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**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached Invitation Memorandum, whether received by e-mail or otherwise received as a result of electronic communication and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached document. In accessing the attached Invitation Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** By receiving the attached Invitation Memorandum you are deemed to have confirmed to UBS Limited (the “Dealer Manager”) and/or Deutsche Bank AG, London Branch (the “Paying and Conversion Agent”), being the sender of the attached that (i) you are a holder or a beneficial owner of the €70,000,000 6.875 per cent. Convertible Bonds due 2012 issued by Pharming Group N.V., (ii) you are not a person to or from whom it is unlawful to send the attached Invitation Memorandum or to solicit applications for conversion under the Invitation described herein under applicable laws and (iii) that you consent to delivery by electronic transmission.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO PURCHASE SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. BONDS (AS DEFINED IN THE ATTACHED INVITATION MEMORANDUM) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE INVITATION IS NOT BEING MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, PERSONS LOCATED OR RESIDENT IN THE UNITED STATES.

THE ATTACHED INVITATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON OTHER THAN THE RECIPIENT AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE ATTACHED INVITATION MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) AND TO WHOM IT IS OTHERWISE LAWFUL TO SEND THE ATTACHED INVITATION MEMORANDUM. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE INVITATION IS NOT BEING MADE IN THE REPUBLIC OF ITALY. THE INVITATION AND THE ATTACHED INVITATION MEMORANDUM HAVE NOT BEEN SUBMITTED TO THE CLEARANCE PROCEDURE OF COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA (“CONSOB”) PURSUANT TO ITALIAN LAWS AND REGULATIONS.

This Invitation Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Pharming Group N.V., UBS Limited, and/or the Paying and Conversion Agent or any person who controls, or is a director, officer, employee or agent of Pharming Group N.V., UBS Limited and/or the Paying and Conversion Agent, nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Invitation Memorandum distributed to you in electronic format and the hard copy version available to you on request from UBS Limited, and/or the Paying and Conversion Agent.

You are reminded that the attached Invitation Memorandum has been delivered to you on the basis that you are a person into whose possession this Invitation Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Invitation Memorandum to any other person.

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR ITALIAN PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR ITALY**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser. If you have recently sold or otherwise transferred your entire holding of Bonds referred to below, you should immediately forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

**INVITATION MEMORANDUM**

**PHARMING**

**PHARMING GROUP N.V.**

*(incorporated in the Netherlands with its official seat in Leiden, The Netherlands)*

**INVITATION TO HOLDERS OF THE  
€70,000,000 6.875 PER CENT. CONVERTIBLE BONDS DUE 2012  
ISSUED BY PHARMING GROUP N.V.  
AND CONVERTIBLE INTO ORDINARY SHARES OF  
PHARMING GROUP N.V.**

<u>Convertible Bonds</u>	<u>ISIN/Common Code</u>	<u>Outstanding Principal Amount</u>	<u>Offer Price<sup>1</sup></u>	<u>Share Amount<sup>1</sup></u>
€70,000,000 6.875 per cent. Convertible Bonds due 2012	XS0327607833/032760783	€35,800,000	€7,500 in cash	59,000 Shares

Pharming Group N.V. (the “Company”) is inviting holders of all its outstanding €70,000,000 6.875 per cent. Bonds due 2012 convertible into ordinary shares of the Company (the “Bonds”) together with all unmatured coupons relating thereto to submit applications to convert Bonds during the Offer Period (as defined below) upon the terms and subject to the conditions set forth below in this Invitation Memorandum and the related Application for Conversion (including the Conversion Notice scheduled thereto) and Application Confirmation Form (which together constitute the “Invitation”).

The Invitation requires holders of Bonds (the “Bondholders”) who wish to offer to convert their Bonds during the Offer Period to complete an Application for Conversion (in the form attached below). The Application for Conversion must be completed and be received by the Paying and Conversion Agent at the address specified below, during the period commencing on 21 September 2009 and ending at 4.00 p.m. London time on the date the Invitation expires, which will be 29 September 2009 (the “Offer Period”) unless extended or earlier terminated by notice from, or on behalf of, the Company.

Acceptance by the Company of Applications for Conversion is conditional upon (i) the Company receiving Applications for Conversion (which have been validly submitted) which represent no less than 60 per cent. in nominal amount of the Bonds currently outstanding and (ii) the release of the funds currently held in an escrow account with Rabobank in Katwijk, the Netherlands to finance the Invitation (together, the “Conditions Precedent”).

On the date which is specified in the Application Confirmation Form as the date for delivery of the Offer Amount, which shall be no later than the third Business Day following the delivery of such Application Confirmation Form (the “Settlement Date”), the Company will pay to those Bondholders who have submitted a valid Application for Conversion (as defined herein) in respect of the Invitation prior to the end of the Offer Period and received such Application Confirmation Form, the Offer Amount (as defined herein), being (i) €7,500

<sup>1</sup> Expressed as an amount per €50,000 in nominal amount of Bonds

per €50,000 in nominal amount of Bonds (the “Offer Price”) plus (ii) 59,000 ordinary shares of the Company (“Shares”) per €50,000 in nominal amount of Bonds (the “Share Amount”) to be converted in accordance with such validly submitted Application for Conversion.

On the Settlement Date, the Company will enter the relevant name of the Bondholder or its nominee in the shareholders’ register of the Company in respect of the number of Shares to be issued to such Bondholder pursuant to the Invitation and will, as soon as practicable, and in any event not later than 90 days after the Settlement Date, cause the relevant securities account of the Bondholder or its nominee, as applicable, specified in the Application for Conversion to be credited with such number of Shares all on the terms set out herein.

**THE INVITATION WILL EXPIRE AT 4.00 P.M. LONDON TIME ON 29 SEPTEMBER 2009, UNLESS THE PERIOD FOR THE INVITATION IS EXTENDED OR EARLIER TERMINATED BY THE COMPANY.**

For assistance in connection with the Invitation, please contact the following personnel at UBS Limited: Patrick Jungo on +44 20 7567 8698 or by e-mail to: [patrick.jungo@ubs.com](mailto:patrick.jungo@ubs.com) or Derek Lowe on +44 20 7568 2283 or by e-mail to: [derek.lowe@ubs.com](mailto:derek.lowe@ubs.com).

Capitalised terms used but not defined herein shall have the meanings ascribed to them in the terms and conditions of the Bonds.

This Invitation Memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation.

**The Company may, in its sole discretion, waive, amend (subject as provided herein), extend, terminate or withdraw the Invitation.**

**Dealer Manager**

**UBS Investment Bank**

21 September 2009

*The distribution of this Invitation Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Invitation Memorandum comes are required by the Company to inform themselves about, and to observe, any such restrictions.*

***This Invitation does not constitute an offer to buy Bonds. This invitation does not constitute a solicitation of an offer to sell Bonds, and offers to sell will not be accepted from Bondholders, in any jurisdiction in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require the invitation to be made by a licensed broker or dealer and UBS Limited (the “Dealer Manager”) or an affiliate of the Dealer Manager is such a licensed broker or dealer in such jurisdictions, the invitation shall be deemed to be made on behalf of the Company by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.***

***Neither the delivery of this Invitation Memorandum nor any conversion of Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information herein is correct as of any time subsequent to the date hereof.***

#### ***United States***

*The Invitation is not being made and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, e-mail and other forms of electronic transmission) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, and no Applications for Conversion may be made by any such use, means, instrumentality or facility from or within the United States, or to U.S. persons or by persons located or resident in the United States. Accordingly, copies of this Invitation Memorandum and any other documents or materials relating to the Invitation are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded in or into the United States, or to U.S. persons or to persons located or resident in the United States. Any purported Application for Conversion resulting directly or indirectly from a violation of these restrictions will be invalid and Applications for Conversion made by a person located or resident in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal located or resident in the United States will not be accepted. For the purposes of this paragraph, United States means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.*

#### ***United Kingdom***

*The communication of this Invitation Memorandum and any other documents or materials relating to the Invitation is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom, and are only for circulation to persons outside the United Kingdom or to persons within the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”)) or within Article 43(2) of the Order; or to other persons to whom it may lawfully be communicated in accordance with the Order (all such persons together being referred to as “relevant persons”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.*

#### ***Italy***

*The Invitation is not extended to any person (natural or legal) resident in the Republic of Italy. The Invitation is not being made, directly or indirectly, in the Republic of Italy. This invitation has not been submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa (CONSOB) and/or the Bank of*

*Italy pursuant to Italian laws and regulations. Accordingly, none of the Invitation Memorandum (or part thereof), this announcement or any other documents or materials relating to the Invitation may be distributed or made available in the Republic of Italy and Bondholders are hereby notified that, to the extent such Bondholders are Italian residents and/or persons located in the Republic of Italy, this invitation is not available to them and they may not submit an Application for Conversion and, as such, any Application for Conversion received from such persons shall be ineffective and void. Neither this invitation nor any other material relating to the invitation or the Bonds may be distributed or made available in the Republic of Italy.*

**France**

*This invitation has not been submitted to the clearance procedures of the French Autorité des Marchés Financiers. This invitation is not being made, directly or indirectly, by way of a public offering in France (an appel à l'épargne) and only providers of investment services relating to portfolio management for the account of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers) and/or qualified investors ("Investisseurs Qualifiés"), all as defined in Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code Monétaire et Financier, are eligible to make an Application for Conversion.*

The Company has confirmed to the Dealer Manager that this document contains all information regarding the Company, the Shares and the Invitation which is (in the context of the Invitation) material; such information is true and accurate in all material respects, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made in this document, in the light of the circumstances under which they are made, not misleading, does not contain any information which is not available to the public, and contains opinions, predictions and intentions which are held in good faith, based on reasonable assumptions and are not misleading in any material respect, and all reasonable enquiries have been made to ascertain or verify the foregoing. The Company accepts responsibility for the information relating to it and the Invitation contained in this Invitation Memorandum.

Each of the Dealer Manager and the Paying and Conversion Agent referred to herein (and each of their respective directors, employees and affiliates) makes no representation or recommendation whatsoever regarding the Invitation, this Invitation Memorandum, or any document prepared in connection with it or the Invitation. The Paying and Conversion Agent is the agent of the Company and owes no duty to any Bondholder.

The Dealer Manager is acting for the Company in the Invitation and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Dealer Manager, nor for providing advice in relation to the Invitation. Bondholders should take their own independent advice on the merits of the Invitation, including without limitation, the tax consequences thereof for the Bondholder.

The Dealer Manager is acting exclusively for the Company and nobody else in relation to the Invitation and will not be responsible pursuant to the Dealer Manager agreement dated 21 September 2009 for giving advice or other investment services in relation to the Invitation to any party in relation to the Invitation. The Dealer Manager and/or its affiliates may have a holding in, or may from time to time provide advice or other investment services in relation to, or engage in transactions involving, the Bonds. The Dealer Manager may submit Applications for Conversion for its own account and submit Applications for Conversion on behalf of other Bondholders as applicable.

## Definitions

In this Invitation Memorandum, unless defined in the terms and conditions (the “Conditions”) of the Bonds, the following words and expressions have, unless the context otherwise requires, the meanings set out opposite them below:

“Application Confirmation Form”	the Application Confirmation Form substantially in the form set out in Annex B hereto.
“Application for Conversion”	the Application for Conversion substantially in the form set out in Annex A hereto, including the Form of Conversion Notice to be completed by Bondholders.
“Bondholder”	each person who is shown in the records of the relevant Clearing System as a beneficial owner of one or more of the Bonds in bearer form.
“Bonds”	all outstanding 6.875 per cent. Bonds due 2012 issued by the Company convertible into ordinary shares of the Company.
“Business Day”	a calendar day other than a Saturday or a Sunday which in Amsterdam and London is neither a legal holiday nor a calendar day on which banking institutions are authorised by law or regulation to close and on which the TARGET system is open.
“Clearing System”	Euroclear and/or Clearstream, Luxembourg.
“Conversion Notice”	the Conversion Notice attached as a Schedule to the Application for Conversion.
“Invitation”	the invitation to a Bondholder to offer to convert his Bonds on and subject to the terms and conditions set out herein.
“Offer Amount”	an amount per €50,000 in nominal amount of the Bonds equal to (i) the Offer Price plus (ii) the Share Amount.
“Offer Period”	the period from and including 21 September 2009 to and including 4.00 p.m. London time on 29 September 2009, unless extended or earlier terminated by notice.
“Offer Price”	€7,500 per €50,000 in nominal amount of Bonds.
“Paying and Conversion Agent”	Deutsche Bank AG, London Branch.
“Settlement Date”	the date which is specified in the Application Confirmation Form as the date for delivery by the Company of the Offer Amount, which date shall be no later than three Business Days after the date of delivery of such Application Confirmation Form.
“Share Amount”	59,000 Shares per €50,000 in nominal amount of Bonds.
“Shares”	ordinary shares of the Company.
“United States”	the United States of America including its territories, possessions and other areas subject to its jurisdiction.

## **1 Background**

In the event that all the Bonds are submitted for conversion and converted pursuant to the Invitation, the Company anticipates that the funds necessary to pay the Offer Price will be €5,370,000 in cash and will be financed through the issuance of ordinary shares in the capital of the Company to certain parties. The funds required for satisfaction of the Offer Price have been provided by certain investors in the Company and are currently held in an escrow account with Rabobank in Katwijk, the Netherlands, and will be released to finance the Invitation only if at least 60 per cent. in nominal amount of the Bonds currently outstanding are offered for conversion prior to the expiration of the Offer Period.

## **2 Invitation to Bondholders**

Bondholders are currently entitled to convert their Bonds into Shares pursuant to the Conditions. The Company is inviting Bondholders, upon the terms and subject to the conditions contained in this Invitation Memorandum, to receive the Offer Amount in return for the submission during the Offer Period of a valid Application for Conversion on the Settlement Date on the terms set out herein. The Offer Amount in respect of the Bonds for which a valid Application Confirmation Form and Application for Conversion has been submitted in respect of the Offer will be equal to (i) the Offer Price plus (ii) the Share Amount. The Offer Amount will be delivered on the Settlement Date.

The Offer Price is €7,500 per €50,000 in nominal amount of Bonds.

The Share Amount is 59,000 shares per €50,000 in nominal amount of Bonds.

Bondholders may submit Applications for Conversion only during the Offer Period.

On the Settlement Date, the Company will enter the relevant name of the Bondholder or its nominee in the shareholders' register of the Company in respect of the number of Shares to be issued to such Bondholder pursuant to the Invitation and will, as soon as practicable, and in any event not later than 90 days after the Settlement Date, undertake to cause the relevant securities account of the Bondholder specified in the Application for Conversion to be credited with such number of Shares on the terms set out herein.

For the purposes of the Offer, the Company will, upon the terms and subject to the conditions of the Invitation, pay the Offer Amount in respect of all Bonds for which a valid Application for Conversion has been validly submitted during the Offer Period in respect of the Invitation.

## **3 Submission of Applications for Conversion**

- (1) A Bondholder may apply to participate in the Invitation by submitting a duly completed and signed Application for Conversion as set out in Annex A during the Offer Period. All questions as to validity, form and eligibility (including time of receipt) of any Application for Conversion will be determined solely by the Company. The Company's determination as to whether or when an Application for Conversion is received or whether it is duly completed and signed shall be final and binding.
- (2) By submitting the duly completed and signed Application for Conversion during the Offer Period to the Paying and Conversion Agent, the Bondholder is deemed irrevocably to offer the principal amount of the Bonds specified in the Conversion Notice for conversion at the Offer Amount and represents, warrants and undertakes to the Company, the Dealer Manager, the Paying and Conversion Agent that:
  - (i) (a) the Bonds specified are, at the time of acceptance, and will continue to be, until the time of conversion, held by it at Euroclear or Clearstream, Luxembourg or (b) the Bonds specified have

been purchased but not delivered to or to the order of the Bondholder at the time of submission but will be, immediately upon delivery of such Bonds, and will continue to be until the time of conversion, held by it at Euroclear or Clearstream, Luxembourg;

- (ii) an instruction has been submitted to the relevant Clearing System for the Bonds to be blocked in the securities account to which such Bonds are, or are scheduled to be, credited in the relevant Clearing System with effect from and including the date on which the Application for Conversion was sent to the Paying and Conversion Agent until the time specified in paragraph 5 below, in accordance with the normal procedures of such Clearing System and after taking into account the deadlines imposed by such Clearing System;
- (iii) it acknowledges (or if it is acting for the account of another person, such person acknowledges) that the Shares issuable upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”);
- (iv) either (a)(i) it is the beneficial owner of the Bonds and (ii) it is located outside the United States and it is not a U.S. person (within the meaning of Regulation S under the Securities Act) or (b)(i) it is acting on behalf of the beneficial owner of the Bonds and has been duly authorised so to act and (ii) such beneficial owner has confirmed to it that such beneficial owner is located outside the United States and such beneficial owner is not a U.S. person (within the meaning of Regulation S under the Securities Act);
- (v) it (and any person for whose account it is acting) is acquiring the Shares issuable upon exchange of Bonds in an “offshore transaction” within the meaning of Regulation S under the Securities Act;
- (vi) it is outside the Republic of France or, if it is located in the Republic of France, it is a qualified investor (“*Investisseur Qualifié*”) or is acting directly for the account of a qualified investor (as defined in Article L.411-2 and D.411-1 to D.411-3 of the French Code *Monétaire et Financier*);
- (vii) it is not a resident of or located in the Republic of Italy and that it has not distributed or forwarded the invitation or any other communications or documents relating to the invitation to or from the Republic of Italy;
- (viii) it is outside the United Kingdom or, if it is a resident of or located in the United Kingdom, it is a person within the definition of Investment Professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”)) or within Article 43 of the Order or a person to whom the invitation may lawfully be communicated in accordance with the Order;
- (ix) it agrees (or if it is acting for the account of another person, such person has confirmed to it that such person agrees) that it will not offer, sell, pledge, or otherwise transfer the Shares issuable upon conversion of the Bonds in or into the United States or to any United States person, except in accordance with Regulation S under the Securities Act or pursuant to another exemption from registration under the Securities Act and in accordance with any applicable securities laws of any State of the United States; and
- (x) it acknowledges that, with respect to any Shares issuable upon conversion of the Bonds, any resale or other transfer or attempted resale or other transfer of such Shares other than in compliance with (ix) above may not be recognised by the Company.

All applications will be on the basis of the terms of the Invitation. **Applications may only be made by e-mail or facsimile transmission of a duly completed and signed Application for Conversion**



**Form received by the Paying and Conversion Agent and the Dealer Manager during the Offer Period.**

#### **4 Conditions**

Acceptance by the Company of Applications for Conversion is conditional upon (i) the Company receiving Applications for Conversion (which have been validly submitted) which represent no less than 60 per cent. in nominal amount of the Bonds currently outstanding and (ii) the release of the funds currently held in an escrow account with Rabobank in Katwijk, the Netherlands, to finance the invitation as set out above under “Background”(together, the “Conditions Precedent”). The Conditions Precedent cannot be waived by the Company.

#### **5 Confirmation of Applications**

- (1) The Company will notify each Bondholder who has submitted to it a duly completed and signed Application for Conversion during the Offer Period by sending to such Bondholder an Application Confirmation Form specifying the amount of any payment due to such Bondholder based on the Offer Amount, confirming the Offer Amount payable to such Bondholder (including the entry of the name of the relevant Bondholder or its nominee in the shareholders’ register of the Company) and the Settlement Date and undertaking to (i) procure the crediting of the Shares to be issued upon conversion to the Bondholder’s securities account and obtain the listing of the Shares, each as set out under ‘Delivery and Listing of Shares’ below and (ii) provide to any Bondholder who receives Shares pursuant to the Invitation, additional Shares calculated in accordance with the Anti-Dilution Provisions set out in the Application Confirmation Form, in the event that the Company issues Shares or grants certain rights for Shares at a price which is less than a price specified in such aforementioned Anti-Dilution Provisions.
- (2) Following confirmation by the Company that the Conditions Precedent have been satisfied, Application Confirmation Forms will be delivered via e-mail on the Business Day following the date on which such confirmation was given (the “Confirmation Date”) by the Company to all Bondholders who have validly submitted Applications for Conversion prior to the Confirmation Date.
- (3) Application Confirmation Forms in respect of any Applications for Conversion validly submitted on or after the Confirmation Date will be delivered via e-mail by the Company on the Business Day following the expiry of the Offer Period (which is expected to be 30 September 2009).
- (4) The Company will procure the payment to Bondholders of the Offer Amount on the Settlement Date.
- (5) The Paying and Conversion Agent will, in respect of each Application for Conversion and Application Confirmation Form, arrange for conversion of the relevant Bonds in the principal amount specified in the Application Confirmation Form in accordance with the terms of the Invitation.

#### **6 Delivery and Listing of Shares**

- (1) Upon the valid submission of an Application for Conversion and the delivery of the Application Confirmation Form, the Company will, on or with effect from the Settlement Date, enter the relevant name of the Bondholder or its nominee in the shareholders’ register of the Company in respect of such number of Shares to be issued upon conversion and will, as soon as practicable, and in any event not later than 90 days after the Settlement Date (i) make or cause to be made an application for the Shares to be listed and admitted to trading on the regulated market of Euronext Amsterdam N.V. and use all reasonable endeavours to obtain such listing and admission to trading of the Shares on Euronext

Amsterdam N.V. and (ii) cause the relevant securities account of such Bondholder or of his/their nominee, to be credited with such number of Shares.

- (2) The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the Settlement Date (except for any right excluded by mandatory provisions of applicable law) and such Shares shall be entitled to all rights, the record date or other due date for the establishment of entitlement for which falls on or after the Settlement Date, to the same extent as all other fully-paid Shares of the Company in issue as if such Shares had been in issue throughout the period to which such rights relate. A holder of Shares issued on conversion of Bonds shall not be entitled to any rights, the record date for which precedes the Settlement Date.

## **7 Procedure for Blocking Bonds**

Each Bondholder should ensure that the relevant Clearing System has been instructed to block such Bonds in the securities account to which they are credited with effect from and including the day on which the Application for Conversion is delivered to the Paying and Conversion Agent so that no transfers may be effected in relation to such Bonds until such time as the Bondholder receives an Application Confirmation Form from the Company.

## **8 Termination, Withdrawal, Extension and Amendment**

- (1) Subject to applicable law, the Company may, in respect of Bonds, at any time waive any provision of the Invitation, or amend any term of the Invitation, extend the Offer Period or terminate or withdraw the Invitation (whether before or after acceptance of an Application for Conversion in respect of any Bondholder).
- (2) Any such waiver, amendment, extension, termination or withdrawal may be effected before or after acceptance of an Application for Conversion from any Bondholder, and any such waiver, amendment, extension, termination or withdrawal may be applied to any such Bondholder whose application has so been accepted. The Company retains the right, amongst other things, to re-open the Offer Period for any Bondholder who has not submitted an Application for Conversion while providing that the Settlement Date for any Bonds which have been so submitted for conversion during the original Offer Period shall not be extended.
- (3) The Company will ensure that Bondholders are notified of any such waiver, amendment, extension, termination or withdrawal as soon as is reasonably practicable thereafter.

## **9 Additional Terms**

- (1) All communications, payments, notices, cheques or certificates to be delivered to or by a Bondholder will be delivered by or sent to or by it at its own risk.
- (2) Each Bondholder submitting an Application for Conversion shall be deemed to have agreed to indemnify the Company, the Dealer Manager and the Paying and Conversion Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the representations, warranties and/or undertakings given pursuant to, the Invitation by any such Bondholder.
- (3) Pursuant to Condition 4.1(ii) of the Bonds, if Bondholders submit and the Company accepts for conversion Bonds in respect of 90 per cent. or more in principal amount of the Bonds originally issued, the Company has the right to redeem all remaining Bonds.

- (4) The Invitation and each Application for Conversion shall be governed by, and construed in accordance with, English law. By submitting the Application for Conversion, a Bondholder irrevocably and unconditionally agrees for the benefit of the Company, the Dealer Manager and the Paying and Conversion Agent that the courts of England are to have jurisdiction to settle any disputes which may arise in connection with the Invitation or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of, or in connection with, the foregoing may be brought in such courts.
- (5) None of the Company, the Dealer Manager, the Paying and Conversion Agent or any of their respective directors, employees or affiliates makes any recommendation as to whether or not to participate in the Invitation or otherwise to exercise any rights in respect of the Bonds. Bondholders must make their own decision with regard to their participation in the Invitation.
- (6) The Company's interpretation of the terms and conditions of the Invitation (including the Application for Conversion) shall be final and binding. No alternative, conditional or contingent applications will be accepted. The Company may (a) reject any Application for Conversion submitted by a Bondholder who is, or at any time becomes, in breach of any representation, warranty or undertaking of the Bondholder under the Invitation or (b) in its absolute discretion, elect to treat as valid an Application for Conversion not complying in all respects with the terms and conditions of the Invitation or in respect of which the relevant Bondholder does not comply with all the subsequent requirements of these terms. Unless waived by the Company, any irregularities in connection with applications must be cured within such time as the Company shall determine. None of the Company, the Dealer Manager, the Paying and Conversion Agent or any other person will be under any duty to give notification of any defects or irregularities in such applications, nor will any of such entities incur any liability for failure to give such notification. Applications for Conversion of such Bonds will be deemed not to have been made until such irregularities have been cured or waived.
- (7) If any Application for Conversion or other written communication addressed to the Company and the Paying and Conversion Agent is signed on behalf of a Bondholder (by an attorney-in-fact, custodian, trustee, administrator, director or officer of a corporation or any other person acting in a fiduciary or representative capacity) that fact should be indicated on the relevant communication and a power of attorney or other form of authority must be delivered to the Paying and Conversion Agent together with such Application for Conversion. Failure to submit such evidence may result in rejection of the Application for Conversion. None of the Company, the Dealer Manager or the Paying and Conversion Agent shall have any responsibility to check the genuineness of any such power of attorney or other form of authority so delivered and may conclusively rely on, and shall be protected in acting in reliance upon, any such power of attorney or other form of authority.
- (8) None of the Company, the Dealer Manager or the Paying and Conversion Agent shall accept any responsibility for failure of delivery of any Application for Conversion or any other notice or communication. The Company's determination in respect of any Application for Conversion or any other notice or communication shall be final and binding.
- (9) This Invitation is not being made, directly or indirectly, to beneficial owners of Bonds who are located in the United States or are U.S. persons, and no Application for Conversion can be made by or on behalf of such persons. Accordingly, copies of this Invitation Memorandum and any related documents are not being and must not be mailed, forwarded, sent, transmitted or otherwise distributed to such persons and persons receiving this invitation must not distribute, forward, mail, transmit or send it or any related documents to such persons. The Bonds and Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act. Accordingly, the Shares issuable upon conversion of the Bonds will not be offered, sold, pledged, or otherwise transferred, directly or

indirectly, in or into the United States or to any U.S. person, except in accordance with Regulation S under the Securities Act or pursuant to another exemption from registration under the Securities Act and in accordance with any applicable securities laws of any State of the United States. An Application for Conversion made by a resident of the United States, any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or any U.S. person will not be accepted. Applications for Conversion will be conditioned on certification from each record and beneficial holder of the Bonds that either (a)(i) it is the beneficial owner of the Bonds and (ii) it is located outside the United States and it is not a U.S. person (within the meaning of Regulation S under the Securities Act) or (b)(i) it is acting on behalf of the beneficial owner of the Bonds and has been duly authorised so to act and (ii) such beneficial owner has confirmed to it that such beneficial owner is located outside the United States and such beneficial owner is not a U.S. person (within the meaning of Regulation S under the Securities Act) and, in the case of each of (a) and (b) above, it is acquiring the Shares in an “offshore transaction” within the meaning of Regulation S under the Securities Act.

- (10) During the Offer Period, copies of the Invitation Memorandum, the Application for Conversion and the Application Confirmation Form may be obtained during normal business hours at the office of Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (contact: Corporate Actions Team; telephone: + 44 20 7541 1315/1316/1374).

## ANNEX A

### Form of Application for Conversion

**IF YOU NEED ASSISTANCE IN COMPLETING THIS FORM, PLEASE CONTACT THE PERSONNEL AT UBS LIMITED SET OUT BELOW.**

*To be submitted by e-mail or fax (if e-mail is not possible) to both the Paying and Conversion Agent and UBS Limited no later than 4.00 p.m. London time on 29 September 2009.*

*Failure to complete properly and deliver, by the date and time indicated by Pharming Group N.V., this Application for Conversion (in the determination of Pharming Group N.V.) may result in this Application being treated as null and void.*

Telephone enquiries to:

UBS Limited  
Patrick Jungo  
Tel No.: +44 20 7567 8698

or

Derek Lowe  
Tel No.: +44 20 7568 2283

Completed Application for Conversion Forms (to be e-mailed in .pdf form, where possible) to:

Deutsche Bank AG, London Branch  
Attention: Corporate Actions Team  
e-mail: Earlyredemptions.desk@db.com

Fax No.: +44 20 7547 6624

**And To:**

UBS Limited  
Patrick Jungo  
Fax No: +44 20 7336 2782  
e-mail: patrick.jungo@ubs.com

and

Derek Lowe  
Fax No.: +44 20 7336 2782  
e-mail: derek.lowe@ubs.com

1. We acknowledge that we have received and reviewed the Invitation Memorandum dated 21 September 2009 and that this Application for Conversion is subject to the provisions contained therein.
2. Upon the terms and subject to the conditions of the Invitation, we hereby irrevocably offer the principal amount of the Bonds specified in the Conversion Notice scheduled hereto for delivery of the Offer Amount (namely the payment of the Offer Price and the conversion into the Share Amount) (each as defined in the Invitation Memorandum).

3. We hereby represent and warrant that we have full power and authority to submit this application in respect of the Bonds specified in the Conversion Notice scheduled hereto. We will, upon request, execute and deliver any additional documents and/or do such other things deemed by Pharming Group N.V. to be necessary or desirable to complete the Invitation or to evidence such power and authority.
4. All authority conferred or agreed to be conferred pursuant to this Application for Conversion and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned.
5. **The confirmations, representations, warranties and undertakings in this paragraph 5 will be deemed to be given as at the time of execution of this Application for Conversion and on the Settlement Date by each recorded and beneficial owner of Bonds.**
  - (A) I/We confirm that I am/we are the Bondholder(s) of the Bonds specified in the Conversion Notice scheduled hereto, that at the time I/we received the Invitation Memorandum, at the time I/we returned this Application for Conversion and that at the time I/we received any Application Confirmation Form from Pharming Group N.V. I/we was/were outside the United States (except to the extent I am/we are holding on behalf of a person located outside the United States that is not a U.S. person (as that term is defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and that I am/we are not delivering this Application for Conversion from, or as agent by or on behalf of, any person in the United States (unless such person has given all instructions with respect to the Invitation from outside the United States);
  - (B) I/We confirm that I/we have not (a) received or sent copies or originals of this Application for Conversion, any Application Confirmation Form or any other document relating to the Invitation to a beneficial owner of the Bonds that is located in the United States or is a U.S. person or (b) mailed, transmitted or otherwise sent, given or distributed (electronically or otherwise) any such document to such person;
  - (C) I/We represent and warrant that I am/we are either (a)(i) the beneficial owner of the Bonds and (ii) located outside the United States and not a U.S. person (within the meaning of Regulation S under the Securities Act) or (b)(i) acting on behalf of the beneficial owner of the Bonds and have been duly authorised to so act and (ii) such beneficial owner has confirmed to me/us that such beneficial owner is located outside the United States and such beneficial owner is not a U.S. person (within the meaning of Regulation S under the Securities Act);
  - (D) I/We represent and warrant that I am /we are outside the Republic of France or, if located in the Republic of France, a qualified investor ("*Investisseur Qualifié*") or acting directly for the account of a qualified investor (as defined in Article L.411-2 and D.411-1 of the French Code *Monétaire et Financier*);
  - (E) I/We represent and warrant that I am /we are not a resident of or located in the Republic of Italy and that I/we have not distributed or forwarded the invitation or any other communications or documents relating to the invitation to or from the Republic of Italy;
  - (F) I/We represent and warrant that I am /we are outside the United Kingdom or, if a resident of or located in the United Kingdom, a person within the definition of Investment Professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")) or within Article 43 of the Order or a person to whom the invitation may lawfully be communicated in accordance with the Order;

(G) I/We hereby represent, warrant and undertake that I/we hold and will hold, until the time of settlement on the Settlement Date, the Bonds specified in the Conversion Notice scheduled hereto in the account(s) specified in the Conversion Notice scheduled hereto and I/we hereby represent, warrant and undertake that, in accordance with the procedures of Clearstream, Luxembourg or Euroclear, as the case may be, and by the deadline required by Clearstream, Luxembourg or Euroclear, I/we have irrevocably instructed Clearstream, Luxembourg or Euroclear, as the case may be:

- (a) to block the Bonds specified in the Conversion Notice scheduled hereto in the account(s) specified in the Conversion Notice scheduled hereto with effect on and from the date hereof so that, at any time pending the conversion of such Bonds on the Settlement Date and the cancellation thereof, no transfers of such Bonds may be effected;
- (b) to disclose my/our identity to Pharming Group N.V. and to the Paying and Conversion Agent,

and I/we hereby represent, warrant and undertake that I/we have delivered an individual, matching blocking instruction in respect of the Bonds specified in the Conversion Notice scheduled hereto to Clearstream, Luxembourg and/or Euroclear, as the case may be, and have ensured that the relevant blocking instruction can be allocated to such Bonds;

(H) I/We represent and agree that I/we and each beneficial owner of the Bonds to be converted:

- (a) understand that the Shares (as defined in the terms and conditions of the Bonds) to be issued upon the exercise of the Bondholder's Conversion Right (as defined in the terms and conditions of the Bonds) have not been and will not be registered under the Securities Act;
- (b) am not a U.S. person/are not U.S. persons (within the meaning of Regulation S under the Securities Act) and am/are not exercising my/our Conversion Right on behalf of a U.S. person;

(I) I am/We are acquiring the Shares in an "offshore transaction" within the meaning of Regulation S under the Securities Act;

(J) I/We agree (or if I am/we are acting for the account of another person, such person has confirmed to me/us that such person agrees) that I/we and they will not offer, sell, pledge, or otherwise transfer the Shares acquired pursuant to the conversion of Bonds, except in accordance with Regulation S under the Securities Act or pursuant to another exemption from registration under the Securities Act and in accordance with any applicable securities laws of any State of the United States; and

(K) I/We acknowledge that, with respect to any Shares acquired pursuant to the conversion of the Bonds, any resale or other transfer or attempted resale or other transfer of the Shares other than in compliance with (J) above may not be recognised by Pharming Group N.V..

6. Authorisation of production in proceedings

I/We hereby authorise the production of this form in any administrative or legal proceedings instituted in connection with which this form may be relevant.

Signed: ..... Date: .....

7. We confirm our agreement to the terms set out above.

Signed: ..... Dated: .....

Print name of Signatory<sup>(1)</sup>: .....

Capacity<sup>(1)</sup>: .....

(for and on behalf of)

Print name of Bondholder: .....

Name of contact person: .....

Telephone number<sup>(2)</sup>: .....

Fax number<sup>(2)</sup>: .....

E-mail<sup>(3)</sup>: .....

[Euroclear/Clearstream, Luxembourg] Account No: .....

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*Notes to paragraph 7:*

- (1) The person or entity signing this Application for Conversion must be an accountholder in Euroclear or Clearstream, Luxembourg. The name of such accountholder must be stated exactly as such accountholder's name appears on the official security position listing of Euroclear or Clearstream, Luxembourg, as the case may be. In relation to any Bonds, if the signatory is an attorney, executor, administrator, trustee, guardian, officer of a corporation or other person acting in a fiduciary or representative capacity, such signatory must provide the capacity in which he/she is acting and the power of attorney or other authority in a form satisfactory to Pharming Group N.V..*
- (2) Include country and area code in telephone and fax numbers.*
- (3) For the purpose of receiving an Application Confirmation Form.*



**SCHEDULE**

**Form of Conversion Notice**

**Pharming Group N.V.**

**€70,000,000 6.875 per cent. Convertible Bonds Due 2012**

**ISIN: XS0327607833**

**CONVERSION NOTICE**

**(Please read the Invitation Memorandum (as defined below) before completing this Notice)**

Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Address: \_\_\_\_\_  
Signature: \_\_\_\_\_

By signing and delivering this Conversion Notice, I/we represent and warrant that the information and representations contained herein are true and accurate on the date of delivery.

If any Bonds to be converted are represented by a global certificate on deposit with (i) Euroclear Bank S.A./N.V. (“**Euroclear**”) or (ii) Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or their successors or agents, this Conversion Notice must be signed by or on behalf of the holder of the Bonds and sent to the Conversion Agent.

To: Deutsche Bank AG, London Branch

Cc: Pharming Group N.V.

Being the holder of the amount of Bonds specified below, I/we hereby irrevocably elect to convert such Bonds into ordinary shares of Pharming Group N.V. (“**Pharming**”) on the terms of the Invitation set out in the Invitation Memorandum dated 21 September 2009 (the “**Invitation Memorandum**”) (such ordinary shares of Pharming being the “**Share Amount**”).

1. Total principal amount of Bonds to be converted: \_\_\_\_\_

These Bonds are represented:

(A) By a global certificate on deposit with:

\*  Euroclear or Clearstream, Luxembourg

\*  \_\_\_\_\_

2. I/we hereby request that the Share Amount required to be delivered upon conversion be delivered, once available for delivery to a securities account in accordance with the terms of the Invitation and the undertakings of Pharming set out in the Invitation Memorandum under “Delivery and Listing of Shares” as follows:

\*  by crediting the Share Amount to the following account with the following financial institution:

Financial Institution:

Account Number:

Name of Account:

\_\_\_\_\_

\* tick one of the boxes as applicable.

If the Share Amount is to be registered in the name of, or held for the benefit of, any Person other than the beneficial holder of the Bonds, please check this box.

3. I/We hereby request that the payment of the Offer Price (as defined in the Invitation Memorandum) be made by crediting the following bank:

Receiving Bank: \_\_\_\_\_

Account Number: \_\_\_\_\_

Name of Account: \_\_\_\_\_

4. I/We hereby declare that all approvals, consent and authorisations (if any) required by the laws of the Netherlands to be obtained by me/us prior to the said conversion have been obtained and are in full force and effect and that any applicable condition thereto has been complied with by me/us.
5. I/We hereby declare that I/we have paid all stamp, transfer, registration or other taxes or duties (if any), arising upon conversion and on the transfer, delivery or other disposition of the Share Amount delivered by Pharming except any such stamp, transfer, registration or other taxes or duties which Pharming would be required to pay if such conversion were being made pursuant to Section 5.6 of the terms and conditions of the Bonds.

**PLEASE NOTE:**

- (i) This Conversion Notice will be void unless the introductory details and Sections 1, 2 and 3 are completed.
- (ii) Delivery of Share Amount or cash payments will be made at the risk and expense of the converting Bondholder and the converting Bondholder will be required to prepay the expenses of, and submit the necessary documents required in order to effect delivery and payment in the manner specified.

For Paying and Conversion Agent's use only:

1. Bond conversion identification reference:
2. Notification Date:
3. Aggregate principal amount of Bonds in respect of which Bonds have been deposited for conversion:  
\_\_\_\_\_
4. Conversion Price on Notification Date: \_\_\_\_\_
5. Share Amount deliverable: \_\_\_\_\_  
(disregard fractions).
6. (If applicable) amount of cash payment due to converting in respect of fractions of Share Amount:

**Please deliver this notice to:**

**Deutsche Bank AG, London Branch**

Attention: Corporate Actions Team

e-mail: [Earlyredemptions.desk@db.com](mailto:Earlyredemptions.desk@db.com)

Fax No.: +44 20 7547 6624

**and**

**UBS Limited**

Patrick Jungo

e-mail: [patrick.jungo@ubs.com](mailto:patrick.jungo@ubs.com)

Fax No.: +44 20 7336 2782

**and**

Derek Lowe

e-mail: [derek.lowe@ubs.com](mailto:derek.lowe@ubs.com)

Fax No.: +44 20 7336 2782

**ANNEX B**

**Application Confirmation Form**

**Pharming Group N.V.**  
**Darwinweg 24**  
2333 CR LEIDEN  
The Netherlands  
Tel. [●]  
Fax. [●]  
Date: [●]

To: [Name of Bondholder]  
[Address]  
Fax No:  
e-mail:

**INVITATION TO HOLDERS OF THE  
€70,000,000 6.875 PER CENT. BONDS DUE 2012  
ISSUED BY PHARMING GROUP N.V.  
AND CONVERTIBLE INTO ORDINARY SHARES OF  
PHARMING GROUP N.V.**

In connection with the above invitation and your Application for Conversion, Pharming Group N.V. (the “Company” or “Pharming”) hereby confirms as follows:

- 1 Principal amount of your Bonds accepted for conversion: €.....
- 2 Amount of cash payment due in respect of your Bonds: €.....
- 3 Date for delivery of the Offer Amount (the “Settlement Date”): [●] 2009

Delivery and listing of Shares:

- (i) Upon the valid submission of an Application for Conversion and the delivery of this Application Confirmation Form the Company will, on or with effect from the Settlement Date, enter the relevant name of the Bondholder or his/their nominee in the register of members of the Company in respect of such number of Shares to be issued upon conversion and will, as soon as practicable, and in any event not later than 90 days after the Settlement Date (i) make or cause to be make an application for the Shares to be listed and admitted to trading on the regulated market of Euronext Amsterdam N.V. and use all reasonable endeavours to obtain as soon as practicable the listing and admission to trading of the Shares on Euronext Amsterdam N.V. and (ii) cause the relevant securities account of such Bondholder or of his/their nominee, to be credited with such number of Shares.
- (ii) The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the Settlement Date (except for any right excluded by mandatory provisions of applicable law) and such Shares shall be entitled to all rights, the record date or other due date for the

establishment of entitlement for which falls on or after the Settlement Date, to the same extent as all other fully-paid Shares of the Company in issue as if such Shares had been in issue throughout the period to which such rights relate. A holder of Shares issued on conversion of Bonds shall not be entitled to any rights, the record date for which precedes the Settlement Date.

**Anti-Dilution Provisions:**

From the date of delivery of this Application Confirmation Form the Anti-Dilution Provisions set out in the Schedule hereto shall become effective in accordance with their terms.

**PHARMING GROUP N.V.**

By: .....

## SCHEDULE

### A. Anti-Dilution Provisions (the “Provisions”)

- (1) If and whenever Pharming shall issue Ordinary Shares (other than by way of rights to Shareholders as a class), or shall issue or grant (other than by way of rights to Shareholders as a class), any options, warrants, rights or securities (together “**Securities**”) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share (the “**Price Per Share**”) which is less than the Threshold Price on the Number of Shares Effective Date, in circumstances where the Number of Shares Effective Date in respect thereof falls during the Anti-Dilution Period, the Number of Shares shall be adjusted by multiplying the Number of Shares in effect immediately prior to the Number of Shares Effective Date by the following fraction (the “**Anti-Dilution Ratio**”):

$$\frac{A + B}{A + C}$$

where:

- (A) is the number of Ordinary Shares in issue on the Number of Shares Effective Date, on a fully-diluted basis;
- (B) is the number of Ordinary Shares to be issued pursuant to the relevant issue of Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon conversion, exchange or exercise of the relevant Securities at the initial conversion, exchange or exercise price or rate; and
- (C) is the number of Ordinary Shares which the aggregate Price Per Share for such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued upon conversion, exchange or exercise of such Securities at the initial conversion, exchange or exercise price or rate, would purchase at the Threshold Price.

Such adjustment shall become effective on the Number of Shares Effective Date.

Pharming shall, as soon as practicable and in any event within three Business Days after the Number of Shares Effective Date, give notice to [NAME OF SHAREHOLDER] of the issue of Ordinary Shares or the issue or grant of Securities pursuant to these Provisions, and shall deliver or procure the delivery of the Additional Number of Shares to the account notified by [NAME OF SHAREHOLDER] to Pharming for such purpose.

The Additional Number of Shares will be deemed to have been issued or transferred and delivered on or as of the Number of Shares Effective Date and will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Number of Shares Effective Date, and shall entitle the holder to receive all dividends, distributions and other entitlements determined by reference to a record date on or after the Number of Shares Effective Date.

- (2) If an adjustment shall be made to the Number of Shares pursuant to A. (1), the Threshold Price shall be adjusted by dividing the Threshold Price in force immediately prior to the Number of Shares Effective Date by the Anti-Dilution Ratio.

Such adjustment shall become effective on the Number of Shares Effective Date.

## B. Ordinary Share Consolidation, Reclassification or Subdivision

- (1) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares or an issue of Ordinary Shares to Shareholders as a class any Ordinary Shares credited as fully paid, the Threshold Price shall be adjusted by multiplying the Threshold Price in effect immediately prior to the Threshold Price Effective Date by the following fraction (the “**Threshold Price Ratio**”):

$$\frac{A}{B}$$

where:

- (A) is the aggregate number of Ordinary Shares in issue (determined on a fully diluted basis) immediately before such consolidation, reclassification, subdivision or issue, as the case may be; and
- (B) is the aggregate number of Ordinary Shares in issue (determined on a fully diluted basis) immediately after, and as a result of, such consolidation, reclassification, subdivision or issue, as the case may be.
- (C) Such adjustment shall become effective on the Threshold Price Effective Date.
- (2) If an adjustment shall be made to the Threshold Price pursuant to B. (1), the Number of Shares shall be adjusted by dividing the Number of Shares in force immediately prior to the Threshold Price Effective Date by the Threshold Price Ratio but, for the avoidance of doubt, without the delivery to [NAME OF SHAREHOLDER] of any Additional Number of Shares.

## C. Other Adjustments

If Pharming, after consultation with an Independent Financial Adviser, determines that an adjustment should be made to the Threshold Price (which adjustment may also involve an adjustment to the Number of Shares) as a result of circumstances not referred to above, the Independent Financial Adviser shall, at Pharming’s expense and acting reasonably, determine as soon as practicable what adjustment (if any) to the Threshold Price (including, if applicable, an adjustment to the Number of Shares) is fair and reasonable to take account thereof and the date on which such adjustment (if any) shall take effect.

## D. Interpretation

- (1) As used herein:

“**Anti-Dilution Period**” means the period from and including the date of this letter to and including the later of (i) 31 March 2010 and (ii) the last date on which more than 10% in aggregate principal amount of Bonds originally issued remain outstanding.

“**Bonds**” means the €70,000,000 6.875 per cent. Bonds due 2012 issued by Pharming.

“**Number of Shares**” means on the date of this letter [NUMBER OF SHARES], as adjusted from time to time in accordance with these Provisions.

“**Number of Shares Effective Date**” means the date on which Pharming enters into a legally binding agreement for the issuance of the relevant Ordinary Shares or Securities (regardless of whether (i) such agreement is subject to any conditions or contingencies or (ii) the Price Per Share is specified in such agreement or is to be determined at some other time).

The “**Additional Number of Shares**” shall be calculated as follows:

Additional Number of Shares = New Number of Shares (“NNS”) minus Old Number of Shares (“ONS”), where:

ONS = the Number of Shares immediately prior to the Number of Shares Effective Date;

NNS = ONS x the Anti-Dilution Ratio

“**Threshold Price**” means initially €0.50 per Ordinary Share, subject to adjustment pursuant to these Provisions.

“**Threshold Price Effective Date**” means the date the relevant consolidation, reclassification, or subdivision takes effect or, as the case may be, the date of issue of such Ordinary Shares.

- (2) Terms used but not defined herein shall have the meaning given to them in the terms and conditions of the Bonds.
- (3) For the purpose of any calculation of the Price Per Share pursuant to A. (1), the following provisions shall apply:
  - (i) the Price Per Share for Ordinary Shares issued for cash shall be the amount of such cash;
  - (ii) (x) the Price Per Share for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities or upon the exercise of rights of subscription in respect of any Securities shall be the aggregate consideration or price referred to in (y) or (z) below (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate; (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (z) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription in respect of any Securities shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities which are attributed by Pharming to such rights of subscription or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights at the relevant Number of Shares Effective Date referred to, plus in the case of each of (y) and (z) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription in respect thereof;
  - (iii) if the Price Per Share determined pursuant to (i) or (ii) above (or any component thereof) shall be expressed in a currency other than the Euro, it shall be converted into Euro at the rate prevailing at or about 12 noon (Amsterdam time) on the relevant Threshold Price Effective Date as appearing on the relevant Bloomberg page;
  - (iv) in determining the Price Per Share pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
  - (v) the Price Per Share shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to Pharming or another entity.