on a case-by-case basis. The risk assessments are based upon our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets in which we operate.

Strategic Risks

Executive Committee members, as part of the Enterprise Risk Management process, performed risk assessments over strategic risks and highlighted the most critical risks in this report.

Commercial Risk

Pharming might not be able to meet the projected margins or revenue of management for a product candidate or indication introduction, due to payors refusal or restrictions in reimbursement resulting in limited or no market access.

New product development and indication expansions of existing products is expensive and involves a high degree of uncertainty and risk. Only a small number of research and development programs result in the commercialization of a new product.

Success in preclinical work or early-stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. The results of clinical trials may indicate that our product candidates lack efficacy, have harmful side effects, result in unexpected adverse events, or raise other concerns that may significantly reduce the likelihood of regulatory approval. This may result in terminated programs, significant restrictions on use and safety warnings in an approved label, adverse placement within the treatment paradigm or significant reduction in the commercial potential of the product candidate.

Even if we could successfully develop new products or indications, we may make a strategic decision to discontinue development of a product candidate or indication if, for example, we believe commercialization will be difficult relative to the standard of care or other opportunities in our pipeline.

What are we doing to manage the risk?

To mitigate risk structurally, we work to implement the following processes:

- Deviations from the budget are flagged with the Executive Committee and proposals for protocol changes with significant budget impact require Executive Committee approval.
- Development of formal processes for Project Management.
- Development of formal processes for Budgeting and Forecasting.
- Negotiating research organization contracts with clear conditions and limited capacity for budget expansions. Alongside the strong evidential position, all project plans are evaluated by the Executive Committee, and planning and implementation of any clinical study is subject to Board of Directors approval.

Development programs at Pharming may be partnered and sometimes co-funded, and therefore also may be subject to the review processes of the partner or funding entity, such as the leniolisib project.

As is customary and normal in the industry, the Medical/Access/Marketing team are developing evidence and campaigns that will be used to maximize the value story with payors and optimize the price and patient access to all Pharming's clinical offerings.

Limited product diversification

Pharming might not be able to develop or obtain other successful and profitable products due to limited resources or overreliance on the existing product, or changes in competitive or payors market environment resulting in financial losses or an adverse impact on business continuity.

Other than Joenja® (leniolisib), developed for APDS patients 12 years of age and older, which was approved by the FDA on March 24, 2023, and is currently in the regulatory approval phase in the EEA, our other product candidates are all at an earlier stage of development. Our next generation enzyme replacement therapy (ERT) for Pompe disease is in preclinical development. We may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential than our product candidates due to limited resources available. Our spending on current and future research and development programs may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaborations, licensing, or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. If any of these events occur, we may be forced to abandon our development efforts with respect to a particular product candidate or fail to develop a potentially successful product candidate.

The development and commercialization of pharmaceuticals is highly competitive. In particular, RUCONEST® faces competition from other products used to treat Hereditary Angioedema, or HAE. We are now seeing more effective prophylactic therapy which means patients are requiring less acute rescue medicine.

What are we doing to manage the risk?

A set of activities to expand the pipeline are ongoing including:

- Addition of late-stage assets through acquisition and/or in-license, such as the leniolisib program for APDS and a partnership with Orchard Therapeutics, a transformational new technology deal in HAE. Pharming has licensed global rights to OTL-105, an ex-vivo autologous hematopoietic stem cell (HSC) gene therapy from Orchard Therapeutics. Development of recombinant human alpha-glucosidase (rhaGLU) for the treatment of Pompe disease.
- Business development and research and development plans are also in place to expand the portfolio and pipeline and further mitigate this risk.

A professional project management structure has been developed so that projects are properly monitored.

Limited or no approval by regulatory authorities

Regulatory authorities might limit the scope or not approve a product candidate or indication introduction, since clinical trial data and results do not adequately support safety and effectiveness, resulting in financial losses and/or lost opportunities.

Our business is subject to extensive regulation by numerous state and federal government authorities in the United States, including the U.S. Food and Drug Administration (FDA), and by other regulatory authorities, including the European Medicines Agency (EMA). We are required in the United States and other countries in which we operate - or our partners and affiliates sell - to obtain regulatory agency approval before we manufacture, market, and sell our products. Once our products are approved, the FDA and other U.S. and ex-U.S. regulatory agencies have substantial authority to require additional testing and reporting, perform inspections, change product labeling, or mandate withdrawals of our products. Failure to comply with applicable regulatory requirements may subject us to administrative and/or judicially imposed sanctions or monetary penalties as well as reputational damage and other harms.

Furthermore, the development of novel approaches for the treatment of diseases - including development efforts in new and innovative modalities - present additional challenges and risks, including obtaining regulatory agency approval that have limited experience with the development of such therapies. Clinical trial data and results are subject to differing interpretations by regulatory authorities. The organization can view data as sufficient to support the safety, effectiveness and/or approval of an investigational therapy, and regulatory authorities may disagree and may require additional data, may limit the scope of the approval, or may deny approval altogether. These interpretations may also vary across regulatory authorities in different markets. There can be difficulty in predicting the time and cost of product development of novel approaches for the treatment of diseases across regulatory approval authorities.

What are we doing to manage the risk?

To mitigate risk structurally, we work to implement the following processes:

- Clinical studies are managed by the Project Team.
- Work closely with regulatory authorities to identify key elements of new products and indications to establish safety and efficacy.
- Special attention is paid to the planning and conducting of each clinical trial, adding scientific monitoring activities by a separate team of experts to the standard GCP conform monitoring plan.
- Deviations from the budget are flagged with the Executive Committee and proposals for protocol changes with significant budget impact require Executive Committee approval.
- Development of formal processes for Project Management.
- Development of formal processes for Budgeting and Forecasting.
- Negotiating contract research organization contracts with clear conditions and limited capacity for budget expansions.

Inadequate coverage and reimbursement

Pharming might be faced with inadequate reimbursement for new therapeutic products or in some cases no coverage may be provided by governmental authorities, private health insurers and other organizations due to governmental authorities, private health insurers and other organizations tasked to reduce healthcare costs, resulting in financial losses or/and lost opportunities.

Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers and other organizations fundamentally impacts the potential success of RUCONEST®, leniolisib and any future product candidates. This is a challenge across all segments in the industry. Assuming we obtain coverage for our product candidates by third-party payers, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find high. We cannot be sure that coverage and reimbursement in the United States, the European Economic Area (EEA), or elsewhere will be available for the product candidates or any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future. There is a historic and ongoing drive of health insurers to reduce healthcare costs by limiting both the coverage and the level of reimbursement for new therapeutic products, and in some cases by refusing to provide coverage altogether.

What are we doing to manage the risk?

The proportion of government spend on healthcare globally, according to the Organisation of Economic Co-Operation and Development (OECD), has remained consistent at ~10-15% annually. While this is an ongoing challenge at a macro level, governments with mature healthcare economies continue to offer encouragement to companies engaged in the development and commercialization of products for underserved rare disease patients.

Pharming will continue to work directly with governments and private entities to facilitate that patients have access to RUCONEST®, leniolisib, and future product offerings at prices acceptable to them and that allows Pharming to meet its financial obligations. Likewise, future clinical studies will be designed with reimbursement in mind to ensure we produce robust evidence that demonstrates meaningful clinical and economic benefit for a variety of external stakeholders.

Changes in pricing regulations

Pharming's ability to achieve acceptable levels of coverage might be hindered by new (unfavorable) pricing regulations introduced. This could be due to political developments or sentiment changes in the healthcare industry which could result in a material adverse effect on business and financial performance.

The laws and regulations that govern marketing approvals, pricing, coverage, and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. All European countries carry out a highly sensitive and detailed reimbursement assessment of all manufacturers' technologies before finally agreeing a sale price before it can be marketed, and this generally begins after marketing or product licensing approval is granted and, in some markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted.

What are we doing to manage the risk?

Changes in pricing regulations are a challenge at a macro level. Globally, governments continue to offer encouragement to companies engaged in the development and commercializing of products for underserved rare disease patients, especially those with mature healthcare economies. Pharming will continue to work directly with governments and private entities to facilitate patients have access to RUCONEST®, leniolisib and future product offering at price acceptable to them and that allows Pharming to meet its financial obligations.

Inadequate business development pipeline or integration of acquired companies

Pharming might not be able to manage the Business Development (BD) pipeline for new M&A targets/licenses, due to its inability to find projects in the market that fit the Company's business strategy as per our risk appetite, or due to a lack of adequate resources to acquire suitable targets.

Our efforts to collaborate with or acquire other companies, products, or technologies, and to integrate those operations the aforementioned may not be successful and may result in unanticipated costs, delays, or failures to realize the benefits of these transactions. We seek innovation through investment in both internal R&D and external transactions, including collaborations, partnering, alliances, licenses, joint ventures, mergers, and acquisitions (collectively, acquisition activity). Acquisition activities may be subject to regulatory approvals or other requirements that are not within our control. There can be no assurance that such regulatory or other approvals will be obtained or that all closing conditions required in connection with our acquisition activities will be satisfied or waived, which could result in the Company being unable to complete the planned acquisition activities.

Acquisition activities are complex, time consuming and expensive and may result in unanticipated costs, delays or other operational or financial challenges related to integrating the acquired company or business into the Company. This could divert management's attention from other business issues and opportunities and restrict the full realization of the anticipated benefits of such transactions within the expected timeframe or at all. Furthermore, failures or difficulties in integrating or retaining new personnel or in integrating the operations of the businesses, products, or assets we acquire (including related technology, commercial operations, compliance programs, manufacturing, distribution and general business operations and procedures) may affect our ability to realize the benefits of the transaction and grow our business.

What are we doing to manage the risk?

The Global Business Development (GBD) function has put together the Evaluation Strategy and Business Plan which outlines Pharming's business development strategy and approach for identifying, evaluating, and selecting investment and business development opportunities. GBD is working with Pharming management- namely the Executive Committee and the Board of Directors - to build a risk-balanced portfolio that leads to a stream of approved, revenue generating assets. The following factors shape these portfolio expansion activities:

- Level of unmet need: an identifiable unmet medical need is required for all acquired programs. Payers and governments reward innovation in disease areas where patients are suffering with inadequate, costly treatments.
- Phase of development: preference for late-stage assets whereby we can assess the development risk of the asset in the disease being studied.
- Therapeutic area of focus: our current research, medical and commercial expertise and infrastructure exist in these areas and are being developed. Focusing on these enables important infrastructure and expertise synergies.
- Affordability: ensure prudent use of our resources, and do not over-invest in any one asset. As part of Pharming evaluation, key characteristics are necessary to make the business development a success.

GBD uses an iterative process to evaluate opportunities where GBD coordinates a full review of the investment opportunity in a stepwise process. The attractiveness of an asset/program is dependent on the following criteria:

- The program must directly address a corporate objective agreed by management.
- The program must address a persistent unmet medical need.
- The mechanism of action of the asset must provide a reasonable chance of being efficacious, well tolerated, and safe in the patient population under development.
- The clinical trial must be executable in a reasonable timeframe.
- An attractive business case must exist whereby Pharming can generate enough revenue to justify the investment needed to develop and commercialize the asset.

Pharming has also set up governance and structure which oversees such developments: these include a Steering Committee that provides strategy and guiding principles, and an Integration Management Office that is accountable for process, execution and communication.

In addition, each integration proposal requires fully executed due diligence, which is a standard abbreviated list that requires tailoring to the specific risk areas for evaluation at due diligence, and the type of deal being contemplated.

Operational Risks

Operational (operating risk) in this case refers to third party risks. These include production and manufacturing risks, information security risk, and personnel risk. Management, as part of the Enterprise Risk Management process, performed a risk assessment of operational risks and highlighted the most critical risks in this report.

Inadequate performance by Third Parties - Clinical trials

Inadequate performance by third parties in clinical trials might impair the regulatory approval and commercialization of Pharming's product candidates, which might be delayed, terminated, or development programs may be materially and irreversibly harmed, due to the inability to manage the clinical trials process or by not having access (availability) to qualified and cost-effective third parties.

Before a product may be sold, we must conduct clinical trials to demonstrate that our product candidates are safe and effective for human use. The results of those clinical trials are used as the basis to obtain approval from regulatory authorities, such as the FDA. We are required to conduct clinical trials using an appropriate number of trial sites and patients to support the product label claims. The length of time, number of trial sites and number of patients required for clinical trials vary substantially between regulatory bodies, and we may spend several years and incur substantial expense in completing certain clinical trials. In addition, we may have difficulty finding enough clinical trial sites and patients to participate in our clinical trials, particularly if competitors are conducting clinical trials in similar patient populations.

Pharming relies on third parties to conduct significant aspects of our clinical trials, and we intend to rely on third parties in the future. Although we design clinical trials for our product candidates, we depend on third parties for performing the trials. Our reliance on third parties reduces our direct control over the activities but does not relieve us of our regulatory or contractual duties.

Outsourcing activities are costly, potentially less efficient, and in general more difficult to claim priority. The third parties we rely on may fail to successfully carry out their contractual duties or meet expected deadlines, which may cause delays in our preclinical and clinical studies.

Furthermore, if the Contract Research Organizations (CROs) do not perform preclinical studies and clinical trials in a satisfactory manner, breach their obligations or fail to comply with regulatory requirements and other compliance obligations, then the development, regulatory approval and commercialization of our product candidates may be delayed, may not obtain regulatory approval and commercialize our product candidates, or our development programs may be materially and irreversibly harmed. If we are unable to rely on preclinical and clinical data collected by our CROs, we could be required to repeat, extend the duration of, or increase the size of any clinical trials we conduct, and this could significantly delay commercialization and require significantly greater expenditures.

What are we doing to manage the risk?

Pharming's legal, regulatory, research and development, CMC, and clinical departments focus on initiating and maintaining good relationships with competent third parties with importance placed upon past performance and reputation.

Additionally, Pharming is in the process of structuring Procurement and External Partnership Management activities to oversee and manage the quality and flexibility of outsourced commitments, initiating and maintaining good relationships. In addition, to maintain control and manage the outsourced processes, we hold periodic meetings with the CROs.

Pharming aims to initiate and maintain good relationships with these parties, with a focus on the timeliness of services supplied. Contract progress and work quality are closely monitored, protocols and reports are duly reviewed for completeness and correctness, and penalties for contractual defaults are carefully considered. In addition, it is essential to have back-up parties who can immediately take over the investigations in the event of essential delays or other problems.

Inadequate performance by Third Parties - Production procedures

Inadequate performance by third parties on production procedures might impair the regulatory approval and commercialization of Pharming product candidates. Results may be delayed/terminated, or development programs may be materially and irreversibly harmed due to the inability to manage the production process, by not having access (availability) to qualified and cost-effective third parties, by the inability to manage the production procedures process, or by the lack of good quality systems.

The release of a product to the market is dependent upon a set of quality control procedures. Some of these procedures, although validated, are very sensitive and complex (specifically for the protein - rhC1INH platform). We do not have our own Good Manufacturing Practice certified analytical lab capable of performing the quality control procedures needed for the release of the product and rely on third parties for this work.

Therefore, contracted CMOs are required to have compliant Good Manufacturing Practices processes and structures which is aligned with Pharming's Market authorization/plan.

What are we doing to manage the risk?

Pharming currently maintains a single source for production procedures. However, Pharming has extended its drug substance manufacturing contract for RUCONEST® with Sanofi for five years. For leniolisib we rely on single sourcing due to low volumes. Contracts are being developed and will be drawn with our critical CMOs with relevant KPIs that will be monitored in business review meetings.

Pharming has started a program to challenge and reassess all currently used quality control procedures with the aim to improve or replace those by more robust, modern, and easier to perform analyses and where possible create a more robust External Partnership Management process.

Disruptions in the supply chain

The risk of disruptions in the supply of (raw) materials or services that adversely affect the ability to deliver product or complete clinical trials in a timely and commercially valuable manner. This could be due to the reliance on a limited number of specialist suppliers for certain essential materials incorporated into products/product candidates and services (qualified CMOs) that can, and are willing to, handle small scale quantities resulting in a possible adverse effect on our business, financial condition, results of operations and prospects.

Any shortages of raw materials or failure of any key suppliers to deliver necessary components could result in

delays in our clinical development or marketing schedules and significantly impact commercially available goods. In addition, certain suppliers are based in Europe, while a significant percentage of RUCONEST® sales are derived from the U.S. If international freight transport is disrupted, we may not be able to supply enough RUCONEST® to patients in the U.S. Although for leniolisib certain suppliers are also Europe based, this market is more evenly spread between territories.

Other studies of product candidates, regulatory applications, or commercializing product candidates in a timely and commercially valuable manner, may be adversely affected, should supply be disrupted.

Since Pharming's products are authorized for use in rare and ultra-rare diseases, it might be difficult to find (qualified CMOs) that can or are willing to handle small scale quantities. This could also give us limited negotiation power.

What are we doing to manage the risk?

Pharming is working towards building up safety stocks. Furthermore, we recently implemented an Enterprise Resource Planning (ERP) system which improves inventory planning. Stocks of materials are monitored closely by us as well as the CMOs/Contract Laboratory Organizations we work with. Alternatives are being evaluated (e.g., second supplier for filters and disposable bags, moving from disposable materials to stainless steel). Safety stocks of Intermediate and finished product are being built/ maintained to bridge a potential gap in the manufacturing & release process. For new products the Operations organization (including R&D) is involved as early as possible so they can start searching for qualified CMOs early, building up a CMO network via External Partnership Management group, and carefully evaluating global supply chains when we develop products.

Disruptions in the manufacturing processes

The risk of disruptions in the manufacturing processes or any contamination in the manufacturing process could impact our ability to produce, release or administer our products on schedule (both clinical development or marketing schedules) and therefore harm our operational performance and cause reputational damage.

Undetected quality issues in production, or contamination of products, might cause drugs or products not to be safe for human use, which in turn, might result in reputational issues, fines or claims against Pharming. The protein platform is based on milk from transgenic animals and therefore, quality might change over time due to natural variances.

What are we doing to manage the risk?

Trend analyses are discussed in the Quality Review Board and if needed an investigation is started to take actions. If the deviation occurs, a multidisciplinary group performs an investigation by defining the root-cause and implementing corrective and/or preventive actions.

Specifically for our transgenic platform, Zoo-Easy software has been purchased and qualified for breeding to mitigate the risk of inbred animals. Moreover, the quality of feed is closely monitored to investigate any possible related changes in glycosylation patterns. Our production, operating and facility specialists are heavily involved in monitoring and reviewing our practices to provide the best possible animal care, processes, and outcomes which provides reasonable assurance that contamination is extremely unlikely to occur. The Company remains aware of and is compliant with all relevant legal and regulatory obligations in relation to milk production and animal welfare.

Inadequate information Security (data breaches and cyber-attacks)

Digital technology has connected the world in an unprecedented way. At the same time, concerns have been growing about a lack of governance, data privacy and increasingly sophisticated cyberattacks. Cybercrime is a growing threat to companies' financial systems, employees, and customers (e.g., phishing attacks, identity theft and online fraud).

What are we doing to manage the risk?

Pharming IT governance structure will be formalized with clear responsibilities, reporting requirements, as well as measures and an action plan to make the IT environment more secure. Incidents are formally documented, evaluated and follow-up actions defined and executed on a timely basis. Furthermore, Pharming uses a step-by-step risk management approach to identify, manage, and mitigate its IT and cyber risks. The risk assessment is designed to determine what the IT and Cyber risks are, assess which of these risks are the most critical, take mitigating measures

to control these risks, monitor the development of the risks to see if the measures taken were effective, and report the findings to management at all relevant levels to enable them to act when needed.

Inability to recruit or retain the right employees

There remains a risk that Pharming is unable to recruit and/or retain the right talent, or expertise, or skills due to the high demand and competition in the biopharmaceutical and biotechnology industry. This could be due to a lack of experienced employees, lack of compensation and recognition structure, training and development systems, succession plans, which could result in an adverse effect on the business, financial condition, results of operations and future employee prospects.

Experienced employees in the biopharmaceutical and biotechnology industries are in high demand and competition for their skills can be competitive in nature. The inability to recruit desirable candidates or find adequate third parties to perform such services on reasonable terms and on a timely basis, could hinder Pharming's capacity to hire the right people.

We have entered into employment agreements with Executive Officers and other key employees, but any employee may terminate his or her employment at any time or may be unable to continue in his or her role. The regrettable loss of any Executive or key employee to perform such services could have a material adverse effect on our business, financial condition, results of operations and prospects. There is a risk we may have high turnover and can no longer market, produce or sustain our product effectively. Employees could also be unsure about growth within the Company and their opportunities to sell other products in the near future.

What are we doing to manage the risk?

Pharming expanded its Talent Acquisition team to further strengthen the capacity available for recruitment activities. Additionally, Pharming has engaged specialized recruitment coverage for all areas. The next step will be to improve employer branding to source and attract the required talent.

In 2022, Pharming launched the Pharming Academy, a mature and future-proof learning platform that offers all of Pharming's employees a wide range of trainings and further education to meet their learning needs. This will help us increase our attractiveness as an employer.

We are focusing on the right support to further help us identify the needed future capabilities for Pharming and will provide both HR and the department heads good insights in current staff (headcount), the risk of them leaving, as well as the difficulties of backfilling specific roles. This information will also be a solid baseline for a "Build, Buy or Borrow" discussion on the needed capabilities and for identifying our high potentials. Our Learning Capability will play an important role in the development of our high potentials and building a strong learning capability will have a positive effect on the employee retention.

And finally, Succession Planning was launched in 2022, with identifying our key and most vulnerable positions, starting with the Executive Committee.

Compliance and Reputational Risks

Management, as part of the Enterprise Risk Management performed risk assessments over compliance and reputational risks and highlighted the most critical risks in this report.

However, other risks are also continuously being managed and monitored by the business, these include breaches of ethical standards; data privacy; bribery and corruption; contractual obligations; and negative public opinion and increased regulatory scrutiny. Pharming has issued a revised Code of Conduct that addresses key risks related to potential breaches of ethical standards. Since the beginning of 2021, Pharming assembled a Disclosure Committee, made up of disparate departments within the business, who actively monitor the disclosure of Inside Information. Pharming has also created an Antitrust policy and a Promotional Compliance Policy, for which a comprehensive compliance training program is made available across the Company.

Non-compliance with rules and regulations

The risk of non-compliance with applicable (internal) rules and regulations in the jurisdictions where Pharming operates - either due to unclear regulatory standards, lack of awareness on applicable (internal) rules and regulations or intentional (mis)behavior - could result in the impairment of current practices, margins, market access, business strategy and operations, financial losses, regulatory fines, claims or reputational damage.

Corporate Governance

The Board of Directors and the Executive Committee of Pharming must comply with a variety of legal requirements, laws, regulations and Corporate Governance codes and best practices in the execution of their tasks and responsibilities, considering the dual listing in the Netherlands and the United States. Non-compliance with corporate governance codes and best practices may expose Pharming to criticism from investors and therefore reputation risks and a potential impact on the stock price.

Off-label and Disguised Promotion

Pharming generates and duly communicates its products data, including data which is unlicensed or outside existing approved indications for those products. These activities generate a potential risk of "off label promotion" if used to push for the sale of such products outside the approved indications. Furthermore, Pharming communicates on non-promotional scientific or corporate information, for example in the context of disease awareness, media relations or during service-related activities such as advisory board meetings. These activities could generate a potential risk of "disguised promotion" should data and scientific information not be used for the intended purpose to inform and educate in a non-promotional way, for corporate purposes, but instead for the purpose of pushing sales of Pharming products.

Regulatory Requirements

Pharming operates globally and must comply with applicable country laws and other legal requirements of the countries in which they operate. This includes compliance with health and safety regulations, license requirements, tax, and Corporate Governance Regulations. Non-compliance can lead to penalties or even closure of business in jurisdictions in which Pharming operates. Material changes in the applicable laws and regulations, or in their interpretation or enforcement, could force Pharming to alter its business strategy or operations, leading to additional costs or reductions of revenue, which may adversely affect its business.

Pharming executes several activities that may have the potential of restricting competition in the markets in which it operates. These include interactions with competitors (e.g., inappropriate strategy alignment or exchange of sensitive information), customers (e.g., excessive, predatory pricing or loyalty-inducing practices), distributors or suppliers (e.g., fixing resale prices). Depending on the market context and the nature of the arrangements. These activities generate a potential risk of breaching fair trade standards.

As a result of Pharming's dual listing at Euronext Amsterdam and Nasdaq, it is also under the supervision of the Dutch Authority for the Financial Markets (AFM) and the U.S. Securities and Exchange Commission (SEC). As such, Pharming must comply with Dutch and U.S. reporting and filing/notification obligations, reporting standards and regulations of the AFM, Nasdaq and SEC. Non-compliance can lead to penalties, fines, a forced de-listing, or lead to claims from its investors/shareholders.

In addition, Pharming may, consciously or unconsciously, engage in unlawful disclosure of Inside Information and engage in market manipulation. Furthermore, Pharming may enter into non-disclosure agreements and other agreements with third parties whereby confidential information may arise.

What are we doing to manage the risk?

Pharming works with Dutch and U.S. outside legal counsel on (potential) AFM, NASDAQ and SEC filing/notification obligations, reporting standards and regulations. Pharming's articles of association, the Board of Directors' Rules and Charters, governing the committees installed by the Board of Directors, ensure compliance with applicable laws and regulations and - subject to a limited number of deviations - the Dutch corporate governance code.

Moreover, the Board of Directors and the Executive Committee are supported by a Company Secretary and follow an annual calendar to ensure compliance with prevailing laws, regulations and codes. We are developing and implementing formal policies further, processes, internal controls, and documentation relating to our financial reporting. We are also currently in the process of finalizing a risk assessment framework and scoping to identify key processes and controls that will require additional enhanced controls to be designed and implemented.

Pharming has an "Insider Trading Code" in place that complies with the Market Abuse Regulation (MAR) and other prevailing laws and regulations. Further, "Restricted Persons" as defined in this Code are registered as insiders in the InsiderLog system that Pharming uses for this purpose. Restricted Persons are informed about their obligations regarding open & closed trading periods.

Pharming has a Disclosure Committee that actively monitors the timely disclosure of Inside Information and compliance with the disclosure requirements applicable to Pharming as a dually listed company on Euronext Amsterdam and Nasdaq. The Committee Charter is periodically evaluated and updated. Pharming's standard non-disclosure agreement has a clause on Securities laws covering both Dutch and U.S. laws. Pharming has Dutch and U.S. outside legal counsel available in the case where questions arise. This outside legal counsel also works with specialized agencies handling the publication and dissemination of press releases.

Pharming has issued a "Promotional Compliance" Policy and an enhanced procedure for the approval of promotional and non-promotional materials which directly addresses the risk of off-label or disguised promotion. Additional new policies by Business Integrity are developed and implemented on a continuing basis to ensure compliance with prevailing laws, regulations and practices in all countries where Pharming is active. This is in accordance with the global Business Integrity program and annual planning committee, as proposed by Business Integrity and approved by the Executive Committee. Pharming is in the process of recruiting a Senior Compliance Director in the U.S. to further strengthen the Business Integrity team and its expertise with regards to U.S. related laws and regulations.

Non-compliance with SOX regulations

In connection with the audits of our financial statements, we have identified weaknesses in our internal control over financial reporting across the principles for each component of the COSO framework at the entity level and accordingly, across the business and IT processes of the Company. Although the Company does have oversight and compliance processes currently in place, these processes are not sufficiently formalized as controls to identify and address the risks of material misstatements and risks arising from IT processes. In addition, where control activities are dependent upon information that control performers use to execute the control (IUC), the Company does not perform or document controls to determine the completeness and accuracy of such information. If we are unable to remediate these weaknesses, or if we identify additional weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely impact our business and stock price.

What are we doing to manage the risk?

We are in the process of remediating the weaknesses identified, including further developing and implementing formal policies, processes, internal controls, and documentation relating to our financial reporting. We have finalized a risk assessment framework and scoping to identify key processes and controls that are in process of being implemented.

Non-compliance to ESG standards

The risk that Pharming is unable to comply with ESG reporting requirements (e.g., EU Taxonomy, CSRD, SEC) due to other priorities and lack of expertise and guidance, which can lead to an adverse effect on Pharming's credibility with investors and shareholders and the company's reputation, resulting in potential future regulatory fines.

Our business and operations may be negatively impacted by the failure, or perceived failure, of achieving our environmental, social and governance objectives. We continue to work towards operating our business in an environmentally responsible and socially inclusive manner. Stakeholders, including our investors and our employees, have increasingly focused on our ESG practices. If our ESG practices fail to meet these stakeholders' expectations and standards, there could be a material adverse effect on our reputation, business and, ultimately, our stock price.

Achieving our ESG goals requires long-term investments and broad, coordinated collaboration which may require Pharming to incur additional costs or allocate additional resources towards monitoring, reporting, and implementing our ESG practices. Furthermore, we may fail to accurately assess our stakeholders' ESG priorities, as such priorities have evolved and will continue to evolve. Any failure or perceived failure to meet our ESG program priorities could result in a material adverse effect on our reputation, business, and stock price.

What are we doing to manage this risk?

Pharming does not view ESG purely as an obligation, where the key is to be able to deliver the required mandatory information. Instead, Pharming wishes to embed ESG more explicitly in our strategy, planning processes and internal reward systems to build a sustainable business. Integration of ESG into the overall strategy and practices is of utmost importance to guide and build a solid foundation to help improve our long-term performance. It can support sustainable development, have a positive impact on the environment and society, enhance the corporate reputation, strengthen stakeholder engagement, improve the workplace and the health and well-being of employees, help ensure accountability and transparency, and manage risks and opportunities. In the second half of 2022, Pharming established an ESG steering committee with the aim of integrating ESG principals into Pharming's strategy. Please refer to Section "CSR/ESG" of this Annual Report for detailed information on Pharming' ESG activities.

Financial and Fraud Risks

Management, as part of the Enterprise Risk Management process, performed a risk assessment over financial and fraud risks and highlighted the most critical risks in this report.

Inaccurate or fraudulent financial reporting

The risk that Pharming's financial statements contain a material misstatement and/or that the company is not SOX compliant, due to lack of awareness of GAAP, processes and procedures, or intentional misbehavior (fraud) caused by internal or external pressures, resulting in a loss of confidence in the accounts by key external and internal user, reputational damage and personal liability exposure for Directors.

Fraud risk is of unexpected financial, material, or reputational loss as the result of fraudulent action of persons internal or external to the organization. The risk of inaccurate financial reporting includes egregious operational decisions, reputational damage, economic loss, penalties, fines, legal action, claims from shareholders, and even bankruptcy. Pharming can ensure accurate financial reporting by employing a network of internal controls, fortified by financial software which helps prevent and detect errors.

What are we doing to manage the risk?

Anti-Fraud Framework was established encompassing fraud assessments. A quarterly fraud disclosure questionnaire has to be completed by managers and process owners with the purpose of identifying changes in controls and possible (indications of) fraud. Next to that, an Anti-Fraud Policy and Alert Reporting Investigation Procedure were developed, and fraud awareness trainings were given. The Company has implemented controls to establish a fraud governance process, create a sound anti-fraud culture, implement, and maintain clear preventive and detective fraud controls. Pharming continues to develop sound internal controls and formalize best practices processes, to prevent balance sheet and P&L risks by periodically reviewing balance sheet and P&L

accounts and as well as reviewing financial transaction for completeness and accuracy.

Non-compliance with tax rules and regulations

The risk of applying incorrect tax treatments for transactions, events, operations due to exposure to complex taxation caused by international operations, R&D, transfer pricing, etc., can cause (unforeseen) tax claims, fines or penalties and reputational damage.

Pharming is exposed to tax risk, the application of incorrect corporate income tax treatment, assets and liabilities, revenues and costs could be valued too low or high, and book-to-tax base differences - deferred tax assets and liabilities might not or could be incorrectly recognized. Uncertain tax positions might not be identified in a timely manner and/or are incorrectly recognized. In addition, if transfer pricing policy is not properly implemented, it can lead to unforeseen tax claims or exposures. If Pharming does not have an up-to-date local file and master file on transfer pricing, then it is unlikely that compliance is fulfilled, and that our tax return may be incorrect. This may have serious consequences for the Company including large tax liabilities, penalties, interest charges for earlier years and reputational damage.

The Mandatory Disclosure Regime (MDR) directive introduced a requirement for intermediaries or taxpayers to disclose information in relation to reportable cross-border arrangements. Any cross-border arrangements that fulfill at least one of the hallmarks, need to be assessed for reporting. Changes in MDR legislation and guidelines might not be timely or properly identified. This may result in improper reporting and disclosure and non-compliance with MDR leading to penalties, reputational damage with the tax authorities and other stakeholders.

What are we doing to manage the risk?

Process descriptions, policies, and work instructions (e.g., checklists) for the key corporate income tax processes, such as the tax compliance, accounting and consolidation process, are being developed by the Company. With support of an external advisor, Pharming prepares the required transfer pricing documentation (i.e., Master File and Local Files). Pharming is also supported by external tax advisors for our several tax submissions. External tax advisors train key stakeholders in the company to create awareness of this risk and to ensure that the risks are identified in the business and followed up appropriately.

Insufficient liquidity

The risk that Pharming has insufficient cash to fund its operations and meet its financial obligations, due to adverse capital, credit market conditions and/or an inability to generate enough cash, resulting in a lower credit rating, weak financial position and could have an adverse impact on business continuity.

Adverse capital and credit market conditions may significantly affect the ability to meet liquidity needs, cause limitations in accessing to capital and cost of capital. The same is valid for restricted access to our cash that we hold on bank accounts at banks that get in financial difficulties. Prolonged exposure to liquidity risk or inability to generate enough income for the projects in scope, could lead to the inability to meet financial obligations, which could increase the risk of insolvency.

What are we doing to manage the risk?

Pharming is working on improving cash flow forecasting models to provide a more accurate view of liquidity. A Company financial forecasting model has been made, which forms the basis for this information for the medium- and long-term horizon (15 years forward). Any new business development project needs to be included in this model to understand the impact on cash flow and liquidity. Funding (both equity and debt) will be adjusted to the liquidity needs of the Company. Pharming diversifies its cash holdings in several banks and money market funds to reduce counterparty risk.

Unexpected fluctuations in Foreign Exchange market rates

The risk that Pharming's financial position is impacted by fluctuations in Foreign Exchange market (FX) rates, due to large (unmanaged) positions in other currencies due to the international scope of Pharming's operations, could create a material adverse effect on Pharming’s business, financial condition, results of operations and prospects.

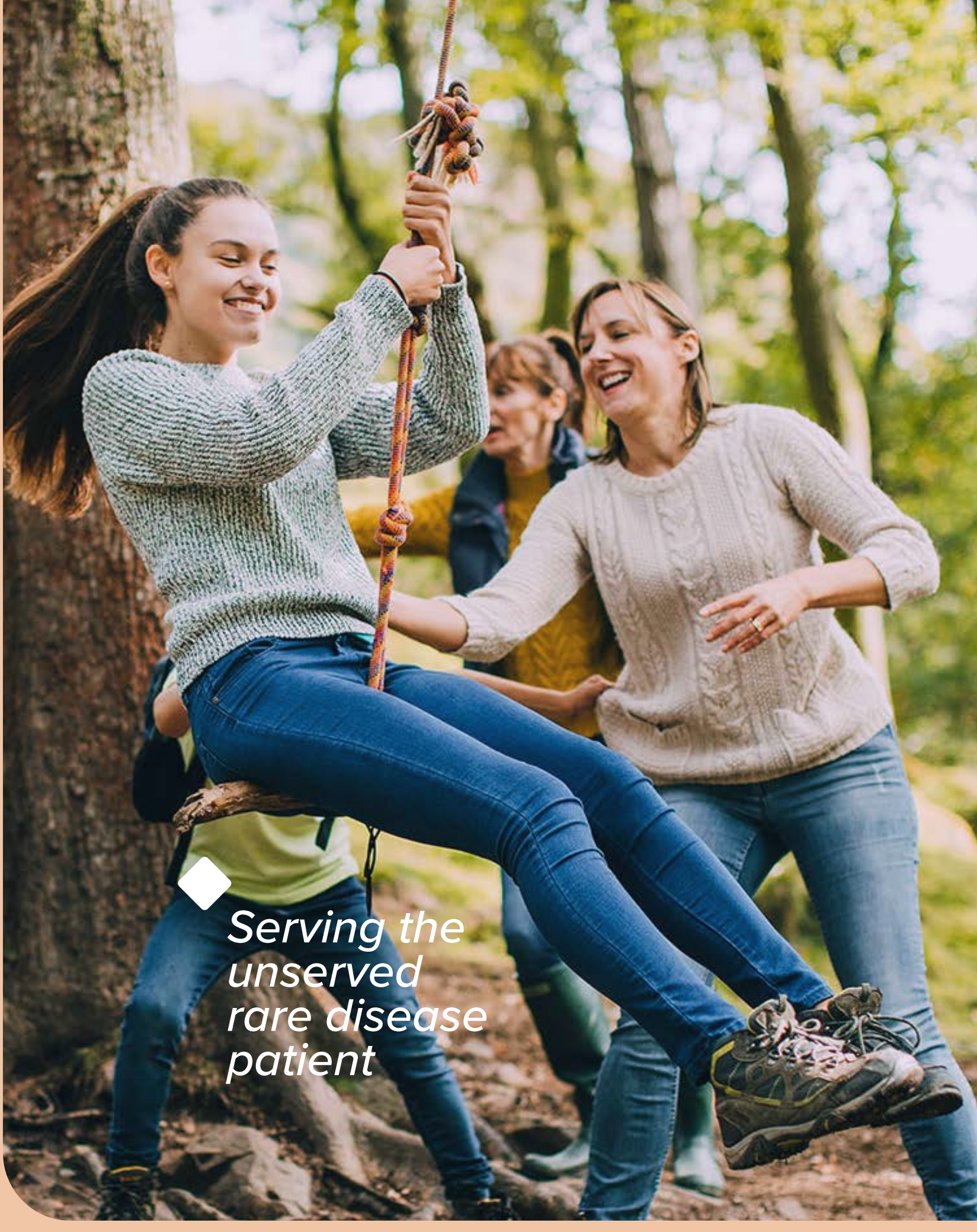
Due to the international scope of our operations, fluctuations in exchange rates, particularly between the Euro and the U.S. dollar, may create an adverse impact.

While the Company is headquartered in the Netherlands, we source materials, products, and services from several countries outside the EU which are paid in local currencies.

As a result of the commercialization of RUCONEST® and the anticipated commercialization of leniolisib in the United States and in other countries outside the EU, we will receive payments and generate costs in U.S. dollars and other currencies. Fluctuations in foreign exchange rates between the euro and the U.S. dollar, as well as other currencies may impact our result. As the intercompany balance payable by Pharming Healthcare Inc. to Pharming Technologies B.V. is in Euros and the books of Pharming Healthcare Inc. are in U.S. dollars (functional currency Pharming Healthcare Inc. is U.S. dollars) a rate fluctuation may impact the balance payable of Pharming Healthcare Inc. to Pharming Technologies B.V. and is reflected in the income statement. Since the majority of Pharming's sales are invoiced and paid in U.S. dollars, and most of its costs and liabilities are valued in euros, any change in the relevant exchange rate means a corresponding change in the euro value of sales and a corresponding change in the loan balance in euros.

What are we doing to manage the risk?

Foreign exchange results can partly be remediated by having Pharming Healthcare Inc. repaying its net payable balance to Pharming Technologies B.V., Pharming Group N.V. or Pharming Americas B.V. promptly using its cash balances. Going forward we aim to book and pay all intercompany charges and intercompany invoices on receipt of invoice as soon as possible, thereby reducing the intercompany balances. Pharming entities manage foreign exchange result risk on their cash by holding the cash balances in its own functional currency.


Serving the
unserved
rare disease
patient

Corporate Governance

Corporate Governance

The following paragraphs set out our shareholder structure, the Company's compliance to the Dutch Corporate Governance Code, the management structure of the Company and the curricula of the Executive Director, the Non-Executive Directors and the members of the Executive Committee.

Articles of Association

The prevailing Articles of Association of the Company are posted on the Company's website (www.pharming.com/about-us/corporate-governance) and are available in English and Dutch. The Articles of Association of the Company were most recently amended on December 11, 2020.

A resolution of the General Meeting of Shareholders to amend the Articles of Association may only be adopted upon a proposal of the Board of Directors.

Shareholder structure

All ordinary shares issued by the Company are traded on Euronext Amsterdam under the symbol "PHARM". In addition, American Depository Receipts (ADRs) have been traded on the NASDAQ Global Market Composite since December 23, 2020, under the symbol "PHAR".

JP Morgan Chase Bank, N.A. (located at 383 Madison Avenue, Floor 11, New York, NY 10179) acts as the depositary and registrar for the American depositary share (ADS) representing our ordinary shares.

Each ADS will represent an ownership interest in a designated number of ordinary shares in our capital which will be deposited from time to time with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary (JP Morgan Chase Bank, N.A.), and the holders of American Depositary Receipts evidencing ADSs ("ADRs"), or other beneficial owners of an interest in ADSs from time to time.

The rights of the holders of ADRs, or of other beneficial owners of the ADSs, derive from the terms of the deposit agreement as described above and, in the case of the beneficial owners, from the arrangements between the relevant beneficial owner and the holder of the corresponding ADRs. The obligations of the depositary and its agents are also set out in the aforesaid deposit agreement.

For information on the ADSs and ADRs, you should read the prospectus (hereafter referred to the "ADS Prospectus") that is included in the Registration Statement on Form F-1 (333-250984), as filed with the SEC on December 17, 2020, and as further supplemented by the 2022 Annual Report on Form-20 F document, as filed with the SEC on April 5, 2023.

As a foreign private issuer traded on Euronext Amsterdam, the Company is permitted to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements. The rights of holders of ordinary shares and, therefore, certain of the rights of holders of the ADSs, are governed by Dutch law, including the provisions of the Dutch Corporate Governance Code, and by our Articles of Association. Reference is made to the subsequent sections for a summary of the main governance practices applied by Pharming.

More details on the Company's authorized share capital and issued shares and the number of listed ADSs can be found in the "Financial Review" chapter of this Report and note 17 "Shareholders' Equity".

On January 14, 2020, the Company entered into a Subscription agreement under which the Company issued €125 million of convertible bonds due 2025 (the "Bonds") to investors in the EU. For more details, reference is made to Note 18 in this report.

Group Structure

The following table lists the (wholly-owned) subsidiaries of the Company and therefore, together with the Company, sets out the Pharming Group structure as per December 31, 2022:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100.0
Pharming Americas B.V.	The Netherlands	100.0
Pharming Intellectual Property B.V.	The Netherlands	100.0
Pharming Technologies B.V.	The Netherlands	100.0
Pharming Research & Development B.V.	The Netherlands	100.0
Broekman Instituut B.V.	The Netherlands	100.0
Pharming Healthcare, Inc.	The United States	100.0
ProBio, Inc.	The United States	100.0

Since April 9, 2019, the Company also holds a minority stake in BioConnection B.V. (BioConnection). BioConnection is a Dutch contract manufacturing organization that manufactures the sterile sealed vials of Pharming's product RUCONEST® from the purified drug substance. The investment has been treated as an associate company of the Group. Following a restructuring in the second quarter of 2022, Pharming's stake was diluted from 43.85% in 2021 to 22.98% in 2022. Pharming received one-off net cash proceeds of US$7.3 million (EUR6.9 million) and recognized a gain of US$12.2 million. More details can be found in Note 13.

Since July 1, 2021, Pharming Group entered into a strategic collaboration with Orchard Therapeutics to research, develop, manufacture, and commercialize OTL-105. More details can be found in Note 13.3. The Group also holds 1.0 percent of the ordinary share capital of Orchard Therapeutics, a global gene therapy leader.

No anti-takeover measures in place

The Board of Directors believes that Pharming shareholders are the best persons to judge whether a takeover bid for the Company is fair for them at the time of offer, and after receiving an informed opinion from the Board of Directors regarding the advantages and disadvantages of such bid.

Therefore, there are no anti-takeover measures in place that would restrict the Company's shareholders from receiving information about, or from accepting or rejecting a bid for their shares.

However, we have adopted several provisions which may have an impact on a takeover of our Company, including:

- a provision in our Articles of Association that our Directors may only be removed at the general meeting of shareholders by a resolution adopted with a majority of the votes cast, representing at least one third of our issued share capital; if the majority of the votes cast are cast in favor of the removal, but such majority does not represent at least one third of the issued share capital, a new meeting may be convened in which the removal may be resolved upon with a majority of the votes cast, irrespective of the percentage of our issued share capital represented at the meeting;
- our Directors being appointed on the basis of a binding nomination by our Board of Directors, which can only be overruled by the general meeting of shareholders by a resolution adopted with the majority of the votes cast, provided such majority represents at least one third of the issued share capital; if the nomination is rejected by the majority of the votes cast, but such majority does not represent at least one third of the issued share capital, a new meeting may be convened in which the nomination may be rejected with a majority of the votes cast, irrespective of the percentage of our issued share capital represented at the meeting; in that event, the Board of Directors shall make a new nomination; and
- requirements that certain matters, including an amendment of our Articles of Association or our dissolution, may only be brought to our shareholders for a vote upon a proposal by our Board of Directors.

It is also noted that the share-based incentive plans for our staff members, including share option plans and Long-term Incentive Plan (LTIP) schemes, will vest automatically and unconditionally in the event of a change of control of the Company, in accordance with the terms thereof. The automatic vesting in the event of a change of control does not apply for the share-based incentive plans for our Executive Director/CEO and the members of the Executive Committee, respectively. The Non-Executive Directors have not participated in any share-based incentive plan since 2020 and have no outstanding entitlements under any former incentive plan.

According to the aforementioned share-based incentive plans for the Executive Director/CEO and the members of the Executive Committee, respectively, only in case of a change of control, approved by the General Meeting of Shareholders, becoming unconditional, the relevant Executive Director or officer will be entitled to pro-rata vesting of outstanding but unallocated shares for the performance period that has lapsed at that moment, subject to the achievement of the applicable performance measures and targets. The remaining shares will vest in accordance with the predetermined times (i.e., no accelerated vesting) subject to the achievement of the applicable performance measures and targets. Moreover, in case of an unsolicited change of control becoming unconditional, the aforementioned share-based incentive plans do not vest automatically as result of the change of control becoming unconditional.

In case of an event resulting in a change of control or in case of the announcement of a proposed formal public offer for the shares in the Company, the Board of Directors, without the participation of the Executive Director, can decide to settle the allocated shares in cash.

Moreover, on January 14, 2020, the Company entered into a Subscription agreement under which the Company issued €125 million of convertible bonds due 2025 (the "Bonds") to investors in the EU. Under this agreement, the conditions of the Bonds specify that in the event of a change of control of the Company, the conversion price of the Bonds at which they may be converted into Pharming shares may change, depending on the time elapsed between initiation of the Bonds and the date of the change of control relative to the normal repayment date of the Bonds in 2025. Such a provision is standard for bond instruments of this kind.

Finally, it is noted that for the execution of each, new share-based incentive plans for our staff members requires a resolution by the CEO and the Executive Committee to such effect. Such execution is not controlled by the staff members but is governed by the detailed terms and conditions applicable to these plans.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code (DCGC) contains both principles and best practice provisions for Boards of Directors, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance, and enforcement standards. A copy of the DCGC can be found on www.mccg.nl.

As a Dutch listed company, we are subject to the DCGC and are required to disclose in our Annual Board Report to what extent we complied with the principles and best practice provisions of the DCGC. Where we do not comply (for example, because of a conflicting Nasdaq requirement or otherwise), we must state why and to what extent we deviated in our Annual Report. Our most substantial deviations from the DCGC are summarized below:

- Article 3.3.2 of the DCGC recommends against providing equity awards as part of the compensation of a Non-Executive Director. However, we deviate from this recommendation and grant equity awards to our Non-Executive Directors, consistent with U.S. market practice and in accordance with the Remuneration Policy for the Board of Directors as adopted by the General Meeting of Shareholders on December 11, 2020. To safeguard the independence of the Non-Executive Directors, consistent with the intentions of the DCGC, the number of shares awarded has been fixed and the grant has not been linked to the performance of Pharming Group. Moreover, all shares held by Non-Executive Directors will be a long-term investment only, in accordance with the best practice provisions of the DCGC.
- Article 4.2.3 of the DCGC recommends that all analyst meetings, analyst presentations, presentations to institutional investor or other investors and press conferences can be followed in real time, by means of webcasting, telephone or otherwise. Considering the Company's size, it would create an excessive burden to

provide facilities that enable shareholders to follow in real time all the meetings with analysts, presentations to analysts, presentations to investors referred to in the best practice provision. However, the Company ensures that presentations are posted on the website immediately before the meetings in question and is exploring ways to make some meetings (such as the annual general meeting and quarterly results) accessible in real time at least in audio format. The Company also holds both pre-recorded and live webinars at which key events such as quarterly financial statements or large corporate actions can be discussed. Meetings discussing financial results and other significant news are announced and conducted in accordance with this provision.

- Sections 1.3.1 - 1.3.6 of the DCGC recommend the appointment of an internal auditor. Due to the size of the Company, Pharming has not created a specific position for an internal auditor, but it has provided for the assessment and testing of the risk management and control systems. As a result of the company operating in the highly regulated field of development and worldwide commercialization of human medicines, the Company has a fully-staffed quality assurance department which is responsible, inter alia, for maintaining an extensive system of standard operating procedures throughout the Company and for the execution of audits on all (major) suppliers, subcontractors, licensees and internal departments of the Company including the finance department, although this is not the same as an internal auditor. The Audit Committee annually reviews the need for an internal auditor. In its review on March 15, 2022, the Audit Committee concluded that due to the controls in place and in consideration of the ongoing implementation of the enhanced internal control framework to ensure compliance by the Company with the Sarbanes-Oxley Act (please refer to the section Risk Management and Internal Control) and the size of the Company, no internal auditor was needed at that point in time. During the most recent review on March 14, 2023, the Audit Committee reached the same conclusion, as further explained in the report of the Audit Committee in the section "Report of the Board of Directors". The Audit Committee reconsiders this position at least annually. The fast rate of growth of the Company at present may cause a different determination at some point in the foreseeable future.

One-tier board structure

The Company has adopted a one-tier board structure, with a single Board of Directors composed of one or more Executive Directors and one or more Non-Executive Directors (hereafter the "Board of Directors").

In our one-tier board structure, the statutory Board of Directors as a collective (i.e., the Executive Director and the Non-Executive Directors) is charged with managing the Company's affairs and is responsible for the general course of affairs of the Company; including the Company's strategy and financial policy. Until December 11, 2020, the former statutory Board of Management was charged with the full management responsibility, supervised by the separate Board of Supervisory Directors.

In the one-tier board structure, the Executive and Non-Executive Directors as a collective have a shared responsibility for the management of the Company. The Executive Directors manage the day-to-day business and operations of the Company and implement the Company's strategy, supported by a (non-statutory) Executive Committee chaired by the Chief Executive Officer. The Non-Executive Directors focus on the supervision of the policies and the functioning of the performance of the duties by the Executive Director(s) and the Company's general state of affairs.

While the majority of Dutch companies traditionally apply a two-tier board structure, the DCGC also endorses and facilitates one-tier board structures and includes specific principles and best practice provisions for these structures. The Company complies with these principles and provisions.

Our one-tier board structure allows the Company to integrate and leverage the knowledge, experience and wide range of backgrounds, education and expertise among the Executive and Non-Executive Directors into one corporate body. We believe that the one-tier board structure accordingly warrants the quality and adequacy of our internal governance processes and decision-making. We also believe that we have sufficiently ensured the independent supervision by our Non-Executive Directors via the following safeguards, each time in accordance with the DCGC:

- The majority of our Board of Directors comprise of Non-Executive Directors. Our Board of Directors is currently seated by seven Non-Executive Directors and one Executive Director.
- All Non-Executive Directors are independent within the meaning of the DCGC and applicable U.S. rules and regulations, as evaluated annually.
- The Non-Executive Directors supervise the way in which the Executive Director/CEO, supported by the non-statutory Executive Committee, implements the Company's strategy and long-term value creation.
- The chairman of our Board of Directors is a Non-Executive Director. Hence, our Board of Directors is not chaired by an Executive Director.
- The Board of Directors' committees, including the Audit Committee, Remuneration Committee and Corporate Governance Committee, exclusively comprise of Non-Executive Directors. None of these committees is chaired by the chairperson of the Board of Directors.

On the occasion of when the implementation of the one-tier board structure was introduced, the Articles of Association of the Company were also amended to the effect that an indemnification arrangement was included for current and former directors and other officers or employees, consistent with market practice and including customary carve-outs. The Company entered into indemnification agreements with the individual (Executive and Non-Executive) Directors and the Executive Officers that are fully aligned with the indemnification arrangement in the articles of association.

More details on Pharming's governance structure and practices, to explain our compliance with the Dutch Corporate Governance Code, can be found in the next section Management Structure and on our website: https://www.pharming.com/about-us/corporate-governance.

An updated Dutch Corporate Governance Code was published on December 20, 2022. The updated Code became effective on January 1, 2023, and therefore, Pharming will report on its compliance with the updated Code in the Annual Report over the financial year 2023.

Management structure

In our one-tier board structure, the statutory Board of Directors as a collective (i.e., the Executive Director and the Non-Executive Directors) is charged with managing the Company's affairs and is responsible for the general course of affairs of the Company; including the Company's strategy and financial policy. Accordingly, the one-tier board structure integrates and leverages the knowledge, experience and wide range of backgrounds, education and expertise among the Executive and Non-Executive Directors into one corporate body.

All members of the Board of Directors are statutory directors of the Company and appointed by the General Meeting of Shareholders upon a binding nomination of the Board of Directors. Upon the appointment of a person as a Director, the General Meeting shall also be proposed to determine whether that person is appointed as Executive Director or as Non-Executive Director.

The Executive Directors manage the day-to-day business and operations of the Company and implement the Company's strategy, supported by the (non-statutory) Executive Committee chaired by the Chief Executive Officer. The Non-Executive Directors share management responsibility with the Executive Director, but focus within the Board of Directors on the supervision on the policy and functioning of the performance of the duties by the Executive Directors and the Company's general state of affairs.

Accordingly, the Board of Directors is inter alia jointly responsible for the following:

- the achievement of the Company's objectives;
- the corporate strategy and the risks inherent in the business activities;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process;
- compliance with primary and secondary regulations;
- the Company-shareholder relationship; and
- corporate social responsibility (ESG) issues that are relevant to the Company.

The Board of Directors determines the corporate governance structure of the Company and ensures compliance with the DCGC and other (foreign) applicable rules and regulations, assisted by its Corporate Governance Committee. Supported by the Audit Committee, it supervises the financial reporting process and assisted by its Remuneration Committee, it determines the remuneration of the individual members of the Board of Directors within the remuneration policy adopted by the Annual General Meeting of Shareholders (AGM). Finally, supported by the new Transaction Committee as per January 1, 2023, it reviews and decides on M&A or other business development transactions.

The independent supervision by the Non-Executive Directors is inter alia secured via the following safeguards, each time in accordance with the DCGC:

a. the majority of the Board of Directors is comprised of Non-Executive Directors;
b. all Non-Executive Directors are independent within the meaning of the DCGC and applicable US rules and regulations, as evaluated annually;
c. the chairman of the Board of Directors is a Non-Executive Director;
d. the Board of Directors' committees are exclusively composed of Non-Executive Directors. None of these committees is chaired by the chairperson of the Board of Directors.

The Board of Directors has adopted Board Rules that govern the procedures and decision making of the Board of Directors. The Board Rules describe in more detail the matters, including the related decision-making powers, which have been delegated to the Executive Director/CEO. The Board of Directors has also adopted charters to govern the procedures and decision-making of the committees established by the Board of Directors. The Board Rules and charters have been drafted to ensure compliance by the Company with both Dutch Corporate law and the DCGC and applicable US rules and regulations. The Board Rules and the charters have been published on the Company's website (www.pharming.com). The Board Rules and the committee charters are evaluated annually.

The prevailing articles of association of the Company include, inter alia, an indemnification arrangement for current and former Directors and other officers or employees, consistent with market practice and including customary carve-outs. The Company entered into indemnification agreements with the individual Executive and Non-Executive Directors that are fully aligned with the indemnification arrangement in the articles of association.

Our management structure in 2022

The Board of Directors was composed in 2022 of one Executive Director (also the Chief Executive Officer/CEO) and seven Non-Executive Directors.

Throughout the financial year 2022, our Board of Directors comprised of the following members:

Board of Directors			
Name	**Position**	**Member since**	**Term**
Mr. Paul Sekhri	Chairperson	April 30, 2015	Up to AGM in 2023
Dr. Sijmen de Vries	Chief Executive Officer, Executive Director	October 13, 2008	Up to AGM in 2025
Ms. Deborah Jorn	Vice Chairperson	May 22, 2019	Up to AGM in 2023
Ms. Barbara Yanni	Non-Executive Director	December 11, 2020	Up to AGM in 2024
Dr. Mark Pykett	Non-Executive Director	December 11, 2020	Up to AGM in 2024
Mr. Leonard Kruimer	Non-Executive Director	May 19, 2021	Up to AGM in 2025
Ms. Jabine van der Meijs	Non-Executive Director	May 19, 2021	Up to AGM in 2025
Mr. Steven Baert	Non-Executive Director	May 19, 2021	Up to AGM in 2025

The terms of Mr. Paul Sekhri and Ms. Deborah Jorn will expire on the occasion of the Annual General Meeting of Shareholders scheduled for May 17, 2023. The Board of Directors will nominate Mr. Paul Sekhri and Ms. Jorn, respectively, for reappointment by our shareholders during that meeting. The nomination of Mr. Paul Sekhri will be made for a term not to exceed one year pending completion of the search for a successor. The nomination of Ms. Jorn will be for a term of two years, in line with Ms. Jorn's availability for that period only for personal reasons.

The composition of the Board of Directors reflects the Company's growth ambitions and long-term strategy. On January 1, 2022, an act on gender diversity in boards of Dutch companies entered into force. Pharming meets the statutory minimum percentage of 30% representation of both men and women in the Board of Directors by having three female Non-Executive Directors (out of seven in total Non-Executive Directors, i.e., 42%). The Board of Directors will maintain compliance with this percentage for future nominations of new Non-Executive Directors. Also, diversity in background, expertise and experience, will remain an important selection criterion in case of a search for a new member of the Board of Directors.

Executive Committee

The non-statutory Executive Committee supports the CEO with the execution of his tasks and responsibilities as Executive Director. Accordingly, the CEO is supported by the Executive Committee members in managing Pharming's day-to-day operations, ensuring sufficient oversight, and the execution of the strategy and all other goals and objectives across the organization.

The Board of Directors adopted a Charter that governs the procedures and the tasks and responsibilities of the Executive Committee, in addition to the applicable provisions in the Board Rules. The Charter is compliant with Dutch Corporate law and the DCGC and applicable US rules. The charter, which was evaluated and updated by the Board on December 9, 2022, has been published on the Company's website (www.pharming.com/about-us/corporate-governance).

The members of the Executive Committee report to the CEO, but, as confirmed in the Board Rules, the Board of Directors regularly reviews and discusses the reports received from the Executive Committee. Accordingly, the members of the Executive Committee are invited to the scheduled quarterly meetings of the Board of Directors for a business update and in addition monthly written reports are sent to, and discussed with, the full Board of Directors. The members of the Executive Committee also attend, as guests, the meetings of the Board of Directors held to discuss the quarterly and full year results, the Annual Report, the annual goals and objectives and the annual budget. Finally, the Board Rules specify those matters that at least require a decision by the full Board of Directors.

The following table sets forth information regarding the current members of the Executive Committee, who are referred to as Executive Officers, including their respective positions:

Executive Committee		
Name	**Position**	**First appointed in managerial capacity**
Executive Director/Chair		
Dr. Sijmen de Vries	Chief Executive Officer and Executive Director	October 13, 2008
Executive Officers		
Dr. Anurag Relan	Chief Medical Officer	June 1, 2021
Mr. Jeroen Wakkerman	Chief Financial Officer	November 16, 2020
Ms. Mireille Sanders	Chief Operations Officer	August 1, 2019
Mr. Stephen Toor	Chief Commercial Officer	January 1, 2017
Mr. Ruud van Outersterp	Chief Ethics & Compliance Officer	May 1, 2021

Dr. Robert Friesen resigned as Chief Scientific Officer (CSO) from the Executive Committee in May 2022, to pursue another career opportunity. It was decided that Dr. Friesen's role would not be filled and that his tasks would be divided amongst the appropriate members of the Executive Committee.

More details regarding the current members of the Board of Directors and the Executive Committee can be found on the Pharming website (www.pharming.com/about-us/board-directors and www.pharming.com/about-us/executive-committee).

Works Council (Netherlands)

A Works Council was established in the Netherlands as of January 1, 2023. Elections were held in December 2022 and resulted in the election and appointment of nine members, representing all Pharming departments and locations in the Netherlands.

Board of Directors

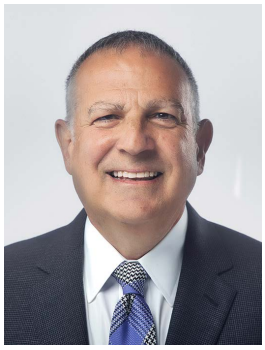
Sijmen de Vries, MD MBA (1959)

Title: Executive Director and Chief Executive Officer
Nationality: Dutch
Date of initial appointment: October 13, 2008

Dr. de Vries has been our Chief Executive Officer since 2008. Dr. de Vries was reappointed by the General Meeting of Shareholders held on May 19, 2021, for another four-year term, ending at the Annual General Meeting in 2025. Dr. de Vries is responsible for the daily management of the Company and the execution of its strategy.

Prior to joining Pharming, Dr. de Vries was the CEO of 4-Antibody and Morphochem AG. He also held senior business and commercial positions at Novartis, Novartis Ophthalmics and at SmithKline Beecham Pharmaceuticals plc. Dr. de Vries holds an MD degree from the University of Amsterdam and an MBA in General Management from Ashridge Management College (U.K.). Dr. de Vries is on the Board of Directors of Pharming's fill & finish partner BioConnection B.V. and is also a Non-Executive Director of Midatech Pharma plc.

Paul Sekhri (1958)



Title: Chairman of the Board of Directors and Member of the Corporate Governance Committee
Nationality: American
Date of initial appointment: April 30, 2015

Mr. Sekhri has been the Chairman of our Board of Directors (or the former Board of Supervisory Directors until December 2020) since 2016 and has served as a Non-Executive Director since 2015.

Mr. Sekhri was appointed the President and CEO of vTv Therapeutics, Inc. in August 2022. Before this, Mr. Sekhri served as President and CEO of eGenesis, Inc. in 2019 and President and CEO of Lycera Corp (February 2015 - December 2018), as well as Senior Vice President, Integrated Care at Sanofi (April 2014 - January 2015) and as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries Ltd. (May 2013 - March 2014). Previously, Mr. Sekhri spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. Mr. Sekhri was Founder, President, and CEO of Cerimon Pharmaceuticals, Inc (2004-2009) and before that, Mr. Sekhri was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc. Previously, Mr. Sekhri spent four years at Novartis, as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG. Mr. Sekhri also developed the Disease Area Strategy for Novartis, identifying those specific therapeutic areas upon which the company would focus. Mr. Sekhri's first role at Novartis was as Global Head, Early Commercial Development. Mr. Sekhri completed graduate work in Neuroscience at the University of Maryland School of Medicine, where he also received his BS in Zoology.

Mr. Sekhri currently serves as Chairman of the Board of Directors of Compugen Ltd. and Longboard Pharmaceuticals Inc., and is on the Board of Axcella Therapeutics, eGenesis, Inc., Ipsen S.A., Spring Discovery, Inc., Veeva Systems Inc. and Oryn Therapeutics. As an avid classical music enthusiast, Mr. Sekhri is on the Boards of The Metropolitan Opera, The Knights, and is the new Chairman of the Board of Young Concert Artists (YCA).

Deborah Jorn, MBA (1958)

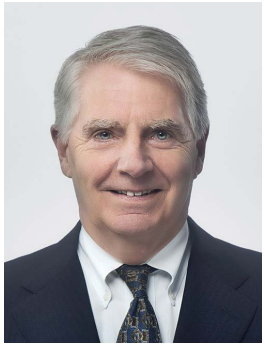
Title: Vice-Chair of the Board of Directors, Member of the Remuneration Committee and Member of the Audit Committee
Nationality: American
Date of initial appointment: May 22, 2019

Ms. Jorn has served as a Non-Executive Director since 2019.

Ms. Jorn is Director & Founder of Jorn Consulting LLC. Ms. Jorn was Executive Vice President of Corporate and Commercial Development at Eyepoint Pharmaceuticals from 2016 to 2018. Prior to joining Eyepoint, she was Executive Vice President and Group Company Chair at Bausch Health (formerly Valeant Pharmaceuticals) where she led the dermatology, gastroenterology and HAE businesses. Ms. Jorn was Chief Global Marketing Officer at Bausch & Lomb prior to its acquisition in 2013 by Bausch Health where she led the launch of several new products and the integration of Ista Pharmaceuticals following acquisition. Previously, she was Group Vice President of Women's Healthcare and Fertility (2008-2010) and Allergy and Respiratory (2004-2008) at Schering Plough Corporation prior to its acquisition by Merck and Co., Inc. Ms. Jorn was also at Johnson & Johnson as the Worldwide Vice President of Internal Medicine and Early Commercial input. She began her career at Merck and for more than 20 years held roles of progressive responsibility in various functional areas including R&D, Regulatory and Sales and Marketing.

Ms. Jorn served as a member of the Board of Directors of Orexigen Therapeutics, Inc. from May 2016 until July 2018, Diurnal Group in 2021 and 2022 and ViveveMedical, Inc from May 2016 until March 2023.

Leonard Kruimer (1958)



Title: Non-Executive Director, Chairperson of the Audit Committee
Nationality: Dutch
Date of initial appointment: May 19, 2021

Mr. Kruimer has served as a Non-Executive Director since 2021.

He has more than 30 years of experience in corporate finance, planning and strategy, including 20 years in senior executive positions in private and publicly listed biotechnology companies. Mr. Kruimer served as CFO of Crucell N.V. from 1997 to 2011. Prior to Crucell, he was Managing Director of Europe TIP Trailer, a GE Capital company. Mr. Kruimer was also a consultant with McKinsey & Co and an auditor at Price Waterhouse & Company, New York.

Mr. Kruimer is currently Chairman of the Board at Swedish BioInvent International AB. In addition, he is a Board Member of both Zealand Pharma A/S in Copenhagen and of Basiliea Pharmaceutica in Basel. He is Director of AI Global Investments (Netherlands) PCC Ltd. Mr. Kruimer holds a Master of Business Administration from Harvard Business School and is Certified Public Accountant in New York State.

Jabine van der Meijs (1966)

Title: Non-Executive Director, Chairperson of the Corporate Governance Committee and Member of the Audit Committee
Nationality: Dutch
Date of initial appointment: May 19, 2021

Mrs. van der Meijs has served as a Non-Executive Director since 2021.

Prior to this, she served as the Executive Vice President & CFO of the Royal Schiphol Group (2017 - 2021) and worked for the Royal Dutch Shell Group for 25 years in primarily financial leadership positions, but also in HR and strategy positions in The Netherlands, Scotland, England, Brunei, and Australia. In her most recent position at Shell, she was VP Finance Projects for Shell's Projects and Technology business. Mrs. van der Meijs is also a Non-Executive Director at V.Group Ltd (since September 1, 2022) and VFS Global AG (since January 1, 2023). Mrs. van der Meijs is a Member of the Supervisory Board of Koole Terminals Holding B.V. and a Member of the Board of Directors of Grundfos Holding A/S. Previously, Mrs. van der Meijs served as a Non-Executive Director on various boards, including Kendrion N.V., Aeroports de Paris (France) and Brisbane Airport Corporation.

Mrs. van der Meijs holds a Master of Science (Pharmacy) and a Doctor of Pharmacy (Pharm D) degree from the University of Utrecht, and she completed her professional accounting degree in the U.K. with the Chartered Institute of Management Accountants (ACMA).

Barbara Yanni (1954)

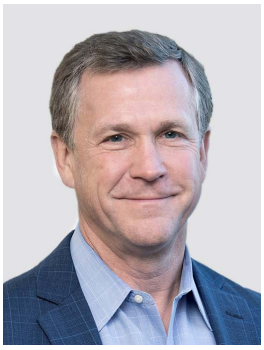
Title: Non-Executive Director, Member of the Audit Committee and Member of the Corporate Governance Committee
Nationality: American
Date of initial appointment: December 11, 2020

Ms. Yanni has served as a Non-Executive Director since 2020.

Ms. Yanni was Vice President and Chief Licensing Officer at Merck & Co., a pharmaceutical company, from November 2001 until her retirement in March 2014. Prior to this, Ms. Yanni served in various roles at Merck including in corporate development, financial evaluation, and tax.

Ms. Yanni currently serves on the Board of Directors of three other public biotechnology companies: Oncorus, Inc., Trevena, Inc. and Vaccinex, Inc. Ms. Yanni is also a Member of the Board of Directors of Mesentech, Inc., a private Canadian biotechnology company. Ms. Yanni earned a J.D. from Stanford Law School and an A.B. from Wellesley College. She also holds a Masters of Law in Taxation from New York University. Before joining Merck in 1985 Barbara was a tax lawyer in New York City.

Mark Pykett, VMD, PhD (1964)



Title: Non-Executive Director, Member of the Remuneration Committee
Nationality: American
Date of initial appointment: December 11, 2020

Dr. Pykett has served as a Non-Executive Director since 2020.

Dr. Pykett is currently President and Chief Executive Officer of the Biotechnology company Myrtelle, Inc. Dr. Pykett was previously the Chief Scientific Officer of PTC Therapeutics. Dr. Pykett was the President and Chief Executive Officer of Agilis Biotherapeutics from 2014 until its acquisition by PTC Therapeutics in 2018. Prior to Agilis, Dr. Pykett served as CEO of Navidea Biopharmaceuticals, President of Alseres Pharmaceuticals, President of Cygenics, and President and CEO of Cytomatrix.

Dr. Pykett currently serves on the Board of Directors of the private companies Myrtelle, InFlectis BioSciences and Exubrion Therapeutics. Dr. Pykett holds a PhD in Molecular Biology from the University of Pennsylvania, a VMD from the University of Pennsylvania School of Veterinary Medicine, a B.A. in Biology from Amherst College and an MBA from Northeastern University.

Steven Baert (1974)

Title: Non-Executive Director, Chairperson of the Remuneration Committee and Member of the Corporate Governance Committee
Nationality: Belgian (Swiss resident)
Date of initial appointment: May 19, 2021

Mr. Baert has served as a Non-Executive Director since 2021.

As of April 1, 2023, Mr. Baert became the Chief People Officer and member of the Executive Committee of GE Vernova, the combined power and energy businesses of GE that are scheduled for a spin off and public listing in the first quarter of 2024. Prior to this Mr. Baert was managing director of Propuli LLC., a human capital advisory firm that provided advice to private equity and venture capital clients. From 2006 until 2021, Mr. Baert worked for Novartis AG, holding several HR leadership roles within the company, and served as Chief People Officer and member of the Executive Committee from 2014 until 2021. Prior to joining Novartis, Mr. Baert held senior HR positions at Bristol-Myers Squibb Co. and Unilever. He also serves on the Board of the WeSeeHope USA, a charity that focuses on empowering children isolated by poverty in Africa.

Mr. Baert holds a Master of Business Administration from the Vlerick Business School, Gent; a Master of Laws from the Katholieke Universiteit Leuven and a Bachelor of Laws from the Katholieke Universiteit Brussels.

Executive Committee

Sijmen de Vries, MD MBA (1959)

Title: Executive Director and Chief Executive Officer
Nationality: Dutch
Date of initial appointment: October 13, 2008

Dr. de Vries has been our Chief Executive Officer (CEO) since 2008. Dr. de Vries was reappointed by the General Meeting of Shareholders held on May 19, 2021, for another four-year term, ending at the Annual General Meeting in 2025. Dr. de Vries is responsible for the daily management of the Company and the execution of its strategy.

Prior to joining Pharming, Dr. de Vries was the CEO of 4-Antibody and Morphochem AG. He also held senior business and commercial positions at Novartis, Novartis Ophthalmics and at SmithKline Beecham Pharmaceuticals plc. Dr. de Vries holds an MD degree from the University of Amsterdam and an MBA in General Management from Ashridge Management College (U.K.). Dr. de Vries is on the Board of Directors of Pharming's fill & finish partner BioConnection B.V. and is also a Non-Executive Director of Midatech Pharma plc.

Jeroen Wakkerman (1969)

Title: Chief Financial Officer
Nationality: Dutch
Date of initial appointment: November 16, 2020

Mr. Wakkerman was appointed Chief Financial Officer (CFO) in November 2020.

From 2015 to 2020, Mr. Wakkerman served as Chief Financial Officer of Nutreco N.V., a global leader in animal nutrition and aqua feed.

Previously, Mr. Wakkerman served as Chief Financial Officer of SHV Energy N.V., as finance director at Calor Gas (U.K.) and has also held several financial and commercial positions at Unilever and Rabobank.

Mr. Wakkerman holds a MSc degree in Business Economics from the University of Groningen and is a Chartered Treasurer (U.K.) and a Chartered Management Accountant (U.K.).

Anurag Relan, MD (1972)

Title: Chief Medical Officer
Nationality: American
Date of initial appointment: June 1, 2021

Dr. Relan was appointed Chief Medical Officer (CMO) in June 2021. Prior to holding the CMO role, Dr Relan served as Vice President Clinical Research and Medical Affairs at Pharming. Over the last 15 years at Pharming, Dr Relan has held several leadership roles within the Company.

Prior to his work at Pharming, he was in clinical practice while also teaching medical residents/students at the University of California, Los Angeles (UCLA). Dr. Relan holds an MD and MPH from UCLA, and a bachelor's degree in Economics from the University of California, Berkeley.

Mireille Sanders, MSc (1968)

Title: Chief Operations Officer
Nationality: Dutch
Date of Initial appointment: August 1, 2019

Ms. Sanders was appointed Chief Operations Officer (COO) in December 2020. Between 2019 and 2020, Ms Sanders served as our Senior Vice President, Operations. From 2016 until 2019, Ms. Sanders served as Head of Clinical Supply Chain Strategic Management and Systems at Janssen Pharmaceuticals, a Johnson & Johnson company. From 2007-2015, Ms. Sanders held senior positions at MSD/ Merck. She holds an MSc in Chemical Engineering from the Technical University Eindhoven in the Netherlands.

Stephen Toor (1971)

Title: Chief Commercial Officer
Nationality: American
Date of initial appointment: January 1, 2017

Mr. Toor was appointed Chief Commercial Officer (CCO) in 2020. He oversees Pharming's US and ex-US operations and the company's expansion to key markets and regions globally. Prior to that, Mr. Toor served as President and General Manager of Pharming Healthcare, Inc., our US subsidiary, and also oversaw the broader Americas region. Mr. Toor has over 28 years' experience leading and managing commercial operations, brand launches and portfolios (rare disease, biologics and small molecule) in the U.S., Europe and globally. His former companies include Pharmacia/Pfizer, Schering-Plough/Merck and Valeant/Bausch Health Companies. He holds a BA (Hons) in European and American History from the Manchester Metropolitan University in the U.K.

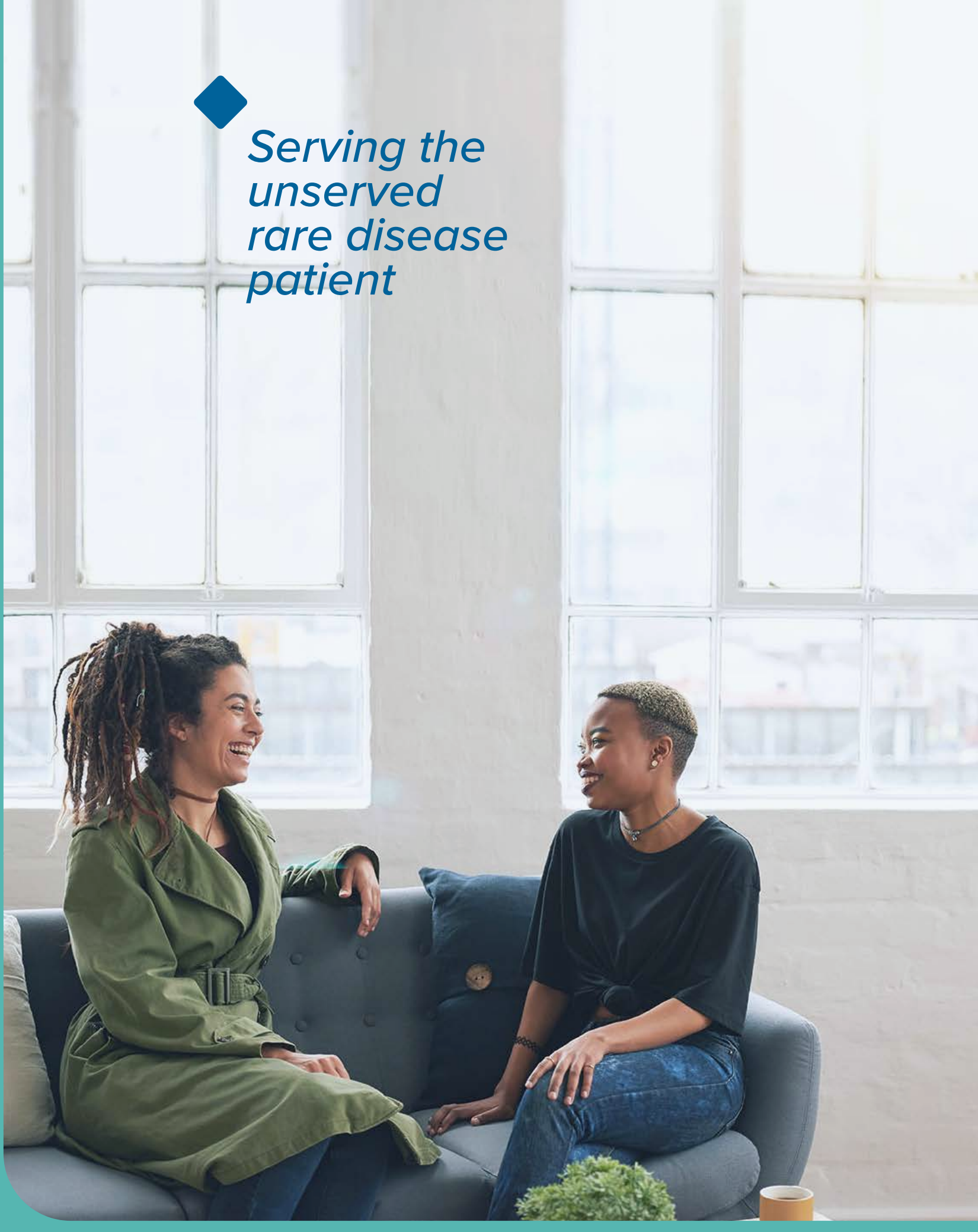
Ruud van Outersterp (1964)

Title: Chief Ethics & Compliance Officer
Nationality: Dutch
Date of initial appointment: May 1, 2021

Mr. van Outersterp was appointed Chief Ethics & Compliance Officer (CECO) in May 2021. He also served as Company Secretary from April 2020 to April 2022. Prior to joining Pharming, Mr. van Outersterp held several senior leadership positions at ABN AMRO and its predecessors, including the positions of Global Head of Legal and Company Secretary, and as senior legal counsel at former Dutch aircraft manufacturer Fokker.

Mr. van Outersterp is also a Member of the Supervisory Board of a healthcare institution and is a teacher at the Governance University in Driebergen in the Netherlands. He earned a Master's in Law at the Vrije Universiteit Amsterdam.

Serving the unserved rare disease patient



Report of the Board of Directors

Report of the Board of Directors

Board structure

In connection with the listing of our ADSs on Nasdaq, we converted our two-tier board structure into a one-tier board structure, with a single Board of Directors consisting of the Executive Director and Non-Executive directors. The new structure became effective on December 11, 2020, and since that date, the Board of Directors became jointly responsible for the management of the Company. The daily management of the Company and the execution of the strategy are entrusted to the Chief Executive Officer (CEO), as the only Executive Director. The CEO is supported by the non-statutory Executive Committee in the execution of his tasks and responsibilities. The Non-Executive Directors share statutory management responsibility, but shall focus on the supervision on the policy and functioning of the performance of the duties by the Executive Director and the Company's general state of affairs.

The Board of Directors is assisted by the non-statutory Corporate Governance Committee in ensuring compliance by the Company with the DCGC and other (foreign) applicable rules and regulations. Supported by the Audit Committee, it supervises the financial reporting process and assisted by its Remuneration Committee, it determines the remuneration of the individual members of the Board of Directors (within the remuneration policy adopted by the Annual General Meeting of Shareholders) and the members of the Executive Committee. The reports of the respective committees are presented separately in this section. Finally, supported by the new Transaction Committee as of January 1, 2023, the Board of Directors reviews and decides on M&A or other business development transactions. The report of that committee will be included in the 2023 Annual Report.

Reference is made to the section "Corporate Governance" for an outline of the tasks and responsibilities of the Board of Directors. These sections are inserted herein by this reference. The procedures and decision-making of the Board of Directors are governed by Board Rules and available on our website at www.pharming.com.

Board composition

The current composition of the Board of Directors in the financial year 2022 can be found in the section Corporate Governance.

The terms of Mr. Paul Sekhri and Ms. Deborah Jorn will expire on the occasion of the Annual General Meeting of Shareholders (AGM) scheduled for May 17, 2023. The Board of Directors will nominate Mr. Paul Sekhri and Ms. Jorn, respectively, for reappointment by our shareholders during that meeting. The nomination of Mr. Sekhri will be made for a term not to exceed one year pending completion of the search for a successor. The nomination of Ms. Jorn will be for a term of two years, in line with Ms. Jorn's availability for that period only for personal reasons.

In the opinion of the Board of Directors, all Non-Executive Directors meet the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive of the DCGC as of December 31, 2022.

Throughout 2022, the Board of Directors also met the statutory minimum percentage of 30% representation of both men and women in the Board of Directors, as required by the Dutch Diversity Act that entered into force on January 1, 2022, by having three female Non-Executive Directors (out of seven in total Non-Executive Directors, i.e., 42%). More details on the Diversity Act can be found in the next sub-section "Activities".

The Board Rules require each Director to promptly report any actual or potential conflict of interest. Directors are also required to disclose any other board positions. An up-to-date overview of other board positions held by the current members of the Board of Directors can be found on our website (www.pharming.com/about-us/board-directors).

Details on the remuneration paid to the members of the Board of Directors, including a summary of the prevailing remuneration policy for the Board of Directors, as adopted

by the General Meeting of Shareholders on December 11, 2020, can be found in the section Remuneration Report 2022 in this Annual Report. To the extent required, the Remuneration Report is incorporated herein by reference.

Activities

Frequency of meetings

The Board of Directors met thirteen times in 2022 (2021: nine times). Two meetings (in March and October) were held in Warren, New Jersey and one meeting (May 17, 2022) in Leiden, the Netherlands. Committee meetings were also held on each of these occasions (please refer to the subsequent subsections on the Committees). The other meetings were held using virtual meeting facilities.

The frequency of the thirteen meetings includes a Strategy day held in Warren, New Jersey on March 14, 2022, but does not include two additional meetings that were held to discuss the monthly reports submitted by the Executive Committee on files and projects. All members of the Board of Directors attended these additional meetings. Finally, all members of the Board of Directors also attended the Annual General Meeting of Shareholders held on May 18, 2022.

The individual presence (P) or absence (A) of the Non-Executive Directors is reflected in the following schedule:

Date	January 5	February 11	March 14	March 15	March 16	April 4	May 11	May 17	August 2	August 3	October 25	October 26	December 9	% Present during 2022
Mr. Sekhri	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Ms. Jorn	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Ms. Yanni	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Dr. Pykett	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Ms. Van der Meijs	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. Kruimer	P	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. Baert	P	P	P	P	P	P	P	P	P	P	P	P	P	100%

The Executive Director also attended each of these meetings, with the exception of when the composition, performance and the remuneration of the Executive Director were discussed, and related voting took place. The members of the Executive Committee also attended the scheduled quarterly meetings of the Board of Directors for business updates, the quarterly results, the 2021 Annual Report and the 2023 annual budget.

Summary of specific activities

The Board of Directors regularly discussed the Company's long-term strategy and the accompanying risks.

Inter alia, a Strategy day was organized on March 14, 2022, together with the members of the Executive Committee. The full-day program featured, amongst others, updates by external and internal speakers on market trends and

forecasts, which facilitated related discussions to reflect on the existing strategy. The attendees also attended a workshop on developments in the field of Environmental, Social and Governance (ESG). Building on these updates and discussions, the Board of Directors, during the meeting on March 15, 2022, discussed and approved the annual goals and objectives for 2022 as proposed by the Executive Director - together with the Executive Committee - to support the execution of the Company's long-term strategy.

In the course of the year, the Board of Directors was also regularly engaged in the evaluation of the long-term strategy by the Executive Director and the members of the Executive Committee, in view of the Company's efforts to strive for long-term value creation for the Company, the enterprise and its stakeholders. The Board of Directors adopted the proposed outline of the Company's purpose, mission and vision and the updated strategic plan in October 2022. Reference is made to the section "Our Strategy".

An important strategic topic that was frequently discussed by the Board of Directors, was the expected launch of leniolisib for APDS in 2023 (subject to regulatory approval). The Board of Directors was regularly updated by the Executive Director and the Executive Committee on the status of the regulatory approval process and the preparations for the launch.

The Board of Directors was also regularly updated by the Executive Director and the Executive Committee, during the scheduled quarterly meetings and monthly business updates, on the progress made in the further execution of the Company's strategy. Recurring topics discussed at these updates included commercial performance (sales results, forecasts and other developments with regards to RUCONEST®, in the U.S., Europe and the rest of the world), the group's financial performance, ongoing clinical studies and product development programs and potential business development opportunities. A tracker report, summarizing the performance on the specific Company's annual goals and objectives, was part of the quarterly updates.

Throughout 2022, the Board of Directors received monthly written management reports prepared by the Executive Committee that also enabled the members to monitor performance. Separate meetings were scheduled to enable the Non-Executive Directors to raise questions and to discuss specific matters if deemed appropriate.

Among the other important topics covered by the Board in 2022 during its scheduled quarterly meetings were the review, discussion and, if applicable, endorsement and approval of:

- the Annual Report for the financial year 2021;
- the filing of the 2021 Annual Report on Form 20-F with the SEC;
- the quarterly and full year financial and operational results, including related press releases;
- the proposed grant of share-based compensation to staff members;
- the reduction of the Company's minority stake in BioConnection B.V. (BioConnection), resulting in one-off net cash proceeds of US$7.3 million and a gain of US$12.2 million (as described in more details in note 13);
- the annual budget for 2023, including the launch-critical expenditures for the expected launch of leniolisib in 2023 (subject to regulatory approval);
- the Company's long-term goals and objectives, including the goals and objectives for 2023.

The Board of Directors, supported by the Audit Committee, at least discussed quarterly with the CEO and the members of the Executive Committee the enterprise, operational, compliance, financial and other risks to which the Company is exposed and the functioning of the Company's internal risk control framework and enterprise risk framework. Reference is made to the section Risk Management and Internal Control in this Annual Report. Supported by the Audit Committee, the Board of Directors also reviewed and discussed the management letters, the audit report and the audit plan, respectively, as submitted by the external auditor, and the outcome of the annual evaluation of the performance by the external auditor.

Supported by the Corporate Governance Committee in October, the Board of Directors discussed the succession planning review undertaken for the respective Executive Committee positions and reviewed the outcome of the annual evaluation of the Company's compliance with the DCGC. The Board of Directors also decided on December 9, 2022, to follow the recommendation setting up a Transaction Committee as of January 1, 2023, to assist the Board of Directors in the review and decision-making process on M&A or other business development transactions.

Although due to its size, the Company is not required to report on ESG in this year's Annual Report, the Board of Directors was also updated on the group's ESG Program, as endorsed by the Board on October 25, 2022. Reference is made to the separate section "ESG" in this Annual Report.

The Board of Directors discussed on March 15, 2022, the performance by the Executive Director/CEO during the year 2021. This discussion was based on an evaluation by the Corporate Governance Committee and the Remuneration Committee of the Executive Director/CEO's performance on the goals and objectives that had been agreed upon. That same process was followed in the first quarter of 2023 for the evaluation of the Executive Director/CEO's performance on the goals and objectives agreed upon for 2022. During its meeting on March 14, 2023, the Board of Directors endorsed the recommendations by the committees on performance scores and the resulting pay-out for 2022 under the incentive plans as approved by our shareholders in December 2020. Reference is made to the section Remuneration Report 2022.

The Board of Directors, based on a recommendation from the Audit Committee, decided on March 15, 2022, during the annual evaluation, that the Company does not yet require the establishment of an internal auditor function. This evaluation was repeated during the meeting on March 14, 2023. Reference is made to the separate report of the Audit Committee, as included in this Annual Report. For a summary of the relevant observations in arriving at this conclusion, please see "Audit Committee". The Audit Committee is required to assess this position annually and to make recommendations to the Board of Directors, in compliance with the DCGC. The Board of Directors took into consideration, amongst other items, the ongoing implementation of the Internal Control Framework (ICF) and Enterprise Risk Management (ERM) framework, as further described in the section Risk Management and Internal Control in this Annual Report.

To preserve good governance, both the Board of Directors and the respective committees, installed by the Board of Directors, conduct a self-evaluation annually. In accordance with the DCGC, these evaluations generally cover the work and functioning of the Board of Directors, and include the activities in relation to the key objectives and long-term strategy of the Company, the interaction among the members and in relation to the Executive Committee, lessons learned, and finally, the structure and composition of the Board of Directors to ensure that the members bring the correct skill sets and background knowledge for the benefit of the Company. The self-evaluation for the committees also extends to the activities and functioning (including decision-making processes) of the committees. Finally, the self-evaluation covers the effectiveness of the Board Rules and the charters that govern the activities and decision-making processes by the Board of Directors and each of the committees, respectively.

To meet the action plan that was adopted by the Board of Directors following the self-evaluation held in 2021, several 'deep dives' were organized in the course of 2022 on specific topics, including an in-depth exploration covering corporate governance on March 16, 2022, and ICT/cyber security on October 25, 2022. The Strategy day as mentioned earlier satisfied another agreed action.

The self-evaluation for the year 2022 was held in the first quarter of 2023 by way of a comprehensive review of the effectiveness of the Board and its committees. The process was facilitated and supervised by an industry leading external consultant, in accordance with BP 2.2.6 of the DCGC. The self-evaluation process included online surveys and interviews. Interviews were also held with the members of the Executive Committee and the Company Secretary.

The main findings were presented by our industry leading external consultant to the Board of Directors on March 14, 2023. In summary, positive feedback was received on the board dynamics and discussions, as well as the size and diverse composition of the Board, that features a complementary mix of competencies, expertise, styles and cultures. The effectiveness of the committees was also highlighted. Actions were agreed to further streamline governance processes at board level and to further expand the interactions between the Board and Executive Committee to leverage all available expertise and experience while preserving the respective roles and responsibilities.

Finally, the Board of Directors discussed the new act on gender diversity in boards of Dutch companies that entered into force on January 1, 2022 (the Diversity Act). Mandatory female quota provisions apply to Supervisory Boards and Non-Executive Directors of Dutch companies listed on Euronext Amsterdam. In accordance with the analysis by the Corporate Governance Committee, the Board of Directors

noted that throughout 2022, Pharming met the statutory minimum percentage of 30% representation of both men and women in the Board of Directors by having three female Non-Executive Directors (out of seven in total Non-Executive Directors, i.e., 42%).

The Diversity Act also requires listed companies to set targets to improve gender diversity at management board and sub-board level. Pharming has only one statutory Executive Director (and Board member). Therefore, no diversity target can be adopted. In case at any time in the future an additional Executive Director would be nominated for appointment, the Board of Directors will strive for equal gender diversity for both statutory Executive Directors while satisfying the requirements for the relevant position(s).

For Pharming, the (non-statutory) Executive Committee would satisfy the criterion for "sub-board level". The Board of Directors acknowledged that the Executive Committee does not meet a percentage of 30% representation of both men and women as only one member is female (out of five members, excluding the Executive Director). Below the Executive Committee, however, 50% of the employees in senior positions are female. Directly below the Executive Committee (i.e., ExCo-1 level), 46% of the employees in senior positions are female.

In accordance with the recommendations of the Corporate Governance Committee, the Board of Directors endorsed the proposal:

- to maintain compliance with the female quota according to the Diversity Act for future nominations of new Non-Executive Directors;
- to strive for the appointment of new female members of the Executive Committee in case of the departure of existing members (other than the Executive Director), aiming for both more equal gender diversity and diversity in background, expertise and experience. The internal succession planning program for Executive Committee positions will accordingly also be structured to promote equal gender diversity.

Audit Committee

The Audit Committee supports the Board of Directors in monitoring and ensuring the integrity of the Company's financial reporting. The committee related tasks and responsibilities include, without limitation:

- the supervision and monitoring of the financial accounting process;
- the monitoring of the effectiveness of the Company's internal management system, internal audit system, and internal risk management and control systems;
- the review of intended material financial disclosures by the Company (including the Annual Report, the Annual Report on Form 20-F, quarterly results and the related draft press releases);
- the review of disclosures in applicable filings as required by the U.S. Securities Act, the Exchange Act and their related rules;
- the nomination for (re)appointment or dismissal of the external auditor, the monitoring of the external auditor's independence and the annual evaluation of the external auditor's performance;
- the review of the external auditor's audit plan, management letters and audit report, respectively;
- the monitoring of the Company's funding, application of information and communication technology by the Company, including risks relating to cybersecurity, and the Company's tax policy.

The Audit Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules, this charter is available on our website at www.pharming.com. The charter was last updated on August 3, 2022, following an evaluation by the Audit Committee of the charter previously approved in December 2020.

During the financial year 2022, the Audit Committee consisted of Mr. Kruimer (Chairperson), Ms. Jorn, Ms. Yanni and Ms. van der Meijs. The composition of our Audit Committee is consistent with the best practice provisions of the DCGC and with applicable SEC and Nasdaq regulations.

The Audit Committee met six times in 2022 (2021: five times), either in person (in Warren, New Jersey on March 15 and October 26 and in Leiden, the Netherlands on May 9) or virtually. The external auditor, Deloitte Accountants B.V. (Deloitte) attended each meeting of the Audit Committee. The CEO and the CFO attended all meetings of the Audit Committee as guests.

The individual presence (P) or absence (A) of the members of the Audit Committee is reflected in the following schedule:

Date	March 15	April 4	May 9	August 3	October 26	December 8	% Present during 2022
Mr. Kruimer	P	P	P	P	P	P	100%
Ms. Jorn	P	P	P	P	P	P	100%
Ms. Yanni	P	P	P	P	P	P	100%
Ms. Van der Meijs	P	P	P	P	P	P	100%

During the Audit Committee meetings held in 2022, the following recurring items were reviewed and discussed: the quarterly and full year financial statements, the Annual Report 2021 and the Annual Report 2021 on Form 20-F, each time leading to a recommendation to the Board of Directors for approval and publication. The Audit Committee, during its review, monitored the financial statements, the sales revenues and underlying trends, the financing costs, cost control measures, the supply inventories, developments in the company's cash position and cash flow, and the impact of currency exchange risks on presented company results.

During the meeting held on December 8, the Audit Committee discussed the proposed annual budget for 2023. The Audit Committee recommended the Board of Directors to endorse and approve the proposed annual budget.

The Audit Committee reviewed and discussed the external auditor's 2022 audit plan (including proposed fees) - both in April and December - and the draft management letters submitted by the external auditor. The Audit Committee approved the 2022 audit plan at the meeting held on August 3, 2022. The 2022 Audit Plan and the draft management letters were also shared and discussed with the full Board of Directors.

The Audit Committee was updated by the CFO during each of its scheduled meetings. Updates included discussion on the design and the status of the implementation of the enhanced internal control framework and enterprise risk management for compliance by the Company with the U.S. Sarbanes-Oxley Act, Public Company Accounting Oversight Board (PCAOB) and other applicable accounting standards. During the meeting held on August 3, the Company's new Fraud Assessment Framework was presented and discussed. More details can be found in the section Risk Management and Internal Control. The Audit Committee updated the Board of Directors during its scheduled meetings.

The Audit Committee also conducted an annual review of the Related Person Transactions within the meaning of the Company's Related Person Policy. Reference is made to Note 23 for the relevant transactions as per December 31, 2022. The Audit Committee concluded on December 8, 2022, based on the information gathered, that (i) each of these transactions was entered into in the ordinary course of business, and (ii) without the involvement of the relevant related persons. Accordingly, the Audit Committee ratified these transactions in accordance with the prevailing policy. The Audit Committee also evaluated the existing Related Person Policy and concluded that no material changes were required to be made to that policy.

In March 2022, the Audit Committee evaluated the performance of Deloitte and its duties as external auditor for the financial year 2021. Deloitte was appointed by the general meeting of shareholders held on May 19, 2021, as external auditor for the financial years 2021 and 2022. The Audit Committee discussed during its meeting on March 14, 2023, the outcome of the evaluation and the performance of Deloitte and its duties as external auditor for the financial year 2022. The evaluation resulted in an overall positive outcome and the Audit Committee. Taking into account the positive outcome of the evaluation for 2022, it was concluded that the Audit Committee recommend to the Board of Directors to nominate Deloitte to the General Meeting of Shareholders scheduled for May 17, 2023, for reappointment as external auditor for the financial years 2023 and 2024.

During its meeting on April 4, 2022, the Audit Committee discussed and confirmed, the independence of the external auditor.

In accordance with the charter of the Audit Committee and the DCGC, the Audit Committee is required to annually assess whether it would be necessary to establish an internal auditor function. Such function does not exist within Pharming today. During the assessment on March 14, 2023, the Audit Committee concluded, and recommended the Board of Directors to conclude also, that, due to the size of the company, no internal auditor is needed at this point in time. The Audit Committee considered inter alia the tasks and responsibilities of the Chief Financial Officer and the external auditors with regard to the assessment and testing of the risk management and control systems.

The Audit Committee noted the establishment of a Risk and Control function to strengthen the internal controls. At this time the company is not fully capable to support a traditional third line function that would be able to add value to the business since Pharming first needs to establish a proper Internal Control environment.

The Audit Committee acknowledged that the fast rate of growth of the Company at present may cause a different determination at some point in the foreseeable future.

A similar conclusion had been reached during the preceding assessment in March 2022.

Remuneration Committee

The tasks performed by the Remuneration Committee includes, amongst many items, the preparation and proposals, for the compensation of individual members of our Board of Directors, in accordance with the remuneration policy as adopted by our shareholders, as well as preparing our Remuneration Report to be included in our Annual Report.

The composition of our Remuneration Committee is consistent with the best practice provisions of the DCGC, SEC and Nasdaq requirements. During the financial year 2022, the Remuneration Committee consisted of Ms. Jorn, Dr. Pykett and Mr. Baert. Ms. Jorn was the Chairperson of the Remuneration Committee until the closing of the AGM held on May 18, 2022. Ms. Jorn handed over the role of Chairperson to Mr. Baert at the AGM, but has remained an active member of the Remuneration Committee.

The Remuneration Committee met six times in 2022 (2021: two times), including a combined meeting with the Corporate Governance Committee on December 8, 2022. The meeting on October 25, 2022, was held in Warren, New Jersey. The other meetings were held virtually.

The individual presence (P) or absence (A) of the members of the Remuneration Committee is reflected in the following schedule:

Date	February 24	March 8	March 28	August 2	October 25	December 8	% Present during 2022
Ms. Jorn	P	P	P	P	P	P	100%
Dr. Pykett	P	P	P	P	P	P	100%
Mr. Baert	P	P	P	P	P	P	100%

The Remuneration Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules. This charter is available on our website at www.pharming.com. This charter was evaluated in 2022 and the updated charter was approved on August 2, 2022.

During the meetings held on February 24 and March 8, 2022, the Remuneration Committee discussed the company-wide goals and objectives as proposed by the Executive Director and the Executive Committee for 2022, including the applicable incentive plans. Related recommendations were submitted to the Board of Directors.

During the meeting on February 24, 2022, the Remuneration Committee also discussed the incentive arrangements for the Executive Director/CEO and the members of the Executive Committee, including the determination for 2021 of the cash bonus and the vesting percentage for the already granted restricted performance shares and the conditional grant of performance shares for 2022-2024. The Chair of the Remuneration Committee attended the meeting of the Corporate Governance Committee on February 23, 2022, where the performance by the CEO in 2021 was discussed. The findings were shared with the Remuneration Committee.

The meeting resulted in recommendations on each of the agenda items that were submitted to the Board of Directors, in accordance with the applicable incentive plans.

The Remuneration Committee engaged AON Radford as international compensation expert for a market review of the compensation of the members of the Board of Directors and the Executive Committee. The Remuneration Committee approved the peer group that was used for the review. The Remuneration Committee ensured that the peer group composition adequately reflected the Company's profile and market presence, taking into consideration the global performance of the business while recognizing the high importance of the U.S. market both for current sales and future growth. The Remuneration Committee recognized that proxy advisors, ISS and Glass Lewis, expect companies to apply the benchmark of the country or market in which the Executives work and where the company is based, and will furthermore take that into consideration during the review of the compensation. Accordingly, Pharming aligns itself with European best practices in the

field of remuneration, but will also need to ensure that it preserves the urgent need to remain competitive in the important U.S. labor market, with the Company establishing the U.S. as a key market and will continue to have a growing presence there. With this, the peer group is composed of European and U.S. integrated and commercial stage listed companies active in Life Sciences. The peer group can be found on our website.

The Remuneration Committee discussed the outcome of the compensation review by AON Radford in August 2022. The Remuneration Committee concluded that the compensation level for the Executive Director is positioned in the upper (75%) of the EU benchmark group and in the upper 25% of the U.S. benchmark group. The benchmark data that were presented indicated that Pharming is currently positioned in the upper 25% of the EU benchmark group with regards to revenues. For the U.S. benchmark, Pharming is positioned just below the top 50% of the benchmark group regarding revenues.

In light of these assessments, the Remuneration Committee decided to recommend to the Board of Directors to increase the fixed salary of the Executive Director (EUR 603,000 in 2022) by 3.5% to EUR 624,000 (USD 658,000) for 2023. This salary increase takes into consideration the outcome of the compensation merit increases for our wider workforce and the performance by the Executive Director in 2022. The average 2023 increase for Pharming employees employed in Europe was 4.9%, as such the CEO received an increase that stays below the average of the employees. The Board of Directors has adopted the Remuneration Committee’s recommendation.

The compensation for the Non-Executive Directors was found to be level with the benchmark. The Remuneration Committee noted that the fee levels for the chairs and members of the respective committees of the Board of Directors also seem to be aligned with applicable benchmarks and do not need to be changed. The Remuneration Committee concluded, however, that the increasing workload for the committees, as a result of the Company's rapid growth, justifies an additional review of these fee levels, taking into consideration the views of proxy advisors and other relevant external stakeholders. This review has been scheduled for 2023. AON Radford will be engaged for that review.

The Remuneration Committee engaged Georgeson, as international strategic consultant, for a review of the Company's annual Remuneration Report in order to ensure that future reports -starting with the Remuneration Report covering the financial year 2022 - will be aligned with market practice and applicable rules and regulations, taking into due consideration the guidelines issued by proxy advisors (including ISS and Glass Lewis) and expectations from external stakeholders. The review focused, in particular, on the disclosure of annual targets and KPIs adopted for the Executive Director's incentive plans.

The Remuneration Committee discussed Georgeson's findings and recommendations during the meetings held on August 2 and October 25, 2022. In March 2023, the Remuneration Committee discussed and approved the Remuneration Report for 2022 as included in this Annual Report. That includes several changes based on the outcome of the review and also a template to be used for disclosures in future reports. The Remuneration Committee recognized and acknowledged that changes may be required to the current template for targets and KPIs to facilitate the disclosure while protecting the sensitive nature of specific information.

The Remuneration Committee held a joint meeting with the Corporate Governance Committee on December 8, 2022, to discuss, amongst others, the first draft of the Goals and Objectives for 2023 as submitted by the Executive Director, on behalf of the Executive Committee. Related recommendations were submitted to the Board of Directors.

Finally, during a meeting on February 23, 2023, the Remuneration Committee discussed the incentive arrangements for the Executive Director/CEO and the members of the Executive Committee, including the determination for 2022 of the cash bonus and the vesting percentage for the already granted restricted performance shares and the conditional grant of performance shares for 2023-2025. The Chair of the Remuneration Committee attended the meeting of the Corporate Governance Committee where the performance by the CEO in 2022 was discussed. The findings were shared with the Remuneration Committee. More details can be found in the Remuneration Report for 2022 as included in this Annual Report.

Corporate Governance Committee

During the financial year 2022, the Corporate Governance Committee consisted of Ms. van der Meijs (Chairperson), Mr. Sekhri, Ms. Yanni and Mr. Baert. The composition of our Corporate Governance Committee is consistent with the best practice provisions of the DCGC, SEC and Nasdaq requirements.

The main tasks performed by the Corporate Governance Committee includes monitoring compliance by Pharming with the DCGC and corporate governance-related laws and regulations, monitoring and evaluating the functioning of the Board of the Directors, its committees and individual members and the recruitment and selection for nomination of new Directors (if applicable).

The Corporate Governance Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules, this charter is available on our website at www.pharming.com. The charter was evaluated in 2022 and the updated charter was approved on July 11, 2022.

The Corporate Governance Committee met four times in 2022 (2021: two times), including a combined meeting with the Remuneration Committee on December 8, 2022. The meeting on October 25, 2022, was held in Warren, New Jersey. The other meetings were held virtually.

The individual presence (P) or absence (A) of the members of the Corporate Governance Committee is reflected in the following schedule:

Date	February 23	July 11	October 25	December 8	% Present during 2022
Ms. van der Meijs	P	P	P	P	100%
Mr. Sekhri	A	P	P	P	75%
Ms. Yanni	P	P	P	P	100%
Mr. Baert	P	P	P	P	100%

During the meeting held on February 23, 2022, the Corporate Governance Committee reviewed the functioning of the Executive Director in 2021. The main conclusions and recommendations were submitted to the Board of Directors and also shared with the Remuneration Committee for the assessment of the impact on the vesting of applicable incentive plans. Reference is also made to the report of the Remuneration Committee. During the meeting held on February 16, 2023, the Corporate Governance Committee initiated a similar review of the functioning of the Executive Director in 2022 and the outcome was shared with the Remuneration Committee.

During the meeting on February 23, 2022, the Corporate Governance Committee also reviewed and discussed the draft Corporate Governance Chapter of the 2021 Annual Report, including the described deviations from the Dutch Corporate Governance Code. During the meeting held on February 16, 2023, the Corporate Governance Committee initiated a similar review of the draft Corporate Governance Chapter to be included in the 2022 Annual Report and provided input that has been incorporated.

Finally, during the meeting on February 23, 2022, the Corporate Governance Committee discussed the outcome of a self-evaluation by the Board of Directors to identify the available expertise and experience of the Non-Executive Directors. The resulting knowledge matrix is used by the Board of Directors to ensure that the Board of Directors' continue to have a balanced and diversified composition in terms of available knowledge and expertise which allows them to fulfill the required allocated tasks and responsibilities.

During each scheduled meeting, the Corporate Governance Committee was updated by the Business Integrity department on the Company's performance under the Code of Conduct. Zero incidents were reported during the year for Europe. Two minor incidents were reported for the U.S. but had in the meantime been resolved without the need for sanctions or actions.

During the meeting held on July 11, 2022, the Corporate Governance Committee reviewed the updated Code of Conduct, which included input from a cross-functional

consultation by Business Integrity. The Corporate Governance Committee also delivered input and recommended the Board to approve the updated Code.

The Corporate Governance Committee also discussed the main guiding policy principles for the appointment and selection of Executive Committee members and senior management (ExCo-1), including the involvement of the Corporate Governance Committee members and the Board, respectively.

On October 25, 2022, the VP Human Resources presented to the Corporate Governance Committee the results of a succession planning assessment focused on potential internal successors for the positions of members of the Executive Committee, including the CEO. The Corporate Governance Committee discussed the findings and will continue to monitor the succession planning process during 2023 meetings.

The Corporate Governance Committee also discussed on October 25, 2022, the profile of a Chief Business Officer as proposed by the Executive Director, as well as the process to be followed in the anticipation of the scheduled expiration of the current terms of the Chair and the Vice-Chair of the Board of Directors on the occasion of the Annual General Meeting of Shareholders scheduled for May 17, 2023. The Corporate Governance Committee presented its recommendations to the Board of Directors. Reference is made to the section "Board structure" in the report of the Board of Directors.

The Corporate Governance Committee has initiated its annual self-evaluation for 2022 by the Board of Directors and its committees as held in the first quarter of 2023. As explained in the report of the Board of Directors, the self-evaluation was facilitated and supervised by Spencer Stuart as external consultant, in accordance with the Corporate Governance Committee's recommendation and BP 2.2.6 of the DCGC. Throughout 2022, the Corporate Governance Committee monitored the execution of the action plan following the self-evaluation in 4Q 2021 and will also monitor the updated action plan. Reference is made to the section "Activities" in the report of the Board of Directors for a summary of the outcome of self-evaluation in the first quarter of 2023.

During the meeting on December 8, 2022, the Corporate Governance Committee discussed the proposed approach for the self-evaluation of the Board of Directors and its committees. The Corporate Governance Committee and the Remuneration Committee also discussed the first draft of Goals and Objectives 2023 as submitted by the Executive Director, on behalf of the Executive Committee. The related recommendations were presented to the Board of Directors on December 9, 2022.

Finally, the Corporate Governance Committee discussed the new act on gender diversity in boards of Dutch companies that entered into force on January 1, 2022 (the Diversity Act). Mandatory female quota provisions apply to Supervisory Boards and Non-Executive Directors of Dutch companies listed on Euronext Amsterdam.

Throughout 2022, Pharming met the statutory minimum percentage of 30% representation of both men and women in the Board of Directors by having three female Non-Executive Directors (out of seven in total Non-Executive Directors, i.e., 42%). The Diversity Act also requires listed companies to set targets to improve gender diversity at management board and sub-board level.

Pharming has only one statutory Executive Director (and Board member). Therefore, no diversity target can be adopted. In case at any time in the future an additional Executive Director would be nominated for appointment, the Board will strive for equal gender diversity for both statutory Executive Directors while satisfying the requirements for the relevant position(s).

For Pharming, the (non-statutory) Executive Committee would meet the criterion for "sub-board level". The Executive Committee does not meet a percentage of 30% representation of both men and women as only one member is female (out of five members, excluding the Executive Director). Below the Executive Committee, however, 50% of the employees in senior positions are female. Directly below the Executive Committee (i.e., ExCo-1 level), 46% of the employees in senior positions are female.

The Corporate Governance Committee recommended the Board of Directors to endorse the proposal:

1. to maintain compliance with the female quota according to the Diversity Act for future nominations of new Non-Executive Directors;

2. to strive for the appointment of new female members of the Executive Committee (other than the Executive Director/CEO) in case of the departure of existing members, aiming for more equal gender diversity while satisfying the requirements for the relevant position and maintaining diversity in background, expertise, and experience of the Executive Committee team. The internal succession planning program for Executive Committee positions will accordingly also be structured to promote equal gender diversity.

Authorization of the Financial Statements

The Financial Statements of Pharming Group N.V. for 2022, as presented by the Board of Directors, have been audited by Deloitte Accountants N.V. Their report is included in this Annual Report in section 'Auditors Report'.

The Financial statements were unanimously approved by the Board of Directors and the members of the Board of Directors have signed these Statements on behalf of the Company.

In accordance with best practice 1.4.3 of the Dutch Corporate Governance Code and Article 5:25c of the Financial Markets Supervision Act, taking into due consideration the explanation provided in the preceding paragraph and in the various other sections of this Annual Report, the Board of Directors states that, to the best of their knowledge:

- This report provides sufficient insight into the nature of the Company's risk management and control systems and confirms that the control systems functioned properly in the year under review;
- The report also provides sufficient insights into any weaknesses or failings in the effectiveness of the internal risk management and control systems;
- The control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of the Company, it is considered appropriate that the financial reporting is prepared on a going concern basis; and
- The report identifies those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of at least twelve months after the preparation of the report.

Accordingly, the Board of Directors declares that, to the best of its knowledge and in accordance with applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

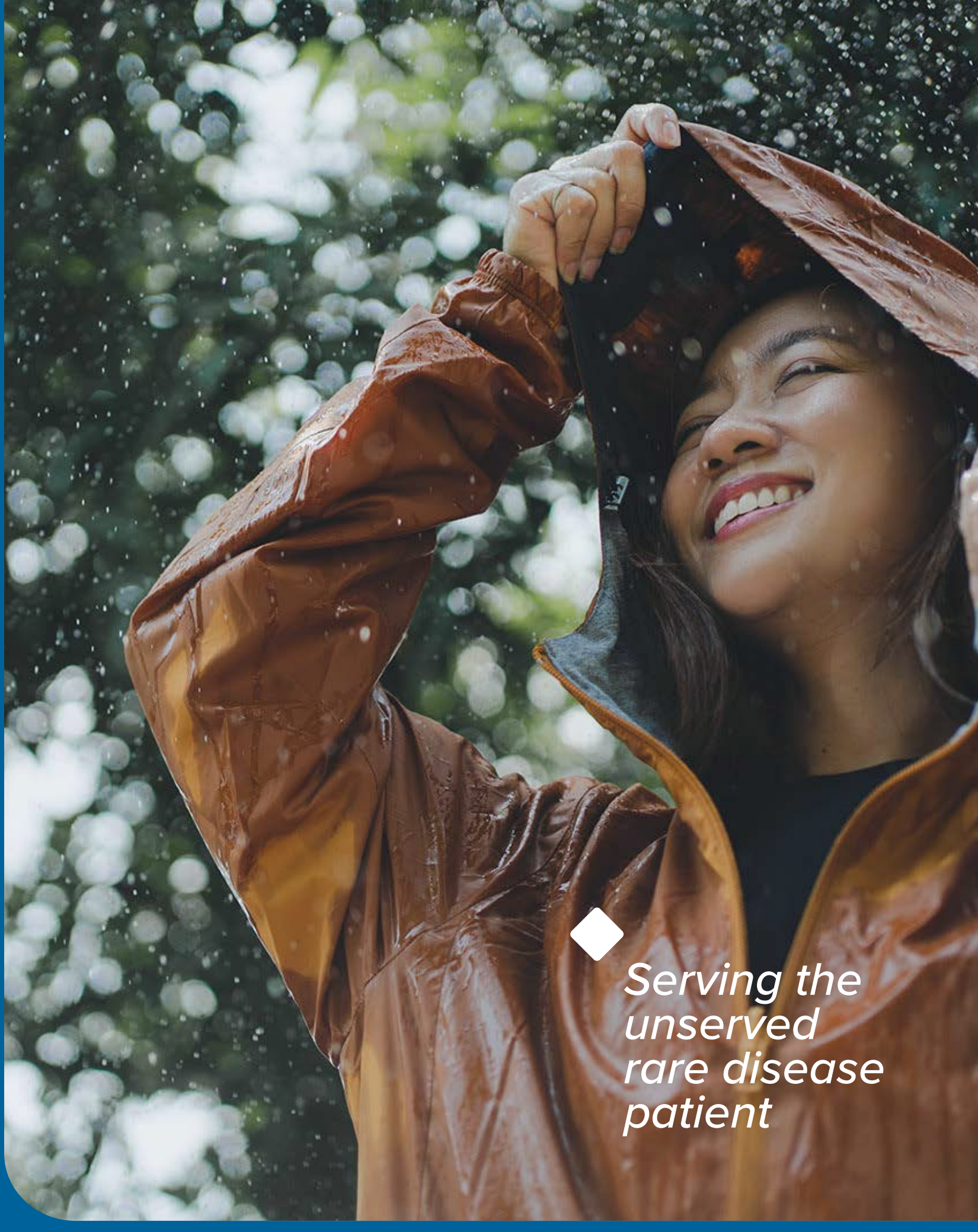
For a detailed description of the risk factors, we refer to the 'Risk Management and Control' chapter in this report.

In accordance with the foregoing, the Board of Directors recommends the Annual General Meeting of shareholders to adopt the 2022 Financial statements and to discharge, and therefore to release from liability, the members of the Board of Directors for the exercise of their duties during the financial year 2022.

Leiden, April 4, 2023

Paul Sekhri
Sijmen de Vries
Deborah Jorn
Barbara Yanni
Mark Pykett
Leonard Kruimer
Jabine van der Meijs
Steven Baert

Collectively the Board of Directors of Pharming Group N.V.


Serving the
unserved
rare disease
patient

Remuneration Report

Remuneration Report 2022

Letter from the Remuneration Committee Chair

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present to you the Remuneration Report of Pharming for the financial year 2022.

The remuneration policy for the Board of Directors was approved by the Extraordinary General Meeting of Shareholders held on 11 December 2020 and reflects our long-standing remuneration principles to support the execution of Pharming's long-term business strategy. In this Remuneration Report, the Remuneration Committee reports on how the remuneration policy has been put into practice for our Executive and Non-Executive Directors during 2022.

Responding to feedback from shareholders and proxy-advisors on last year's report, the Remuneration Committee engaged Georgeson, as international strategic consultant, for a review of both the remuneration policy of the Board of Directors and the Company's annual Remuneration Report. The review was initiated to ensure that the existing remuneration policy and the future remuneration reports, starting with this Remuneration Report covering the financial year 2022, will be aligned with market practice and applicable rules, regulations and disclosures, taking into due consideration the guidelines issued by proxy advisors (including ISS and Glass Lewis) and expectations from external stakeholders.

The Remuneration Committee concluded, taking into consideration the outcome of the review by Georgeson, that the remuneration policy of the Board of Directors, as adopted by our shareholders on 11 December 2020, does not require to be amended ahead of the scheduled submission of the remuneration policy to our shareholders, for review and adoption, in the course of the year 2024.

Georgeson presented an analysis of our remuneration report template compared to prevailing best practices and the requirements of ISS and Glass Lewis as proxy advisors. The Remuneration Committee discussed the presented findings with Georgeson and concluded that the retrospective disclosure of targets, particularly the STI, could be improved as this was reflected in the less than favorable vote (76.72% of the votes in favor) for the 2021 Remuneration report at the 2022 AGM.

As a first step, we amended our remuneration report template to address the main findings, leading to a number of changes in remuneration design and disclosure. We also commit to disclosing retrospective STI and LTI targets. We strive for a higher level of shareholder support for the remuneration resolutions, and we will continue to monitor the need for appropriate changes to our remuneration design and disclosures. We will continue to engage with our shareholders on a frequent basis.

Looking back on 2022

Activities and developments Remuneration Committee

In general, Pharming had a positive year with growth in the existing portfolio and strong momentum behind the launch of leniolisib that meanwhile received FDA approval on March 24, 2023. In addition, the organization continued to make good progress towards its governance and operational excellence.

Throughout the year 2022, the Remuneration Committee consisted of Ms. Deborah Jorn, Mr. Mark Pykett and myself. Ms. Jorn was the Chair of the Remuneration Committee until the closing of the AGM held on May 18, 2022. Ms. Jorn handed over the role of Chair to me as per that moment, but remained a member of the Remuneration Committee. The Remuneration Committee is grateful to Ms. Jorn for her leadership as Chair in the past years.

The Remuneration Committee met six times in 2022, to discuss the proposals and prepare related recommendations to the Board of Directors regarding both the compensation of the Executive Director/CEO, in accordance with the remuneration policy and incentive programs as adopted and approved by our shareholders, and the compensation of the members of the Executive Committee. The Remuneration Committee engaged AON Radford, as international compensation expert, for a market review of the compensation of the members of the Board of Directors and the Executive Committee.

Regarding the compensation of the Executive Director/CEO, the Remuneration Committee discussed the determination of the cash bonus for 2022 under the short-term incentive program (STI) and, in accordance with the long-term incentive program (LTI), the vesting percentage for already granted restricted performance shares and the conditional grant of new performance shares for the years 2022-2024. The Remuneration Committee also discussed the proposed short-term and long-term goals and objectives in connection with the applicable incentive plans. Related recommendations were submitted to the Board of Directors.

Based on the outcome of the review by AON Radford, the Remuneration Committee concluded that the compensation level for the Executive Director is positioned in the upper (75%) of the EU benchmark group and in the 25% percentile of the U.S. benchmark group.

Regarding the compensation of the Non-Executive Directors, the Remuneration Committee concluded that it was aligned with the benchmark. The Remuneration Committee noted that the fee levels of the Chair of the Board and the chairs and members of the respective committees of the Board of Directors are below applicable benchmarks. An additional review of the fee levels of the committee chairs and members will be scheduled in the course of 2023. AON Radford will be engaged for that review. In addition, as the current Chair of the Board of Directors will complete its term on the occasion of the AGM scheduled for May 17, 2023, the Remuneration Committee may need to increase (subject to approval to be sought from our shareholders) the compensation for the Chair of the Board of Directors in line with prevailing market conditions to attract an experienced candidate.

With regard to the review of our remuneration policy and the Company's Annual Report, I refer to my introduction.

I also kindly refer to the other sections of this Remuneration Report and the section "Remuneration Committee" in Pharming's 2022 Annual Report for more details regarding the activities of the Remuneration Committee in the past year.

Incentive plans performance

In the past year, Pharming continued to deliver on its strategic objectives aimed at serving the unserved rare disease patients and becoming the rare disease company of choice. The Executive Director, supported by the Executive Committee, continued to expand the global reach of patients benefiting from RUCONEST® for the treatment of acute HAE attacks, driving organic growth, while preparing for the launch of leniolisib that received FDA approval on March 24, 2023. In addition, management focused on expanding the pipeline, both through life-cycle management and other product development programs and the pursuit of external in-licensing or M&A opportunities for the acquisition of late-stage assets. Solid financial results were delivered by management that enabled the Company to continue on its path for growth.

As explained in more detail in the respective sections of this Remuneration Report, the Remuneration Committee, taking into consideration Pharming's financial results as submitted by management and the performance evaluation by the Corporate Governance Committee, reached the following conclusions with regard to the achievements by the Executive Director/CEO in 2022 and the related outcome under the applicable incentive programs and submitted related recommendations for endorsement to the Board of Directors.

2022 performance and STI outcome (annual bonus in cash)

In 2022, the group performed as summarized below on the financial targets set for the pay-out to the CEO under the Short-term Incentive Plan (STI):

Performance Measure	Target	Weighting	Actual
RUCONEST® revenues (USD)	>214,9M	25%	205,6M
Operating Profit (USD)	Loss not exceeding 31.3M	25%	Operating profit 18.2M
Cash decrease (USD)	Decrease no more than 32M	25%	Increase 15,4M
Minimum Liquidity (USD)	50M	25%	207.3M

The Remuneration Committee concluded that the CEO reached a 75% score (within a range of 0-200%) on all one-year financial targets that had been agreed for the STI 2022. However, the Remuneration Committee also recognized that Pharming announced in 2022 the goal to return the annual revenues to single digit growth and took note that for the full year 2022, under the CEO's leadership, a 3,3% growth in revenues, compared to 2021 revenues, was achieved.

The Remuneration Committee calculated a combined STI performance factor for the CEO of 89% (within a range of 0% to 200%) on all one-year financial and non-financial targets that had been set for the STI 2022, in accordance with the total results as summarized in the below table for each theme separately. A detailed CEO balanced scorecard on the financial and non-financial targets can be found in Part III of this Remuneration Report.

Component	Weighting	Achievement scores	Resulting sub-scores
Financials	30%	75%	22,5%
Execution	40%	93%	37,2%
People	20%	94%	18,8%
Impact/purpose	10%	100%	10%
Total:			**89%**

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, a 70% pay-out level applies for an 'on target'-score, with a maximum pay-out of 140%. Accordingly, the Remuneration Committee multiplied the 89% score by the 70% 'on target'-score and concluded that this score resulted in a cash payment to the Executive Director equal to 62% of the fixed annual salary for 2022, i.e., €374,000 gross (USD 394,000).

2022 Executive LTI One-Off Transition Arrangement outcome

A one-off transition arrangement was agreed with the CEO in December 2020, in lieu of the entitlements under his contract with the Company, to facilitate the implementation of a new performance-based long-term incentive plan (the Executive LTI plan). Pursuant to this one-off transition arrangement, as approved by our shareholders on December 11, 2020, the CEO was granted a total number of 4,200,000 shares that would vest in three annual tranches in the first quarter of each of 2021, 2022 and 2023, subject to the pro-rata performance by the CEO on the applicable long-term targets, which are a combination of Total Shareholder Return (40% weighting) and strategic corporate objectives (60% weighting), during these respective calendar years. Accordingly, 840,000 shares vested in the first quarter of 2021 and 630,000 shares in the first quarter of 2022.

The share-price performance by Pharming shares over the 20 working day period prior to December 31, 2022 versus 2021 (in accordance with the provisions of the Remuneration Policy) was +48%, while the ASCX index decreased by 9% and the IBB ETF decreased by 11% over the aforementioned period. This result places Pharming +57% and +59% against the ASCX and Nasdaq Biotechnology Index peer groups, respectively. Accordingly, the score on Total Shareholder Return was set at 115% (i.e., average of 110% and 120% pay-out according to applicable table).

The Remuneration Committee determined the total score for the performance by the Executive Director on the corporate strategic objectives for the year 2022 at 90%. For further details on the achievement versus target, please consult Part III in this report.

Accordingly, the total results and vesting level for the third (and final) annual tranche of the shares granted under the one-off transition arrangement, as approved by our shareholders on December 11, 2020, are summarized below:

Metric	Achievement	Weighting	Vesting level
TSR	115%	40%	46%
Strategic Objectives	90%	60%	54%
Total vesting level: 100%			

The vesting level of 100% resulted in a total number of 1,400,000 shares that vested for the CEO in the first quarter of 2023. These shares are subject to a retention period of five years as of grant in 2020.

2021-2023 Executive LTI performance

The first set of conditional shares awarded to the CEO for the performance years 2021-2023 (equal to 300% of the CEO's gross annual salary) under the new Executive LTI program, as approved by our shareholders on December 11, 2020, will not vest until the first quarter of 2024, applying the targets set at the start of the three-year performance period in 2021. New conditional shares were awarded to the CEO in 2022 for the performance years 2022-2024. These shares will not vest until the first quarter of 2025.

Two years into the 3-year performance period, the group is currently on track to meet the targets set for these performance periods. A retrospective disclosure will be included in the Remuneration Report following the end of the relevant performance period.

Executive Director pay increases

In 2022, the Remuneration Committee engaged AON Radford, as international compensation expert, for a market review of the compensation of the members of the Board of Directors and the Executive Committee. The Remuneration Committee discussed the outcome of the compensation review by AON Radford in August 2022. The Remuneration Committee concluded that the compensation level for the Executive Director is positioned in the upper 75% of the EU benchmark group and in the upper 25% of the U.S. benchmark group. The benchmark data that were presented indicated that Pharming is currently positioned between 50% and 75% of the EU benchmark group with regards to revenues. For the U.S. benchmark, Pharming is positioned just below the top 50% of the benchmark group regarding revenues.

In light of these assessments, the Remuneration Committee decided to recommend to the Board of Directors increase the fixed salary of the Executive Director (EUR 603,000 in 2022 (USD 636,000)) by 3,5% to EUR 624,000 (USD 658,000) for 2023. This salary increase takes into consideration the outcome of the compensation merit increases for our wider workforce and the performance by the Executive Director in 2022. The average 2022 increase for Pharming employees employed in Europe was 4,9%, as such the CEO received an increase that stays below the average of the employees. The Board of Directors has adopted the Remuneration Committee's recommendation.

Looking forward to the year ahead

On December 9, 2022, and February 23, 2023, the Remuneration Committee discussed the (company-wide) goals and objectives as proposed by the Executive Director and the Executive Committee for 2023 in connection with the applicable STI and LTI plans. These goals and objectives have been amended to be consistent with the revised template. Part IV of this Remuneration Report includes a summary of these goals and objectives.

Ambitious targets, with clear, specific, more quantitative and auditable metrics, have been set for the Executive Director/CEO to support the execution of our long-term strategy in the best interest of our company, our shareholders and all other stakeholders. However, the Remuneration Committee also recognizes that the ongoing market volatility is likely to persist and we will continue to monitor business performance and internal and external conditions throughout the year, together with the other Non-Executive Directors.

I look forward to presenting this Remuneration Report at the Annual General Meeting of Shareholders on May 17, 2023. On behalf of the Remuneration Committee and the Non-Executive Directors, I thank you for your continued support of Pharming.

Steven Baert

Chair of the Remuneration Committee

Structure of the Remuneration Report

In compliance with article 2:135b of the Dutch Civil Code, the European Shareholder Rights Directive (SRD II) and the Dutch Corporate Governance Code, this report is split into the following sections:

Part I

Brief summary of the Executive Director's remuneration elements.

Part II

Summary of Executive Director remuneration policy.

Part III

Implementation of the Executive Director remuneration policy in 2022

Part IV

Executive Director Pay: Looking forward to 2023.

Part V

Implementation of the Non-Executive Director remuneration policy 2022 and looking forward to 2023.

Part I: Brief summary of the Executive Director remuneration elements

The Executive Board remuneration policy is simple and transparent in design, and consists of the following key elements:

Remuneration element	Purpose	Design and link to strategy	Value
Base salary	• Involves fixed cash compensation. • To provide a fair and competitive basis for the total pay level to attract high caliber leaders. • In-depth benchmark annually.	• Facilitates attraction and is the basis for competitive pay. • Rewards performance of day-to-day activities.	• Base salaries at Pharming target the median of the labor market peer group. • Paid monthly in cash. • Any remuneration increases are in line with the wider workforce and typically effective from the 1st of January each year.
Pension	• Defined Contribution Pension Plan.	• Provides for employee welfare and retirement needs. • Designed to be competitive in the relevant market. • The CEO and Executive Committee receive a pension plan that is the same as all eligible Pharming employees. No additional executive pension benefits are awarded.	• Pension contributions for the CEO equals 27.83% of base salary minus franchise. • For Dutch employees, including the CEO, the pensionable income is capped at €114,866 (USD 121,103) for 2022; this is the fiscal maximum. • A Net Employee Pension Scheme is offered to all employees who have a pensionable income more than the specified maximum.
Benefits	• Provides a range of benefits, including, but not limited to holiday allowance and a lease car scheme. • In line with local market practice.	• Provides market competitive benefits to aid retention. • The CEO and Executive Committee receive the same benefits as eligible Pharming employees. No additional executive benefits are being granted	Holiday allowance: 8,33% of the base salary.
Short-term variable remuneration	• Based on achieving annual measured, financial and to non-financials goals. • Aims, at target level, for the median of the labor market peer group. • Is paid 100% in cash.	• Drives and rewards sound business decisions for the short-term prospects of Pharming. • Aligns Executive Directors and shareholder interests. • At least 50% of the bonus opportunity is linked to financial and execution performance. • Strategic goals and sustainability goals are set. • 20% is related to team and individual performance measures, including ESG measures. • The committee undertakes a thorough assessment to ensure that targets are rigorous and sufficiently stretched.	• On-target performance: 70% for the CEO / 50% of annual base salary for other Executive Board Members. • Maximum opportunity for CEO capped at 140% of base salary. • Threshold: n/a • Below threshold: no STI pay-out below threshold level. • STI pay-out is made in cash. • The remuneration committee may apply judgement with discretion to make appropriate adjustments to the annual bonus.

Long-term variable remuneration	• Is based on achieved of three-year TSR and strategic targets. • Aims, at target level, for the median of the peer group. • Is awarded through the vesting of shares, net of taxes. • Vested shares are blocked for another two years, with a five-year holding restriction since the date of the conditional performance grant.	• Drives and rewards sound business decision for the long-term prospects of Pharming. • Aligns Executive Director's and shareholder interests • Supports Executive Board retention.	• On-target performance: 300% of annual base salary for the CEO. • Maximum opportunity for CEO capped at 450% of base salary.
Mandatory share ownership and holding requirement	• To further align the interests of executives to shareholders.		The minimum shareholding requirement is 400% of annual base compensation for the CEO. The CEO may decide to accrue the required minimum shareholding over time by the vesting of after-tax performance shares from the Executive LTI program, without the requirement for own purchases, provided that the minimum shareholding is reached within five years following first appointment.
Severance pay	Ensure upfront clarity on pay in case of early departure	Payments related to the early termination of a contract reflect performance achieved over time and shall not reward failure.	Maximum severance pay is 100% of the fixed annual remuneration. Not awarded in case of early termination at the CEO's initiative (unless due to culpable conduct or neglect by the Company) and/or the CEO's culpable conduct or gross negligence.

Part II: Summary of Executive Director Remuneration Policy

The Remuneration Policy for the Board of Directors (the Policy) was adopted by the General Meeting of Shareholders on December 11, 2020 (99.28% of votes in favor) and became effective with retrospective effect as per January 1, 2020. A summary of the Policy can be found below.

The full Remuneration Policy can be found on the Company's website (www.pharming.com/about-us/corporate-governance) and will remain leading for its interpretation.

Remuneration Principles

a. The total remuneration packages of the Executive Board Members will enable the Company to attract and retain top talent in a competitive and global environment and to focus management and staff on creation of sustainable growth and added value.

b. A consistent and competitive remuneration structure is applied across the workforce to promote a culture of shared purpose and performance, focusing the Executive Directors and all other executives and staff members on delivering on Pharming's mission, vision and strategy and creating long-term value for the Company and its stakeholders.

c. All (short-term and long-term) variable remuneration is performance-based, never guaranteed and not rewarding failure. The total amount of remuneration is each time based on a combination of the assessment of the performance of the individual and the overall results of the Company and when assessing individual performance, quantitative (financial) criteria and qualitative (non-financial) criteria are taken into account.

d. The Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.

e. The assignment or payment of variable remuneration should not adversely affect the financial situation of the Company (in terms of solvability, liquidity, profitability) in a material manner.

Benchmark Peer Group

The Policy is based on the overarching principle that the average level of total remuneration of both the Executive Directors and Non-Executive Directors is consistent with the position of the Company relative to the benchmark group relevant to the Company. The peer group of the Company for comparison of remuneration levels will each time consist of a group of European and U.S., integrated and commercial stage listed companies in Life Sciences. This is in view of Pharming's important presence of the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. This peer group composed of European and U.S. listed companies also reflects the listing of our shares on Euronext Amsterdam and of our ADS on Nasdaq. Additionally, Pharming must remain attractive for top leaders from the industry and beyond to continue to have a strong Executive leadership.

The Executive Directors remuneration levels are benchmarked every two years by an independent consultant. In 2022, the Remuneration Committee engaged AON Radford, as international compensation expert, for a market review of the compensation of all members of the Board of Directors and the Executive Committee. The Remuneration Committee updated the peer group in preparation for the compensation review

to continue to facilitate a solid comparison of remuneration levels. For 2022, the peer group consisted of the following companies:

European peers (2022 and ongoing)		U.S. peers (2022 and ongoing)	
Allergy Therapeutics Worthing	Innate Pharma Marseille	Aerie Pharmaceuticals	Karyopharm Therapeutics
Alliance Pharma Chippenham	Merus Utrecht	Anika Therapeutics	Ligand Pharmaceuticals
Autolus Therapeutics London	Mithra Pharmaceuticals Liège	Clovis Oncology	MannKind
Basilea Pharmaceutica Basel	Myovant Sciences London	Coherus BioSciences	Radius Health
Bavarian Nordic Hellerup	Oxford Biomedica Oxford	Collegium Pharmaceutical	Rigel Pharmaceuticals
BioGaia Stockholm	uniQure Amsterdam	Enanta Pharmaceuticals	Supernus Pharmaceuticals
Biotest Dreieich	Valneva Saint-Herblain	Heron Therapeutics San	Travere Therapeutics
Camurus Lund	Zealand Pharma Copenhagen	Intercept Pharmaceuticals	Vanda Pharmaceuticals
Cosmo Pharmaceuticals Dublin		Ironwood Pharmaceuticals	

The Remuneration Committee discussed the outcome of the compensation review by AON Radford in August 2022. The benchmark data that were presented indicate that Pharming is currently positioned between 50% and 75% of the EU benchmark group with regards to revenues. For the U.S. benchmark, Pharming is positioned just below the top 50% of the benchmark group regarding revenues.

The compensation level for the Executive Director was found to be positioned in the upper 75% of the EU benchmark group and in the upper 25% of the U.S. benchmark group. Reference is made to Part IV of this Remuneration Policy for the conclusion reached regarding the increase of the Executive Director's fixed salary for 2023.

Reference is made to Part V of this Remuneration Policy for a summary of the findings regarding the compensation of the Non-Executive Directors.

Fixed (base salary)

Pharming aims to provide its Executive Director(s) a base salary that is consistent with the policies and procedures for internal pay levels and aligned with the median of the peer group for Pharming as identified above. Base salary levels are reviewed annually, and any increases are expected to be in line with merit salary increases applied for the general workforce. The benchmarks are based on the continent where the executive is employed. Given the Pharming's revenue is mostly generated in the U.S. market and that Pharming competes mostly in the U.S. market, a further compensation competitiveness check against U.S. compensation is taken into consideration.

Short-term variable

For each of the Executive Director/CEO's performance measures, a, target and maximum performance level is set with the following STI pay-out, as a percentage of target pay-out:

	Target performance (on target)	Maximum performance
CEO	70% of gross annual salary pay-out (cash)	140% of gross annual salary pay-out (cash)
Other statutory Executive Directors (if appointed)	50% of gross annual salary pay-out (cash)	140% of gross annual salary pay-out (cash)

The applicable targets and weightings for the STI that were set for the financial year 2022 by the Board of Directors, upon recommendation of the Remuneration Committee, are summarized as follows, as described in more detail in Part III below:

Theme	Definition	Relevance to Strategy	Weight
People	Increase accountability and results	To attract and retain A-players	20%
Execution	Fine tune processes to run without material disruptions	Drive flawless execution	40%
Financial	Net revenues, operating profit, Cash flow, minimum liquidity	Deliver profitable growth and generate sustainable cash flow	30%
Impact/ Purpose	Corporate social responsibility is incorporated in our core business	Making a positive contribution to the environment and society	10%

The Remuneration Committee acknowledged for the applied weightings, amongst others, the strategic focus of the Company on the preparations during the year 2022 for the launch of leniolisib and the efforts required for building a portfolio that will deliver a stream of approved products.

Long-term variable

The long-term incentive program for the Executive Director, as approved by our shareholders in December 2020 (hereafter: the Executive LTI plan), is performance-related only. The on-target value of the conditional shares to be awarded to the CEO under the Executive LTI plan annually is set at 300% of the fixed base salary, and maximum performance value of shares is set at 450% of the fixed base salary.

The shares will vest three years after the grant date, subject to the achievement of targets set by the Non-Executive Directors. All shares will be subject to a retention period of five years from the date of grant (i.e., a holding period two years after vesting) in accordance with best practice provisions provided by the Dutch Corporate Governance Code.

The first tranche of conditional shares awarded to the CEO for the performance years 2021-2023 under the new Executive LTI plan will not vest until the first quarter of 2024, applying the targets set at the start of the three-year performance period in 2021. These targets are a combination of Total Shareholder Return (40% weighting) and performance on strategic corporate objectives (60% weighting), as further described in the Remuneration Policy and the Executive LTI plan as published on our website (www.pharming.com/about-us-corporate-governance). A retrospective disclosure of these targets will be included in the annual report for 2023. Conditional shares were also awarded to the CEO in the first quarter of 2022 for the performance years 2022-2024. These shares will vest in the first quarter of 2025, subject to the performance by the targets set for the years 2022-2024 (i.e., Total Shareholder Return and strategic corporate objectives).

The thresholds and pay-out for the TSR component are provided in the below table. It is determined for each of the ASCX and IBB indices separately (each weighting as 50% of the TSR element).

Metric	Targets							
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%

The number of (restricted) shares outstanding for the CEO under the new Executive LTI plan is summarized in the following table:

Name	Number of restricted LTI shares granted in 2021 (vesting Q1 2024)	Number of restricted LTI shares granted in 2022 (vesting Q1 2025)
Sijmen de Vries	1,337,888.00	2,363,455.00

One-off transition arrangement

The all-staff share-based compensation plans that were applicable to the CEO until 2020, would have resulted in three option grants for the years 2020, 2021 and 2022 with guaranteed vesting based on continued tenure over the period of in total 8,400,000 options for the CEO (on the basis of the last approved annual option grant in 2019 of 2,800,000 options). In addition, three annual LTIP restricted share grants of up to 30% of the base salary would have been granted. Therefore, a one-off transition arrangement (the Executive LTI One-Off Transition Arrangement) was agreed with the CEO in December 2020, in lieu of the entitlements under his contract with the Company, to facilitate the implementation of a new the Executive LTI plan.

Pursuant to this one-off transition arrangement, as approved by our shareholders on December 11, 2020, the CEO was granted a total number of 4,200,000 shares that would vest in three annual tranches in the first quarter of each of 2021, 2022 and 2023, based on combination of Total Shareholder Return (40% weighting) and the pro-rata performance by the CEO on the applicable long-term strategic corporate objectives during the respective calendar years 2020-2022 (60% weighting).

The Executive LTI One-Off Transition Arrangement was granted in 2020 subject to:

- a waiver by the CEO of all (contractual and other) rights and entitlements under the share option and LTIP plans as of 2020;
- a five-year retention period for the granted shares;
- the annual, pro-rata satisfaction of the long-term targets upon vesting; and
- the other terms and conditions applicable to the new LTI Program.

The following table summarizes the applicable performance criterions and weighting for the Executive LTI One-Off Transition Arrangement, as described in more detail in Part III of this Remuneration Report:

Criterion	Rationale	Weight
TSR		
-50% ASCX Index (Euronext)	Purpose of having this metric is to reflect shareholder value and drive solid share price performance	40%
-50% Nasdaq Biotechnology Index, represented by the IBB ETF		
Strategic Objectives		
Grow the commercial infrastructure and prepare for the expected launch of leniolisib for APDS, by expanding commercialization of RUCONEST® for HAE in all major global markets. Specific performance measures (each 14,28% weighting): -Quantitative revenue target RUCONEST® -leniolisib: milestones regulatory review submission FDA and EMA -leniolisib: number of potential patients identified -leniolisib launch strategy.	Purpose of having this metric is to deliver on the company's long-term strategy, ensuring sustainable growth of the company	60%
Expand product portfolio by lifecycle management of existing products and externally sourced new products. Specific performance measures (each 14,28% weighting): -business development projects -milestone planning patient enrollment for leniolisib pediatrics and Japan -Second indication for leniolisib evaluated.	Purpose of having this metric is to deliver on the company's long-term strategy, ensuring accelerated growth bringing rare disease patients the solutions they need.	

The thresholds and pay-out for the TSR component are provided in the below table. It is determined for each of the ASCX and IBB indices separately (each weighting as 50% of the TSR element).

Metric	Targets							
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%

As explained in the Remuneration Reports for the years 2020 and 2021, respectively, a number of 840,000 shares vested in the first quarter of 2021 and 630,000 shares vested in the first quarter of 2022. The number of shares that vested in the first quarter of 2023 for 2022 is specified in the following Part III.

Part III: Executive Director Pay: Implementation of the Remuneration Policy in 2022

Executive Director Remuneration at a Glance: total Remuneration package paid to the CEO

The below shows a single figure table of the annual remuneration and the implementation of the remuneration policy in 2022 for the Executive Director/CEO and compares to what was received for 2021. The amount "LTI value of units vesting", as reflected in the table, represents the value of the vested shares at the year-end date of December 31, 2022, being EUR 1.08 per share, relating to the LTI One-Off Transition arrangement as the performance period ended per December 31, 2022.

	Base Salary	STI ('000)	LTI one-off transition no. of units vesting	LTI Value of units vesting ('000)	Pension cost ('000)	Other emoluments ('000)	Total ('000)
CEO 2022	EUR 603 (USD 636)	EUR 374 (USD 394)	1,400,000	EUR 1,512 (USD 1,594)	EUR 106 (USD 112)	EUR 32 (USD 34)	EUR 2,627 (USD 2,770)
CEO 2021	EUR 574 (USD 681)	EUR 301 (USD 357)	630,000	EUR 491 (USD 583)	EUR 101 (USD 120)	EUR 32 (USD 38)	EUR 1,499 (USD 1,779)

All amounts have been paid in Euro. The amounts in USD have been included to ensure consistency with the 2022 Annual Report, applying a FX rate of 1,0543 (average 2022) for the amounts paid in 2022. The amounts paid in 2021 have been calculated using a FX rate of 1,1860 (average 2021). All amounts have been rounded.

All remuneration was paid in accordance with the Remuneration Policy and the incentive plans as approved by our shareholders on December 11, 2020.

Proportion of fixed and variable remuneration, including fair value costs for Pharming

The following table reflects the amounts of fixed and variable remuneration paid to the CEO/Executive Director in 2022 and in the past years, together with the fair value share-based payment costs incurred by Pharming. The amount of share-based compensation as reflected in the table includes the (pro-rata) fair value of the granted but unvested restricted shares that have been granted in 2020. 2021 and 2022 to the CEO pursuant to the new Executive LTI Program and the LTI One-Off Transition Arrangement, respectively.

The fair value of the LTI granted in 2022 amounts U.S.$1.1 million (2021: U.S.$0.9 million). None of the latter mentioned LTI granted in 2022 nor 2021 have vested during 2022.

The amounts of fixed and variable remuneration paid to Mr. Robin Wright and Mr. Bruno Giannetti, as members of the former Board of Management who retired from the Board in 2020, and the fair value share-based payment costs for Pharming, have been added for a comprehensive overview of the remuneration packages at statutory executive management level in the past five years.

in EUR '000	Fixed remuneration	Short term variable: annual bonus (cash)	Share-based compensation	Post-employment benefits	Other	TOTAL
Sijmen de Vries, CEO and Executive Director	2022: 603 (27%) 2021: 574 (24%) 2020: 538 (21%) 2019: 507 (36%) 2018: 490 (36%)	2022: 374 (16%) 2021: 301 (13%) 2020: 377 (15%) 2019: 310 (22%) 2018: 428 (32%)	2022: 1,158 (51%) 2021*: 1,344 (57%) 2020: 1,522 (59%) 2019: 487 (35%) 2018: 325 (24%)	2022: 106 (5%) 2021: 101 (4%) 2020: 94 (4%) 2019: 72 (5%) 2018: 81 (6%)	2022: 32 (1%) 2021: 32 (1%) 2020: 32 (1%) 2019: 32 (2%) 2018: 32 (2%)	2022: 2,273 2021: 2,352 2020: 2,563 2019: 1,408 2018: 1,356
Bruno Giannetti, former CMO (former member of the Board of Management)	2022: - 2021: - 2020: 352 (28%) 2019: 331 (38%) 2018: 320 (38%)	2022: - 2021: - 2020: 176 (14%) 2019: 170 (20%) 2018: 233 (28%)	2022: - 2021: - 2020: 620 (50%) 2019: 289 (33%) 2018: 201 (24%)	2022: - 2021: - 2020: 74 (6%) 2019: 70 (8%) 2018: 77 (9%)	2022: - 2021: - 2020: 24 (2%) 2019: 8 (1%) 2018: 8 (1%)	2022: - 2021: - 2020: 1,246 2019: 868 2018: 839
Robin Wright, former CFO (former member of the Board of Management)	2022: - 2021: - 2020: 136 (24%) 2019: 317 (53%) 2018: 306 (47%)	2022: - 2021: - 2020: 12 (2%) 2019: 149 (25%) 2018: 148 (23%)	2022: - 2021: - 2020: 94 (17%) 2019: 114 (19%) 2018: 167(25%)	2022: - 2021: - 2020: 13 (2%) 2019: 23 (4%) 2018: 34 (5%)	2022: - 2021: - 2020: 24 (2%) 2019: 8 (1%) 2018: 8 (1%)	2022: - 2021: - 2020: 561 2019: 603 2018: 655

**2021 figure restated. See disclosure note 22. Board of Directors to the consolidated financial statements: Due to a disclosure error in 2021 caused by the incorrect apportionment of the fair value share-based payment expense over the vesting period, the restated 2021 share-based payments remuneration disclosure of Dr. S. de Vries is US$1.6 million compared to previously reported share-based payments of US$1.3 million.*

The following table reflecting the amounts in USD has been included to ensure consistency with the 2022 Annual Report, applying a FX rate of 1,0543 (average 2022) for the amounts paid in 2022.

in US$ '000	Fixed remuneration	Short term variable: annual bonus (cash)	Share-based compensation	Post-employment benefits	Other	TOTAL
Sijmen de Vries, CEO and Executive Director	2022: 636 (27%) 2021: 681 (24%) 2020: 614 (21%) 2019: 568 (36%) 2018: 579 (36%)	2022: 394 (16%) 2021: 357 (13%) 2020: 431 (15%) 2019: 310 (22%) 2018: 506 (32%)	2022: 1,221 (51%) 2021*: 1,594 (57%) 2020: 1,739 (59%) 2019: 546 (35%) 2018: 384(24%)	2022: 112 (5%) 2021: 120 (4%) 2020: 107 (4%) 2019: 81 (5%) 2018: 96 (6%)	2022: 34 (1%) 2021: 38 (1%) 2020: 37 (1%) 2019: 36 (2%) 2018: 38 (2%)	2022: 2,396 2021: 2,790 2020: 2,927 2019: 1,578 2018: 1,603
Bruno Giannetti, former CMO (former member of the Board of Management)	2022: - 2021: - 2020: 402 (28%) 2019: 371 (38%) 2018: 378 (38%)	2022: - 2021: - 2020: 201 (14%) 2019: 190 (20%) 2018: 275 (28%)	2022: - 2021: - 2020: 708 (50%) 2019: 324 (33%) 2018: 238 (24%)	2022: - 2021: - 2020: 85 (6%) 2019: 78 (8%) 2018: 91 (9%)	2022: - 2021: - 2020: 27 (2%) 2019: 9 (1%) 2018: 9 (1%)	2022: - 2021: - 2020: 1.424 2019: 973 2018: 992
Robin Wright, former CFO (former member of the Board of Management)	2022: - 2021: - 2020: 155 (24%) 2019: 255 (53%) 2018: 362 (47%)	2022: - 2021: - 2020: 14 (2%) 2019: 167 (25%) 2018: 175 (23%)	2022: - 2021: - 2020: 107 (17%) 2019: 128 (18%) 2018: 197 (25%)	2022: - 2021: - 2020: 15 (2%) 2019: 26 (4%) 2018: 40 (5%)	2022: - 2021: - 2020: 350 (55%) 2019: - 2018: -	2022: - 2021: - 2020: 641 2019: 676 2018: 774

**2021 figure restated. See disclosure note 22. Board of Directors to the consolidated financial statements: Due to a disclosure error in 2021 caused by the incorrect apportionment of the fair value share-based payment expense over the vesting period, the restated 2021 share-based payments remuneration disclosure of Dr. S. de Vries is US$1.6 million compared to previously reported share-based payments of US$1.3 million.*

Fixed Remuneration

Pharming aims to provide the Executive Director a fixed base salary that is consistent with the policies and procedures for internal pay levels. We note the base salary is aimed to be aligned with the median of the peer group as identified in Part II. Base salary levels are reviewed annually, and any increase otherwise is expected to be in line with the average merit salary increases awarded to the general workforce.

The following table reflects the gross annual base salary (fixed remuneration) of the Executive Director/CEO paid in the financial year 2022:

	Fixed Remuneration in '000 in 2022	Fixed Remuneration in '000 in 2021
Sijmen de Vries – CEO	EUR 603 (USD 636)	EUR 574 (USD 681)

All amounts have been paid to the Executive Director in Euro. The amounts in USD have been included to ensure consistency with the 2022 Annual Report, applying a FX rate of 1,0543 (average 2022) for the amounts paid in 2022. The amounts paid in 2021 have been calculated using a FX rate of 1,1860 (average 2021). All amounts have been rounded.

Benefits

The Executive Director/CEO is entitled to fringe benefits, such as holiday allowance and a lease car scheme, as further described in Part I of this Remuneration Report.

These benefits are in line with other eligible Pharming employees.

In the Netherlands, salaries are paid in 12 monthly installments and one additional monthly installment, entitled 'holiday allowance' is paid typically in May/June. The allowance is equal to 8.33% of the base salary and included in the gross annual salary of staff and Executive Board Members.

Pension

The Executive Director/CEO pension arrangements are based on defined contribution. Pharming provides an annual contribution 27.83% of base salary, minus the franchise to the schemes of the Executive Director/CEO, in accordance with the Remuneration Policy and the contributions to other employees. For Dutch employees, the pensionable income is capped at €114,866 (USD 121,103) for 2022; this is the fiscal maximum. A Net Employee Pension Scheme is offered to all employees who have a pensionable income more than the specified maximum.

Variable Remuneration

The Remuneration Committee reviewed the performance of the Executive Director/CEO. During 2022, remuneration was paid in accordance with the Remuneration Policy as adopted in 2020. We note that there were no deviations from the Remuneration Policy, nor from the governance process in the execution of the policy, except that the Board of Directors, upon the recommendation of the Remuneration Committee, decided to apply an increased weighting to the execution of the strategy as part of the targets set for 2022, in acknowledgement of the importance of the launch of Leniolisib (that meanwhile received FDA approval on March 24, 2023) and long-term product portfolio rejuvenation to create sustained long-term shareholder value for our Company, our shareholders and all other relevant stakeholders.

The applied weightings are specified in the below table, outlining the performance by the Executive Director, as the only statutory executive board member, on the targets set for 2022 under the applicable incentive plans, respectively.

A. Short-Term variable remuneration (STI): cash

Performance against Short-Term Incentive plan (STI) financial targets for 2022 (the financial theme accounts for 30% of STI)

Performance Measure	Description of performance measure detail	Weighting	Target	Actual	Achievement score	Resulting vesting percentage
RUCONEST® revenues (USD)	Quantitative target based on 2022 Financial Statements	25%	>214.9M	205.6M	—%	—%
Operating Profit (USD)	Quantitative target based on 2022 Financial Statements	25%	Loss not exceeding 31.3M	Operating profit 18.2M	100%	25%
Cash decrease (USD)	Quantitative target based on 2022 Financial Statements to manage solid cash position.	25%	Decrease no more than 32M	Increase 15.4M	100%	25%
Minimum Liquidity (USD)	Quantitative target minimum cash or cash equivalents based on 2022 Financial Statements. Ensure sufficient liquidity for Pharming or merged entities at all times.	25%	100	207.3M	100%	25%
Total						**75%**

Performance against STI **non-financial** *quantifiable* targets for 2022 (weightings: people 20%, execution 40%, and impact/ purpose 10%)

Theme	Performance Measure	Weighting	Target	Actual	Achievement score	Resulting vesting percentage
People	Diversity & inclusion targets for staff: % female staff in grade 12 and up	3.33%	>40%	49.85%	100%	3.33%
People	Diversity & inclusion targets for staff: number of nationalities in workforce	3.33%	>20	28	100%	3.33%
People	Retention target for staff grade 12 and up (company-wide)	3.33%	at least 90%	92%	100%	3.33%
Execution	Potential APDS patients identified worldwide	5.71%	at least 500	>500	100%	5.71%
Execution	APDS disease state awareness % validated HCP's	5.71%	>50%	>79%	100%	5.71%

Variable Remuneration Continued

Performance against STI **non-financial** *non-quantifiable* targets for 2022 (weightings respective themes: people 20%, execution 40%, and impact/purpose 10%)

Theme	Performance Measure	Weighting	Description/ assessment performance measure	Outcome	Achievement score	Resulting vesting percentage
People	Design and roll-out culture program to support strategy execution	3.33%	Milestone planning. Monitored by the Board based on quarterly reports.	Achieved in accordance with defined milestones as reported to the Board.	100%	3.33%
	Implementation of people strategy according to roadmap and milestone planning, to attract and retain right employees to drive strategy	3.33%	Milestone planning. Monitored by the Board based on quarterly reports	Partially achieved in accordance with defined milestones, as reported to the Board.	65%	2.20%
	Implementation of new Employee Council in NL	3.33%	EC to be operational by YE 2022	EC elected in accordance with the adopted planning and is operational since 1/1/23.	100%	3.33%
Execution	Launch preparedness leniolisib U.S. and EU according to milestone planning	5.71%	Milestone planning. Monitored by the Board based on quarterly reports. • FDA submission 2Q 2022, EMA submission 3Q 2022. • Launch strategy approved in 4Q 2022	FDA submission July 29, 2022, EMA October 10, 2022. Regulatory review process on track by YE 2022. Launch strategy was discussed and approved at Board meetings October and December 2022.	100%	5.71%
	Sufficient amounts of RUCONEST® available at all times to satisfy market and clinical trial demands	5.71%	No sales interruptions or clinical trial delays.	Throughout 2022 no sales interruptions or clinical trial delays as result of manufacturing or quality issues.	100%	5.71%
	Develop IT strategy and implement SOX compliance roadmap	5.71%	• IT strategy to be endorsed by the Board by 4Q 2022 • Implementation roadmap for SOX compliance	IT strategy endorsed by the Board in October 2022. Implementation SOX roadmap monitored by Audit Committee and reported to the Board.	100%	5.71%
	Business Development: quality and quantity of proposed licensing/ M&A projects for pipeline development according to agreed strategy	5.71%	• Quality and quantity of proposed projects assessed by the Board; # of projects proceeding to NBO/ due diligence phase.	The Board concluded that this performance measure was partially satisfied. No further details are shared given highly sensitive nature of the projects and Pharming's status of listed company.	50%	2.86%

	Execution of clinical development plans	5.71%	• Milestone planning patient enrollment for leniolisib pediatrics (1Q 2023) and Japan (1Q 2023). • Second indication for leniolisib evaluated.	Milestone planning. Monitored by the Board based on quarterly reports. Pediatric and Japan studies found to be on track. Development multiple new leniolisib indications initiated.	100%	5.71%
Impact/ Purpose	Review long-term strategy, including definition purpose/ mission and vision	2.5%	Outcome strategic review to be communicated into public domain at or prior to 1H 2022 results.	Updated (description of) Pharming's purpose, vision and mission and strategic actions, including focus on rare disease development and commercialization, achieved with the publication of 2022 half-year results.	100%	2.5%
	Compliance assessment EU Corporate Sustainability Reporting Directive; launch Pharming ESG program	2.5%	Milestone planning (prepare for first mandatory report in Annual Report 2025). Monitored by the Board (quarterly reports)	Pharming ESG Program was launched in Q4 2022. Pharming is well on track to reach planning ESG reporting.	100%	2.5%
	Provide access to leniolisib for APDS patients in US and EU ahead of regulatory approvals via a compassionate use program	2.5%	Establish EAP U.S. and EU by 1H 2022. Milestone planning. Monitored by the Board based on quarterly reports	EAP U.S. and EU in place.	100%	2.5%
	Identify and select new clinical indications for PI3K or technologies for "best or first in class" development programs	2.5%	Evaluation presented to and approved by BoD prior to YE.	Evaluation presented to the Board in October 2022. Board approved proposed programs.	100%	2.5%

Conclusion on STI performance by Executive Director

The Remuneration Committee concluded that the CEO reached a 75% score (within a range of 0-200%) on all one-year financial targets that had been agreed for the STI 2022. However, the Remuneration Committee also recognized that Pharming announced in 2022 the goal to return the annual revenues to single digit growth and took note that for the full year 2022, under the CEO's leadership, a 3,3% growth in revenues, compared to the 2021 revenues, was achieved.

In accordance with scores on all individual financial and (quantifiable and non-quantifiable) non-financial targets for the STI 2022, as specified in the above tables, the Remuneration Committee calculated a combined STI

performance factor for the CEO of 89% (within a range of 0% to 200%). This combined score was calculated as set out in the below table, dividing for each theme the total achievement scores by the number of specific measures:

Component	Weighting	Achievement scores	Resulting sub-scores
Financials	30%	75%	22.50%
Execution	40%	93%	37.20%
People	20%	94%	18.80%
Impact/purpose	10%	100%	10%
Total:			**89%**

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, a 70% pay-out level applies for an 'on target'-score, with a maximum pay-out of 140%. Accordingly, the Remuneration Committee multiplied the 89% score by the 70% 'on target'-score and concluded that this achievement resulted in a cash payment to the Executive Director equal to 62% of the fixed annual salary for 2022, i.e., €374,000 gross (USD 394,000).

Pay-out of STI variable remuneration takes place only after verification by the external auditor of the company's financial statements, including the financial KPIs on which the financial STI targets are based.

B. Long-term variable remuneration (LTI): shares

As explained in Part II of this Remuneration Report, the first tranche of shares awarded to the CEO for the performance years 2021-2023 under the new Executive LTI program, as approved by our shareholders on December 11, 2020, will not vest until the first quarter of 2024, applying the targets set at the start of the three-year performance period in 2021. Accordingly, the second tranche of shares awarded to the CEO in March 2022 for the performance years 2022-2024 under the new Executive LTI program will not vest until the first quarter of 2025, applying the targets set at the start of the three-year performance period in March 2022. These targets are a combination of Total Shareholder Return and strategic corporate objectives. Reference is made to Part IV of this Remuneration Report for a summary of the corporate objectives that will be applied for the restricted shares as granted in March 2023 under the Executive LTI program for the performance years 2023 – 2025 (vesting in the first quarter of 2026).

Two years into the 3-year cycle, the group is on track to meet the targets set for these performance periods. A retrospective disclosure will be included in the Remuneration Report following the end of the relevant performance period.

As explained in Part II, a one-off transition arrangement was agreed with the Executive Director in 2020 and approved by our shareholders on December 11, 2020 (the Executive LTI One-Off Arrangement) to mitigate the negative impact of the vesting schedule of the new Executive LTI plan on the Executive Director's contractual rights. As explained in the 2020 and 2021 remuneration reports, a total number of 840,000 and 630,000 shares vested for the Executive Director/CEO for the first and second annual tranches of the shares granted under the Executive LTI One-Off Transition Arrangement (at a vesting level of 60% of maximum and 45% of maximum, respectively). These shares are subject to a retention period of five years since grant.

The results for the third (and final) annual tranche of the shares granted under the Executive LTI One-Off Transition Arrangement are explained below.

In accordance with the applicable terms and conditions, as approved by our shareholders on December 11, 2020, the vesting of the shares included in the third annual tranche is determined based on the performance by the CEO in 2022 on the applicable long-term targets, which were a combination of Total Shareholder Return in 2022 and the pro-rata performance on the strategic corporate objectives during the respective calendar years 2020-2022. The strategic objectives targets were related to the in-licensing/ acquisition of a (late-stage) asset, broadening the revenue

base and leveraging the commercialization infrastructure and the indication expansion of C1 esterase inhibitor and PI3K delta.

Total Shareholder Return Metrics and Targets (40% of LTI award)

Set out below is a summary of Pharming's TSR performance relative to its peers as part of the TSR element of the Executive LTI One-Off Transition Arrangement.

Metric	Targets								Actual			
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index	Position Relative to ASCX Index	+57%	Position Relative to IBB ETF Index	59%
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%	Pay-Out	110%	Pay-Out	120%

The share-price performance by Pharming shares over the 20 working day period prior to December 31, 2022 versus 2021 (in accordance with the provisions of the Remuneration Policy) was +48%, while the ASCX index decreased by 9% and the IBB ETF decreased by 11% over the aforementioned period. This result places Pharming +57% and +59% against the ASCX and Nasdaq Biotechnology Index peer groups, respectively. Accordingly, the score on Total Shareholder Return was set at 115% (i.e., average of 110% and 120% pay-out according to above table).,

Strategic Objectives Outcomes (60% of award)

Set out below is a summary of the CEO's pro-rata performance in 2022 against the strategic objectives for the years 2020-2022, that were linked to the flawless execution of the "Three Pillars growth strategy":

Performance measure	Weighting	How is performance measure defined and assessed?	Achievement against performance targets	Achievement	Resulting vesting percentage
Grow the commercial infrastructure and prepare for the expected launch of leniolisib for APDS, by expanding commercialization of RUCONEST® for HAE in all major global markets.	14.28%	Quantitative revenue target RUCONEST®: single digit growth in 2022	Achieved	100%	14.28%
	14.28%	Milestone planning: - FDA submission 2Q 2022 - EMA submission 3Q 2022	FDA submission July 29, 2022, EMA October 10, 2022. Reviews on track.	100%	14.28%
	14.28%	Potential APDS patients identified worldwide: at least 500	>500 patients identified	100%	14.28%
	14.28%	Launch strategy approved by Board in 4Q 2022	Launch strategy was discussed and approved at Board meetings October and December 2022	100%	14.28%

Expand product portfolio by lifecycle management of existing products and externally sourced new products	14.28%	Quality and quantity of proposed projects assessed by the Board; # of projects proceeding to NBO/due diligence phase.	The Board concluded that this performance measure was partially satisfied. No further details are shared given highly sensitive nature of the projects and Pharming's status of listed company.	50%	7.14%
	14.28%	Milestone planning patient enrollment for leniolisib pediatrics (1Q 2023) and Japan (1Q 2023).	Milestone planning. Monitored by the Board based on quarterly reports. Pediatric and Japan studies found to be on track.	100%	14.28%
	14.28%	Second indication for leniolisib evaluated	Development multiple new leniolisib indications initiated.	100%	14.28%

The Remuneration Committee recommended to the Board to round the combined score on the corporate objectives at 90%.

The total results and proposed vesting level for the third (and final) annual tranche of the shares granted under the one-off transition arrangement are summarized below:

Overall Vesting third tranche of the Executive LTI One-Off Transition Arrangement

Metric	Achievement	Weighting	Vesting level
TSR	115%	40%	46%
Strategic Objectives	90%	60%	54%
Total vesting level: 100%			

In accordance with the resulting 100% vesting level, a total number of 1,400,000 shares vested for the CEO for the third annual tranche, i.e., the same number of restricted shares that had been granted for 2022 under the Executive LTI One-Off Transition Arrangement.

Pay Ratio

The Remuneration Committee considered the pay ratios within the Company and compared the pay-out of remuneration in 2022 to the Executive Director in an internal reference group, in accordance with the requirements set by the Dutch Corporate Governance Code.

For 2022, the pay ratio between the compensation of the CEO and the mean compensation of employees (excluding the CEO) was 12.0:1 (2021: 13.7:1; 2020: 13.8:1). Compensation in each case comprises all salary, bonus, share-based compensation in cash or in kind and pension contributions. The amount of compensation of the CEO, however, includes both the actual pay-out to the CEO and the (pro-rata) fair value of the restricted shares that have been granted to the CEO pursuant to the new Executive LTI Program and the LTI One-Off Transition Arrangement, respectively. The decreased pay ratio results from the lower costs of share-based compensation. The aforementioned pay ratio is deemed consistent with levels which are appropriate for Pharming, given its size and complexity.

Pharming applies a methodology to calculate the internal pay ratio that is IFRS-driven.

Details of the staff costs can be found in note 7 of the consolidated financial statements.

The following table sets out the remuneration and company performance over the period 2018-2022 for the CEO and also visualizes the average employee salaries over the same period in Euro and USD:

Annual % change	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017
Director's remuneration					
Sijmen de Vries, CEO and Executive Director (Euro comparison)	(3)%	(8)%*	82%	4%	(7%)
Sijmen de Vries, CEO and Executive Director (USD comparison)	(14)%	(5)%*	85%	(2)%	(2)%
Bruno Giannetti, former CMO / BOM member (USD comparison)	—%	—%	44%	3%	(8)%
Robin Wright, former CFO / BOM member (USD comparison)	—%	—%	(7)%	(8)%	(2)%
Company performance - increase/(decrease) (USD comparison)					
Revenues	3%	(6%)	10%	25%	51%
Gross Profit	6%	(6%)	12%	31%	46%
Operating Result	34%	(82%)	10%	60%	73%
Net Result	(15)%	(58%)	(10%)	45%	133%
Employees (Full-time equivalent)	16%	24%	21%	21%	23%
Average remuneration of employees on a full-time basis					
Employees of the Group	(3)%	(5%)	4%	(2%)	3%

**2021 figure restated. See disclosure note 22. Board of Directors to the consolidated financial statements.*

The annual % changes as reflected in the above USD information, reflect, amongst others, the change in FX rates. In addition, the change of the CEO's remuneration also reflects the changes in the costs of share-based compensation.

Statement of compliance

Derogation

There were no deviations from the executive and non-executive directors' remuneration policy in 2022 that are not disclosed in this Remuneration Report.

Termination payments

The contractual severance arrangements as agreed with the Executive Director (maximum severance pay is 100% of the fixed annual remuneration) are compliant with the Dutch Corporate Governance Code and will not be paid in case of a termination at the CEO's initiative (unless due to culpable conduct or neglect by the Company) and/or the CEO's culpable conduct or gross negligence. No termination payments were made to executive and non-executive directors on termination of employment or office in 2022.

Malus and clawbacks

In line with Dutch Law and the Dutch Corporate Governance Code, malus and clawback provisions apply to the STI and LTI awarded to executive directors and the directs of the CEO whereby variable remuneration may be reduced or (partly) recovered if certain circumstances apply. In 2022, no malus or clawback was applied to any remuneration of the executive directors and the directors of the CEO.

Loans and Advances

No loans or advances were granted to the CEO or Executive Directors in the course of 2022 or previous years

Share Ownership

The Remuneration Policy requires the Executive Director to acquire and hold shares in the Company with a value of at least 400% of his annual base salary. The minimum shareholding can be built up over five years (effective date share ownership as part of the 2020 remuneration policy). This minimum shareholding requirement aims to ensure a sustainable link to the performance of the company. The guidelines require that all after-tax shares be retained until the required level is met.

In addition, the Executive Director shall comply with holding requirements under the Dutch Corporate Governance Code. This means that the Executive Director shall hold all after-tax shares received under the long-term incentive plan for a period of at least five years from the date of grant.

As of December 31, 2022, the Executive Director held 7,434,383 unrestricted ordinary shares, representing a value of EUR 8,058,871 (USD 8,596,398). This is based on the Pharming close share price on December 30, 2022: EUR 1,084 (USD 1,156). Therefore, as reflected in the below table, the Executive Director well exceeds the minimum share ownership level. As of December 31, 2021, the Executive Director held 7,095,927 unrestricted ordinary shares, representing a value of EUR 5,499,343 (USD 6,232,956). This is based on the Pharming close share price on December 31, 2021: EUR 0,775 (USD 0,878).

Pharming Shares held by Executive Director/CEO in shares

	2022 base salary in '000	Share Ownership (#) and value in '000 as of 31 Dec 2022	Value as % of annual base salary 2022	2021 base salary in '000	Share Ownership (#) and value in '000 as of 31 Dec 2021	Value as % of annual base salary 2021
Sijmen de Vries - CEO	EUR 603 (USD 636)	7,434,383 (EUR 8,059/USD 8,596)	1336%	EUR 574 (USD 681)	7,095,927 (EUR 5,499/USD 6,233)	958%

Once the requirements under the Pharming share ownership guidelines and under the Dutch Corporate Governance Code are met, shares may be sold by the Executive Director, subject to the Pharming Insider Code.

Outstanding rights under Share Option and LTIP plans (audited)

Following the approval of the new Remuneration Policy and the new Executive LTI plan by our shareholders on December 11, 2020, the Executive Director was granted a first tranche of new conditional shares under the new Executive LTI plan. These shares will not vest until the first quarter of 2024. Therefore, an Executive LTI One-Off Transition Arrangement was agreed with the Executive Director in 2020 and approved by our shareholders on December 11, 2020, subject to a waiver by the Executive Director of all (contractual and other) rights and entitlements under the existing Share Option and LTIP plans as of 2020.

The Executive Director has no rights outstanding under any of the LTIP plans as granted until 2019. The below table outlines the only outstanding share option rights that were granted to the Executive Director, with the approval of our shareholders, in 2019 for the period 2019-2024.

	As of January 1, 2022	Granted 2022	Exercised 2022	Forfeited / expired 2022	As of December 31, 2022	Exercise price	Expiration date
Sijmen de Vries	2,800,000	-	-	-	2,800,000	EUR 0,805 (USD 0,859)	May 22, 2024

Part IV: Executive Director Pay: Looking forward to 2023

As indicated in the Letter of the Chair and Part II in this Remuneration Report, the Remuneration Committee engaged AON Radford, as international compensation expert, in 2022 for a market review of the compensation of the members of the Board of Directors and the Executive Committee. The Remuneration Committee discussed the outcome of the compensation review by AON Radford and concluded that the compensation level for the Executive Director is positioned in the upper (75%) of the EU benchmark group and in the 25% percentile of the U.S. benchmark group. The benchmark data that were presented indicated that Pharming is currently positioned between 50% and 75% of the EU benchmark group with regards to revenues. For the U.S. benchmark, Pharming is positioned just below the top 50% of the benchmark group regarding revenues.

The Remuneration Committee decided to recommend to the Board of Directors that the fixed salary of the Executive Director (EUR 603,000 in 2022) be increased by 3,5% to EUR 624,000 (USD 658,000) for 2023. This salary increase takes into consideration the outcome of the compensation merit increases for our wider workforce and the performance by the Executive Director in 2022. The average 2023 increase for Pharming employees employed in Europe was 4,9%, as such the CEO received an increase that stays below the average of the employees.

The Board of Directors has adopted the Remuneration Committee's recommendation. Accordingly, the pay to the Executive Director in 2023 is specified in the below table:

2023 single-figure table

	Base Salary ('000)	STI ('000)[1]	Executive LTI plan No. of performance shares vesting	Executive LTI plan Value of performance shares vesting (€ '000)[2]	Pension cost ('000)	Other emoluments ('000)[3]	Total ('000)
CEO 2023 Pay	EUR 624 (USD 658)	EUR 437 (USD 460)	1,337,888	EUR 1,450 (USD 1,529)	EUR 106 (USD 112)	EUR 32 (USD 34)	EUR 2,649 (USD 2.793)

[1] This is the at-target STI (70% to base salary)
[2] For calculating the indicative value, a share price of EUR 1,084 is used, which represents the share price at December 31, 2022
[3] Benefits as summarized in Part II of this Remuneration Report.

2023 STI goals

We believe that the details of the STI financial and non-financial targets contain information that is highly commercially-sensitive and therefore not in the best interests of our company and shareholders to be disclosed upfront. In response to shareholder requests for greater transparency, we have disclosed STI targets for the year 2022 retrospectively in this report (see Part III of this Remuneration Report). Nonetheless, all financial, strategic, operational and ESG goals for 2023 will also be measurable and validated. In addition, all goals and objectives for 2023 specify the on-target and above target scores as will be disclosed retrospectively after vesting of the relevant shares.

We provide below an outline of the 2023 STI scorecard for the Executive Director below. All 2023 targets/KPIs will be disclosed in the 2024 Annual Report, unless indicated otherwise in the below table.

The Remuneration Committee has undertaken a thorough assessment to ensure that targets are sufficiently stretched in the context of potential remuneration delivered.

The following targets have been set to determine the pay-out of the cash bonus for the financial year 2023 under the short-term incentive plan:

Theme	Definition	Link to strategy	Total Weighting	How to measure performance	Weighting individual measures
Financial	Implementation financial strategy to ensure long-term value creation.	Deliver sustainable, profitable growth, long-term value creation.	40%	Quantitative target on total revenue growth (USD) based on 2023 Financial Statements	20%
				Operating profit - quantitative target (USD) based on 2023 Financial Statements	10%
				Cash - quantitative target (USD) based on 2023 Financial Statements	10%
People	Drive organizational effectiveness and (high) performance of the organization.	Attract and retain the required resources, preserving diversity and inclusion.	10%	Launch leadership programs (progress on milestone planning); assessment by the Board based on performance updates.	5%
				Quantitative diversity & inclusion targets for staff	5%
	Ensuring flawless execution long-term strategy and long-term value creation	RUCONEST®: serving the needs of HAE patients, continuing to drive sales	40%	Targets on (i) number of physicians prescribing RUCONEST® in the year and (ii) number of active patients, as assessed by the Board based on performance tracker (not to be disclosed due to highly sensitive nature).	8%
		Launch and grow leniolisib in key global markets		Targets on number of identified potential patients in funnel.	8%
				Target on enrollment studies as assessed by the Board based on performance tracker (rates not to be disclosed due to highly sensitive nature)	8%
		Build a portfolio that delivers a stream of approved products		Target on drug development process leniolisib Life Cycle Management, to be assessed by the Board based on performance tracker (details not to be disclosed due to highly sensitive nature)	8%
				Target on addition of number of new clinical program(s) and/or Business Development opportunities to launch pipeline in 2025-2028 (Board to qualify the quality of the transactions reviewed)	8%
ESG (Impact/ Purpose)	Pharming's performance on Environmental, Social and Governance themes incorporated in our core business	Pharming's performance on ESG themes to be an integrated part of the long-term strategy ("Always do the right thing") to ensure long-term value creation.	10%	Progress versus baseline on Pharming ESG goals and KPIs (to be adopted by the Board in 2023 in preparation for mandatory reporting as from Annual Report 2025) ESG goals to be communicated in Annual Report 2023 (at the latest).	10%

The vesting results for each of the individual (quantitative) KPIs for the 2023 STI as identified above are calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	0%
On target	100%
Each 1% exceeding target	+3%
Each 1% below target	-3%

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, a 70% pay-out level applies for an 'on target'-score, with a maximum pay-out of 140%. Accordingly, the total vesting result on all KPIs, applying the respective designated weightings, is multiplied by the 70% 'on target'-score to calculate the total pay-out on the STI.

Executive LTI plan: goals performance years 2023-2025

Given the commercially-sensitive information, we will disclose the targets for our Executive LTI Plan retrospectively after vesting of the relevant shares. In efforts of transparency, a qualitative summary of the targets set for the performance years 2023-2025 is provided below.

The on-target value of the conditional shares to be awarded to the CEO under the Executive LTI plan annually is set at 300% of the fixed base salary, and maximum performance value of shares is set at 450% of the fixed base salary (each time through a combination of the score on the TSR (40% weighting) and the corporate objectives (60% weighting).

Total Shareholder Return (40%)

We plan to make no further adjustments to the TSR metric.

Metric	Targets							
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%

Strategic Objectives (60%)

We outline the targets for the strategic objectives element of the Executive LTI plan 2023-2025, below. All goals and objectives for 2023 specify the on-target and above target scores. The financial targets will be disclosed retrospectively in the 2025 Remuneration Report after vesting of the relevant shares, in acknowledgement of the high commercially sensitive nature.

Strategic objectives as part of the Executive LTI plan 2023-2025 (40% TSR; 60% strategic objectives)

Strategic Action	Weighting	How performance measure is assessed	KPI
RUCONEST®: serving the needs of HAE patients, continuing to drive sales	10%	Quantitative target for 3-year period on revenue growth RUCONEST®	To be disclosed in 2025 Annual Report
Launch and grow leniolisib in key global markets	10%	Quantifiable target for 3-year period on number of countries where leniolisib for APDS is distributed.	On target: at least 16 countries by YE 2025. Above target: >16 countries by YE 2025
	10%	Quantifiable target for 3-year period related to life cycle management for leniolisib (new indications).	On target: completed clinical development of at least 1 new indication leniolisib by YE 2025, dependent on successful Phase 2 study. Above target: completed clinical development of at least 2 new indications leniolisib by YE 2025 dependent on successful Phase 2 study.
Build a portfolio that delivers a stream of approved products	15%	Target on addition of number of new clinical program(s) and/or Business Development opportunities to launch pipeline in 2025-2028.	On target: at least 3 new clinical programs and/or Business Development opportunities added to pipeline before YE 2025. Above target: >3 new clinical programs and/or Business Development opportunities before YE 2025
ESG goals: implementation milestones according to action plan; first (mandatory) ESG reporting included in Annual Report 2025.	7.50%	Progress versus baseline on ESG KPIs as disclosed in Annual Report on year 2023	Progress versus baseline on ESG KPIs as disclosed in Annual Report on year 2023
	7.50%	ESG report included in Annual Report 2025 (subject to changes in regulatory timelines)	ESG report included in Annual Report 2025 (subject to changes in regulatory timelines)
TOTAL	60%		

Note: *These performance metrics are reflective of Pharming's updated long-term strategy. Reference is made to the section "Our Strategy" in the Annual Report.*

The vesting results for each of the individual (quantitative) KPIs for the 2023-2025 LTI as identified above are calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	0%
On target	100%
Each 1% exceeding target	+3%
Each 1% below target	-3%

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, the scores on the strategic objectives have a 60% weighting. The total vesting result on all KPIs, applying the respective designated weightings, is multiplied by 60% ('on target') to calculate the vesting percentage under the LTI for the strategic objectives.

Part V: Non-Executive Directors: Implementation of the Remuneration Policy in 2022

Remuneration Principles

- The annual remuneration is based on the position an individual has in the Board of Directors, the Audit Committee, the Remuneration Committee and/or the Corporate Governance Committee.
- The remuneration package, including the shares to be granted, is fixed and not linked to the performance of the Company, to ensure the independence of the Non-Executive Directors in the discharge of their supervisory tasks and responsibilities.
- The remuneration policy in effect until 2020 permitted the participation by the members of the former Non-Executive Directors in the Company's LTIP. The members, however, have no longer participated in the LTIP effective the financial year 2020.
- All shares acquired and/or held by the Non-Executive Directors shall be a long-term investment only.

The Remuneration Policy will evolve over time, to remain aligned with Pharming's strategy, market practice and the interests of its stakeholders. The Remuneration Committee annually reviews the Remuneration Policy and its implementation to ensure its effectiveness. In 2022, the Remuneration Committee engaged AON Radford, as international compensation expert, for a market review of the compensation levels of the members of the Board of Directors, using the same peer group as used for the Executive Director. The Remuneration Committee discussed the outcome of the compensation review by AON Radford in August 2022.

The Remuneration Committee concluded that compensation levels for the Non-Executive Directors are aligned with the benchmark. The Remuneration Committee noted that the fee levels for the chairs and members of the respective committees of the Board of Directors are below applicable benchmarks but do not need to be changed as a matter of urgency. The Remuneration Committee concluded, however, that the increasing workload for the committees, as a result of the Company's rapid growth, justifies an additional analysis of these fee levels, taking into consideration the views of proxy advisors and other relevant external stakeholders. This review has been scheduled for 2023. AON Radford will be engaged for that review.

In addition, as the current Chair of the Board of Directors will complete its term on the occasion of the AGM scheduled for May 17, 2023, the Remuneration Committee may need to increase (subject to approval to be sought from our shareholders) the compensation for the Chair of the Board of Directors in line with prevailing market conditions to attract an experienced candidate.

The Company's Remuneration Policy for the Board of Directors was adopted by our shareholders in 2020 and continued to apply to our Non-Executive Directors unchanged throughout 2022.

2022 remuneration Board of Non-Executive Directors

In accordance with the Remuneration Policy adopted by our shareholders on December 11, 2020, the following annual compensation structure applied in 2022 to the Non-Executive Directors. The fee structure remained unchanged compared to the fees paid in 2021. Fees are paid in cash other than where noted.

Roles and responsibilities		2022 Annual Fee in cash	2022 Annual fee in shares	2021 Annual Fee in cash	2021 Annual fee in shares
	Board				
Basic Non-Executive Director Fee		€45,000 ($47,444)	€30,000 ($31,629)	€45,000 ($53.370)	€30,000 ($35,580)
Chair		€65,000 ($68,530)	€40,000 ($42,172)	€65,000 ($77.090)	€40,000 ($47,440)
	Committees				
Member of Audit Committee		€3,000 ($3,163)	n/a	€3,000 ($3,558)	n/a
Member of Remuneration Committee		€3,000 ($3,163)	n/a	€3,000 ($3,558)	n/a
Member of Corporate Governance Committee		€3,000 ($3,163))	n/a	€3,000 ($3,558)	n/a
Chair of Audit Committee		€9,000 ($9,489)	n/a	€9,000 ($10,674)	n/a
Chair of Remuneration Committee		€6,000 ($6,326)	n/a	€6,000 ($7,116)	n/a
Chair of Corporate Governance Committee		€6,000 ($6,326)	n/a	€6,000 ($7,116)	n/a

Note 1: Non-Executive Directors may be additionally paid €1,000 ($ 1,054) per day, in case of extraordinary activities.

All amounts have been paid in Euro. The amounts in USD have been included to ensure consistency with the 2022 Annual Report, applying a FX rate of 1,0543 (average 2022) for the amounts paid in 2022. The amounts paid in 2021 have been calculated using a FX rate of 1,1860 (average 2021). All amounts have been rounded. All shares are valued at the 20 Day VWAP preceding the Annual General Meeting of Shareholders in the relevant year.

The total annual remuneration paid is based on the position an individual has in the Board of Directors and, if applicable, the committees. All reasonable travel and other expenses incurred by Non-Executive Directors in the course of performing their duties are considered to be business expenses and so are reimbursed.

No loans or other financial commitments (advances, guarantees, shares or options) were made to any member of the Non-Executive Directors on behalf of the Company in 2022. Additionally, Non-Executive Directors are not entitled to participate in any benefits offered to Executives and staff.

Compensation overview per Non-Executive Director in 2022

Name of Director, position	Fixed Fee in cash ('000)	Fixed Fee in shares ('000)	Committee fee ('000)	Total ('000)	Remarks
Paul Sekhri, Chair	€65 ($69)	€40 ($42)	€3 ($3)	€108 ($114)	
Deborah Jorn, Non-Executive Director	€45 ($47)	€30 ($32)	€7 ($8)	€82 ($87)	Chair RemCo until May 2022
Leonard Kruimer, Non-Executive Director	€45 ($47)	€30 ($32)	€9 ($10)	€84 ($89)	
Mark Pykett, Non-Executive Director	€45 ($47)	€30 ($32)	€3 ($3)	€78 ($82)	
Steven Baert, Non-Executive Director	€45 ($47)	€30 ($32)	€7 ($8)	€82 ($87)	Chair RemCo since May 2022
Jabine van der Meijs, Non-Executive Director	€45 ($47)	€30 ($32)	€9 ($10)	€84 ($89)	
Barbara Yanni, Non-Executive Director	€45 ($47)	€30 ($32)	€6 ($6)	€81 ($85)	

The fees for 2022 remained unchanged compared to the fees for 2021.

All amounts have been paid in Euro. The amounts in USD have been included to ensure consistency with the 2022 Annual Report, applying a FX rate of 1,0543 (average 2022) for the amounts paid in 2022. All amounts have been rounded. All shares are valued at the 20 Day VWAP preceding the Annual General Meeting of Shareholders held on May 18, 2022 (i.e., EUR 0,76848 / USD 0,81020).

There are no out of ordinary expenses to be reported. No pro-rated payments for incoming or outgoing directors had to be made during 2022.

Compensation per Non-Executive Director and former Supervisory Directors 2018-2022

The following table reflects the amounts of compensation paid to the Non-Executive Directors in the past five years. The amounts of compensation paid to the members of former Board of Supervisory Directors, who retired in 2020 and 2021, have been added for a comprehensive overview of the compensation at non-executive level in the past five years. It is emphasized that the former Board of Supervisory Board was replaced by the Board of Directors as per December 11, 2022, which resulted in a significant change in tasks and responsibilities of the non-executive directors compared to the former supervisory directors. This change

was reflected in the new remuneration policy for the Board of Directors, as adopted by our shareholders on December 11, 2020.

in US$ '000	Fixed remuneration	Share-based payments	Total
Mr. Paul Sekhri	2022: 72 2021: 77 2020: 74 2019: 56 2018: 59	2022: 42 2021: 55 2020: 59 2019: 37 2018: 35	2022: 114 2021: 132 2020: 133 2019: 93 2018: 94
Ms. Deborah Jorn	2022: 55 2021: 64 2020: 62 2019: 29 2018: -	2022: 32 2021: 42 2020: 40 2019: 6 2018: -	2022: 87 2021: 106 2020: 102 2019: 35 2018: -
Ms. Barbara Yanni	2022: 53 2021: 60 2020: 35 2019: - 2018: -	2022:32 2021: 36 2020: 24 2019: - 2018: -	2022: 85 2021: 96 2020: 59 2019: -- 2018: -
Dr. Mark Pykett	2022: 50 2021: 57 2020: 35 2019: - 2018: -	2022: 32 2021: 36 2020: 24 2019: - 2018: -	2022: 82 2021: 93 2020: 59 2019: - 2018: -
Ms. Jabine van der Meijs	2022: 57 2021: 47 2020: - 2019: - 2018: -	2022: 32 2021: 24 2020: - 2019: - 2018: -	2022: 89 2021: 71 2020: - 2019: - 2018: -
Mr. Leonard Kruimer	2022: 57 2021: 47 2020: - 2019: - 2018: -	2022: 32 2021: 24 2020: - 2019: - 2018: -	2022: 89 2021: 71 2020: - 2019: - 2018: -
Mr. Steven Baert	2022: 55 2021: 45 2020: - 2019: - 2018: -	2022: 32 2021: 24 2020: - 2019: - 2018: -	2022: 87 2021: 69 2020: - 2019: - 2018: -
Mr. Barrie Ward (retired in 2021)	2022: - 2021: 23 2020: 62 2019: 44 2018: 50	2022: - 2021: 20 2020: 46 2019: 30 2018: 31	2022: - 2021: 43 2020: 108 2019: 74 2018: 81
Mr. Juergen Ernst (retired in 2020)	2022: - 2021: - 2020: 57 2019: 47 2018: 50	2022: - 2021: 6 2020: 42 2019: 29 2018: 31	2022: - 2021: 6 2020: 99 2019: 76 2018: 81
Mr. Aad de Winter (retired in 2021)	2022: - 2021: 26 2020: 65 2019: 50 2018: 53	2022: - 2021: 21 2020: 46 2019: 31 2018: 31	2022: - 2021: 47 2020: 111 2019: 81 2018: 84

Shares owned by Non-Executive Directors

Name of Director	Shares Held December 31, 2022	Shares Held December 31, 2021
Steven Baert	58,349	19,309
Deborah Jorn	98,778	51,738
Leonard Kruimer	58,349	19,309
Mark Pykett	83,187	44,147
Paul Sekhri	486,037	423,985
Jabine van der Meijs	58,349	19,309
Barbara Yanni	83,187	44,147

Looking forward to 2023

Given the global scale and complexity of the business that the group operates and in which it has interests, it is important that we can attract and retain the best globally orientated board members. The committee conducts a regular benchmarking exercise to ascertain whether the fees for non-executive directors are competitive, fair and reasonable. The Remuneration Committee is informed by the external market when reviewing the fee structure and levels for our non-executive directors. As explained in the preceding Parts of this Remuneration Report, the Remuneration Committee will initiate in 2023 a review of the fee levels for the chairs and members of the respective committees of the Board of Directors, taking into consideration the views of proxy advisors and other relevant external stakeholders, to ensure that these fees will continue to be aligned with the increasing workload for the committees as a result of the Company's rapid growth. AON Radford will be engaged for that review.

The Board of Directors has decided to establish a new Transaction Committee as per January 1, 2023, to support the Board of Directors at the review and decision-making on M&A and other business development transactions. The annual fee for the chair and members of that new committee are proposed to be similar to those of the Remuneration Committee and the Corporate Governance Committee: Chair EUR 6,000 (USD7,000) and members EUR 3,000 (USD 3,000) per annum. A related proposal for approval of these fees will be submitted to the annual meeting of shareholders scheduled for May 17, 2023. No other changes to the fees are envisaged for 2023.

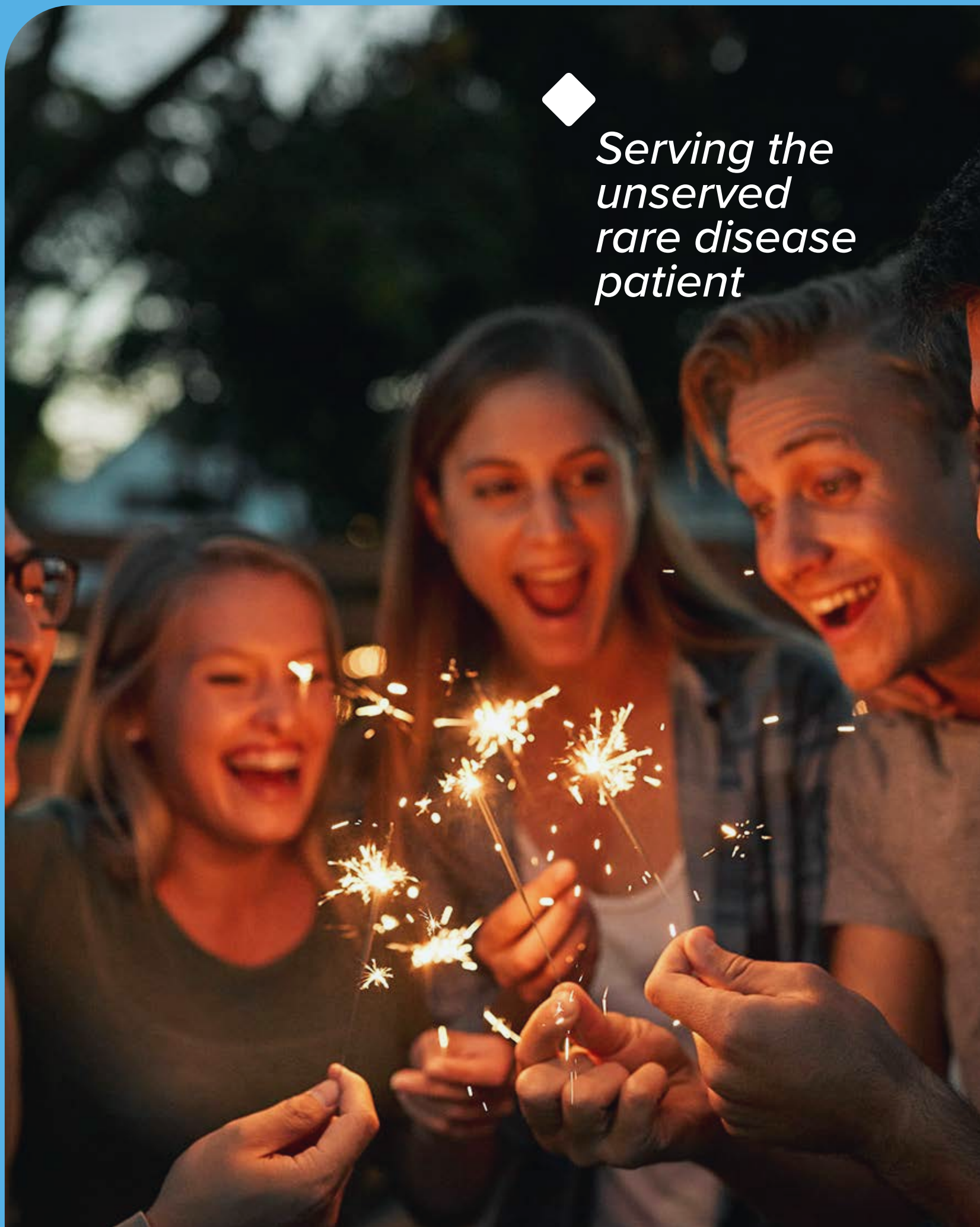
The Board has initiated the recruitment of a new Chair to the Board as Paul Sekhri reaches the end of his 2nd term on May 17, 2023, and is not up for re-election. The Remuneration Committee may need to increase the fee of the Chair to the Board to attract the right experienced candidate but in line with external benchmarks.

Additionally, non-executive directors continue not to receive any short- or long-term incentives or share-based compensation, other than the unconditional shares that are granted as part of the fixed remuneration in accordance with the applicable remuneration policy as adopted by our shareholders in 2020.

Shareholder Voting at General Meeting of Shareholders

The following table sets out the voting results in respect of resolutions relating to remuneration.

Resolution		% Votes For	% Votes Against
2021 Remuneration Report (voted on May 18, 2022)	Advisory	76.72%	23.28%
2020 Remuneration Report (voted on May 19, 2021)	Advisory	98.16%	1.84%
2020 Remuneration Policy (voted on December 11, 2020)	Binding	99.28%	0.72%


Serving the
unserved
rare disease
patient

Information for Shareholders and Investors

Share information

Pharming Group N.V. is listed on both Euronext Amsterdam (symbol: PHARM) and on Nasdaq through a level-2 ADR program where ADSs are tradeable (symbol: PHAR).

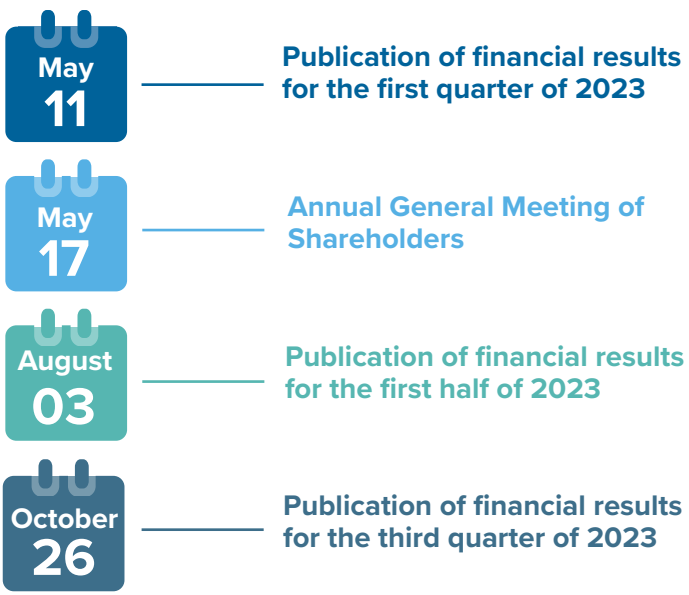
Pharming Group N.V.'s shares have been listed on Euronext Amsterdam (symbol: PHARM) since 1999.

The shares (ISIN Code: NL0010391025) are only traded through the book-entry facilities of Euroclear Nederland. The address of Euroclear Nederland is: Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. ABN AMRO Bank N.V. is the paying agent with respect to the shares. The address of the paying agent is: ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands

Pharming Group N.V.'s ADSs have also been tradable on Nasdaq's Global Market (symbol: PHAR) since December 23, 2020. Each ADS (ISIN Code: NL0010391025) represents 10 of the Company's ordinary shares of €0.01 nominal value ("Ordinary Shares"). Level II listing is sponsored by J.P. Morgan Chase Bank N.A. JP Morgan Chase Bank, N.A. (located at 383 Madison Avenue, Floor 11, New York, NY 10179) acts as the depositary and registrar for the ADSs representing our ordinary shares. For further information please go to:

https://www.adr.com/drprofile/71716E105

Financial Calendar 2023



Annual Report

Consolidated Statement of Income

For the year ended 31 December

Amounts in US$ '000	notes	2022	2021
Revenues	5	**205,622**	**198,871**
Costs of sales	7	**(17,562)**	**(21,142)**
Gross profit		**188,060**	**177,729**
Other income	6	**14,523**	**2,620**
Research and development		(52,531)	(70,369)
General and administrative		(46,016)	(36,974)
Marketing and sales		(85,803)	(59,445)
Other Operating Costs	7	**(184,350)**	**(166,788)**
Operating profit		**18,233**	**13,561**
Fair value gain (loss) on revaluation	13	(1,185)	114
Other finance income	8	4,485	14,894
Other finance expenses	8	(5,463)	(6,185)
Finance result, net		**(2,163)**	**8,823**
Share of net profits (loss) in associates using the equity method	13	**(1,083)**	**694**
Profit before tax		**14,987**	**23,078**
Income tax expense	9	(1,313)	(7,082)
Profit for the year		**13,674**	**15,996**
Basic earnings per share (US$)	27	0.021	0.025
Diluted earnings per share (US$)	27	0.019	0.023

The notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

Amounts in US$ '000	notes	2022	2021
Profit for the year		**13,674**	**15,996**
Currency translation differences	17	(10,349)	(14,802)
Fair value remeasurement investments	17, 13.3	(705)	(2,283)
Items that may be subsequently reclassified to profit or loss		**(11,054)**	**(17,085)**
Other comprehensive income (loss), net of tax		**(11,054)**	**(17,085)**
Total comprehensive income for the year		**2,620**	**(1,089)**

The notes are an integral part of these financial statements.

Consolidated Balance Sheet

as at 31 December

Amounts in US$ '000	notes	2022	2021
Non-current assets			
Intangible assets	10	75,121	83,834
Property, plant and equipment	11	10,392	13,222
Right-of-use assets	12	28,753	19,943
Long-term prepayments		228	194
Deferred tax assets	9	22,973	21,216
Investment accounted for using the equity method	13	2,501	7,201
Investments in equity instruments designated as at FVTOCI	13	403	1,449
Investment in debt instruments designated as at FVTPL	13	6,827	—
Restricted cash	14	1,099	812
Total non-current assets		**148,297**	**147,871**
Current assets			
Inventories	15	42,326	27,310
Trade and other receivables	16	27,619	29,983
Restricted cash	14	213	227
Cash and cash equivalents	14	207,342	191,924
Total current assets		**277,500**	**249,444**
Total assets		**425,797**	**397,315**
Equity			
Share capital		7,509	7,429
Share premium		462,297	455,254
Other reserves		(8,737)	3,400
Accumulated deficit		(256,431)	(273,167)
Shareholders' equity	17	**204,638**	**192,916**
Non-current liabilities			
Convertible bonds	18	131,618	139,007
Lease liabilities	19	29,843	18,456
Other financial liabilities	24	—	165
Total non-current liabilities		**161,461**	**157,628**
Current liabilities			
Convertible bonds	18	1,768	1,879
Trade and other payables	20	54,465	42,473
Lease liabilities	19	3,465	2,419
Total current liabilities		**59,698**	**46,771**
Total equity and liabilities		**425,797**	**397,315**

The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

Amounts in US$ '000	notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total equity
Balance at January 1, 2021		**7,312**	**447,130**	**24,614**	**(295,621)**	**183,435**
Profit for the year		—	—	—	15,996	15,996
Other comprehensive income (loss) for the year	17	—	—	(17,085)	—	(17,085)
Total comprehensive income (loss) for the year		**—**	**—**	**(17,085)**	**15,996**	**(1,089)**
Legal reserves	17	—	—	(4,129)	4,129	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	(1,853)	(1,853)
Share-based compensation	17,21	—	—	—	9,056	9,056
Warrants exercised/ issued	17	1	80	—	—	81
Options exercised / LTIP shares issued	17	116	8,044	—	(4,874)	3,286
Total transactions with owners, recognized directly in equity		**117**	**8,124**	**(4,129)**	**6,458**	**10,570**
Balance at 31 December 2021		**7,429**	**455,254**	**3,400**	**(273,167)**	**192,916**
Profit for the year		—	—	—	13,674	13,674
Other comprehensive income (loss) for the year		—	—	(11,054)	—	(11,054)
Total comprehensive income (loss) for the year		**—**	**—**	(11,054)	13,674	2,620
Legal reserves	17	—	—	(1,083)	1,083	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	430	430
Share-based compensation	17,21	—	—	—	6,392	6,392
Warrants exercised	17	—	—	—	—	—
Options exercised / LTIP shares issued	17	80	7,043	—	(4,843)	2,280
Total transactions with owners, recognized directly in equity		**80**	**7,043**	**(1,083)**	**3,062**	**9,102**
Balance at December 31, 2022		**7,509**	**462,297**	**(8,737)**	**(256,431)**	**204,638**

The notes are an integral part of these financial statements.

During 2022, we have changed the presentation of our consolidated statement of changes in equity in order to enhance readability by including the reserves previously disclosed separately under the new other reserves. Further detail on the other reserves is included in note 17.

Consolidated Statement of Cash Flows

For the year ended 31 December

Amounts in US$'000	notes	2022	2021
Profit before tax		**14,987**	**23,078**
Non-cash adjustments:			
Depreciation, amortization, impairment of non-current assets	7, 10,11,12	13,188	19,610
Gain on disposal of investment in associate	13	(12,242)	—
Equity settled share based payments	17	6,392	9,056
Fair value gain (loss) on revaluation	13	1,185	(114)
Other finance income	8	(4,485)	(14,906)
Other finance expenses	8	5,463	6,196
Share of net profits in associates using the equity method	13	1,083	(694)
Other		(1,576)	524
Operating cash flows before changes in working capital		**23,995**	**42,750**
Changes in working capital:			
Inventories	15	(15,016)	(6,153)
Trade and other receivables	16	2,364	5,918
Payables and other current liabilities	20	11,992	(5,193)
Restricted cash	14	273	467
Total changes in working capital		**(387)**	**(4,961)**
Interest received	8	85	53
Income taxes paid	9	(1,235)	—
Net cash flows generated from (used in) operating activities		**22,458**	**37,842**
Capital expenditure for property, plant and equipment	11	(1,376)	(10,739)
Investment intangible assets	10	(601)	(3,447)
Proceed from sale of Investment associate	13	7,300	—
Investment in equity instruments designated as at FVTOCI	13	—	(4,589)
Acquisition of license	10	—	(2,530)
Net cash flows generated from (used in) investing activities		**5,323**	**(21,305)**
Payment on contingent consideration		—	(25,000)
Payment of lease liabilities		(3,311)	(3,217)
Interests on loans	18	(3,952)	(4,448)
Proceeds of equity and warrants	17	2,281	4,718
Net cash flows generated from (used in) financing activities		**(4,982)**	**(27,947)**
Increase (decrease) of cash		**22,799**	**(11,410)**
Exchange rate effects		**(7,381)**	(1,825)
Cash and cash equivalents at 1 January	14	**191,924**	205,159
Total cash and cash equivalents at December 31		**207,342**	**191,924**

The notes are an integral part of these financial statements.

Notes to the consolidated Financial Statements

1. Corporate information

The consolidated financial statements of Pharming Group N.V. ("the Company", "Pharming" or "the Group"), Leiden for the year ended December 31, 2022, were authorized for issue in accordance with a resolution of the Board of Directors on April 4, 2023. The financial statements are subject to adoption by the Annual General Meeting of shareholders, which has been scheduled for May 17, 2023.

Pharming Group N.V. is a limited liability public company, which is listed on Euronext Amsterdam ("PHARM"). The Company's American Depositary Shares ("ADSs") are listed on the Nasdaq Global Market ("Nasdaq") under the symbol "PHAR". Each ADS represents 10 of the Company's ordinary shares of €0.01 nominal value.

In January 2020, Pharming Group N.V. issued convertible bonds, see note 18. These bonds are listed on the Frankfurt Exchange (Börse Frankfurt: PHARMING GRP 20/25 CV).

The headquarters and registered office of Pharming Group N.V. is located at:

Darwinweg 24
2333 CR Leiden
The Netherlands

Pharming Group N.V. is registered at the Chamber of Commerce in the Netherlands under number 28048592.

Pharming Group N.V. is the ultimate parent company of Pharming Group. A list of subsidiaries is provided in note 2.3.

Pharming Group N.V. is a global biopharmaceutical company dedicated to transforming the lives of patients with rare, debilitating, and life-threatening diseases. Pharming is commercializing and developing an innovative portfolio of protein replacement therapies and precision medicines, including small molecules, biologics, and gene therapies that are in early to late-stage development. Pharming is headquartered in Leiden, Netherlands, and has employees around the globe who serve patients in over 30 markets in North America, Europe, the Middle East, Africa, and Asia-Pacific.

Date of authorization of issue

The financial statements were signed and authorized for issue by the Board of Directors on April 4, 2023. The adoption of the financial statements are reserved for the shareholders in the Annual General Meeting of Shareholders (AGM) on May 17, 2023.

2. Accounting principles and policies

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations committee (IFRS IC) interpretations applicable to companies reporting under IFRS as endorsed by the European Union and valid as of the balance sheet date. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of financial statements in conformity with IFRS and Book 2 Title 9 of the Dutch Civil Code requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.5.

These financial statements are presented in US dollars ($) and rounded to the nearest thousand dollar ($'000), unless stated otherwise.

2.2 New and revised IFRS standards

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2022 as disclosed below.

- Amendments to IFRS 3: Reference to the conceptual framework;
- Amendments to IAS 16: Property, plant and equipment - Proceeds before intended use;
- Amendments to IAS 37: Onerous contracts - cost of fulfilling a contract;
- Amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle relating to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements, which the Group intends to adopt, if applicable, when they become effective, are disclosed below.

- IFRS 17: Insurance contracts.
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between investors and its associate or joint venture.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
- Amendments to IAS 8: Definition of accounting estimates.
- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction.

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Basis of consolidation

The consolidated financial statements include Pharming Group N.V. and its controlled subsidiaries, after the elimination of all intercompany transactions and balances. Subsidiaries are consolidated from the date the acquirer obtains effective control until control ceases.

An entity is considered effectively controlled if the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The financial statements of the subsidiaries are prepared for the same reporting year as Pharming Group N.V., using the same accounting policies. Intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

The following table provides an overview of the consolidated subsidiaries at 31 December 2022:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100.0
Pharming Americas B.V.	The Netherlands	100.0
Pharming Intellectual Property B.V.	The Netherlands	100.0
Pharming Technologies B.V.	The Netherlands	100.0
↳ Pharming Research & Development B.V.	The Netherlands	100.0
Broekman Instituut B.V.	The Netherlands	100.0
Pharming Healthcare, Inc.	The United States	100.0
ProBio, Inc.	The United States	100.0

2.4 Accounting principles and policies

Foreign currency translation

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting);
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting consolidated financial statements in US Dollars, the assets and liabilities of the Group's operations having Euro as functional currency are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve.

The EUR/USD exchange rate applied at 31 December 2022: was 1.0667 (2021: 1.1334). The average exchange rate applied in 2022 was 1.0543 (2021: 1.1860).

Distinction between current and non-current

An item is classified as current when it is expected to be realized (settled) within 12 months after the end of the reporting year. Liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Intangible assets acquired separately

Intangible assets acquired separately are measured at historical cost. The cost of intangible assets acquired in a business combination is recognized and measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Variable considerations that are part of the purchase of an intangible asset are recognized as a liability when the considerations become due.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired and at the end of each reporting period. The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Changes in the expected useful life, according to the straight-line method, or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the relevant expense category consistent with the function of the intangible asset.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Biological Assets

Under IAS 41 "Agriculture", management is required to assess whether 'biological assets' which are contributing to production of our cash flows should be accounted for as assets. Management has assessed Pharming's biological assets and conclude that these do not qualify to be recognized under the relevant standard IAS 41 "Agriculture" due to their uniqueness and very special transgenic nature and thus all relevant costs are expensed through the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation charges and accumulated impairment charges. Generally, depreciation is calculated using a straight-line basis over the estimated useful life of the asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

All costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, will be capitalized. These costs include direct employee benefits, rent and testing costs. Capitalization will be done until the asset is capable of operating in the manner intended by management.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of acquisition are recognized as an expense.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair

value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

At initial recognition, the Company measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, the Company classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income or iii) fair value through profit or loss on basis of both:

- The Company's business model for managing the financial assets;
- The contractual cash flow characteristics of the financial asset.

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest of on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the legal reserve fair value revaluation. The cumulative gain or loss is reclassified to profit or loss on disposal of the equity investments.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'fair value gain (loss) on revaluation' line item (note 13). Fair value is determined in the manner described in note 13.

Impairment of assets

Assets that have an indefinite useful life and assets not yet available for use are not subject to depreciation or amortization and are tested at least annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets for which an impairment loss is recorded, are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First in First out (FIFO) method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are recognized initially at transaction price. Subsequent measurement is at amortized cost using the effective interest method, less the expected credit loss. Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit loss. The Company assesses the expected credit loss that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments (maturity less than 3 months) readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents do not include restricted cash. Restricted cash is cash held on short term deposits with certain banks as security mainly for credit card and lease cars and is not considered cash and cash equivalents.

Equity

The Company only has ordinary shares, and these are classified within equity upon issue. Shares transferred in relation to settlement of (convertible) debt are measured at fair value with fair value based on the closing price of the shares on the trading day prior to the settlement date. Equity is recognized upon the recognition of share-based payment expenses; shares issued upon exercise of such options are measured at their exercise price.

Transaction costs associated with an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs related to the issue of a compound financial instrument are allocated to the liability and equity components of the instruments in proportion to the allocation of proceeds.

Financial liabilities and borrowings

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (derivative financial liabilities) or financial liabilities at amortized cost (borrowings and trade and other payables). All financial liabilities and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs; transaction costs related to the issue of a compound financial instrument are allocated to the liability and equity components of the instruments in proportion to the allocation of proceeds. After initial recognition, financial

liabilities and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of income when the liabilities are paid off or otherwise eliminated as well as through the amortization process. Purchases and sales of financial liabilities are recognized at settlement date.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Convertible bonds

The Company has issued convertible bonds. At the time of the issue of bonds itself the split between equity and liability portion has been accounted for. The liability portion of the convertible bonds is the present value of the future cash flows, calculated by discounting the future cash flows of the bonds (interest and principal) at the market rate of interest with the assumption that no conversion option is available. The value of the equity portion will be the difference between the total proceeds received from the bonds and the present value (liability portion).

The equity component is not remeasured after initial recognition.

In the case the Company extinguishes the convertible bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible bond at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

1. the amount of gain or loss relating to the liability component is recognized in profit or loss; and

2. the amount of consideration relating to the equity component is recognized in equity

If the convertible bonds are converted before maturity, the amount recognized in equity in respect of the shares issued should be the amount at which the liability for the debt is stated as at the date of conversion.

On conversion of the convertible bonds at maturity, the Company recognizes the liability component and recognizes it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity date.

The transaction costs that are directly attributable to the convertible bonds are deducted from the initial fair value of the convertible bonds. The transaction costs are allocated between the liability and the equity components in proportion to the allocation of the proceeds. The transaction costs of the liability component are recognized as part of interest costs.

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The expense relating to any provision is presented in the statement of income net of any reimbursement.

Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent measurement is at amortized cost using the effective interest method.

Revenue recognition

In order to determine when to recognize revenue and at what amount, the Company applies the following five steps, based on transfer of control over goods to the customer:

1. Identify the contract(s) with a customer;

2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods that are distinct;

3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;

4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;

5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

All of the Group's revenue from contracts with customers is derived from delivery of goods, specifically vials of pharmaceutical products. The Group does not provide any additional services (including financing services) or equipment to its customers. In accordance with IFRS 15, revenue is recognized when the customer obtains control of the goods. For the Group's contracts the customer usually obtains control immediately after shipment of the product, which arrives at the customer within a short time frame.

The vast majority of the Group's contracts for revenue with customers are subject to chargebacks, discounts and/or rebates relating directly to customers or to ultimate reimbursement claims from government or insurance payers. These are accounted for on an estimated net basis, with any actual discounts and rebates used to refine the estimates in due course. These variable elements are deducted from revenue in the same period as the related sales are recorded. Due to the nature of these variable elements, it is not practicable to give meaningful sensitivity estimates due to the large volume of variables that contribute to the overall discounts, rebates and chargebacks accruals.

Other income

Other income consists of gains upon sale of investments and income from government grants.

Pharming receives certain grants which support the Company's research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in various grants. Subsidies are recognized if the Company can demonstrate it has complied with all attached conditions and it is probable that the grant amount will be received. Grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

The Company includes income from grant under other income in the statement of income in order to enable comparison of its statement of income with companies in the life sciences sector.

Pension plan

For all Dutch employees, the Company participates in defined contribution pension plans with an independent insurance company. Defined contributions are expensed in the year in which the related employee services are rendered.

Employees in the United States are enabled to participate in a 401k plan, which also qualifies as a defined contribution plan. To become an eligible participant, an employee must complete 6 months of service and attain the age of 18 years. The employer matches 100% of the first 3% the employee contributes to their 401k plan and 50% of any

amount over 3% up to 5%. Any employee contribution over 5% is not matched. Costs of the 401k plan are expensed in the year in which the related employee services are rendered.

Share-based payment

The costs of option plans are measured by reference to the fair value of the options on the date on which the options are granted. The fair value is determined using the Black-Scholes model. The costs of these options are recognized in the income statement (share-based compensation) during the vesting period, together with a corresponding increase in equity (other reserves). Share-based payment charges do not affect liabilities or cash flows in the year of expense since all transactions are equity-settled.

Pharming's employee option plan states that an employee is entitled to exercise the vested options within five years after the date of the grant. The period in which the options become unconditional is defined as the vesting period.

Long Term Incentive Plan

For a limited number of board members and officers, performance shares are granted free of charge. A maximum number of predetermined shares vest three years after the grant date, provided that the participant to the long-term incentive plan is still in service (continued employment condition), with actual shares to be transferred based on the relative achievement of Pharming's share price compared to a peer group. The maximum number of shares immediately vests upon a change of control.

The fair value is determined using Monte Carlo simulation. The costs of the LTIP are recognized in the income statement during the vesting period. The fair value at the grant date includes the market performance condition (relative total shareholder return performance) but excludes the three-year service condition.

On December 11, 2020, the new LTIP for the Executive Director was implemented. The existing share option plans and the grant of restricted shares under LTIP, from December 11, 2020, onwards, will no longer be applied for the Executive Directors under the new Remuneration Policy. The newly designed LTIP has been aligned with prevailing 'best practices' and is performance-related only. The performance includes Total Shareholder Return (40% weighing) and achievement of long-term strategy oriented objectives (60% weighing). The Total Shareholders Return is compared to a peer group.

The shares granted to the Executive Director under the new LTIP, will vest in 3 years after the grant date, subject to the achievement of targets for a tree-year performance period, their relative weightings and the pay-out limits. All shares will be subject to a retention period of 5 years from the date of grant. In order to fully become entitled to the shares vesting under the LTI conditions the participant has to be a member of the Board of Directors as Executive Board Member at the vesting date.

The fair value of the new LTIP is determined using the Monte Carlo simulation. The costs of the LTIP are recognized in the income statement during the vesting period. The fair value at the grant date includes the financial performance condition of Pharming compared to the benchmark, the strategic performance condition as well as the service condition.

Restricted Stock Unit Plan

For a limited number of board members and officers, restricted stock units are granted free of charge. A maximum number of predetermined shares vest four years after the grant date, provided that the participant to the long-term incentive plan is still in service (continued employment condition).

The fair value is determined to be the market price at the grant date. The costs of the RSU grant are recognized in the income statement during the vesting period.

Leases

The Group assesses whether a contract is or contains a lease at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability. The related payments are recognized as an expense in the period in which the event or condition triggers those payments occur.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain lease components and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group had no such lease arrangements in 2022 and has none at the date of this report.

Income tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on

the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to use those temporary differences and losses. The Company has assessed all its income tax amounts and provisions in the light of IFRIC 23 'Accounting for Uncertain Income Taxes', and has concluded that it is probable that its particular tax treatment will be accepted in all relevant jurisdictions and thus it has determined taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Earnings per share
Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans, warrants issued and convertible loan agreements.

2.5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires judgments and estimates that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements:

Financial assets - Investment in BioConnection
During the second quarter of 2022, Pharming entered into a share purchase agreement, following receipt of an offer for all shares in BioConnection B.V. by Gimv Nederland Holding B.V. ("Gimv"), a European investment company listed on Euronext Brussels. The existing shareholders (including Pharming) reached agreement with Gimv on the sale of all issued and outstanding shares to a new holding company (BioConnection Investments B.V.) incorporated by Gimv, followed by a partial re-investment by existing shareholders of the purchase price in the share capital of BioConnection Investments B.V. The re-investment relates to the purchase of ordinary shares and a preference share.

The Board of Directors made an assessment on the accounting treatment of the agreement and concluded that the sale of the BioConnection ordinary shares and purchase of the BioConnection Investments B.V. ordinary shares shall be considered as a dilution of an existing equity stake in an investment in accounted for using they equity method. Hence Pharming recognized the dilution of its equity stake as a reduction of the carrying amount of the investment accounted for using the equity method. The preference share is valued as an investment in debt instruments designated as at fair value with changes through profit and loss (FVTPL).

The fair value of the preference share was calculated based on a commonly accepted valuation method, the option pricing model ("OPM"), which considers the share classes as call options on the total shareholders' equity value according to the rights and preferences of each class of equity. The payoff profile of the share classes was analyzed through a portfolio of call options, with the total equity value of a company as the underlying asset of the options and specific terms for each option calibrated to mirror, in aggregate, the payoff profile of the share classes. Relying on the forward-looking Black-Scholes-Merton ("BSM") financial instrument pricing framework, the OPM effectively captures the full range of potential outcomes for the share classes at exit. The OPM takes into consideration the full spectrum of risks in terms of future potential upside or downside but does not require explicit estimates of the possible future outcomes. The BSM model is commonly used to price assets on financial markets and allows to estimate the theoretical value of a call option, using six key parameters, namely the underlying equity value, strike price, time to maturity, risk free rate, expected volatility of the underlying equity and dividend yield on the underlying equity. The most important drivers for the fair value using the BSM model are:

- the equity value, for which the determination of its value is highly dependent on the estimate of projected revenues, EBITDA and discount rate;
- volatility; and
- time to maturity.

As a result of this transaction, Pharming has received one-off net cash proceeds of US$7.3 million (EUR6.9 million) and recognized a gain of US$12.2 million.

Further reference is made to note 13.

Biological Assets

Under IAS 41 "Agriculture", management is required to assess whether 'biological assets' which are contributing to production of our cash flows should be accounted for as assets. Management has assessed Pharming's biological assets and conclude that these do not qualify to be recognized under the relevant standard IAS 41 "Agriculture" due to their uniqueness and very special transgenic nature and thus all relevant costs are expensed through the income statement.

Estimates:

Revenue

Revenue is recognized when control has been transferred to the customer. Revenue is reduced by chargebacks and rebates for government healthcare programs, discounts to specialty pharmacies and wholesalers, and product returns given or expected to be given, which vary by patient groups. Chargebacks and rebates for healthcare programs depend upon the submission of claims sometime after the initial recognition of the sale. The liability for this variable consideration is made, at the time of sale, for the estimated chargebacks and rebates, mainly US Medicaid, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of patient groups. The level of these liabilities is being reviewed and adjusted regularly in the light of contractual and legal obligations, historical charges and trends, past experience and projected mixtures of patient groups. The Group acquires this information from both internal resources and external parties.

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

3. Going concern assessment

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. These consolidated financial statements have been prepared for the Group as a going concern.

The 2022 year-end cash balance (including restricted cash) of US$208.7 million is expected to fund the Company for more than twelve months from the date of this report.

The Board of Directors anticipate significant investments in the preparations of the launch and commercialization of Joenja® (leniolisib) in 2023. These investments will

have a negative effect on the profit in the year 2023. Consequently, cash and cash equivalents may reduce during the year as the company invests in its future. Revenue from leniolisib is expected to increase significantly from 2023 onwards. The company remains confident in the robustness of RUCONEST® sales, in the expansion of its pipeline and the addition of leniolisib for the treatment of APDS.

Presently, however, no further assurance can be given on either the timing or size of future profits. In addition, in the event that the Company needs to raise capital by issuing additional shares, shareholders' equity interests may be diluted as to voting power, and their interests as to value will depend on the price at which such issues are made. The Company sees no further need to raise capital to support its current operations, but may take an opportunity to do so in either equity issue or through an expansion of the current convertible debt or to raise debt, or through a combination of such instruments, to support an acquisition or in-licensing of additional assets, if appropriate terms can be obtained that are in the best interests of shareholders.

Macro-economic developments like pressure on energy supply, increased inflation and higher interest rates have an impact on Pharming and are managed by price increases on our products in line with CPI development and fixed interest on our convertible bond.

Overall, based on the outcome of this assessment, Pharming's 2022 financial statements have been drawn up on the basis of a going concern assumption. Notwithstanding their belief and confidence that Pharming will be able to continue as a going concern, the Executive Directors and Officers emphasize that the actual cash flows may potentially ultimately (significantly) deviate up or down from our projections to various reasons. In the absence of an (improbable) absolute catastrophe such as banning of the product from sale in a major market, the Executive Directors and Officers believe that the Company will have more than sufficient resources to meet all obligations as they fall due.

Ukraine / Russian war

Management performed a risk assessment related to the war in Ukraine and determined that the war itself, the effect of the sanctions or the ramifications of the war will not have a material impact on the Pharming business.

4. Segment information

The Executive Members of the Board of Directors are the chief operating decision-maker and consider the business from both a geographic and product perspective.

From a product perspective, the Company's business is exclusively related to the recombinant human C1 esterase inhibitor business. From a geographic perspective, the Company is operating in the U.S., Europe and the Rest of the World.

The Executive Members of the Board of Directors primarily measures revenues and gross profit to assess the performance of the geographic areas. Operating costs as well as non-current assets are not sub-allocated to the geographic areas.

Total external revenues and gross profit per geographic segment for the financial year 2022 and 2021 are:

Amounts in US$ '000	2022	2021
Revenues:		
US	200,082	193,419
Europe	4,924	4,933
RoW	616	519
Total revenues	**205,622**	**198,871**
Gross profit:		
US	186,263	176,266
Europe	1,378	1,049
RoW	419	414
Total gross profit	**188,060**	**177,729**

5. Revenues

The increase in revenues was primarily a result of higher sales of RUCONEST® in the U.S. market (US$200.1 million in 2022 compared to US$193.4 million in 2021). From 2Q onwards, we experienced quarter-on-quarter growth in 2022, both in volumes and revenues, with a growing number of patients using RUCONEST®.

Revenues in Europe remained stable at US$4.9 million in 2022 (US$4.9 million in 2021), in spite of facing strong prophylactic and generic competition. Revenue in Rest of the World (excluding Europe) increased to US$0.6 million (from US$0.5 million in 2021).

Two US customers represent approximately US$173.6 million (84%) of our net revenues in 2022. In 2021 these two, U.S. customers represent approximately US$156.6 million (79%) of our net revenues. These customers are largely specialty wholesale companies that are specialized in distribution of pharmaceuticals in our and competitors' disease area and distribute our product.

6. Other income

Other income related to the following:

Amounts in US$ '000	2022	2021
Grants	1,774	2,620
Gain on divestment in associates	12,242	—
Other	507	—
Total	**14,523**	**2,620**

The received grants amounted to US$1.8 million in 2022 (US$2.6 million in 2021). The grants are annual payroll-tax reimbursement granted by the Dutch and French governments for research and development activities actually conducted by the Company in those countries.

The gain on divestment in associates relates to the sale of shares of BioConnection, following receipt of an offer for all shares in BioConnection by Gimv. As a result of this transaction, Pharming has recognized a gain of US$12.2 million at initial recognition, which relates to the initial recognition of the obtained preference share (US$7.9 million) and the gain on the dilution of ordinary shares in BioConnection (US$4.3 million). Further reference is made to note 13.

7. Expenses by nature

Costs of sales

Costs of sales in 2022 and 2021 were as follows:

Amounts in US$ '000	2022	2021
Costs of sales	(17,398)	(19,107)
Obsolescence inventory impairments	(164)	(2,035)
Total	**(17,562)**	**(21,142)**

Costs of sales in 2022 amounted to US$17.4 million (2021: US$19.1 million) and relate to actual product sales.

Obsolescence inventory impairment stems from the valuation of the inventories against lower net realizable value and mainly relates to products no longer eligible for commercial sales. Impairments related to inventories designated for commercial activities amounted to a charge of US$0.2 million in 2022 (2021: US$2.0 million).

Costs of research and development

Research and development costs are specified as follows:

Amounts in US$ '000	2022	2021
Employee costs	(20,595)	(24,451)
Amortization costs IFA	(55)	(132)
Impairment losses IFA	—	(4,992)
Depreciation PPE and right of use assets	(1,602)	(3,152)
Direct Operating Expenses	(27,107)	(33,190)
Other indirect research and development costs	(3,172)	(4,452)
Total research and development costs	**(52,531)**	**(70,369)**
As percentage of net sales	*(26)%*	*(35)%*

Operating expenses for research and development activities decreased to US$52.5 million in 2022 from US$70.4 million in 2021. The decrease in costs relates mainly to reduced share-based compensation cost and the impact of the USD-EUR FX rate on payroll cost. Current year's spend in leniolisib, for the treatment of activated Phosphoinositide 3-kinase Delta syndrome, and AKI and cattle were higher than 2021, while last year included the investment to in-license OTL-105 and impairment losses of US$5.0 million on intangible assets related to the development of RUCONEST® in a more convenient form for patients.

Costs of general and administrative activities

General and administrative costs are specified as follows:

Amounts in US$ '000	2022	2021
Employee costs	(14,868)	(12,178)
Amortization costs IFA	(492)	—
Depreciation PPE and right of use assets	(2,525)	(857)
Impairment losses PPE and right of use assets	(4,376)	(5,447)
Direct Operating Expenses	(9,038)	(8,419)
Other indirect general and administrative costs	(14,717)	(10,073)
Total general and administrative costs	**(46,016)**	**(36,974)**
As percentage of net sales	*(22)%*	*(19)%*

Operating expenses for general and administrative activities increased to US$46.0 million in 2022 from US$37.0 million in 2021. The increased costs are mainly related to the increased employee costs resulting from more staff employed, higher cost for audit, consultancy and tax advisers, and higher IT operating spend for our newly implemented ERP system, offset by reduced impairment losses in relation to the cancellation of our downstream production capacity at Pivot Park in Oss.

Costs of marketing and sales activities

Marketing and sales costs are specified as follows:

Amounts in US$ '000	2022	2021
Employee costs	(32,858)	(24,125)
Amortization costs IFA	(3,765)	(4,098)
Depreciation PPE and right of use assets	(372)	(930)
Direct Operating Expenses	(42,398)	(28,543)
Other indirect marketing and sales costs	(6,410)	(1,749)
Total marketing and sales costs	**(85,803)**	**(59,445)**
As percentage of net sales	*(42)%*	*(30)%*

Operating expenses for marketing and sales increased in 2022 to US$85.8 million from US$59.4 million in 2021. The increased costs are mainly related to the further expansion of the commercial organization and infrastructure in both the U.S. and Europe, in view of the anticipated launch of leniolisib in APDS upon approval by regulatory authorities.

Employee benefits

Amounts in US$ '000	2022	2021
Salaries	(53,328)	(44,202)
Social security costs	(6,317)	(5,318)
Pension costs	(2,284)	(2,179)
Share-based compensation	(6,392)	(9,055)
Total	**(68,321)**	**(60,754)**

Salaries include holiday allowances and cash bonuses for staff.

Employee benefits are included in:

Amounts in US$ '000	2022	2021
Research and development	(20,595)	(24,451)
General and administrative	(14,868)	(12,178)
Marketing and sales	(32,858)	(24,125)
Total	**(68,321)**	**(60,754)**

The number of employees

Average full time equivalent	2022	2021
Research and development	186	169
General and administrative	69	60
Marketing and sales	77	56
Total	**332**	**285**

The average number of full-time equivalents (FTE's) working outside the Netherlands was 133 (2021: 99). The increase of the total number of FTE's was in line with the overall business growth across the Company.

Employee benefits are charged to research and development costs, general and administrative costs, or marketing and sales costs based on the nature of the services provided by each employee.

Depreciation and amortization charges

Amounts in US$ '000	notes	2022	2021
Property, plant and equipment	11	(1,993)	(2,158)
Intangible assets	10	(4,312)	(4,232)
Right of use assets	12	(2,565)	(2,781)
Total		**(8,870)**	**(9,171)**

The decrease of depreciation charges and amortization charges in 2022 as compared to 2021 mainly stems from

currency translation effects, partly offset by an increase caused by amortization charges for our new ERP system SAP 4-HANA, which is operational as per January 1, 2022.

Amortization charges of intangible assets have been allocated to research and development costs and marketing and sales costs in the statement of income, depending on the class of intangible asset.

Independent auditor's fees

Both the 2022 and the 2021 audit were performed by Deloitte Accountants B.V.

Amounts in US$ '000	2022	2021
Audit Fees	(1,357)	(1,201)
Audit Related Fees	—	(16)
Tax advisory	—	—
Total	**(1,357)**	**(1,217)**

The increase of audit fees of the financial statements and audit related activities in 2022 compared to 2021 is caused by the fact that the Company increased fees relating to audit procedures and preparations on Pharming's internal control framework.

8. Other financial income and expenses

Amounts in US$ '000	2022	2021
Interest income	85	53
Foreign currency results	4,400	14,841
Other financial income	**4,485**	**14,894**
Interest loans and borrowings	(4,736)	(5,296)
Interest leases	(622)	(795)
Other financial expenses	(105)	(94)
Other financial expenses	**(5,463)**	**(6,185)**
Total other financial income and expenses	**(978)**	**8,709**

Foreign currency results

These results primarily follow from the revaluation of bank balances which are denominated in foreign currencies, mainly U.S. dollars, and the timing of foreign currency payments against the actual exchange rate as compared to the original exchange rate applied upon the charge of fees or expenses. The gains in 2022 are mainly a result of the revaluation of the bank balances in U.S. dollars, incorporated in our Dutch entities where the functional currency is Euro.

Interest loans and borrowings

Interest on loans and borrowings in 2022 and 2021 relate to the amortized costs from loans and borrowings, calculated under IFRS at the effective rate of interest, which takes account of any equity component on recognition such as warrants or early repayment options.

9. Income tax

Income taxes on ordinary activities

The following table specifies the current and deferred tax components of income taxes in the income statement:

Amounts in US$ '000	2022	2021
Income tax expense		
Current tax		
Current tax on profit for the year	(3,761)	(97)
Adjustments for current tax of prior periods	(9)	96
Total current tax expense	(3,770)	(1)
Deferred income tax		
Deferred tax on profit for the year	2,581	(8,196)
Adjustments for deferred tax of prior periods	(124)	1,115
Total deferred tax expense	2,457	(7,081)
Income tax expense	**(1,313)**	**(7,082)**

Effective income tax rate

Pharming Group's effective rate in its consolidated income statement differed from the Netherlands' statutory tax rate of 25.8%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

Amounts in US$ '000	2022	2021
Reconciliation of tax charge		
Profit, (loss) on ordinary activities before taxation	14,987	23,078
Profit/(loss) on ordinary activities multiplied by standard rate of tax in The Netherlands	(3,866)	(5,770)
Effects of:		
Tax rate in other jurisdictions	554	307
Non-taxable income	2,680	370
Non deductible expenses	(7)	(99)
Share based payments	(531)	(2,475)
Adjustments of prior periods	15	655
Change in statutory applicable tax rate	(1)	555
Other	(157)	(625)
Income tax expense for the year	**(1,313)**	**(7,082)**

During 2022, we have changed the presentation of our effective income tax tables in order to enhance readability by splitting the effects of non taxable income (expense) separately.

Factors affecting current and future tax charges

The main difference between the nominal tax and the effective tax for the year 2022 can be explained by the effects of non-taxable income, mainly related to the other income generated from the dilution of shares of our investment accounted for using the equity method and share-based payments, U.S. State taxes and the effect of taxable income generated and taxed in jurisdictions where tax rates differ from the statutory rate in The Netherlands.

Deferred tax

The balance of the net deferred tax assets/(liabilities) is therefore shown below:

Amounts in US$ '000	2022	2021
Total deferred tax assets	29,211	27,025
Total deferred tax liabilities	(6,238)	(5,809)
Total net deferred tax assets /(liabilities)	**22,973**	**21,216**

The deferred tax assets and liabilities are offset to the extent there is a legally enforceable right to set off current tax assets against current tax liabilities and to the extent the deferred tax income taxes relate to the same tax jurisdiction.

The significant components and annual movements of deferred income tax assets as of 31 December, 2022 and 31 December 2021, are as follows:

Amounts in US$ '000	2022	2021
Intangible fixed assets	9,876	10,493
Accruals	2,026	2,289
Lease Liabilities	7,042	3,795
Other	6,721	2,672
Tax losses	3,546	7,776
Total deferred tax assets	**29,211**	**27,025**

Amounts in US$ '000	Intangible fixed assets	Lease liabilities	Accruals	Other	Tax losses	Total
At January 1, 2021	17,705	1,279	5,123	3,856	5,772	33,735
(Charged)/credited						
- to profit or loss	(6,121)	2,696	(2,834)	823	2,515	(2,921)
- other movement	—	—	—	(598)	—	(598)
- to accumulated deficit	—	—	—	(1,366)	—	(1,366)
- currency translation	(1,091)	(180)	—	(43)	(511)	(1,825)
At December 31, 2021	**10,493**	**3,795**	**2,289**	**2,672**	**7,776**	**27,025**
(Charged)/credited						
- to profit or loss	—	3,431	(263)	3,746	(3,814)	3,100
- other movement	—	—	—	(28)	—	(28)
- to accumulated deficit	—	—	—	337	—	337
- currency translation	(617)	(184)	—	(6)	(416)	(1,223)
At December 31, 2022	**9,876**	**7,042**	**2,026**	**6,721**	**3,546**	**29,211**

Based upon the Company's latest budget for 2023 and its long-range forecasts for the three years thereafter, it is considered probable that there will be sufficient taxable profits in the future to realize the deferred tax assets, and therefore these assets should continue to be recognized in these financial statements.

Deferred taxes relating to intangible fixed assets represent the tax effect on temporary difference between the tax base and the carrying amount of the rights to the Pompe program, which were at the end of 2018 transferred within the Group. The deferred taxes relating to the rights to the Pompe program will be realized through the amortization of the intangible assets once in use within the fiscal unity.

Accruals represent deferred tax assets recognized for temporary differences between the carrying amount and tax bases of accrued liabilities in the U.S.

The increase in the deferred tax for other is primarily due to recognition of the deferred tax asset for future tax reductions related to share-based payments in the U.S. and the elimination of intercompany profits between the Netherlands and the U.S.

The unused tax losses were incurred by the Dutch fiscal unity and Pharming Healthcare.

The calculation of the deferred tax asset is as shown below:

Amounts in US$ '000	2022	2021
Net Operating Losses - Netherlands		
Net Operating Losses at year-end	13,556	25,364
Portion selected for deferred tax asset	13,556	25,364
Tax rates used:		
2023 and later: 25,8% (25%)	3,497	6,545
Total tax effect Netherlands	**3,497**	**6,545**
Net Operating Losses - USA		
Net Operating Losses at year-end	670	4,356
Portion selected for deferred tax asset	670	4,356
Tax rate used:		
2022: 28,26%	—	1,231
2023 and later: 7,65%	49	
Total tax effect USA	**49**	**1,231**
Tax effect Netherlands - losses deferred	3,497	6,545
Tax effect USA - losses deferred	49	1,231
Total deferred tax asset	**3,546**	**7,776**

The current part of the net deferred tax assets is US$5.4 million (2021: US$2.4 million).

The component and annual movement of deferred income tax liabilities as of 31 December, 2022 and 31 December 2021, are as follows:

Amounts in US$ '000	2022	2021
Tangible fixed assets	(6,238)	(4,149)
Other liabilities	—	(1,660)
Total deferred tax liabilities	**(6,238)**	**(5,809)**

Amounts in US$ '000	Tangible fixed assets	Other liabilities	Total
At January 1, 2021	(1,648)	(210)	(1,858)
(Charged)/credited			
- to profit or loss	(2,710)	(1,450)	(4,160)
- to other comprehensive income			
- currency translation	209	—	209
At December 31, 2021	**(4,149)**	**(1,660)**	**(5,809)**
(Charged)/credited			
- to profit or loss	(2,302)	1,660	(642)
- other movement	28		28
- to other comprehensive income		—	—
- currency translation	185	—	185
At December 31, 2022	**(6,238)**	**—**	**(6,238)**

10. Intangible assets

Amounts in US$ '000	Transgenic technology	RUCONEST® for HAE (EU)	Development costs	Re-acquired rights and Licenses	Novartis License	Software	Total
At cost	3,256	648	7,779	77,806	24,667	958	115,114
Accumulated:							
Amortization charges	(3,213)	(648)	—	(14,699)	—	(104)	(18,664)
Impairment charges	(43)	—	(2,324)	—	—	—	(2,367)
Carrying value at January 1, 2021	**—**	**—**	**5,455**	**63,107**	**24,667**	**854**	**94,083**
Amortization charges	—	—	—	(4,054)	—	(178)	(4,232)
Impairment charges	—	—	(4,991)	—	—	—	(4,991)
Assets acquired	—	—	—	—	2,530	3,447	5,977
Transfer from PPE - cost	—	—	—	—	—	175	175
Transfer from PPE - accumulated amortization	—	—	—	—	—	(78)	(78)
Divestments - cost	(3,145)	—	—	—	—	(99)	(3,244)
Divestment - accumulated amortization	3,105	—	—	—	—	99	3,204
Divestment - impairment charges	40	—	—	—	—	—	40
Currency translation - cost	(111)	(50)	(599)	(5,995)	(2,012)	(226)	(8,993)
Currency translation - amortization	108	50	—	1,312	—	19	1,489
Currency translation - impairment	3	—	401	—	—	—	404
Movement 2021	**—**	**—**	**(5,189)**	**(8,737)**	**518**	**3,159**	**(10,249)**
At cost	—	598	7,180	71,811	25,185	4,255	109,029
Accumulated:							
Amortization charges	—	(598)	—	(17,441)	—	(242)	(18,281)
Impairment charges	—	—	(6,914)	—	—	—	(6,914)
Carrying value at December 31, 2021	**—**	**—**	**266**	**54,370**	**25,185**	**4,013**	**83,834**
Amortization charges	—	—	—	(3,597)	—	(720)	(4,317)
Impairment charges	—	—	—	—	—	—	—
Assets acquired	—	—	—	—	—	601	601
Transfer from PPE - cost	—	—	—	—	—	—	—
Transfer from PPE - accumulated amortization	—	—	—	—	—	—	—
Divestments - cost	—	—	(6,431)	—	—	—	(6,431)
Divestment - accumulated amortization	—	—	—	—	—	—	—
Divestment - impairment charges	—	—	6,431	—	—	—	6,431
Currency translation - cost	—	(35)	(499)	(4,228)	(1,482)	(235)	(6,479)
Currency translation - amortization	—	35	—	984	—	(20)	999
Currency translation - impairment	—	—	483	—	—	—	483
Movement 2022	**—**	**—**	**(16)**	**(6,841)**	**(1,482)**	**(374)**	**(8,713)**
At cost	—	563	250	67,583	23,703	4,621	96,720
Accumulated:							
Amortization charges	—	(563)	—	(20,054)	—	(982)	(21,599)
Impairment charges	—	—	—	—	—	—	—
Carrying value at December 31, 2022	**—**	**—**	**250**	**47,529**	**23,703**	**3,639**	**75,121**

Category	Description	Amortization period	
		Total	Remaining
Transgenic technology	Patents and licenses	6 to 10 years	Divested
RUCONEST® for HAE (EU)	Development costs	10 years	Fully amortized
RUCONEST® for HAE (US)	Re-acquired commercial rights	20 years	14 years
RUCONEST® for HAE (EU)	Re-acquired commercial rights	12 years	9 years
Software expenses	Development costs	3 to 5 years	2 to 5 years
Development costs	Development costs	Not yet in use	Not yet in use

Transgenic technology

The transgenic technology relates to the patents and licenses historically acquired in light of Pharming's production platform on the expression of human proteins in the milk of transgenic mammals. This technology enables the development of complex therapeutic proteins in a cost-effective manner. During 2021, these assets were disposed.

RUCONEST® for HAE (EU)

Per 2022, the Company has capitalized development costs in relation to RUCONEST® for HAE in the European Union. Following market launch of the product in 2010 the amortization of the asset started, and no further development costs have been capitalized in respect to this item since then. These development costs are fully amortized at the end of 2022 and 2021.

Development costs

In 2018, the Company started to modify the current product RUCONEST® for more convenient forms of administration for use by the patient. This was expected to have resulted in better variants of the existing product. In 2021 no costs were incurred given a re-prioritization of the effort invested in the Company's pipeline assets and hence these assets were fully impaired. In 2022, the assets have been disposed.

In 2014, the Company acquired assets from Transgenic Rabbit Models SASU, for a total amount of US$0.5 million, which was recognized as intangible assets related to development costs of two new product leads: alpha-glucosidase for Pompe disease and alpha-galactosidase for Fabry's disease. In 2021, the asset relating to alpha-galactosidase for Fabry's disease was fully impaired. In 2022 this asset has been disposed.

The remaining balance (US$0.3 million) relates to the asset related to development costs of a product lead for alpha-glucosidase for Pompe disease.

Re-acquired rights and licenses

The re-acquired rights relate to the acquisition of all North American commercialization rights from Bausch Health in 2016 and the acquisition of all European commercialization and distribution rights from Swedish Orphan International AB ("Sobi") in 2020.

Novartis license

In August 2019, Pharming entered into a development collaboration and license agreement with Novartis to develop and commercialize leniolisib, a small molecule phosphoinositide 3-kinase delta (P13Kδ) inhibitor being developed by Novartis to treat patients with Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). In 2022 no additional development costs were capitalized. Note that FDA approval was granted as per March 24, 2023, and hence the asset will start amortizing in 2023.

Software

Assets acquired related to software mainly relate to improvements and updates to our ERP system SAP S/4HANA.

11. Property, plant and equipment

Amounts in US$ '000	Land	Operational facilities	Leasehold Improvement	Machinery and equipment	Other	Asset under construction	Total
At cost	33	6,170	2,476	6,591	9,602	2,872	27,744
Accumulated depreciation	—	(3,030)	(2,176)	(5,375)	(4,937)	—	(15,518)
Carrying value at January 1, 2021	**33**	**3,140**	**300**	**1,216**	**4,665**	**2,872**	**12,226**
Investments	—	27	457	1,206	952	8,097	10,739
Internal transfer - cost	—	(544)	3,097	7,977	(5,743)	(4,787)	—
Internal transfer - accumulated depreciation	—	408	61	(3,871)	3,402	—	—
Transfer to software - cost	—	—	—	—	(175)	—	(175)
Transfer to software - accumulated depreciation	—	—	—	—	78	—	78
Divestments	—	(2)	—	(20)	(131)	(5,447)	(5,600)
Depreciation charges	—	(455)	(86)	(2,004)	(680)	—	(3,225)
Depreciation of disinvestment	—	2	—	4	54	—	60
Currency translation - cost	(2)	(451)	(324)	(914)	(347)	(112)	(2,150)
Currency translation - accumulated depreciation	—	236	166	674	193	—	1,269
Movement 2021	**(2)**	**(779)**	**3,371**	**3,052**	**(2,397)**	**(2,249)**	**996**
At cost	31	5,200	5,706	14,840	4,158	623	30,558
Accumulated depreciation	—	(2,839)	(2,035)	(10,572)	(1,890)	—	(17,336)
Carrying value at December 31, 2021	**31**	**2,361**	**3,671**	**4,268**	**2,268**	**623**	**13,222**
Investments	—	54	15	797	504	6	1,376
Internal transfer - cost	—	—	42	380	170	(592)	—
Internal transfer - accumulated depreciation	—	—	—	—	—	—	—
Transfer to software - cost	—	—	—	—	—	—	—
Transfer to software - accumulated depreciation	—	—	—	—	—	—	—
Divestments	(29)	(214)	(107)	(6,422)	(27)	—	(6,799)
Impairment	—	(72)	(55)	(377)	(13)	—	(517)
Depreciation charges	—	(403)	(294)	(1,116)	(822)	—	(2,635)
Depreciation of disinvestment	—	214	107	6,097	27	—	6,445
Currency translation - cost	(2)	(309)	(319)	(940)	(101)	(31)	(1,702)
Currency translation - accumulated depreciation	—	162	114	676	50	—	1,002
Movement 2022	**(31)**	**(568)**	**(497)**	**(905)**	**(212)**	**(617)**	**(2,830)**
At cost	—	4,659	5,282	8,278	4,691	6	22,916
Accumulated depreciation	—	(2,866)	(2,108)	(4,915)	(2,635)	—	(12,524)
Carrying value at December 31, 2022	**—**	**1,793**	**3,174**	**3,363**	**2,056**	**6**	**10,392**

Category	Depreciation period
Land	Not depreciated
Operational facilities	10-20 years
Leasehold improvements	5-10 years
Machinery and equipment*	5-10 years
Other property, plant & equipment	5-10 years

** Depreciation charges for machinery and equipment are based on actual use of the equipment involved, which is expected to take place in a period before technical expiration*

In 2022 the Company had capital expenditures of US$1.4 million (2021: US$10.7 million), mainly related to new machinery and equipment.

Depreciation charges on machinery and equipment of US$1.0 million in 2022 (2021: US$1.1 million million) have been charged to the value of inventories and an amount of US$1.6 million of the total 2022 depreciation costs has been charged to the statement of income (2021: US$2.1 million).

The divestments during 2022 mainly relate to fully depreciated assets which were disposed.

During 2021, the company has assessed the assets in the "Other PPE" category and concluded that for some assets, having a carrying value of US$2.3 million, better fit the characteristics of machinery and equipment, operational facilities or leasehold improvements. These assets have been reclassified to the corresponding categories.

12. Right-of-use assets

This note provides information for leases where the Group is a lessee.

The balance sheet shows the following amounts relating to leases:

Amounts in US$ '000	Buildings	Cars	Total
At cost	10,874	2,290	13,164
Accumulated depreciation	(3,103)	(634)	(3,737)
Carrying value at January 1, 2021	**7,771**	**1,656**	**9,427**
Investments	13,802	401	14,203
Divestments	(51)	(165)	(216)
Depreciation charges	(2,112)	(669)	(2,781)
Depreciation of disinvestment	30	81	111
Other movement - cost	(478)	(79)	(557)
Other movement - accumulated depreciation	644	57	701
Currency translation - cost	(1,148)	(67)	(1,215)
Currency translation - accumulated depreciation	245	25	270
Movement 2021	**10,932**	**(416)**	**10,516**
At cost	22,999	2,380	25,379
Accumulated depreciation	(4,296)	(1,140)	(5,436)
Carrying value at December 31, 2021	**18,703**	**1,240**	**19,943**
Investments	15,066	1,741	16,807
Divestments	(292)	(739)	(1,031)
Depreciation charges	(2,223)	(797)	(3,020)
Depreciation of disinvestment	78	596	674
Impairment	(3,860)	—	(3,860)
Depreciation Impairment	59	—	59
Currency translation - cost	(1,029)	(48)	(1,077)
Currency translation - accumulated depreciation	197	61	258
Movement 2022	**7,996**	**814**	**8,810**
At cost	32,884	3,334	36,218
Accumulated depreciation	(6,185)	(1,280)	(7,465)
Carrying value at December 31, 2022	**26,699**	**2,054**	**28,753**

Investments in buildings in 2022 relates to the lease contract for the DSP facility at Pivot Park, Oss. As communicated in prior year, as a result of our renewed strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A., the Company decided to have the construction of the new building completed, but no longer pursue the realization of its own downstream

production capacity at Pivot Park in Oss. During 2022 the lease commenced and resulted in an investment of US$14.6 million. Pharming is looking into possibilities for alternative use. As a result of aforementioned decision, the right of use asset was impaired for an amount of US$3.9 million. The impairment was calculated on a value in use basis, using the incremental borrowing rate as the applicable discount rate (4.47%). The recoverable amount is reflecting in the book value of the asset, being US$10.7 million.

The Company applies for the exemption of accounting of short-term leases and low-value leases. The amounts recorded in the consolidated statement of income are immaterial to the financial statements.

Amounts recognized in the statement of income

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2022	2021
Depreciation right of use buildings	(2,223)	(2,112)
Depreciation right of use cars	(797)	(669)
Interest expense (note 8)	(622)	(795)
Total expense right of use assets	**(3,642)**	**(3,576)**

Lease charges

For the year 2022, the Company charged US$3.6 million (2021: US$3.6 million) to the statement of income with regard to lease commitments for office rent, equipment, facilities and lease cars.

The non-cancellable leases at 31 December 2022 have remaining terms of between one and fifteen years and generally include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The expected lease charges after the end of the reporting year have been disclosed in note 26 below. Allocations of the lease charges to costs or general and administrative expenses have been based on the nature of the asset in use.

13. Investments

13.1 Investments accounted for using the equity method

The investment in BioConnection BV (BioConnection) announced in April 2019 provides the Company with significant influence over BioConnection, and as such has been treated as an associate of the Group.

As at December 31, 2022, the asset relates to an investment in the ordinary shares of BioConnection Investments B.V. During the second quarter of 2022, Pharming entered into a share purchase agreement, following receipt of an offer for all shares in BioConnection by Gimv, a European investment company listed on Euronext Brussels. The existing shareholders (including Pharming) reached agreement with Gimv on the sale of all issued and outstanding shares to a new holding company (BioConnection Investments B.V.) incorporated by Gimv, followed by a partial re-investment by existing shareholders of the purchase price in the share capital of BioConnection Investments B.V. The re-investment relates to the purchase of ordinary shares and a preference share. The transaction diluted Pharming's stake in BioConnection from 43,85% in 2021 to 22,98% in 2022. Furthermore, as part of this transaction, the financial guarantee recognized in 2019, was released.

The Board of Directors made an assessment on the accounting treatment of the agreement and concluded that the sale of the BioConnection ordinary shares and purchase of the BioConnection Investments B.V. ordinary shares shall be considered as a dilution of an existing equity stake in an investment accounted for using the equity method. Hence Pharming recognized the dilution of its equity stake as a reduction of the carrying amount of the investment accounted for using the equity method. The preference share is valued as an investment in debt instruments designated as at fair value with changes through profit and loss (FVTPL). As a result of this transaction, Pharming has received one-off net cash proceeds of US$7.3 million (EUR6.9 million) and recognized a gain of US$12.2 million.

BioConnection has a share capital consisting solely of ordinary shares, which are held directly by a small group of shareholders. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business	% of ownership interest		Nature of relationship	Measurement method
		2022	2021		
BioConnection Investment B.V.	**Oss, NL**	**22.98**	**43.85**	**Associate**	**Equity**

Amounts in US$ '000	
Carrying value at January 1, 2021	**7,118**
Share in net profit	694
Amortization of financial guarantee	(33)
Currency translation	(578)
Carrying value at December 31, 2021	**7,201**
Share in net profit	(1,083)
Release of financial guarantee	(153)
Dilution of equity stake	(2,991)
Currency translation	(473)
Carrying value at December 31, 2022	**2,501**

Financial information of BioConnection B.V. per December 31, 2021, is filed at the Dutch Chamber of Commerce under number 17180803 (www.kvk.nl).

Financial information of BioConnection as filed at the Dutch Chamber of Commerce, for the year 2021 is as follows:

Amounts in US$ '000	31 December 2022
Total assets	28,313
Total equity	10,609
Net result	1,725

In the Board of Director's judgement, the investment in BioConnection constitutes an investment in an associated company and is therefore not consolidated, as Pharming has significant influence but does not have control of BioConnection and is embargoed by a shareholders agreement between the shareholders of BioConnection from influencing any activity between the two parties which is in any significant way different from the relationship which existed between the two prior to the investment.

13.2 Investment in debt instruments designated as at FVTPL

The asset relates to the preference share as obtained as part of the agreement referred to above relating to BioConnection Investments B.V. The Board of Director's made an assessment on the accounting treatment of the preference share obtained. The Board concluded that the asset should be recognized as a financial asset (debt instrument) measured at initial recognition at fair value, subsequently measured at fair value through profit and loss. The fair value was calculated based on a commonly accepted valuation method, the option pricing model ("OPM"), which considers the share classes as call options on the total shareholders' equity value according to the rights and preferences of each class of equity. The payoff profile of the share classes was analyzed through a portfolio of call options, with the total equity value of a company as the underlying asset of the options and specific terms for each option calibrated to mirror, in aggregate, the payoff profile of the share classes. Relying on the forward-looking Black-Scholes-Merton ("BSM") financial instrument pricing framework, the OPM effectively captures the full range of potential outcomes for the share classes at exit. The OPM takes into consideration the full spectrum of risks in terms of future potential upside or downside but does not require explicit estimates of the possible future outcomes. The BSM model is commonly used to price assets on financial markets and allows to estimate the theoretical value of a call option, using six key parameters, namely the underlying equity value, strike price, time to maturity, risk free rate, expected volatility of the underlying equity and dividend yield on the underlying equity, which is a Level 3 input in terms of IFRS 13. Significant increases or decreases in equity value, volatility and time to maturity and below assumptions in isolation would result in a significantly lower or higher fair value assessment.

The following assumptions were used in the Black-Scholes model to determine the fair value of the asset:

	2022	2021
Expected time to maturity	5 years	
Volatility	55%	—%
Risk-free interest rate	2.51%	—%

The carrying amount of this investment has changed as follows:

Amounts in US$ '000	2022	2021
1 January	—	—
Investment	7,933	—
Fair value changes	(1,185)	—
Currency translation	79	—
Balance at December 31	**6,827**	—

Sensitivity analysis

To illustrate the exposure of the carrying value of the investment to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared over the key drives most affected by the current uncertainties. It is possible that there will be movements in these key inputs after December 31, 2022. While it is unlikely that these reported inputs would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual input has on the reported fair value and they do not represent management's estimate at December 31, 2022.

The main assumptions in determination of the equity value are shown in below table

Preference share BioConnection (in million US$)					
Revenue level	Fair value	Discount rate	Fair value	EBITDA margin	Fair value
-10.0%	5.8	-2.0%	7.4	-5.0%	6.2
-5.0%	6.3	-1.0%	7.0	-2.5%	6.5
Base case	6.8	Base case	6.8	Base case	6.8
+5.0%	7.3	+1.0%	6.6	+2.5%	7.1
+10.0%	7.6	+2.0%	6.4	+5.0%	7.4

The impact of the remaining variables on the Black-Scholes model are shown in below table:

Preference share BioConnection (in million US$)			
Time to maturity	Fair value	Volatility	Fair value
- 2 years	8.2	-10.0%	7.8
- 1 year	7.5	-5.0%	7.3
Base case	6.8	Base Case	6.8
+ 1 year	6.3	+5.0%	6.4
+ 2 years	5.8	+10.0%	6.0

13.3 Investments in equity instruments designated as at Fair Value Through Other Comprehensive Income

The Group holds 1,0 percent of the ordinary share capital of Orchard Therapeutics, a global gene therapy leader. The shares were acquired as of July 1, 2021, as part of strategic collaboration between Pharming Group N.V. and Orchard Therapeutics to research, develop, manufacture and commercialize OTL-105, a newly disclosed investigational ex-vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of hereditary angioedema (HAE), a life-threatening rare disorder that causes recurring swelling attacks in the face, throat, extremities and abdomen.

Under the terms of the collaboration, Pharming has been granted worldwide rights to OTL-105 and will be responsible for clinical development, regulatory filings, and commercialization of the investigational gene therapy, including associated costs. Orchard will lead the completion of IND-enabling activities and oversee manufacturing of OTL-105 during pre-clinical and clinical development, which will be funded by Pharming. In addition, both companies will explore the application of non-toxic conditioning regimen for use with OTL-105 administration. As part of the agreement, Orchard is eligible to receive up to US$189.5 million in development, regulatory and sales milestones as well as mid-single to low double-digit royalty payments on future worldwide sales.

Management does not consider that the Group is able to exercise significant influence over Orchard Therapeutics as the other 99,0 percent of the ordinary share capital is publicly traded at the Nasdaq stock exchange (Nasdaq: ORTX).

Name of entity	Place of business	% of ownership interest		Nature of relationship	Measurement method
		2022	2021		
Orchard Therapeutics Plc.	London, UK	1.00%	1.00%	Investment	Fair value

The fair value as at December 31, 2022 was determined on the basis of the trading price as at that date.

Amounts in US$ '000	Carrying amount
1 January 2021	—
Initial recognition	4,589
Fair value adjustments through OCI	(3,077)
Currency translation	(63)
Carrying value at December 31, 2021	**1,449**
Initial recognition	—
Fair value adjustments through OCI	(950)
Currency translation	(96)
Carrying value at December 31, 2022	**403**

14. Restricted cash, cash and cash equivalents

Amounts in US$ '000	2022	2021
Restricted cash (non-current)	1,099	812
Restricted cash (current)	213	227
Cash and cash equivalents	207,342	191,924
Total restricted cash, cash and cash equivalents	**208,654**	**192,963**

Cash is free at disposal of the Company, except for restricted cash, which amounts to US$1.3 million in 2022 (2021: US$1.0 million). Restricted cash (current), which amounts US$0.2 million in 2022 (2021: US$0.2 million), includes the value of banker's guarantees issued with respect to (potential) commitments towards third parties which is considered to be of a short-term nature.

Furthermore, restricted cash (non-current) includes a deposit for rent which is considered long-term.

As such, although temporarily restricted, the Company can access the current portion of this cash if necessary. For purposes of the cash flow statements all restricted cash is not considered as "cash and cash equivalents".

15. Inventories

Inventories mainly include batches RUCONEST® and work in progress available for production of RUCONEST®.

Amounts in US$ '000	2022	2021
Finished goods	12,460	9,853
Work in progress	29,553	16,911
Raw materials	313	546
Balance at December 31	**42,326**	**27,310**

Changes in the adjustment to net realizable value:

Amounts in US$ '000	2022	2021
Balance at January 1	(2,448)	(646)
Addition to impairment	(164)	(2,342)
Release of impairment	312	20
Usage of impairment	195	407
Currency translation	134	113
Balance at December 31	**(1,971)**	**(2,448)**

The inventory valuation at 31 December 2022 of US$42.3 million is stated net of an impairment of US$2.0 million (2021: US$2.4 million). The impairment primarily relates to products no longer eligible for commercial sales.

Inventories are available for use in commercial, preclinical and clinical activities. Estimates have been made with respect to the ultimate use or sale of product, taking into account current and expected sales as well as preclinical and clinical programs. These estimates are reflected in the additions to the impairment. The releases to the impairment relate to amendments to the estimates as a result of the fact that actual sales can differ from forecasted sales and the fact that vials allocated to preclinical and clinical programs

can be returned to inventory. The costs of vials used in preclinical and clinical programs are presented under the research and development costs.

Cost of inventories included in the cost of sales in 2022 amounted US$17.4 million (2021: US$19.1 million). The main portion of inventories at 31 December 2022 have expiration dates starting beyond 2023 and are all expected to be sold and/or used before expiration.

Pharming management has assessed the different production stages, including the classification of Pharming's goods at every separate stage. Based on the assessment, Pharming management concluded that applying a reclassification would result in providing more reliable and relevant information about Pharming's inventory and production processes. As a result, the skimmed milk used in the production of RUCONEST® will be classified as work in progress rather than raw materials as part of the production is already performed. Furthermore, the products that still have to be labelled are classified as work in progress rather than finished goods

There is no impact on the total amount of inventory at hand, nor the primary financial statements. The table below shows a summary of the disclosure impact of the inventory reclassification in the prior year closing balance.

Amounts in US$'000	December 31, 2021 As previously reported	Adjustment	December 31, 2021 Restated amount
Finished Goods	13,560	(3,707)	9,853
Work in Progress	9,606	7,305	16,911
Raw Materials	4,144	(3,598)	546
Total inventory	**27,310**	—	**27,310**

16. Trade and other receivables

Amounts in US$ '000	2022	2021
Trade receivables	20,964	18,076
Prepaid expenses	2,288	2,392
Value added tax	1,453	2,486
Other receivables	1,117	2,363
Taxes and social securities	1,797	4,666
Balance at December 31	**27,619**	**29,983**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30-60 days and therefore are all classified as current. The Company's outstanding trade receivables are mainly related to the sales in the U.S. The decrease in trade receivables relates to timing of customer orders and payments around year-end

The Company did not recognize any expected credit losses. Pharming measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision

matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Pharming has a limited number of customers with long term relationships, without a history of shortfalls. As a result, no loss allowance for expected credit losses is recognized.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

17. Shareholders' equity

The Company's authorized share capital amounts to US$9.4 million (€8.8 million), exchange rate (EUR:US$) equals 1:1.0667) and is divided into 880,000,000 ordinary shares with a nominal value of €0.01 each. All 656,348,225 (€6.6 million) shares outstanding at 31 December 2022 have been fully paid-up. Other reserves include those reserves related to currency translation, fair value revaluation, participating interest and capitalized development costs. Please refer to the Consolidated statement of changes in equity and to note 27. The Consolidated statement of changes in equity and note 27 further describes the background of the main equity movements in 2022 and 2021.

Net result and accumulated deficit

Article 21.1 of the articles of association reads as follows: 'the Board of Directors shall annually determine the amount of the distributable profit – the surplus on the profit and loss account – to be reserved.' The Board of Directors has proposed to forward the net profit for the year 2022 to the accumulated deficit. Anticipating the adoption of the financial statements by the shareholders at the Annual General Meeting of shareholders, this proposal has already been reflected in the financial statements.

Share-based compensation

Share-based compensation within equity includes those transactions with third parties, the former Board of Management and employees in which payment is based in shares or options, based on current or future performance. For 2022 these transactions were valued at US$6.4 million and for 2021 at US$9.1 million (see note 21).

Value conversion rights of convertible bonds

The original equity component of the convertible bonds as recorded at initial recognition amounts to US$1.6 million. Reference is made to note 18.

Warrants

In 2022 warrants, representing a total of — shares (2021: 60,915 shares) were exercised in exchange for that number of shares. In relation to the exercises, the Company received US$— million (2021: $0.02 million) in cash.

Options exercised / LTIP shares issued

In 2022, options were exercised and LTIP shares were issued for a total of 7,598,943 shares. In 2021, options were exercised and LTIP shares were issued for a total of 9,866,748 shares.

Adjustment to share capital

There were no adjustments to the authorized share capital in 2022 and 2021.

Other reserves

Amounts in US$ '000	Legal Reserve Currency translation reserve (CTA)	Legal Reserve Capitalized development cost	Legal Reserve participating interest	Reserve Fair value revaluation	Total
Balance at January 1, 2021	**19,037**	**4,955**	**622**	**—**	**24,614**
Movements in the year	(15,072)	(4,553)	694	(2,283)	(21,214)
Balance at December 31, 2021	**3,965**	**402**	**1,316**	**(2,283)**	**3,400**
Movements in the year	(10,349)	—	(1,083)	(705)	(12,137)
Balance at December 31, 2022	**(6,384)**	**402**	**233**	**(2,988)**	**(8,737)**

The other reserves concern the reserve fair value revaluation, reserve participating interest, currency translation differences of foreign investments and capitalized development expenses.

Adjustments to the reserve participating interest relate to the undistributed profits of the participating interest.

Adjustments to the currency translation reserve reflect the effect of translating Euro operations denominated in Euro since their functional currency is different from the reporting currency.

The legal reserves for capitalized development expenses as of 31 December 2022 (US$0.4 million) shows no activity compared to 2021 (US$0.4 million), as there were no internally developed capitalized costs for 2022.

The other reserve fair value revaluation (US$3.0 million) relates to the changes in fair value between the acquisition date and balance sheet date (December 31, 2022) on our investment in equity instruments designated at fair value through OCI.

18. Convertible bonds

Recognition and movements of the convertible bonds were as follows:

Amounts in US$ '000	2022	2021
Balance at January 1	**140,886**	**151,767**
Interest paid (cash flow)	(3,952)	(4,448)
Amortization transaction cost	784	849
Accrued interest	3,952	4,447
Currency translation	(8,284)	(11,729)
Balance at December 31	**133,386**	**140,886**
- Current portion	1,768	1,879
- Non-current portion	131,618	139,007

On January 21, 2020, the Company issued €125 million aggregate principal amount of 3.00% convertible bonds due 2025. The bonds were issued at par and bear interest at a rate of 3.00% per annum payable semi-annually in arrears in equal installments. Unless previously converted, redeemed or purchased and cancelled, the bonds will mature on January 21, 2025.

The bonds are convertible into the Company's ordinary shares at an initial conversion price of €2.0028. This initial conversion price is subject to customary adjustment provisions. The number of ordinary shares initially underlying the bonds is 62,412,622. Any adjustment to the conversion price resulting in an increase in the number of conversion shares may require the Company to obtain further authorization from the Company's shareholders to issue shares, grant rights to subscribe for shares and exclude preemptive rights. The Company has the option to redeem all, but not some only, of the outstanding bonds in cash at par plus accrued interest at any time, (a) if, on or after February 13, 2023, the parity value on each of at least 20 trading days in a period of 30 consecutive trading days shall have exceeded 130% of the principal amount or (b) if, at any time, 85% or more of the aggregate principal amount of the bonds originally issued shall have been previously converted and / or repurchased and cancelled.

The convertible bonds are comprised of two components. The first component is a financial liability, which represents our contractual obligation to deliver cash or another financial asset for payment of interest and principal, if not

converted. The second component is an equity instrument as it represents a written call option granting the holder the right, for a specified period of time, to convert it into a fixed number of the Company's ordinary shares.

The fair value of the consideration in respect of the liability components is measured at the fair value of a similar liability that does not have any associated equity conversion option (IFRS 9 paragraph 5.1.1). This is the liability component's carrying amount at initial recognition.

The equity component will be measured at the residual difference between the nominal value and the fair value of a similar liability that does not have any associated equity conversion option (IAS 32 paragraph 31). The original equity component as recorded at initial recognition amounts to US$1.6 million.

19. Leases

Lease liabilities can be specified as follows:

Amounts in US$ '000	2022	2021
Balance at January 1	**20,875**	**10,192**
New Leases	16,248	14,118
Interest expense accrued	718	680
Payments of lease liabilities	(3,311)	(3,217)
Other movements	(348)	94
Currency translation	(874)	(992)
Balance at December 31	**33,308**	**20,875**
- Current portion	3,465	2,419
- Non-current portion	29,843	18,456

New leases in 2022 primarily relate to new lease contracts for our operational facilities in the Netherlands.

Future minimum lease payments as at 31 December 2022 and 2021 are as follows:

Amounts in US$ '000	2022		2021	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	4,644	4,535	3,118	3,068
After one year but not more than five years	15,157	13,582	10,255	9,392
More than five years	20,890	15,191	10,123	8,415
Balance at December 31	**40,691**	**33,308**	**23,496**	**20,875**

20. Trade and other payables

Amounts in US$ '000	2022	2021
Accounts payable	8,753	7,599
Taxes and social security	2,099	1,505
Other accruals	12,809	7,614
Other payables	—	34
Accruals for employees	12,139	8,850
Accruals for rebates and discounts	10,490	11,111
Accrual for production	8,175	5,760
Balance at December 31	**54,465**	**42,473**

The increase in accounts payable is mainly due to timing of payments. Accrual for production increased due to an increase in production. The accrual for rebates and discounts has increased, mainly due to the increase of revenues and timing of settlements. Accruals for employees mainly relate to bonuses for employees, holiday allowances and non-taken vacation days and increased due to an increase in the number of employees. Finally, the other accruals relate to general expenses for which no invoice was received yet. The increase is mainly related to timing of invoicing by Pharming's suppliers.

21. Share-based compensation

The remuneration policy for the Board of Directors was adopted by our shareholders on December 11, 2020, and governs the remuneration of both the Executive and the Non-Executive Directors (hereafter referred to as the "Remuneration Policy"). In accordance with Dutch law, the policy has to be submitted to our shareholders for adoption every four years.

The Policy refers to an undefined number of Executive Directors and Non-Executive Directors. Since May 19, 2021, the Board of Directors is composed of one Executive Director (i.e., the CEO) and seven Non-Executive Directors. In case of future appointments of additional Executive Directors, the Policy shall also be applicable to the remuneration packages for these additional Directors, if any, in accordance with the terms thereof. Therefore, any reference below to Executive Director in the singular also includes the plural, and vice-versa, subject to more restrictive deviations in the Policy and except for specific references to the CEO.

The remuneration packages of the individual Directors are determined by the Board of Directors, without the involvement of the Executive Director in the deliberations and decision-making concerning his own remuneration, and each time within the restrictions set by the remuneration policy.

Arrangements in the form of shares or rights to subscribe for shares will each time remain subject to the approval of the shareholders at the General Meeting, notwithstanding the adopted policy. On December 11, 2020, the shareholders approved the proposals that were submitted accordingly for the new long-term incentive program for the Executive Director, as described in the Remuneration Policy, and the one-off transition arrangement for the implementation of that new program. Our shareholders also authorized the Board of Directors, for a period of eighteen months, as the company body authorized to grant and issue the ordinary shares to the Executive Director under the new long-term incentive program and the one-off transition arrangement, respectively, and to exclude any preemptive rights of existing shareholders in connection with these issuances.

The total expense recognized in 2022 for share-based payment plans amounts to US$6.4 million (2021: US$9.1 million).

The total expenses for share-based payment plans in 2022 is specified as follows:

Share-based compensation (in U.S.$ '000)	2022	2021
Employee options	2,390	4,262
Long term incentive plan	3,528	4,793
Restricted stock units	474	—
Balance at December 31	**6,392**	**9,055**

The employee options expense decreased due to vesting of the majority options for the board of directors relating to historic option plans and a change in the employee share-based compensation plans where for 2022 RSU's have been granted instead of employee options. As mentioned above, options for board of director's are not included in any new granted share-based compensation plans. The remainder of the decrease is caused by currency translation effects.

Long-term incentive plan expenses decreased due to a release of the share-based compensation provision relating to leavers during 2022. The remainder of the decrease is caused by currency translation effects.

The restricted stock units relates to the new 2022 share-based compensation plan for (senior) management of the company. The RSU's were granted as of October 26, 2022, and is an equity settled compensation plan vesting in four equal yearly tranches. The expenses represents the fair value of the granted RSU's for the year 2022 as of the grant date.

21.1 Models and assumptions

IFRS 2 describes a hierarchy of permitted valuation methods for share-based payment transactions. If possible, an entity should use market prices at measurement date to determine the fair value of its equity instruments. If market prices are unavailable, as is the case with Pharming's option plans and long-term incentive plan, the entity shall estimate the fair value of the equity instruments granted. A valuation technique should be used to estimate the value or price of those equity instruments as it would have been at the measurement date in an arm's length transaction between knowledgeable, willing parties.

The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments and shall incorporate all factors and assumptions that knowledgeable market participants would consider in setting the price.

Whatever pricing model is selected, it should, as a minimum, take into account the following elements:

- The exercise price of the option;
- The expected time to maturity of the option;
- The current price of the underlying shares;
- The expected volatility of the share price;
- The dividends expected on the shares;
- The risk-free interest rate for the expected time to maturity of the option.

Models and assumptions option plans

The costs of option plans are measured by reference to the fair value of the options at the grant date of the option.

The six elements above are all incorporated in the Black-Scholes model used to determine the fair value of options. The exercise price of the option and the share price are known at grant date. Volatility is based on the historical end-of-month closing share prices over a period prior to the option grant date being equal to the expected option life, with a minimum of 3 years. It is assumed no dividend payments are expected.

The total number of shares with respect to which options may be granted pursuant to the option plans accumulated, shall be determined by Pharming, but shall not exceed 10% of all issued and outstanding shares of Pharming on a diluted basis. Shares transferred or to be transferred, upon exercise of options shall be applied to reduce the maximum number of shares reserved under the plans. Unexercised options can be re-used for granting of options under the option plans.

The following assumptions were used in the Black-Scholes model to determine the fair value of options at grant date:

Pharming may grant options to a member of the Executive Committee or an employee:

- At the time of a performance review;
- Only in relation to an individual: a date within the first month of his or her employment;
- In case of an extraordinary achievement;
- In case of a promotion to a new function within Pharming.

The option exercise price is the price of the Pharming shares on the stock exchange on the trading day prior to the date of grant. Vested options can be exercised at any time within five years following the date of grant. Unexercised options shall be deemed lapsed and shall cease to exist automatically after five years. Exercise of options is subject to compliance with laws and regulations in the Netherlands. Exercise of options is including withholding taxes. Each option is equal to one share unless otherwise stated. Options are not applicable for early retirement.

	2022	2021
Expected time to maturity	1-4 years	1-4 years
Volatility	36% - 50%	47% - 57%
Risk-free interest rate	(0.48%) - 2.49%	(0.52%) - (0.03%)

Option plan employees

Article 2.1 of the option plan for employees' states: 'Pharming may grant options to any employee. The criteria for the granting of the options up to December 11, 2020, was determined by the Board of Supervisory Directors of Pharming, at its sole discretion. Up to December 11, 2020, the Board of Management proposed (i) whether the criteria for granting an option have been met by a potential participant and (ii) the number of options to be granted. As from December 11, 2020, the execution of the Company's remuneration policy and other benefits policies and incentive programs, as approved by the Board of Directors (to the extent required), for all staff members of the Company and its subsidiaries, excluding the CEO and the other members of the Executive Committee, is delegated to the Chief Executive Officer.

Article 4.4 of the employee option plan deals with the vesting scheme of employee options and reads as follows: 'in case of the termination of the employment of a participant, except for retirement and death, Pharming at its sole discretion is entitled to decide that the options of the participant shall lapse. The following schedule shall apply for the cancellation:

- In the event of termination of employment within one year as of a date of grant, all options shall lapse;
- In the event of termination of employment after the first year as of a date of grant, all options, less 1/4 of the number of options shall be lapsed. The number of options to be cancelled decreases for each month that the employment continued for more than one year as of that date of grant by 1/48 of the number of options granted of that date of grant.

Models and assumptions Long Term Incentive Plan

For the long-term incentive plan, the following elements of Pharming and/or the peer group are included in order to determine the fair value of long-term incentive plan share awards, using Monte Carlo simulation:

- Start and end date of performance period;
- The grant date;
- The share prices;
- Exchange rates;
- Expected volatilities;
- Expected correlations;
- Expected dividend yields;
- Risk free interest rates.

Volatilities are based on the historical end-of-month closing share prices over the 3 years.

Correlations are based on 3 years of historical correlations based on end-of-month closing quotes, taking into account exchange rates. Expected dividend yields for peers and risk-free interest rates (depending on the currency) are obtained from Bloomberg.

Under the LTIP, restricted shares are granted conditionally each year with shares vesting based on the market condition in which the total shareholder return performance of the Pharming share is compared to the total shareholder return of a peer group of other European biotech companies.

During 2022, there were no LTIP grants other than the grants for the executive directors as disclosed below.

Long Term Incentive Plan for the Executive Directors

As part of the Remuneration Policy, the Long Term Incentive Program is applicable to Executive Directors and has been aligned with prevailing "best practices" and is performance related only. For the Executive Directors, the on-target value of the shares to be awarded under the newly designed LTI Program, as described in the remuneration policy, is set at 300% of the gross annual salary for the CEO (representing 50% below the lowest quartile of the U.S. benchmark group and just below the top quartile of the EU benchmark group for the executive directors) and 200% for other Executive Directors and Officers (representing between 20 and 30% below the lowest quartile of the U.S. benchmark group and just in the top quartile of the EU benchmark group for the Executive Directors).

EU and U.S. benchmark group:

Company Location	Location
Europe	
Alliance Pharma	Chippenham, United Kingdom
Allergy Therapeutics	Worthing, United Kingdom
Autolus Therapeutics	London, United Kingdom
Basilea Pharmaceutica	Basel, Switzerland
Bavarian Nordic	Hellerup, Denmark
BioGaia	Stockholm, Sweden
Biotest	Dreieich, Germany
Camurus	Lund, Sweden
Cosmo Pharmaceuticals	Dublin, Ireland
Innate Pharma	Marseille, France
Merus	Utrecht, Netherlands
Mithra Pharmaceuticals	Liege, Belgium
Myoivant Science	London, United Kingdom
Oxford Biomedica	Oxford, United Kingdom
uniQure	Amsterdam, Netherlands
Valneva	Nantes, France
Zealand Pharma	Copenhagen, Denmark
U.S.	
Aerie Pharmaceuticals	Durham, NC
Anika Therapeutics	Bedford, MA
Clovis Oncology	Boulder, CO
Coherus BioSciences	Redwood City, CA
Collegium Pharmaceutical	Stoughton, MA
Enanta Pharmaceuticals	Watertown, MA
Heron Therapeutics	San Diego, CA
Intercept Pharmaceuticals	Morristown, NJ
Ironwood Pharmaceuticals	Boston, MA
Karyopharm Therapeutics	Newton, MA
Ligand Pharmaceuticals	San Diego, CA
MannKind	Danbury, CT
Radius Health	Waltham, MA
Rigel Pharmaceuticals	South San Francisco, CA
Supernus Pharmaceuticals	Rockville, MD
Travere Therapeutics	San Diego, CA
Vanda Pharmaceuticals	Washington, DC

The maximum value of the shares that can vest under the LTI program is set at 450% of the gross annual salary for the CEO and 300% for other Executive Directors and Officers. Executive Directors are required to retain the shares awarded under the LTI program for a minimum of five years from the date of grant.

The shares granted to the Executive Directors under the LTI program will vest in three years after the grant date, subject to the achievement of the targets set by the Board of Directors, upon proposal of the Remuneration Committee, for the three-year performance period (i.e., double-trigger vesting), their relative weightings and the pay-out limits. All shares awarded will be subject to a retention period of five years from the date of grant (i.e., two years after vesting), in accordance with the best practice provisions of the DCGC.

The performance objectives include the Total Shareholder Return (40% weighing) and the achievement of long-term strategy oriented objectives (60% weighing). The peer group used to determine the Total Shareholder Return is composed of the companies included in the AScX Index and the NASDAQ Biotechnology Index, represented by the IBB ETF, respectively, equally weighted, at the time of the determination.

The thresholds and payout percentages for the LTI program are given by the following table, as to be determined for each of the AScX and IBB indices separately (each weighted at 50% of pay-out):

TSR equal to index	80% pay-out
TSR 10% above index	90% pay-out
TSR 20% above index	100% pay-out
TSR 40% above index	110% pay-out
TSR 60% above index	120% pay-out
TSR 80% above index	130% pay-out
TSR 100% above index	150% pay-out
TSR below index	0% pay-out

The range of assumptions used in the Monte Carlo simulation to determine the fair value of long-term incentive plan share awards at grant date were:

	2022	2021
Volatilities	46%	49%
Risk-free interest rates	0.61%	-0.554%--0.416%
Dividend yields	0.00%	0.00%

Restricted Stock Units

This Plan is effective as of October 26, 2022, and shall be executed in compliance with the Articles of Association and applicable law and concerns Pharming's (senior) management. The RSU plans are not applicable for the board of directors, nor the executive committee. For each participant, the RSU's granted to them will vest in four equal tranches of twelve months, provided that at the time of vesting such participant is still an employee. No performance criteria are applicable to this plan. The fair value of the grant is, in line with IFRS 2, the actual share price at date of the grant (October 26, 2022), being EUR 0,97. A total of 4.931.000 RSU's were granted with a total expense of US$5.0 million (US$ yearly average exchange rate = 1.0543). This expense will be charged to Pharming's results over the vesting for the following tranches:

a. a first tranche of 25% of the RSU's granted, vesting twelve months after the Vesting Commencement Date;

b. a second tranche of 25% of the RSU's granted, vesting two years after the Vesting Commencement Date;

c. a third tranche of 25% of the RSU's granted, vesting three years after the Vesting Commencement Date; and

d. a fourth tranche of 25% of the RSU's granted, vesting four years after the Vesting Commencement Date.

One-off transition arrangement for the Chief Executive Officer

The implementation of the new three-year vesting scheme under the LTIP has a major impact on the current

remuneration packages of existing Executive Directors for the period 2020-2023, as the Executive Directors' current packages feature annual option and share grants. The share-based compensation under the existing packages and plans over this three-year period would have resulted in three option grants, with guaranteed vesting of a total of 8,400,000 options for the CEO on the basis of continued tenure over the three-year period. In addition, the CEO would have been eligible for three annual restricted share grants pursuant to the LTIP of up to 30% of the base salary.

To mitigate the described impact, the Company has agreed to a one-off transition arrangement with the CEO as approved at the General Meeting of Shareholders on December 11, 2020. This one-off transition arrangement provides for (i) the conversion of the total number of 8,400,000 options for the CEO (i.e., the total number of share options that was expected to be granted in 2021, 2022 and 2023 without the arrangement) into one grant for a total number of 4,200,000 shares for 2020, which vesting will be governed by the performance-based criteria of the new LTI program, and (ii) the vesting of the performance shares in three annual tranches in the first quarter of 2021, 2022 and 2023, subject to the performance-based criteria of the new LTI program for Executive Directors as described above in the Long Term Incentive Plan for the Executive Directors paragraph.

In addition, the grant and each of the three potential vestings of the granted shares under the Long-term Incentive One-Off Arrangement is subject to:

i. a five-year retention period for the granted shares;

ii. the annual pro-rata satisfaction upon vesting of the set long-term performance targets, as determined by the Board of Directors; and

iii. the other terms and conditions applicable to the LTI Program pursuant to the Remuneration Policy for the Board of Directors dated December 11, 2020.

Pursuant to the one-off transition arrangement, the CEO has waived all his rights for the grant of restricted shares and option rights, respectively, under the LTIP and the existing option plans for the financial year 2020. On December 22, 2020, a total number of 4,200,000 (restricted) shares was granted to the CEO in accordance with the terms of the one-off transition arrangement.

21.2 Option plans

An overview of activity in the number of options for the year 2022 is as follows (please also refer to note 27 in respect of movements since the reporting date)(note that the dollar weighted average exercise price is translated using the closing exchange rate for the respective year (2022: 1:1,0667)):

	2022		2021	
	Number	Weighted Average Exercise Price (US$)	Number	Weighted Average Exercise Price (US$)
Balance at January 1	**52,789,478**	**0.911**	**50,106,488**	**0.909**
Forfeited	(3,660,928)	0.847	(946,738)	1.046
Granted	4,801,938	0.902	12,081,000	0.931
Exercised	(6,333,687)	0.599	(8,451,272)	0.520
Balance at December 31	**47,596,801**	**0.897**	**52,789,478**	**0.911**
- Vested	8,687,584	0.844	21,388,237	0.833
- Unvested	38,909,217	0.910	31,401,241	0.966

Exercised options 2022

In 2022 a total of 6,333,687 options have been exercised with an average exercise price of US$0.60. In 2021 a total of 8,451,272 options have been exercised with an average exercise price of US$0.52.

All options outstanding at 31 December 2022 are exercisable with the exception of the unvested options granted to the employees still in service. The 2022 share options for the employees vest after one year under the condition the employees are still in service at vesting date.

Exercise prices of options outstanding at 31 December 2022 and the exercise values are in the following ranges (note that the exercise value in US$ is translated using the closing exchange rate for the respective year (2022: 1:1,0667)):

Exercise prices in US$	2022		2021	
	Number	Exercise value in US$'000	Number	Exercise value in US$'000
0.28 - 0.57	0	—	3,482,428	1,322
0.57 – 0.85	26,796,675	21,847	12,290,925	10,155
0.85 – 2.83	20,800,126	20,895	37,016,125	36,646
Balance at December 31	**47,596,801**	**42,742**	**52,789,478**	**48,123**

Granted options

In 2022, the Company granted 4,801,938 options to employees with a weighted average exercise price of US$0.90; fair values for options granted in 2022 were in the range of US$0.092 - US$0.489. In 2021, the Company granted 12,081,000 options to employees with a weighted average exercise price of US$0.93; fair values for options granted in 2021 were in the range of US$0.891 - US$1.292

21.3 Long Term Incentive Plan

An overview of the number of LTIP shares granted in 2019-2022 and in total as well as the fair value per share award is as follows (note that the fair value per share award in US$ is translated using the closing exchange rate for the respective year (2022: 1:1,0667)):

Participant category	2019	2020	2021	2022	Total
Non Executive members of the Board of Directors	205,000	—	—	—	205,000
Executive Members of the Board of Directors	201,050	—	1,337,888	2,363,455	3,902,393
Executive Committee	326,807	105,000	6,301,400	5,816,083	12,549,290
Senior managers	1,830,000	930,000	812,500	—	3,572,500
Total	**2,562,857**	**1,035,000**	**8,451,788**	**8,179,538**	**20,229,183**
Fair value per share award (US$)	0.387	0.923	0.887	0.517	

The following table provides an overview of LTIP shares granted, forfeited or issued in 2019-2022 as well as the number of LTIP shares reserved at 31 December 2022:

Participant category	Granted	Issued	Forfeited / Unvested	Reserved at December 31, 2022
Non Executive members of the Board of Directors	205,000	(18,000)	(187,000)	0
Executive Members of the Board of Directors	3,902,393	(20,306)	(180,744)	3,701,343
Executive Committee	12,549,290	(440,934)	(3,260,738)	8,847,618
Senior managers	3,572,500	(180,616)	(2,059,384)	1,332,500
Total	**20,229,183**	**(659,856)**	**(5,687,866)**	**13,881,461**

21.4 Restricted Stock Units

The fair value of the grant is, in line with IFRS 2, the actual share price at date of the grant (October 26, 2022), being EUR 0,97 (US$1,035, translated at the closing exchange rate of 1:1,0667). A total of 4.931.000 RSU's were granted with a total expense of US$5.0 million (US$ yearly average exchange rate = 1.0543).

21.5 Transition arrangement for the Chief Executive Officer

On December 22, 2020, a total number of 4,200,000 (restricted) shares was granted to the CEO in accordance with the terms of the one-off transition arrangement. These shares will vest in three equal annual tranches in 1Q 2021, 1Q 2022 and 1Q 2023, subject to the pro-rata achievement of the long-term targets under the new LTI program.

The second year of the 3-year performance period for the 2021 share grant pursuant to the LTI one-off transition arrangement, ended on December 31, 2021. Accordingly the Board of Directors, upon a recommendation of the Remuneration Committee, determined in the first quarter of 2022 the vesting of the second annual tranche of the total number of 4,200,000 shares conditionally granted to the Chief Executive Officer (i.e., 1,400,000 shares).

The shares will not vest until the first quarter of 2024, applying the targets set at the start of the three year performance period in 2021.

The performance on both the TSR and the strategic corporate objectives, applying the respective weightings, leads to the following vesting level under the One-Off Transition Arrangement for the CEO (i.e., second annual tranche of 1,4000,000 shares):

Metric definition	Achievement	Weighting	Vesting level
TSR	115%	40%	46%
Strategic Objectives	90%	60%	54%
Total		**100%**	**100%**

In accordance with the resulting 100% vesting level, a total number of 1,400,000 shares vested in 2023 for the CEO for the third annual tranche of the shares granted under the LTI One-Off Transition Arrangement. These shares are subject to a retention period of five years.

22. Board of Directors

In connection with the listing of our ADSs on Nasdaq, we converted our two-tier board structure into a one-tier board structure, with a single board of directors consisting of the executive director and non-executive directors. The new structure became effective on December 11, 2020. Since that date, the Board of Directors is jointly responsible for the management of the Company. The daily management of the Company and the execution of the strategy are entrusted to the CEO, as the only Executive Director. The CEO is supported by the non-statutory Executive Committee in the execution of his tasks and responsibilities. The Non-Executive Directors share statutory management responsibility, but shall focus on the supervision on the policy and functioning of the performance of the duties by the Executive Director and the Company's general state of affairs. The Non-Executive Directors would focus on the supervision on the policy and functioning of the performance of the duties by the Executive Directors and the Company's general state of affairs.

Dr. S. de Vries is the Company's sole Executive member of the Board of Directors and is continuing to be the Chief Executive Officer.

The Board of Directors has the following members:

Name	Position	
Mr. P. Sekhri	Chair of the Board of Directors and Non-Executive Board Member	
Ms. D. Jorn	Vice Chair of the Board of Directors and Non-Executive Board Member	
Ms. B. Yanni	Non-Executive Board Member	
Dr. M. Pykett	Non-Executive Board Member	
Ms. J. van der Meijs	Non-Executive Board Member	Appointed 19 May 2021
Mr. L. Kruimer	Non-Executive Board Member	Appointed 19 May 2021
Mr. S. Baert	Non-Executive Board Member	Appointed 19 May 2021
Dr. S. de Vries	Executive Board Member and Chief Executive Officer	

Non-Executive members Board of Directors

Remuneration

For 2022 the annual compensation of the non-executive members of the Board of Directors was as follows:

Responsibility	Cash in Euro's (per annum)	Ordinary shares in Euro's * (per annum)	Cash in US Dollars (per annum)	Ordinary shares in US Dollars * (per annum)
Chair of the Board of Directors	65,000	40,000	68,530	42,172
Non-Executive Director	45,000	30,000	47,444	31,629
Chair Audit Committee	9,000		9,489	
Member Audit Committee	3,000		3,163	
Chair Remuneration Committee	6,000		6,326	
Member Remuneration Committee	3,000		3,163	
Chair Governance Committee	6,000		6,326	
Member Governance Committee	3,000		3,163	

** All shares to be valued at the 20 day VWAP preceding the Annual General Meeting of Shareholders, without further restrictions or grant.*

An additional compensation of €1,000 (US$1,054) per day in case of extraordinary activities, as determined by the Chair of the Board of Directors. Compensation of the Non-Executive members of the Board of Directors for 2022 and 2021 was as follows:

Amounts in US$ '000	Year	Cash	Share-Based Payment	Total
Mr. Paul Sekhri	2022	72	42	114
	2021	77	55	132
Mr. Barrie Ward	2022	—	—	—
	2021	23	20	43
Mr. Juergen Ernst	2022	—	—	—
	2021	—	6	6
Mr. Aad de Winter	2022	—	—	—
	2021	26	21	47
Ms. Deborah Jorn	2022	55	32	87
	2021	64	42	106
Ms. Barbara Yanni	2022	53	32	85
	2021	60	36	96
Dr. Mark Pykett	2022	50	32	82
	2021	57	36	93
Ms. Jabine van der Meijs	2022	57	32	89
	2021	47	24	71
Mr. Leonard Kruimer	2022	57	32	89
	2021	47	24	71
Mr. Steven Baert	2022	55	32	87
	2021	45	24	69
Total	**2022**	**399**	**234**	**633**
	2021	**446**	**288**	**734**

Shares

At 31 December 2022, the Non-Executive members of the Board of Directors held the following numbers of shares:

December 31, 2022	Ordinary shares
Mr. Paul Sekhri	486,037
Ms. Deborah Jorn	98,778
Ms. Barbara Yanni	83,187
Dr. Mark Pykett	83,187
Ms. Jabine van der Meijs	58,349
Mr. Leonard Kruimer	58,349
Mr. Steven Baert	58,349
Total	**926,236**

All shares held by the Non-Executive members of the Board of Directors are unrestricted.

Loans or guarantees

During the year 2022, the Company has not granted loans or guarantees to any member of the Non- Executive members of the Board of Directors. No loans or guarantees to Non-Executive members of the Board of Directors were outstanding at 31 December 2022.

Executive members Board of Directors

Remuneration

The Executive Board Member is entitled to the following remuneration packages:

I) Fixed remuneration: annual base salary;

II) Variable remuneration: the variable remuneration components are (a) an annual bonus in cash as a percentage of the fixed component (short-term incentive) and (b) a (share- based) long-term incentive;

III) Others: contribution pension premiums, travel allowance and holiday allowance.

The one-off transition arrangement as identified herein above provides for (i) the grant to the Chief Executive Officer, of a total number of 4,200,000 shares for the financial year 2020, and (ii) the vesting of these shares in three annual tranches in the first quarters of 2021, 2022 and 2023, respectively.

Compensation was as follows and includes the entire year 2022, up to December 31, 2022:

Amounts in US$ '000	Fixed remuneration	Short term variable: annual bonus	Share-based payments	Post-employment benefits	Other	TOTAL
Dr. Sijmen de Vries	2022: 636 2021: 681	2022: 394 2021: 357	2022: 1,221 2021*: 1,594	2022: 112 2021: 120	2022: 34 2021: 38	2022: 2,396 2021: 2,790

* Due to a disclosure error in 2021 caused by the incorrect apportionment of the fair value share-based payment expense over the vesting period, the restated 2021 share-based payments remuneration disclosure of Dr. S. de Vries is US$1.6 million compared to previously reported share-based payments of US$1.3 million.

Options

The following table gives an overview of movements in number of option holdings of the individual members of the executive board of directors in 2022, the exercise prices and expiration dates up to December 31, 2022 (note that the exercise price in US$ is translated using 2022 closing exchange rate (1:1,0667)):

	January 1, 2022	Granted 2022	Exercised 2022	Forfeited / expired 2022	December 31, 2022	Exercise price (US$)	Expiration date
Dr. Sijmen de Vries	2,800,000	—	—	—	2,800,000	0.859	22 May 2024

Shares

At December 31, 2022, the executive members of the board held the following numbers of shares:

Shares held	As at December 31, 2022
Dr. Sijmen de Vries	7,434,383

Long term Incentive Plan

	Year	Granted	Settled	Forfeited / Unvested	12/31/2022
Dr. Sijmen de Vries	2022	2,363,455	—	—	2,363,455
	2021	1,337,888	—	—	1,337,888
	2020	—	—	—	—
	2019	201,050	(20,306)	(180,744)	0

Loans or guarantees

During the year 2022, no loans or guarantees have been granted to the Executive members of the Board of Directors. No loans or guarantees to the Executive member of the Board of Directors were outstanding at 31 December 2022.

The Executive member of the Board of Director is the sole statutory director.

23. Related party transactions

Related parties' disclosure relates mainly to key management compensation and to transactions with the associated company Bioconnection B.V.

Key management includes members of the Board of Directors:

Amounts in US$ '000	2022	2021
Salaries and other short-term employee benefits	1,463	1,522
Post-employment benefits	112	120
Share-based compensation	1,455	1,882*
Total	**3,030**	**3,524**

**2021 figure restated. See disclosure note 22. Board of Directors to the consolidated financial statements.*

All direct transactions with members of the Board of Directors have been disclosed in notes 21 and 22 of these financial statements. At December 31, 2022, the Company had no payable balance to members to the Board of Directors (2021: US$ 0.1 million).

Related party transactions with Bioconnection B.V. are in the ordinary course of that company's fill & finish business and amounted to US$3.0 million (2021: US$3.5 million). At 31 December 2022, BioConnection owed the Company US$0.5 million for fill & finish services supplied. In 2021 the Company owed US$0.1 million to Bioconnection.

24. Other financial liabilities

Other Financial Liabilities:

Amounts in US$ '000	2022	2021
Non-current		
Financial guarantee contracts	—	165
Total non-current	**—**	**165**
Total	**—**	**165**

The financial guarantee relates to a guarantee for BioConnection, which due to the new ownership structure at Bioconnection, was released during 2022.

25. Commitments and contingencies

Material agreements

At the end of 2022 the Company had several agreements with third parties related to the manufacturing of RUCONEST® and leniolisib and development of new products. In these agreements certain minimum volumes are committed. Total potential liabilities under these agreements are approximately US$73.8 million (2021: US$97.3 million), of which US$20.8 million relates to 2023 and US$53.0 million relates to 2024 and further. All expenditures relate to the cost of goods.

Leniolisib milestone commitments

In August 2019, Pharming entered into a development collaboration and license agreement with Novartis to develop and commercialize leniolisib, a small molecule phosphoinositide 3-kinase delta (P13Kδ) inhibitor being developed by Novartis to treat patients with Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). In November 2022, Pharming submitted regulatory filings to the FDA and EMA for the purpose to commercialize leniolisib. On March 24, 2023, Pharming received FDA approval for the commercialization of leniolisib in the United States of America. Pharming is preparing its first leniolisib sale in the second quarter of 2023. We anticipate that the CHMP will issue its opinion on the leniolisib MAA in the second half of 2023 and expect European marketing authorisation approximately two months later.

As a result of the FDA approval and the expected EMA approval, it is expected that the first commercial sale of leniolisib will be made which triggers milestone payments for a maximum amount of US$20 million to Novartis. Furthermore, Pharming is committed to certain milestone payments based on actual worldwide annual sales. The total commitment equals US$180 million when yearly net sales reach US$500 million. The first milestone equals US$5 million when yearly net sales reach US$50 million.

In addition to these milestone payments, the Company has agreed to pay royalty fees to Novartis. These royalties are calculated as a fixed percentage over net sales, growing to a maximum of 18% when net sales exceed US$300 million. These royalty payments have a term of 10 years. The minimum royalty liability of 12% is applicable for sales up until US$150 million. The timing of the milestone payments, except for the milestones related to the first commercial sale in the U.S. and Europe, and royalty payments is uncertain as these are highly dependent on the enrollment of new patients for leniolisib.

After the FDA approval of March 24, 2023, Pharming has obtained a FDA Priority review voucher. As part of the agreement with Novartis, Novartis has the right to purchase this voucher from Pharming for an amount of 20% of the average sale price of similar transactions. This right expires within three years after the receipt of the voucher.

26. Financial risk management

General

Pharming is exposed to several financial risks: market risks (being currency risk and interest rate risk), credit risks and liquidity risks. The Board of Directors and the Executive Committee are responsible for the management of currency, interest, credit and liquidity risks and as such ultimately responsible for decisions taken in this field.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. This includes a regular review of cash flow forecasts and, if deemed appropriate, subsequent raising of funds through execution of equity and/or debt transactions. In doing so, the Board of Directors' and Executive Committees' strategy is to achieve a capital structure which takes into account the best interests of all stakeholders. Pharming's capital structure includes cash and cash equivalents, debt and equity. Compared to last year there have been no significant changes in risk management policies.

Currency risk

This is the risk that the fair value of assets, liabilities and especially the future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Pharming's policy for the management of foreign currency risks is aimed at protecting the operating profit and positions held or recorded in foreign currencies, in particular of the United States dollar (U.S. dollar). Certain payments and sales of RUCONEST® in the U.S. are being and will be received in US dollar. In 2022 repayments and interest payments of the loans were made in US dollar. Some direct payments of U.S. activities are carried in U.S.

dollar through the Dutch entities. At 31 December 2022 the Group's cash and cash equivalents, including restricted cash, amounted to US$208.7 million. This balance consists of cash assets denominated in euros for a total amount of US$150.3 million or €140.9 million (applying an exchange rate EUR/US$ at 31 December 2022 of 1.0667) and cash assets in U.S. dollars for a total amount of US$58.4 million. The U.S. dollar cash balance will be used for the commercialization activities of the U.S. organization and to cover the operating costs of the activities in the EU and RoW.

Cash and cash equivalents (including restricted cash), accounts receivables and inventories denominated in USD amounted in total US$82.1 million (€77.0 million), respectively US$23.8 million (€22.3 million) for the trade and other payables denominated in USD. Pharming performed a sensitivity analysis by applying an adjustment to the spot rate at year-end. As the balance of the cash and cash equivalents (including restricted cash) accounts receivables, inventories, trade and other payables, denominated in USD, at year-end is US$58.3 million, a 10% strengthening or weakening of the euro versus US dollar would have an impact of US$5.8 million on the Group's gain (weakening of the euro) or loss (strengthening of the euro).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Pharming's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the Company and thus at the same time optimizing the net interest costs. This policy translates into a certain desired profile of fixed-interest and floating interest positions, including those generated by cash and cash equivalents and those paid on finance lease liabilities. As the interest rate on the convertible bond is a fixed percentage, Pharming concluded that the total risk on interest is not material.

The issue of the Convertible Bonds due 2025 at a fixed interest rate of 3.00% p.a. replacing the Company's previous debt facility has rendered this concern obsolescent. The interest on the vast majority of the Company's financial instruments is now not variable with market interest rates. More information on the Convertible Bonds due 2025 can be found in note 18.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge obligations. Pharming manages credit risk exposure through the selection of financial institutions having a high credit rating, using credit rating reports issued by institutions such as Standard & Poor's and Moody's. The exposure to credit risk at 31 December 2022 is represented by the carrying amounts of cash and cash equivalents and trade and other receivables.

The carrying amounts of the cash and cash equivalents (including restricted cash) as at 31 December 2022 amounted to US$208.7 million and was held through financial institutions with a BB+ to A rating or better from Standard & Poor's, Baa3 to A1 ratings from Moody's and BBB+ to A ratings from Fitch.

Trade and other receivables at 31 December 2022 amounted to US$27.6 million. As at the date of these financial statements, these amounts have largely been settled, including receipts in cash and receipt of goods and services in exchange of prepaid expense items. Based on the credit ratings of cash and cash equivalents (including restricted cash) as well as the position taken with respect to trade and other receivables, the Company considers that this risk is adequately managed.

Liquidity risk

The liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Pharming's objective is to maintain a minimum level and certain ratio of cash and cash equivalents (including short-term deposits). The strategy of the Company is to repay its obligations through generation of cash income from operating activities such as product sales and licensing agreements. In case such cash flows are insufficient, the Company relies on financing cash flows as provided through the issuance of shares or incurring financial liabilities. Note 3 of these financial statements more extensively describes the Company's going concern assessment.

The following table presents the financial liabilities at year-end 2022, showing the remaining undiscounted contractual amounts due including nominal interest. Liabilities denominated in foreign currency have been converted at the exchange rate at 31 December 2022.

Maturity profile of financial liabilities:

Amounts in US$'000	2023	2024	2025	2026	2027 and onwards	Total	Prior year total
Trade and other payables	54,465	—	—	—	—	54,465	42,473
Other financial liabilities	—	—	—	—	—	—	165
Lease Liabilities	4,644	4,397	3,583	3,583	24,484	40,691	23,496
Convertible Bonds	4,000	4,000	135,338	—	—	143,338	156,550
Total	**63,109**	**8,397**	**138,921**	**3,583**	**24,484**	**238,494**	**222,684**

Fair value estimation

The Company uses the following hierarchy for determining the fair value of financial instruments measured at fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data or which are based on the probability of future events occurring (that is, unobservable inputs).

The following table presents the assets that are measured at fair value at year-end 2022 and 2021:

	2022			2021		
Amounts in US$'000	Level 1	Level 3	Total	Level 1	Level 3	Total
Investments in equity instruments designated as at FVTOCI	403	—	403	1,449	—	1,449
Investments in debt instruments designated as at FVTPL	—	6,827	6,827	—	—	—
Balance at December 31	**403**	**6,827**	**7,230**	**1,449**	**—**	**1,449**

The following table presents the liabilities that are measured at fair value at year-end 2022 and 2021:

Amounts in US$'000	2022		2021	
	Level 3	Total	Level 3	Total
Other financial liabilities	—	—	165	165
Balance at December 31	**—**	**—**	**165**	**165**

The following table includes carrying values and the estimated fair values of financial instruments:

Amounts in US$ '000	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and cash equivalents, including restricted cash	208,654	208,654	192,963	192,963
Trade and other receivables	27,619	27,619	29,983	29,983
Liabilities:				
Convertible Bond	133,386	133,386	140,886	140,886
Lease Liabilities	33,308	33,308	20,875	20,875
Other financial liabilities	—	—	165	165
Trade and other payables	54,465	54,465	42,473	42,473

The above fair values of financial instruments are based on internal calculations. Cash and cash equivalents, trade and other receivables as well as trade and other payables are stated at carrying amount, which approximates the fair value in view of the short maturity of these instruments. The fair values of finance lease liabilities (both non-current and current portion) are based on arm's length transactions.

The table sets out an analysis for each of the period presented of the net position of Loans and borrowings,

and Cash and cash equivalents, showing the remaining undiscounted contractual amounts due including nominal interest.

Amounts in US$ '000	2022	2021
Cash and cash equivalents	208,654	192,963
Convertible bond - repayable within one year	(1,768)	(1,879)
Convertible bond - repayable after one year	(131,618)	(139,007)
Net debt	**75,268**	**52,077**
Cash and cash equivalents	208,654	192,963
Gross debt - fixed interest rates	(133,386)	(140,886)
Gross debt - variable interest rates	—	—
Net debt	**75,268**	**52,077**

Reconciliation of liabilities arising from financing activities:

Amounts in US$'000	2021	Cashflows	Non - Cash changes					2022
			Acquisition and disposal	Interest Expense Accrued	Amortized costs	Fair Value Changes	Foreign exchange effects and other	
Convertible Bond	140,886	(3,952)	—	3,952	784	—	(8,284)	**133,386**
Other financial liabilities	165	—	(165)	—	—	—	—	—
Lease Liabilities	20,875	(3,311)	16,248	718	—	—	(1,222)	33,308
Derivative financial liabilities	—					—	—	—
Total liabilities from financing activities	**161,926**	**(7,263)**	**16,083**	**4,670**	**784**	**—**	**(9,506)**	**166,694**

27. Earnings per share and diluted shares

Basic earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans and warrants issued. For 2022 and 2021, the basic and diluted profit (loss) per share is:

	2022	2021
Net profit (loss) attributable to equity owners of the parent (in US$'000)	13,674	15,996
Weighted average shares outstanding	648,676,119	642,007,692
Basic profit (loss) per share (in US$)	0.021	0.025
Weighted average diluted shares outstanding	707,141,263	701,151,525
Diluted profit (loss) per share (in US$)	0.019	0.023

The diluted net profit used in the calculation of dilutive profit per share amounts to US$13.7 million. Difference between the weighted average shares outstanding and the weighted average diluted shares outstanding used for basic profits calculations per share relates to restricted stock units (RSU), options, warrants and LTIP. The 62.412.622 average shares related to the convertible bonds are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

Diluted shares

The composition of the number of shares and share rights outstanding as well as authorized share capital as per 31 December 2022 and the date of these financial statements is provided in the following table.

Movements of shares and other instruments between 31 December 2022 and 4 April 2023 are shown in the table below:

	December 31, 2022	Shares issued	Other	4 April 2023
Shares	656,348,225	2,324,118	—	658,672,343
RSU	4,931,000	—	—	4,931,000
Options	47,596,801	(756,191)	(762,000)	46,078,610
Convertible bonds	62,412,622	—	—	62,412,622
LTIP	15,304,821	(1,516,432)	3,790,993	17,579,382
Issued	**786,593,469**	51,495	3,028,993	**789,673,957**
Available for issue	93,406,531	(51,495)	-3,028,993	90,326,043
Authorized share capital	**880,000,000**	—	—	**880,000,000**

28. Events after the reporting period

Leniolisib FDA Approval

In August 2019, Pharming entered into a development collaboration and license agreement with Novartis to develop and commercialize leniolisib, a small molecule phosphoinositide 3-kinase delta (P13Kδ) inhibitor being developed by Novartis to treat patients with Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). In November 2022, Pharming submitted regulatory filings to the FDA and EMA for the purpose to commercialize leniolisib. On March 24, 2023, Pharming received FDA approval for the commercialization of leniolisib in the United States of America. Pharming is preparing its first leniolisib sale in the second quarter of 2023. We anticipate that the CHMP will issue its opinion on the leniolisib MAA in the second half of 2023 and expect European marketing authorisation approximately two months later. For further details, refer to note 25 of the consolidated financial statements.

Management identified no other events after the reporting period affecting the 2022 financial statements.

COMPANY STATEMENT OF INCOME

For the year ended 31 December

Amounts in US$ '000	notes	2022	2021
Revenues	3	**39,384**	**41,229**
Operating expenses	4	**(37,386)**	**(38,539)**
Operating result		**1,998**	**2,690**
Fair value gain (loss) on revaluation derivatives		—	114
Other finance income and expenses	15	(4,945)	3,686
Finance cost, net		**(4,945)**	**3,800**
Result before tax		**(2,947)**	**6,490**
Income tax expense	7	(4,021)	(4,185)
Result before share in result of investments		**(6,968)**	**2,305**
Share in result of investments	11	20,642	13,691
Profit for the year	10	**13,674**	**15,996**

The notes are an integral part of these financial statements.

COMPANY BALANCE SHEET

As at 31 December

(after proposed appropriation of net profit)

Amounts in US$ '000	notes	2022	2021
Non-current assets			
Intangible assets	5	29,983	32,623
Property, plant and equipment	6	1,079	1,171
Right-of-use assets	6	3,893	4,623
Long-term prepayments		228	194
Deferred tax asset	7	15,581	18,052
Financial assets	11	213,242	191,728
Restricted Cash	9	177	188
Total non-current assets		**264,183**	**248,579**
Current assets			
Trade and other receivables	8	2,254	5,043
Restricted cash	9	213	227
Cash and cash equivalents	9	114,970	122,318
Total current assets		**117,437**	**127,588**
Total assets		**381,620**	**376,167**
Equity			
Share capital		7,509	7,429
Share premium		462,297	455,254
Legal reserves		(8,737)	3,400
Accumulated deficit		(256,431)	(273,167)
Shareholders' equity	10	**204,638**	**192,916**
Non current Liabilities			
Convertible bonds	12	131,618	139,007
Lease liabilities	6	3,998	4,718
Total non-current liabilities		**135,616**	**143,725**
Current Liabilities			
Convertible bonds	12	1,769	1,879
Intercompany payables	11	31,962	30,769
Trade and other payables	13	7,280	6,537
Lease liabilities	6	355	341
Total current liabilities		**41,366**	**39,526**
Total shareholders' equity and liabilities		**381,620**	**376,167**

The notes are an integral part of these financial statements.

Notes to the Company Financial Statements

1. General

Within Pharming, the entity Pharming Group N.V. acts as a holding company of the operating companies. Its activities are limited to the arrangement of financial transactions with third parties and to provide the operating companies with support in the field of legal, financial, human resources, public relations, IT and other services.

2. Summary of significant accounting policies

The Company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands. The accounting policies applied are the same as those used in the consolidated financial statements in accordance with the provisions of article 362-8 of book 2 of the Dutch Civil Code, except for investments in subsidiaries and intercompany receivables and payables. Investments in subsidiaries are accounted for using the equity method. Intercompany receivables and payables are stated at nominal value.

Investments in subsidiaries are those investments with a positive equity value. In the event the equity value of a Group company together with any long-term interests that, in substance, form part of our net investment in the Group company, becomes negative, additional losses are provided for, and a liability is recognized, only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the subsidiary. The Company shall, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

3. Revenues

The revenues of the Company relate to intercompany charges to Group Companies.

4. Expenses by nature

Operating expenses in 2022 and 2021 were as follows:

Amounts in US$ '000	2022	2021
Direct operating expenses	7,827	5,702
Employee costs (excl. Share based compensation)	13,506	14,058
Facilities and infrastructure	1,822	1,543
Share-based compensation	6,392	9,056
Depreciation and amortization charges	1,764	2,089
Other operating expenses	6,075	6,091
Total	**37,386**	**38,539**

Direct operating costs increased mainly as a result of increased audit related costs and additional advisory costs. Share-based compensation costs as disclosed in note 21 of the consolidated financial statements, decreased due to vesting of the majority options for the board of directors relating to historic option plans and release of share-based compensation provision relating to leavers during 2022.

Employee information

All employees of Pharming Group N.V. in both 2022 and 2021 were based in the Netherlands and in France. The average number of full-time equivalent employees in 2022 was 83 (2021: 65). The average number of employees working outside the Netherlands was 27 (2021: 16).

5. Intangible assets

Amounts in US$ '000	Development costs	Re-acquired rights and Licenses	Novartis License	Software	Total
At cost	576	9,211	24,667	—	34,454
Accumulated:					—
Amortization charges	—	(768)	—	—	(768)
Impairment charges	—	—	—	—	—
Carrying value at January 1, 2021	**576**	**8,443**			**33,686**
Amortization charges	—	(741)	—	(28)	(769)
Impairment charges	(278)	—	—	—	(278)
Assets acquired	—	—	2,530	47	2,577
Transfer from PPE - cost	—	—	—	129	129
Transfer from PPE - accumulated amortization	—	—	—	(55)	(55)
Divestments - cost	—	—	—	—	—
Divestment - accumulated amortization	—	—	—	—	—
Currency translation - cost	(44)	(711)	(2,012)	(8)	(2,775)
Currency translation - amortization	—	92	—	4	96
Currency translation - impairment	12	—	—	—	12
Movement 2021	**(310)**	**(1,360)**	**518**	**89**	**(1,063)**
At cost	532	8,500	25,185	168	34,385
Accumulated:					
Amortization charges	—	(1,417)	—	(79)	(1,496)
Impairment charges	(266)	—	—	—	(266)
Carrying value at December 31, 2021	**266**	**7,083**	**25,185**	**89**	**32,623**
Amortization charges	—	(664)	—	(26)	(690)
Impairment charges	—	—	—	—	—
Assets acquired	—	—	—	—	—
Transfer from PPE - cost	—	—	—	—	—
Transfer from PPE - accumulated amortization	—	—	—	—	—
Divestments - cost	—	—	—	(22)	(22)
Divestment - accumulated amortization	—	—	—	—	—
Currency translation - cost	(32)	(500)	(1,482)	(10)	(2,024)
Currency translation - amortization	—	76	—	4	80
Currency translation - impairment	16	—	—	—	16
Movement 2022	**(16)**	**(1,088)**	**(1,482)**	**(54)**	**(2,640)**
At cost	500	8,000	23,703	136	32,339
Accumulated:					
Amortization charges	—	(2,005)	—	(101)	(2,106)
Impairment charges	(250)	—	—	—	(250)
Carrying value at December 31, 2022	**250**	**5,995**	**23,703**	**35**	**29,983**

More information is available in note 10 of the consolidated financial statements.

6. Tangible assets

6.1. Property, plant and equipment

Property, plant and equipment include leasehold improvements related to office investments in the Company's headquarters and other items such as office furniture and equipment as well as hardware and software.

Amounts in US$ '000	Operational facilities	Leasehold improvements	Machinery and equipment	Other	Total
At cost	1,165	418	—	1,414	2,997
Accumulated depreciation	(761)	(418)	—	(785)	(1,964)
Carrying value at January 1, 2021	**404**	**—**	**—**	**629**	**1,033**
Investments	—	6	325	306	637
Internal transfer - cost	(1,125)	40	1,102	(17)	—
Internal transfer - accumulated depreciation	736	(17)	(769)	50	—
Transfer to software - cost	—	—	—	(129)	(129)
Transfer to software - accumulated depreciation	—	—	—	55	55
Divestment	—	—	(21)	(14)	(35)
Depreciation charges	—	(5)	(126)	(192)	(323)
Depreciation of divestment	—	—	21	6	27
Currency translation - cost	(40)	(34)	(64)	(116)	(254)
Currency translation - amortization	25	34	39	62	160
Movement 2021	**(404)**	**24**	**507**	**11**	**138**
At cost	—	430	1,342	1,444	3,216
Accumulated depreciation	—	(406)	(835)	(804)	(2,045)
Carrying value at December 31, 2021	**—**	**24**	**507**	**640**	**1,171**
Investments	—	—	62	326	388
Internal transfer - cost	—	—	—	—	—
Internal transfer - accumulated depreciation	—	—	—	—	—
Transfer to software - cost	—	—	—	—	—
Transfer to software - accumulated depreciation	—	—	—	—	—
Divestment	—	—	—	—	—
Depreciation charges	—	(6)	(145)	(258)	(409)
Depreciation of divestment	—	—	—	—	—
Currency translation - cost	—	(25)	(78)	(81)	(184)
Currency translation - amortization	—	24	47	42	113
Movement 2022	**—**	**(7)**	**(114)**	**29**	**(92)**
At cost	—	405	1,326	1,689	3,420
Accumulated depreciation	—	(388)	(933)	(1,020)	(2,341)
Carrying value at December 31, 2022	**—**	**17**	**393**	**669**	**1,079**

6.2. Leases

This note provides information for leases where the Company is a lessee.

i. Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right of use assets

Amounts in US$ '000	Buildings	Cars	Total
At cost	3,574	400	3,974
Amortization charges	(665)	(94)	(759)
Carrying value at January 1, 2021	**2,909**	**306**	**3,215**
Investments	2,239	76	2,315
Divestments	(52)	—	(52)
Depreciation charges	(642)	(105)	(747)
Depreciation of divestment	30	—	30
Internal transfer - cost	—	(4)	(4)
Internal transfer - accumulated depreciation	—	8	8
Other movement - cost	259	(7)	252
Other movement - accumulated depreciation	(89)	17	(72)
Currency translation - cost	(383)	(33)	(416)
Currency translation - amortization	83	11	94
Movement 2021	**1,445**	**(37)**	**1,408**
At cost	5,637	432	6,069
Accumulated depreciation	(1,283)	(163)	(1,446)
Carrying value at December 31, 2021	**4,354**	**269**	**4,623**
Investments	174	36	210
Divestment	—	(17)	(17)
Depreciation charges	(551)	(111)	(662)
Depreciation of divestment	—	17	17
Internal transfer - cost	—	—	—
Internal transfer - accumulated depreciation	—	—	—
Other movement - cost	—	—	—
Other movement - accumulated depreciation	—	—	—
Currency translation - cost	(329)	(25)	(354)
Currency translation - amortization	68	8	76
Movement 2021	**(638)**	**(92)**	**(730)**
At cost	5,482	426	5,908
Accumulated depreciation	(1,766)	(249)	(2,015)
Carrying value at December 31, 2022	**3,716**	**177**	**3,893**

Lease liabilities

Amounts in € '000	2022	2021
Current	355	341
Non-current	3,998	4,718
Balance at December 31	**4,353**	**5,059**

ii. Amounts recognized in the statement of income

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2022	2021
Depreciation right of use buildings	551	642
Depreciation right of use cars	111	105
Interest expense (note 15)	251	418
Total expense right of use assets	**913**	**1,165**

7. Income tax

Deferred income tax

The net balance of deferred tax assets and liabilities is specified as follows:

Amounts in US$ '000	2022	2021
Total deferred tax assets	21,394	21,673
Total deferred tax liabilities	(5,813)	(3,621)
Total net balance of deferred tax assets and liabilities	**15,581**	**18,052**

The significant components and annual movements of deferred income tax assets as of 31 December, 2022 and 1 January, 2022, are as follows:

Amounts in US$ '000	2022	2021
Deferred tax assets		
Intangible fixed assets	9,874	10,492
Short term assets / liabilities	979	842
Lease liabilities	7,043	3,795
Tax losses	3,498	6,544
Total deferred tax assets	**21,394**	**21,673**

Amounts in US$ '000	Intangible fixed assets	Other	Lease liabilities	Tax losses	Total
At January 1, 2021	**17,704**	**19**	**1,279**	**5,773**	**24,775**
(Charged)/credited					
- to profit or loss	(6,120)	732	2,696	1,272	(1,420)
- other movement	—	(598)	—	—	(598)
- to other comprehensive income	—	769	—	—	769
- currency translation	(1,092)	(80)	(180)	(501)	(1,853)
At December 31, 2021	**10,492**	**842**	**3,795**	**6,544**	**21,673**
(Charged)/credited					
- to profit or loss	—	(65)	3,431	(2,630)	736
- other movement	—	—	—	—	—
- to other comprehensive income	—	245	—	—	245
- currency translation	(618)	(43)	(183)	(416)	(1,260)
At December 31, 2022	**9,874**	**979**	**7,043**	**3,498**	**21,394**

For more information on deferred taxes see note 9 to the consolidated financial statements.

The component and annual movement of deferred income tax liabilities as of 31 December, 2022 and 1 January, 2022 are as follows:

Amounts in US$ '000	2022	2021
Deferred tax liabilities		
Tangible fixed assets	(5,813)	(3,621)
Total deferred tax liabilities	**(5,813)**	**(3,621)**

Amounts in US$ '000	Tangible fixed assets	Total
At January 1, 2021	**(1,152)**	**(1,152)**
(Charged)/credited		
- to profit or loss	(2,677)	(2,677)
- currency translation	208	208
At December 31, 2021	**(3,621)**	**(3,621)**
(Charged)/credited		
- to profit or loss	(2,377)	(2,377)
- currency translation	185	185
At December 31, 2022	**(5,813)**	**(5,813)**

Income tax expenses

In 2022 the Company was liable to a tax charge of US$4,0 million, which was partly set off against deferred tax assets previously recognized.

8. Trade and other receivables

Amounts in US$ '000	2022	2021
Prepaid expenses	254	267
Value added tax	409	2,169
Other receivables	382	815
Taxes and Social Securities	1,209	1,792
Balance at December 31	**2,254**	**5,043**

Trade and other receivables at 31 December 2022 are substantially short-term in nature.

9. Restricted cash, cash and cash equivalents

Amounts in US$ '000	2022	2021
Restricted cash (non-current)	177	188
Restricted cash (current)	213	227
Cash and cash equivalents	114,970	122,318
Total restricted cash, cash and cash equivalents	**115,360**	**122,733**

The holding company Pharming Group N.V. has entered into a joint liability agreement with a bank and other Group companies. Pursuant to this agreement, the entity at 31 December 2022 is jointly liable for commitments relating to bank guarantees from other group companies for an aggregate amount of US$0.4 million with a maturity of more than one year after the end of the reporting year.

10. Shareholders' equity

The Company's authorized share capital amounts to US$9.4 million (€8.8 million, exchange rate (EUR:US$) equals 1:1.0667) and is divided into 880,000,000 ordinary shares with a nominal value of €0.01 each. All 656,348,225 (€6.6 million) shares outstanding at 31 December 2022 have been fully paid-up.

Movements in shareholders' equity for 2022 and 2021 were as follows:

Amounts in US$ '000	2022	2021
Balance at January 1	**192,916**	**183,435**
Net profit	13,674	15,996
Foreign currency translation	(11,054)	(17,085)
Total comprehensive income	**2,620**	**(1,089)**
Income tax benefit from excess tax deductions related to share-based payments	430	(1,853)
Share-based compensation	6,392	9,056
Warrants issued and exercised	—	81
Options exercised	2,280	3,286
Total transactions with owners	**9,102**	**10,570**
Balance at December 31	**204,638**	**192,916**

For a detailed movement schedule of equity for the years 2022 and 2021, please refer to the consolidated statement of changes in equity.

11. Financial assets

Movements of the provision for investments for the years 2022 and 2021 were as follows:

Amounts in US$ '000	2022	2021
Balance at January 1	**(64,662)**	**(83,005)**
Reclass to investments in subsidiaries	—	9,574
Share in results of investments	(3,464)	(4,645)
Release of provision	—	7,574
Exchange rate effects	3,765	5,840
Balance at December 31	**(64,361)**	**(64,662)**

At year-end 2022 and 2021, the provision for subsidiaries was set off against intercompany receivable balances in Pharming Group N.V.:

Amounts in US$ '000	2022	2021
Provision for investments	(64,361)	(64,662)
Investments in subsidiaries with positive equity	39,537	16,319
Release of provision allocated to investments	—	7,238
Receivable from group companies	238,066	232,833
Net financial assets	**213,242**	**191,728**

See note 2.3 Basis of consolidation for a list of direct subsidiaries of Pharming Group N.V.

The Company's direct investments are:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100%
Pharming Americas B.V.	The Netherlands	100%
Pharming Intellectual Property B.V.	The Netherlands	100%
Pharming Technologies B.V.	The Netherlands	100%
Broekman Instituut B.V.	The Netherlands	100%
Pharming Healthcare, Inc.	The United States	100%
ProBio, Inc.	The United States	100%

12. Convertible bonds

The backgrounds of the convertible bonds and loans and borrowings have been provided in note 18 of the consolidated financial statements.

13. Trade and other payables

Amounts in US$ '000	2022	2021
Accounts payable	413	574
Other payables	6,867	5,962
Balance at December 31	**7,280**	**6,536**

Trade and other payables at 31 December 2022 are short-term in nature.

14. Related party transactions

Related parties' disclosure relates mainly to transactions with group companies and the associate company Bioconnection B.V. and with the key management of Pharming.

Related party transactions with group companies consist of recharged costs for US$39.4 million and are recognized as revenues. These transactions take place in the ordinary course of business and are at arm's length.

Related party transactions with Bioconnection B.V. are in the ordinary course of that company's fill & finish business and amounted to approximately US$3.0 million (2021: US$3.5 million).

All direct transactions with members of the Board of Directors have been disclosed in notes 22 and 23 of the consolidated financial statements. At 31 December 2022, the Company owed US$ - million (2021: US$0.1 million) to members of the Board of Directors with respect to their compensation.

15. Other financial income and expenses

Other financial income and expenses relates mainly to foreign currency gains US$1.1 million (2021: gains of US$9.8 million), intercompany interest expense on current accounts for 2022 of US$1.0 million (2021: US$0.5 million), interest paid on the convertible bonds during 2022 of US$4.7 million (2021: US$5.3 million), together with interest on leases of US$0.3 million (2021: US$0.4 million).

16. Commitments and contingencies

The backgrounds of the commitments and contingencies have been provided in note 25 of the consolidated financial statements.

The Company has issued declarations of joint and several liabilities for debts arising from the actions of Dutch consolidated participating interests, as described in article 2:403 of the Netherlands Civil Code.

17. Distribution of profit

Appropriation of result

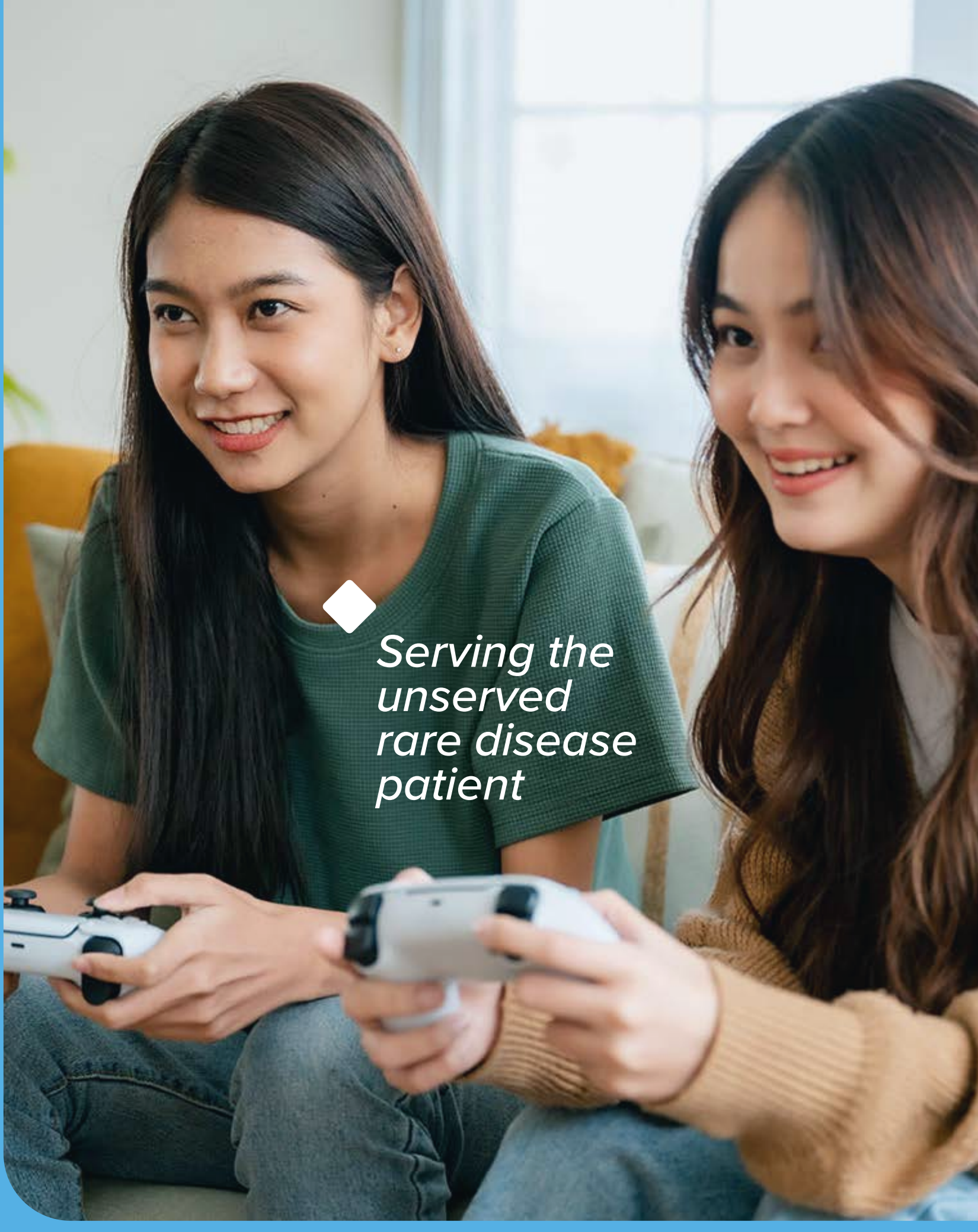
Article 25.1 of the articles of association reads as follows: 'the Board of Directors shall annually determine the amount of the distributable profit – the surplus on the profit and loss account – to be reserved.'

The Board of Directors proposes to forward the net profit for the year 2022 of US$13.7 million to the accumulated deficit.

Leiden, April 4, 2023

The Board of Directors
Sijmen de Vries – Executive member of the Board of Directors, President and Chief Executive Officer

The original copy has been signed by the Board of Directors


Serving the unserved rare disease patient

Independent auditor's report

To the Shareholders and the Board of Directors of Pharming Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended December 31, 2022 of Pharming Group N.V. ("the company" or "the group"), based in Leiden, the Netherlands. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Pharming Group N.V. as at December 31, 2022, and of its result and its cash flows for the year ended December 31, 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Pharming Group N.V. as at December 31, 2022, and of its result for the year ended December 31, 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at December 31, 2022.

2. The following statements for year ended December 31, 2022: the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2022.

2. The company statement of income for the year ended December 31, 2022.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Pharming Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision

act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 2.4 million. The materiality is based on revenue from continuing operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of the components were performed using materiality levels determined by the judgement of the group engagement team, taking into account the materiality of the financial statements as a whole and the reporting structure within the group. Component performance materiality did not exceed USD 1.4 million.

We agreed with the Board of Directors that misstatements in excess of USD 118 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Pharming Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Pharming Group N.V.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components. All audit procedures on both group and component level were performed by the group engagement team.

Our group audit mainly focused on significant components in the Netherlands and the United States. In addition, we performed analytical procedures at other components.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the non-executive directors from the Board of Directors exercise oversight, as well as the outcomes. We evaluated Pharming's fraud risk assessment and made inquiries with the Board of Directors, those charged with governance and others within the group. We evaluated several fraud risk factors to consider whether those factors indicate a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment and in determining the audit response.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as, among others, the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Board of Directors and the Executive Committee, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these risks, we evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. For significant transactions, we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 2 of the financial statements.

We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. The evaluation of the U.S. revenue rebate related liability is a significant area to our audit as the determination of the rebate accrual is subject to significant management judgment. The estimation of fair value of the preference share requires management to make significant assumptions. To evaluate the reasonableness of management's estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. Reference is made to the section "Our key audit matters". This all did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Board of Directors, legal counsel and reading internal minutes. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the company's business and the complexity of law or regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect

on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to Pharming's ability to continue its business, or to avoid material penalties (e.g., with laws and regulations such as SEC regulations, Dutch Stock exchange regulations, FDA regulations and EMA regulations to the extent material for the financial statements of the company) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Board of Directors and others within the company as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

As explained in the note 3. "Going concern assessment" and note 26 "Financial risk management", management has prepared the financial statements of Pharming Group N.V. based on the going concern assumption. No events or circumstances have been identified which cause significant doubt about the entity's ability to continue its operations (going concern risks). Our procedures to evaluate the going concern assessment of management include:

- Consider whether management's assessment of going concern contains all relevant information of which we are aware as a result of our audit and review of the other information. In addition, we inquired with management about the key assumptions underlying the going concern assessment.
- Inquiry with management regarding their knowledge of events and/or circumstances beyond the period of management's assessment.
- We reconciled the cash and cash equivalents position as used in the going concern assessment to the audited position at December 31, 2022.
- We evaluated managements' financial forecasts and analysis prepared for a period of at least 12 months from the date of preparation of the financial statements. This included consideration of the reasonableness of key underlying assumptions by evaluating historically realized and future expected operating and capital expenditure as well as evaluating mathematical accuracy of the assessment.
- We evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

Our audit procedures did not produce results that were inconsistent with management's assumptions and judgments in applying the going concern assumption.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors.

The key audit matters are not a comprehensive reflection of all matters discussed.The matters considered as key to our audit are consistent with those identified in the prior year with the exception of i) the research and development costs & investments at fair value through other comprehensive income in Orchard Therapeutics (Europe) Ltd as the investment was made in 2021 and no material changes were identified in 2022 and ii) the addition of the key audit matter regarding Financial Assets – Investment in BioConnection Investments B.V..

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenues and trade and other payables —Rebate Accruals in the U.S.

Description

The Company recognized revenues from product sales in the United States totaling $200 million for the year ended December 31, 2022, and a payable of $10.5 million relating to government and other rebate programs as at December 31, 2022. The sales in the United States are subject to rebates relating directly to customers or to ultimate reimbursement claims from government or insurance payers, which are referred to as gross-to-net adjustments, mainly U.S. Medicaid ("U.S. revenue rebates"). These are accounted for on an estimated basis.

The U.S. revenue rebates related liability involves the use of significant assumptions and judgments in its calculation. These significant assumptions and judgments include historical claims experience, unbilled claims, and claims submission time lags. Given the complexity of this estimate, together with the limited amount of historical data available and judgments necessary to develop this estimate, and the internal control over financial reporting deficiencies identified, auditing this estimate required both extensive audit effort due to the complexity of the estimation and a high degree of auditor judgment when performing auditing procedures and evaluating the results of those procedures and therefore we identified the accounting treatment for rebate accruals in the US as a key audit matter.

The company's disclosures concerning these estimates are included in notes 2.4, 2.5, 5 and 20 to the consolidated financial statements.

How the key audit matter was addressed in the audit

Our audit procedures related to the assumptions and judgments made by management in estimating the U.S. revenue rebates liability included the following, amongst others:

- We evaluated the appropriateness and consistency of the Company's method, data, and assumptions used to calculate the U.S. revenue rebate accrual.
- We tested mathematical accuracy of the U.S. revenue rebate accrual calculation.
- We tested significant assumptions and key inputs used to calculate the U.S. revenue rebate accruals, namely, testing rebate claims received during the financial year against source documentation and assessing the reasonableness of the Board of Directors' forecast of reclaimed vials by comparing to historical claims.
- We evaluated the Company's ability to estimate U.S. revenue rebate accruals accurately by comparing actual amounts incurred for U.S. revenue rebate accruals to historical estimates.
- We created data visualizations to compare recorded U.S. revenue rebates against historic data and followed-up on any unusual trends.

Our observations

Our procedures did not result in any reportable material matters.

Financial Assets – Investment in BioConnection Investments B.V.

Description

The Company recognized the preference share on its investment in the associate BioConnection Investments B.V. for an amount of USD 6.8 million as at December 31, 2022. The preference share was obtained during the second quarter of 2022, when the Company entered into a share purchase agreement, following receipt of an offer for all its shares in BioConnection B.V. by Gimv Nederland Holding B.V. ("Gimv"), an European investment company listed on Euronext Brussels. The existing shareholders (including the Company) reached an agreement with Gimv on the sale of all issued and outstanding shares to a new holding company (BioConnection Investments B.V.) incorporated by Gimv, followed by a partial re-investment by existing shareholders of the purchase price in the share capital of BioConnection Investments B.V., by means of ordinary shares and a preference share.

The Company made an assessment on the accounting treatment of the agreement and concluded that the preference share be classified as an investment in debt instruments designated as at fair value with changes through profit and loss (FVTPL).

To determine the fair value of the preference share, the Company used the option pricing model which requires management to make significant estimates and assumptions related to underlying equity value, strike price, time to maturity, risk free rate, expected volatility and dividend yield of the underlying equity. Changes in these assumptions could have a significant impact on the fair value of the preference share.

Given the significant judgments made by management to estimate the fair value of the preference share, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions, required a high degree of auditor judgment and an increased extent of effort, including the need to involve fair value specialists. Therefore we identified the accounting treatment of the preference share as a critical audit matter.

The company's disclosures concerning these estimates are included in notes 2.4, 2.5 and 13.2 to the consolidated financial statements

How the key audit matter was addressed in the audit

Our audit procedures, related to the methodology and assumptions used by management to estimate the fair value of the preference share included the following, amongst others:

- We evaluated the reasonableness of management's revenue and operating margin forecasts used to estimate the underlying equity value by comparing the forecasts to:
    - actual historical revenues and operating margins; and
    - internal communications to management and the Board of Directors.
- We evaluated the reasonableness of management's assumptions regarding time to maturity by comparing the estimate to:
    - contractual supporting documentation;
    - internal communications to management and the Board of Directors; and
    - external information regarding lead times for IPO processes.
- We evaluated the impact of changes in management's estimates and forecasts from the initial determination as at the transaction date (April 1, 2022) and December 31, 2022.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) valuation assumptions, namely strike price, risk free rate, expected volatility and dividend yield and (3) underlying information by:
    - testing the source information underlying the determination of the main assumptions and the mathematical accuracy of the calculation; and
    - developing a range of independent estimates of the main assumptions and comparing those to the ones selected by management.

Our observations

Our procedures did not result in any reportable material matters.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Board of Directors.
- Remuneration Report 2022.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL and REGULATORY REQUIREMENTS and ESEF

Engagement

We were engaged by a resolution at the Annual General Meeting of Shareholders as auditors of Pharming Group N.V. on May 22, 2019, as of the audit for the year 2019 and have operated as statutory auditor ever since that financial year. For the audit for the year 2021, we were appointed by the General Meeting held on May 19, 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Pharming Group N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Pharming complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with RTS on ESEF, whereby management combines the various entities into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.

- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:

    - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;

    - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code . Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive directors from the Board of Directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the non-executive directors from the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Board of Directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 4, 2023
Deloitte Accountants B.V.
I.A. Buitendijk

Glossary

ADR American Depositary Receipt.

ADS American Depositary Share.

AFM Dutch Authority for the Financial Markets.

AGM Annual General Meeting of Shareholders.

AKI Acute Kidney Injury (AKI) is a sudden episode of kidney failure or kidney damage.

APDS or Activated PI3K-delta syndrome is a primary immunodeficiency disease caused by activating gain of function mutations in gene contributing to the control of the immune system. Individuals with this condition often have high numbers of non-properly functioning white blood cells.

Bausch Health Companies Inc. Formerly known as Valeant Pharmaceuticals International, develops, manufactures and markets pharmaceutical products and branded generic drugs, primarily for skin diseases, gastrointestinal disorders, eye health, and neurology.

Bioconnection B.V. Contract services and manufacturing organization for the development and manufacturing of injectable (bio)pharmaceutical products.

BLA To commercialize a new biological product in the U.S., the FDA needs to approve a Biologics License Application (BLA). A BLA is a submission that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of the biologic product.

BSM Black-Scholes-Merton, financial instrument pricing framework.

BoD The Board of Directors.

BOM The Board of Management.

C1INH C1 esterase inhibitor or C1INH is an inhibitor protein present in human blood. C1INH is involved in the regulation of one of the key proteins in the complement system (C1), which is part of the natural inflammatory response of the body. Insufficient C1 inhibitor levels or activity can cause inflammation and HAE attacks.

CCO Chief Commercial Officer

CDIBP Chengdu Institute of Biological Products, a Sinopharm Company.

CDZ173 Novartis project name for leniolisib.

CECO Chief Ethics & Compliance Officer

CEO Chief Executive Officer

CFO Chief Financial Officer

CHMP The Committee for Medicinal Products for human use.

Clinical trial/study Clinical trials typically range from Phase I to Phase IV and are performed on human individuals ranging from healthy people to patients, to evaluate safety and efficacy of new pharmaceutical products before they can be approved.

CLO Contract Laboratory Organizations.

CMC Chemistry, Manufacturing & Control.

CMO Contract Manufacturing Organization or Chief Medical Officer.

COMP Committee for Orphan Medicinal Products in the EU.

Complement system The complement system is a major part of the immune system, responsible for certain immune-mediated inflammation reactions, including most reactions that cause vascular edema (swelling).

Convertible Bonds These are corporate bonds offered by a publicly traded company, that give the bond holder the right to exchange the bond for a pre-determined quantity of stock.

COO Chief Operations Officer

CRO Contract Research Organization.

CSIPI China State Institute of Pharmaceutical Industry, a Sinopharm company.

CSO Chief Scientific Officer

CSRD Corporate Sustainability Reporting Directive.

Cytobioteck Privately-owned Bogota, Colombia based specialty healthcare company.

DSP Downstream Processing.

EAP Early Access Program.

EBITDA Earnings before Interest, Tax, Depreciation & Amortization. Defined as Profit for the year adjusted to exclude Income tax credit (expense), Financial cost, net and Depreciation of Property, plant and equipment and Amortization of Intangible assets.

(Adjusted) EBITDA Defined as Profit for the year adjusted to exclude Income tax credit (expense), Financial cost, net, Depreciation of Property, plant and equipment, Amortization of Intangible assets and Impairments/(reversal) of certain capitalized development expenses as defined.

ECDRP The European Commission Decision Reliance Procedure allows a company to submit a product that has received approval from EMA to the U.K.'s MHRA. This path is valid until December 31, 2023.

EEA European Economic Area.

EMA The European Medicines Agency is the regulatory office for pharmaceuticals in the European Union.

EPS (Earnings per share) Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans, warrants issued and convertible loan agreements.

ERT Enzyme Replacement Therapy.

ESG Environmental, Social, Governance.

EU European Union.

ExCo Executive Committee.

Fabry's disease (also known as Anderson-Fabry disease and alpha-galactosidase A deficiency) is a rare genetic lysosomal storage disease resulting from the deficient activity of an enzyme, alpha-galactosidase A (αGalA), usually caused by an X-chromosome mutation of the GLA gene.

FDA The FDA or Food and Drug Administration is the regulatory office responsible for drug approval in the United States.

GCP Good Clinical Practices.

GDPR General Data Protection Regulation.

GLP Good Laboratory Practice.

GMP/ GMP status Good Manufacturing Practice is a term that is recognized worldwide for the control and management of manufacturing and quality control testing of foods and pharmaceutical products.

HAE Hereditary Angioedema is a human genetic disorder caused by insufficient activity or concentration of the C1 inhibitor protein in the plasma.

HAEi Hereditary Angioedema International (patient organization).

HAEi GAP HAEi Global Access Program.

FRS, IAS and IASB International Financial Reporting Standards (IFRS) along with International Accounting Standards (IAS) are a set of accounting standards issued by the International Accounting Standards Board (IASB).

ICD-10-CM the International Classification of Diseases, Tenth Revision, Clinical Modification — more commonly known as ICD-10-CM — is a classification system of diagnosis codes representing conditions and diseases, related health problems, abnormal findings, signs and symptoms, injuries, and external causes of injuries and diseases.

Immunoglobulin M (IgM) is one of several isotypes of antibody (also known as immunoglobulin)

IND Investigational New Drug application is the process through which a product must pass to get to the next stage of drug development known as clinical trials.

IRT Immunoglobulin Replacement Therapy.

Joenja® is the global registered trademark for leniolisib. When discussing the U.S. market or the commercialized product in the U.S. we use the trademarked name Joenja® instead of leniolisib.

Kamada partners with international pharmaceutical companies in exclusive marketing and distribution arrangements for the Israeli market.

Leniolisib Also known as CDZ173, is a synthetic phosphoinositide 3-kinase delta (PI3Kδ) inhibitor developed for the treatment of Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). When discussing clinical trials or studies- prior to U.S. approval - or when discussing the product as related to markets outside of U.S. approval, we use the term leniolisib.

LTIP Long Term Incentive Plan.

MAA Marketing Authorization Application is a request for market approval to the EMA in the European Union.

MHRA The U.K.'s Medicines and Healthcare Products Regulatory Agency.

MT Management Team.

NDA New Drug Application, the vehicle through which drug sponsors formally propose that the FDA approve a new pharmaceutical for sale and marketing in the U.S.

Net Debt Defined as Loans and borrowings plus Convertible bonds minus cash and cash equivalents minus non-current restricted cash.

Novartis Swiss multinational pharmaceutical company based in Basel, Switzerland.

Orbimed Advisors Orbimed is a healthcare-dedicated investment firm.

Orchard Therapeutics strategic partnership for the development of OTL-105.

Orphan Drug/ Orphan Drug status A drug being developed to treat a rare disease (affecting less than 200,000 individuals in the U.S.A.) can receive Orphan Drug designation from the FDA.

PASLI This is a rare genetic disorder of the immune system. PASLI stands for p110 delta activating mutation, causing senescent T cells, lymphadenopathy, and immunodeficiency.

PDCO Pediatric Committee in the EU.

PDUFA Prescription Drug User Fee Act.

PI3Kδ Phosphoinositide 3-kinase delta.

PIM Promising Innovative Medicine.

PIP Pediatric Investigation Plan.

POC Proof of Concept.

Pompe is a rare multisystem genetic disorder that is characterized by absence or deficiency of the lysosomal enzyme alpha-glucosidase (GAA).

PRA Pricing, Reimbursement and Access.

Pre-eclampsia (PE) is a life-threatening multisystem condition in pregnancies leading to increased maternal and neonatal mortality and morbidity.

Primary Immunodeficiency These are disorders in which part of the body's immune system is missing or does not function normally.

QA Quality Assurance.

R&D Research and Development.

Recombinant refers to the combination of one form of genetic material (DNA) from one source with the DNA of a different biological source from a different species.

rhaGAL alpha-galactosidase recombinant human alpha-galactosidase.

rhaGLU alpha-glucosidase recombinant human alpha-glucosidase.

rhC1INH Recombinant human C1 esterase inhibitor or rhC1INH is the active component of RUCONEST®.

RoW Rest of World.

RUCONEST® RUCONEST® is the global registered trademark for Pharming's recombinant human C1 inhibitor.

Sanofi is a French multinational pharmaceutical company.

SEC U.S. Securities and Exchange Commission.

Silicon Valley Bank or SVB is a commercial bank.

Sinopharm China National Pharmaceutical Group Co., Ltd.

SOBI Swedish Orphan Biovitrum International AB.

SOX Sarbanes-Oxley Act.

Transgenic an organism is called transgenic when its cells carry genetic material from another species in addition to or replacement of parts of its own genetic material.

Treasury stocks Also known as treasury shares or reacquired stock refers to previously outstanding stock that is bought back from stockholders by the issuing company.

VWAP Volume Weighted Average Price of shares.

U.K. United Kingdom.

U.S. or U.S.A. United States of America.