

SECURITY NOTE

PHARMING GROUP N.V.

*(a limited liability company incorporated under the laws of the Netherlands,
with its corporate seat in Leiden)*

**Admission to listing and trading of newly issued ordinary shares with a nominal value of €0.01
per share**

On 31 July 2012, Pharming Group N.V. (**Pharming** or the **Company**, which shall, where the context so requires, include one or more of its subsidiaries) and certain qualified investors (the **Investors**) entered into an Equity Working Capital Facility (the **Working Capital Facility**), pursuant to which Pharming may at any time during the term of the Working Capital Facility, and subject to certain conditions and limitations, deliver a draw down notice to the Investors stating an amount to be drawn down by Pharming, whereupon Pharming shall deliver to the Investors the draw down amount of ordinary shares in its capital (the **Draw Down Shares**). At each time during the pricing period (starting on the day of the admission of the Draw Down Shares to listing and trading on Euronext Amsterdam by NYSE Euronext (**Euronext Amsterdam**) and ending 15 consecutive trading days later, the **Pricing Period**), each Investor may exercise a call option in whole or in part and, if in part, any number of times during such Pricing Period, and acquire ordinary shares in the capital of the Company (the **Call Option Shares**) up to 600% of the Investor's draw down amount.

This security note (the **Security Note**) is published in connection with the admission to listing and trading of (i) 16,000,000 Draw Down Shares to be issued and delivered to the Investors on or about the date hereof and (ii) a maximum of 80,000,000 Call Option Shares (together, the **New Shares**) to be issued and delivered during the Pricing Period if and when the Investors exercise their Call Option. The final number of New Shares admitted to listing and trading on Euronext Amsterdam will be published in a press release following the close of the Pricing Period.

In this Security Note, any reference to **Shares** shall refer to ordinary shares of the Company, including the New Shares, outstanding from time to time (unless indicated otherwise herein). The Shares outstanding immediately prior to the issuance of the New Shares are listed and traded on Euronext Amsterdam under the symbol "PHARM" and ISIN Code NL0000377018. Application will be made to admit the New Shares to listing and trading on Euronext Amsterdam. Pharming expects that listing and trading in the Draw Down Shares will commence on or about 18 October 2012 and that listing and trading in the Call Option Shares, if and when issued, will commence during the Pricing Period or ultimately within three trading days thereafter.

Any investment in the Shares involves significant risks. These risks are described in Chapter 1 "Risk Factors Relating to the Shares" beginning on page 4 of this Security Note and in Chapter 1 "Risk Factors Relating to Pharming" beginning on page 3 of the Registration Document (as defined below).

THE NEW SHARES ARE BEING OFFERED AND SOLD (I) OUTSIDE THE UNITED STATES, IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT, TO INVESTORS THAT ARE NOT US PERSONS (AS SUCH TERM IS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) ("US PERSONS") AND (II) INSIDE THE UNITED STATES, IN RELIANCE OF REGULATION D UNDER THE SECURITY ACT OR ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, TO A LIMITED NUMBER OF "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) OF REGULATION D, PROVIDED THAT SUCH INVESTORS ARE "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT. THE NEW SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND

EXCHANGE COMMISSION OR ANY SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING PASSED UPON OR ENDORSED THE MERITS OF THE ISSUANCE OF THE NEW SHARES OR THE ACCURACY OR ADEQUACY OF THIS SECURITY NOTE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES. THE NEW SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE TAKEN UP, OFFERED, SOLD, RESOLD, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, WITHIN INTO OR FROM THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THERE WILL BE NO PUBLIC OFFER IN THE UNITED STATES OR ANY OTHER JURISDICTION. WHEN USED IN THIS SECURITY NOTE, THE TERMS "US" OR "UNITED STATES" SHALL MEAN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA.

This Security Note constitutes a security note for the purpose of article 6 of EC Regulation 809/2004 as amended from time to time and has been prepared pursuant to article 5:2 of the Financial Markets Supervision Act (*Wet op het financieel toezicht* (the **AFS**)) and the rules promulgated thereunder. This Security Note has been approved by and filed with the *Stichting Autoriteit Financiële Markten* (the **AFM**).

This Security Note may only be used in connection with the admission to listing and trading of the New Shares on Euronext Amsterdam and constitutes a prospectus in accordance with Directive 2003/71/EC, as amended from time to time, when supplemented by the registration document for the purpose of article 4 of EC Regulation 809/2004 as amended from time to time, dated 16 October 2012 (the **Registration Document**) and the summary, dated 16 October 2012 (the **Summary**), each of which has been approved and filed with the AFM (the **Prospectus**).

Capitalised terms used, but not defined herein, have the meaning as assigned to them in the Registration Document.

16 October 2012

Table of Contents

TABLE OF CONTENTS	3
1. RISK FACTORS RELATING TO SHARES	4
2. IMPORTANT INFORMATION	6
3. CAPITALISATION AND INDEBTEDNESS.....	7
4. USE OF PROCEEDS	8
5. THE ISSUE	9
6. WORKING CAPITAL	10
7. SELLING RESTRICTIONS.....	12
8. DESCRIPTION OF SHARE CAPITAL.....	15
9. TAXATION.....	19
10. GENERAL INFORMATION	26

1. RISK FACTORS RELATING TO SHARES

Investing in the Shares involves a high degree of risk. Investors should carefully consider the risks relating to the Shares described below, all of the other information set forth in this Security Note before deciding to invest in any of the Shares and the risks relating to the Company described in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document. If any of the events or developments described below or in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document occurs, Pharming's business, financial condition or results of operations could be negatively affected. In that case, the trading price of the Shares could decline, and investors could lose all or part of their investment in the Shares.

The risks listed below and the risk described in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document do not necessarily comprise all risks associated with investments in the Shares, but take into account those which are known to the Company and which the Company considers material. Additional risks and uncertainties not presently known to Pharming or that the Company currently deems immaterial may also have a material adverse effect on its business, results of operations or financial condition and could negatively affect the price of the Shares.

Dilutive effects may reduce future potential earnings per Share and subsequently the market price of the Shares.

Investors will face dilution as a result of the issuance of the New Shares, the exercise of already issued or newly issued options and/or warrants for Shares and future issuances of Shares. The impact of dilution may be that each individual Share may be worth less.

Future sales, or the possibility of future sales, of a substantial amount of Shares may depress the price of the Shares.

Future sales of Shares, or the perception that such sales will occur, could cause a decline in the market price of the Shares. Pharming cannot predict whether substantial numbers of Shares will be sold in the open market. In particular, there can be no assurance that the current shareholders will not reduce their holdings of Shares. Future sales of Shares could be made by shareholders or through a capital increase undertaken by the Company for additional working capital, to fund an acquisition or for another purpose. A sale of a substantial number of Shares, or the perception that such sale could occur, could materially and adversely affect the market price of the Shares and could also impede Pharming's ability to raise capital through the issue of equity securities in the future.

The market price of the Shares may be volatile and investors may not be able to sell Shares at or above the price paid for by them.

The market price of the Shares is subject to many factors, including the liquidity of the market for the Shares, the public opinion about general economic and market conditions and the public sentiment about the biotech industry. In addition, the market price of the Shares could fluctuate substantially due to any of the risks described in the Registration Document materialising or the sale of large blocks of Shares. Moreover, stocks of life science companies who currently are not profitable, such as Pharming, and stock markets in general, have from time to time experienced extreme price and volume fluctuations that may be unrelated or disproportional to the operational performance of particular companies. Because of all these different factors, the market price of the Shares has been, and may be in the future, highly volatile.

The pre-emptive rights of the shareholders may be restricted or excluded by the Management Board.

The shareholders of Pharming will generally have pre-emptive rights to subscribe for a pro-rata amount of any New Shares issued by Pharming. These rights, however, are subject to certain provisions of the Articles of Association and may be restricted or even excluded by a resolution of its Management Board, subject to the approval of its Supervisory Board. See Chapter 7 "Description of Share Capital and Corporate Governance" of the Registration Document and Chapter 8 "Description of Share Capital" of this Security Note.

Pharming does not intend to pay dividends for the foreseeable future.

Pharming does not intend to pay any dividends for the foreseeable future. Payment of future dividends to shareholders will effectively be at the discretion of the Management Board, subject to the approval of the Supervisory Board after taking into account various factors including Pharming's business prospects, cash requirements, financial performance and new product development. In addition, payment of future dividends may be made only if Pharming's shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Articles of Association. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

If securities or industry analysts do not publish research or reports about Pharming's business, or if they change their recommendations regarding the Shares adversely, the price and/or trading volume of the Shares could decline.

The trading market for the Shares may be influenced by the research and reports that industry or securities analysts publish about Pharming or Pharming's business. If one or more of the analysts who cover Pharming or Pharming's industry downgrade the Shares, the market price of the Shares would likely decline. If one or more of these analysts ceases coverage of Pharming or fails to regularly publish reports on Pharming, the Company could lose visibility in the financial markets, which could cause the market price and/or trading volume of the Shares to decline.

2. IMPORTANT INFORMATION

No person is or has been authorised to give any information or to make any representation in connection with the New Shares, other than as contained in this Security Note, and, if given or made, any other information or representation must not be relied upon as having been authorised by Pharming. The delivery of this Security Note at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Security Note is correct as of any time since its date.

Pharming Group N.V. accepts responsibility for the information contained in this Security Note. Having taken all reasonable care to ensure that such is the case, Pharming Group N.V. further declares that the information contained in this Security Note is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Notice to Investors

The distribution of this Security Note may be restricted by law in certain jurisdictions. Persons in possession of this Security Note are required to inform themselves about and to observe any such restrictions. See also Chapter 7 "Selling Restrictions".

This Security Note may not be used for, or in connection with, and does not constitute, any offer to sell, or a solicitation of an offer to buy, Shares or any other securities issued by the Company.

The New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the US or any other US regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the New Shares or the accuracy or adequacy of this Security Note. Any representation to the contrary is a criminal offence in the US.

Presentation of Financial and Other Information

Certain figures contained in this Security Note have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Security Note may not conform exactly to the total figure given for that column or row.

All references in this Security Note to "euros" or "€" are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU. All references to "US dollars", "US\$" or "\$" are to the lawful currency of the US.

Documents Incorporated by Reference

The Registration Document and the Summary are incorporated by reference into this Security Note. No other documents or information form part of, or are incorporated by reference into, this Security Note. A copy of the Prospectus may be obtained free of charge for the life of the Registration Document by sending a request in writing at: Darwinweg 24, 2333 CR Leiden, the Netherlands. The Prospectus is also available via www.pharming.com.

3. CAPITALISATION AND INDEBTEDNESS

The financial information in the table below has been extracted from Pharming's unaudited condensed consolidated interim financial statements for the half year ended 30 June 2012. This table should be read together with the information in Chapter 4 "Operating and Financial Review" of the Registration Document and Pharming's consolidated financial statements incorporated by reference therein.

Capitalisation and Indebtedness

(€ in thousands)	30 June 2012 unaudited
<i>Capitalisation</i>	
Total current debt	(9,343)
Total non-current debt	(16,600)
Total Financial Indebtedness¹	(25,943)
Share capital	(6,890)
Share premium	(228,610)
Other reserves	243,659
Shareholders' equity	(8,159)
<i>Indebtedness</i>	
Restricted cash ²	309
Cash and cash equivalents	2,230
Liquidity	2,539
Current financial receivables³	1,711
Deferred license fees income	(1,936)
Derivative financial liabilities	(366)
Convertible bonds	(589)
Trade and other payables	(5,313)
Finance lease liabilities	(1,139)
Current Financial Debt	(9,343)
Net Current Financial Indebtedness	(5,093)
Deferred license fees income	(14,463)
Finance lease liabilities	(2,050)
Other non-current debts	(87)
Non-current Financial Indebtedness	(16,600)
Net Financial Indebtedness	(21,693)

At 30 June 2012, the actual net asset value per Share (based on Shareholders' equity) was €0.01 negative (unaudited).

See Chapter 4 "Operating and Financial Review – Contractual Obligations" of the Registration Document for information about certain contingent obligations of the Company.

¹ These liabilities have not been secured or guaranteed.

² Excluding non-current restricted cash of €856,000.

³ The amount of €1,711,000 is comprised of financial receivable items included in the 30 June 2012 balances of Assets held for sale (€759,000) and Trade and other receivables (€1,142,000). For the purpose of this table, non-financial items (prepaid expenses) of €190,000 in total have been excluded.

4. USE OF PROCEEDS

The total net proceeds amount between €574,000 (if the Investors would not exercise their option to acquire additional Shares) and €3,444,000 (if the Investors would exercise their entire option to acquire 600% additional Shares). For the purpose of this estimated range of net proceeds, the Company has applied the €0.041 closing price per Pharming share on 15 October 2012 reduced by a 12.5% discount for Investors; the final net proceeds per share are subject to developments during the Pricing Period.

The total commission fees of the issue of New Shares are 4.5% or ranging between €26,000 and €155,000. In addition, other external fees associated with the issue of the Prospectus dated 16 October 2012 are estimated at approximately €0.1 million.

Pharming intends to use the net proceeds from the issuance of the New Shares primarily for

- the ongoing clinical and regulatory activities with respect to Rhucin in the US;
- financing of downstream processing commitments; and
- general corporate purposes, including the continuation of business development initiatives.

The net proceeds of the issuance of the New Shares do not result in sufficient cash for the next 12 months. Reference is made to Chapter 6 "Working Capital" including details of the cash needed by the Company and possible sources for the next 12 months.

5. THE ISSUE

Working Capital Facility

Pharming has issued or will issue (as the case may be) the New Shares to the Investors pursuant to the Working Capital Facility. The aggregate amount of the Working Capital Facility is €10.0 million of which to date €2.3 million has been drawn down by Pharming (excluding the New Shares). The Working Capital Facility is available until 1 August 2014 (or such earlier date on which the total amount of €10.0 million has been obtained by the Company).

The Working Capital Facility entitles Pharming at any time during its term, and subject to certain conditions and limitations, to deliver a draw down notice to the Investors stating an amount to be drawn down by Pharming, whereupon Pharming shall deliver to the Investors Draw Down Shares. The Pricing Period for the Draw Down Shares starts upon admission to listing and trading of such Shares on Euronext Amsterdam and shall end 15 consecutive trading days later. During the Pricing Period, each Investor may exercise a call option in whole or in part and, if in part, any number of times, and acquire Call Option Shares up to 600% of the Investor's draw down amount.

In return for the commitment by the Investors, Pharming has granted warrants entitling the Investors to acquire in total 27.5 million Shares and, furthermore, the Company has committed to grant warrants representing in total 38.5 million Shares to be issued to each of the Investors on the date on which such Investor has invested a certain percentage of its individual commitment amount.

The exercise price of the warrants is €0.0233 (subject to adjustment). The exercise period of the warrants runs until 10 September 2017.

Issue

Under the Working Capital Facility a maximum of 96,000,000 New Shares will be issued and delivered during the Pricing Period which is expected to commence on 17 October 2012 and end on 6 November 2012. The final number of New Shares will be published in a press release following the close of such Pricing Period.

Admission

Application will be made to admit the New Shares to listing and trading on Euronext Amsterdam. Pharming expects that listing and trading in the Draw Down Shares will commence on or about 18 October 2012 and that listing and trading in the Call Option Shares, if and when issued, will commence during the Pricing Period or ultimately three trading days thereafter.

Dilution

The dilution resulting from the issuance of the New Shares amounts to 9.5%.

6. WORKING CAPITAL

The Company is of the opinion that it does not have sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this Security Note. In case the issuance of the New Shares would be cancelled, the available net cash (cash and cash equivalents minus bank overdrafts) at the date of this Security Note is expected to deplete in November 2012. The net proceeds of the issuance of the New Shares do not result in sufficient cash for the next 12 months and Pharming expects that the issuance of New Shares should provide for sufficient cash for approximately one month so that net cash including the proceeds of the issuance of the New Shares would deplete in December 2012.

Pharming does not generate sufficient cash from commercial activities to meet its current working capital requirements and is currently, as has been the case since its incorporation, largely dependent on financing arrangements with third parties.

The net cash per 30 September 2012 amounted to €2.6 million of which €1.5 million was readily available and use of €1.1 million was restricted. Pharming's maximum projected operational, investment and finance lease payments for the 12 months after the date of this Registration Document are approximately €18.5 million. This maximum cash requirement will decrease significantly in case the Company achieves certain clinical and regulatory milestones as defined under the agreement with Santarus. Successful achievement of these milestones will trigger a maximum operational cash income of US\$15.0 million (applying the Noon Buying Rate at 30 September 2012 this would equal €11.7 million), which is expected to be received within 12 months after the date of this Registration Document.

To enable continued operations there are several sources available to raise working capital in the short and medium term future as outlined below, in addition to the proceeds of the issuance of the New Shares. Pharming expects to be able to generate sufficient funding from one or more of these resources to continue operations for at least 12 months after the date of this Security Note and to execute the Company's business plan. However, in case the Company is not able to attract sufficient additional cash from these resources, it may ultimately enter into bankruptcy.

1. The Company expects, under the existing commercialisation agreement with Santarus, Inc., to receive US\$10.0 million in cash upon successful completion of Study 1310 and US\$5.0 million in cash upon acceptance by the FDA of the subsequent BLA filing. In case the Company does not successfully complete Study 1310 or does not finish it in time (as per the date of this Security Note the receipt of the US\$10.0 million milestone is anticipated to take place in the fourth quarter of 2012) the cash inflows from operating activities on which the Pharming business plan is based will, provided no other cash resources as described below have been made available, be insufficient.
2. Under the Working Capital Facility of €10.0 million, the Company has received €2.3 million pursuant to two tranches executed in the third quarter of 2012. The remaining Working Capital Facility amount of €7.7 million (to be reduced with €0.6 million to €3.4 million in relation to the issue of the New Shares) can be utilised until expiration of the Working Capital Facility on 1 August 2014. The timing and proceeds from future tranches is subject to various parameters that are partially or entirely beyond control of the Company, including but not limited to i) the Share trading volumes, and ii) the Share price development, and iii) the calls made by Investors subsequent to the issue of Draw Down Shares. Furthermore, the issue of Shares in relation to the Working Capital Facility as per the date of this Security Note is subject to a maximum of 1,300 million authorised share capital with approximately 909 million Shares outstanding and 102 million Shares reserved for outstanding warrants and share-based compensation plans. A maximum of 38.5 million additional warrants will be issued to the Investors subject to further draw downs under the Working Capital Facility. Therefore, in view of the fully-diluted number of Shares outstanding as per the date of this Security Note (1,011 million) the Company cannot issue more than 289 million Shares and warrants to the Investors until the shareholders have approved to increase the authorised share capital. Based on the historical voting

pattern of Pharming shareholders, the Company expects that a proposal to increase the authorised share capital will be approved.

3. Pharming may raise capital by means of a capital markets transaction (other than, and next to, the Working Capital Facility), such as non-dilutive (debt) financing, issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. the Share price in relation to the nominal value per Share), availability of assets to secure debt transactions as well as corporate approvals of Pharming (e.g. to issue additional Shares; a further analysis with respect to shareholder involvement and shareholder approval has been provided in item 2. above). Any failure to successfully complete Study 1310, at all or within the anticipated time, may (severely) hamper the possibility to enter into a capital markets transaction. Whether capital market transactions are a realistic option in such case depends entirely on the reason for Study 1310 to be unsuccessful and of the decisions by the FDA as result of the discussion of the results of Study 1310.
4. The Company may decide to cancel and/or defer certain activities in order to limit cash outflows until sufficient funding is available to resume them. Deferrals substantially relate to the timing of manufacturing-related activities carried out on the initiative of Pharming while the cancellation of activities applies to a limited number of non-core projects requiring limited funding.
5. Pharming may be able to attract funds through divestment of individual assets or a group of assets as well as by incurring debt providing certain of the underlying assets as collateral. Assets qualifying for such a transaction include the upstream manufacturing facilities, the inventories of frozen milk (production starting materials) and inventories of finished product and the inventories of drug substance (bulk active material) and various laboratory and office equipment. However, the likelihood that such a funding will succeed is difficult to predict in view of economic conditions in general and the relatively small market for such specific assets in particular.

7. SELLING RESTRICTIONS

General

Receipt of this Security Note will not constitute an offer of the New Shares. This Security Note will be sent for information purposes only and should not be copied or redistributed. If an investor receives a copy of this Security Note, such investor may not treat this Security Note as constituting an invitation or offer to the investor of the New Shares being offered. Accordingly, if an investor receives a copy of this Security Note or any other offering materials or advertisements the investor should not distribute or send the same, to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an investor forwards this Security Note or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise), such investor should draw the recipient's attention to the contents of this section.

The information set out in this section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the New Shares should consult their professional adviser without delay.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the 2010 PD Amending Directive (each, a **Relevant Member State**), with effect from and including the date on which the 2010 PD Amending Directive was implemented in that Relevant Member State (the **Relevant Implementation Date**) no New Shares have been offered or will be offered to the public in that Relevant Member State, except that with effect from and including the Relevant Implementation Date, offers of New Shares may be made to the public in that Relevant Member State at any time:

- persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated, on request, as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognised as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the 2010 PD Amending Directive); or
- in any other circumstances that do not require the publication by Pharming of a prospectus pursuant to Article 3 of the 2010 PD Amending Directive;

provided that no such offer of New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospective Directive or any measure implementing the 2010 PD Amending Directive in a Relevant Member State and each person who initially acquires any New Shares or to whom any offer is made, unless under bullet point two above, be deemed to have represented, acknowledged and agreed that it is a "qualified investor", within the meaning of Article 2(1)(e) of the Prospective Directive.

In as far as a member state of the European Economic Area has not yet implemented the 2010 PD Amending Directive, with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities, the thresholds currently in force in such member state apply in this respect.

For the purpose of the expression an "offer of any New Shares to the public" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering of any New Shares so as to enable an investor to decide to purchase any New Shares, as the same may be varied in that Relevant Member State by any measure

implementing the 2010 PD Amending Directive in that Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2003/71/EC as amended by Directive 2010/73/EU Directive and includes any relevant implementing measure in each Relevant Member State.

In the case of any New Shares being offered to a financial intermediary as that term is used in Article 3(2) of the 2010 PD Amending Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined. Pharming will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Pharming of such fact in writing may, with the consent of Pharming, be permitted to subscribe for or purchase New Shares.

United States

Except as set forth below, this Security Note is not to be sent or given to any person within the United States. The New Shares are not being, and will not be, registered under the Securities Act, for the purposes of sales outside of the United States.

Accordingly, this Security Note does not and will not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire any New Shares to any person with a registered address in or located in the United States. Notwithstanding the foregoing, the Company reserves the right to offer the New Shares in the United States in transactions exempt from, or not subject to, the registration requirements under the Securities Act.

Except as set forth below, the New Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the Securities Act.

Each person to which the New Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the New Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing or purchasing the New Shares, as the case may be, that:

- (i) it is acquiring the New Shares from the Company in an “offshore transaction” as defined in Regulation S under the Securities Act; and
- (ii) the New Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S under the Securities Act.

Each investor acknowledges that the Company will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such investor by its subscription for, or purchase of, the New Shares, as the case may be, are no longer accurate, it shall promptly notify the Company. If an investor is subscribing for, or purchasing, the New Shares as a fiduciary or agent for one or more investor accounts, such investor represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account. Each investor further understands that no public offering has been conducted in the Netherlands or any other jurisdiction in respect of the New Shares.

Notwithstanding the foregoing, New Shares may be offered to and acquired by a limited number of persons in the United States who are reasonably believed to be “accredited investors” and QIBs pursuant to an available exemption from registration under the Securities Act. Any persons in the United States to

whom New Shares are offered and by whom New Shares are acquired will be required to make certain representations, warranties, covenants and acknowledgements in the subscription agreement in order to participate in the issuance of the New Shares. Such warranties will include, among others, warranties as to the fact that the purchaser (a) is an "accredited investor" (b) is a QIB and (c) is acquiring the New Shares as principal for its own account and not with a view to or for distributing or reselling such New Shares or any portion thereof, without prejudice, however, to its right at all times to sell or otherwise dispose of all or any part of such New Shares in compliance with applicable United States federal and state securities laws.

Until 40 days after the commencement of the issuance of the New Shares (being the date of this Security Note), an offer, sale or transfer of the New Shares within the United States by any dealer (whether or not participating in the issuance of the New Shares) may violate the registration requirements of the Securities Act.

Each investor acknowledges that it will not resell the New Shares absent registration or an available exemption or from registration under the Securities Act.

United Kingdom

This Security Note is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the **Financial Promotion Order**), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended,) in connection with the issue or sale of any New Shares may otherwise lawfully be communicated or caused to be communicated (for the purpose of this paragraph, all such persons together "relevant persons"). This Security Note is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Security Note relates is available only to relevant persons and will be engaged in only with relevant persons.

New Hampshire

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

8. DESCRIPTION OF SHARE CAPITAL

General

Pharming's business was commenced by a company incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), by deed executed on 11 November 1988 under the name GENFARM B.V. GENFARM B.V. was ultimately renamed to Pharming Group B.V. On 29 May 1997 Pharming was converted from a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) into a public company with limited liability (*naamloze vennootschap*). Pharming trades under the name Pharming and is registered with the Chamber of Commerce of The Hague under number 28048592. The corporate seat of the Company is in Leiden, the Netherlands. The Articles of Association were last amended on 15 May 2012 before Mr. D.F.M.M. Zaman, civil law notary in the Netherlands.

Set out below is an overview of outstanding Shares, options and warrants as well as a brief summary of certain provisions of the Articles of Association and a description of Pharming's compliance with the Dutch corporate governance code. The summary does not purport to give a complete overview and should be read in conjunction with the Articles of Association, together with relevant provisions of Dutch law, and does not constitute legal advice regarding these matters and should not be considered as such.

Share Capital

Authorised and Issued Share Capital

At the date of this Registration Document, the authorised share capital of Pharming amounts to €13 million, divided into 1,300 million ordinary shares, with a nominal value of €0.01 each. There are currently 909,143,756 ordinary shares (in this Security Note referred to as Shares) issued and outstanding.

Form and Trading of Shares

Shares are either in registered form (*aandelen op naam*) or in bearer form (*aandelen aan toonder*). The Shares in bearer form are embodied in one global certificate and are traded through the book-entry facilities of Euroclear Netherlands. No share certificates are issued. The Company is responsible for keeping a shareholders' register.

Currently, neither the Company nor any of its subsidiaries holds any shares in Pharming's capital. All shares that are outstanding as of the date of this Security Note are fully paid up.

Summary of the Articles of Association

The following description summarises certain provisions of the Articles of Association, as currently in force. This summary does not purport to be complete, and is subject to, and qualified in its entirety by reference to the Articles of Association, as well as to the relevant provisions of Dutch law.

Right of Attendance and Voting Rights

With respect to the right to attend general meetings of shareholders and the right to exercise voting rights in such meetings, the Company shall consider as shareholders holders of Shares named in a written statement of a financial institution in which statement the financial institution states (i) the number of Shares held by such shareholder (ii) that the Shares form part of the collective depot of such financial institution, (iii) that the shareholder named in the statement is a participant in the collective depot to the extent of the number of Shares stated and (iv) that the shareholder named in the statement shall keep such capacity at least until after the meeting, provided that this statement is deposited at the offices of the Company prior to the meeting. The convocation notice for a general meeting of shareholders shall state

the date on which the statement must ultimately be deposited. Subject date cannot be a date prior to the seventh day prior to the date of the meeting.

Pursuant to Dutch company law, the Management Board shall set a registration date (**Registration Date**), on the 28th day before the day of the meeting. If the Management Board has determined a Registration Date, the statement of the financial institution referred to above shall only have to include that the Shares mentioned in the statement formed part of the collective depot of the financial institution involved at the Registration Date and that the person mentioned in the statement was a participant in that collective depot at the Registration Date for the number of Shares mentioned.

Holders of registered Shares that do not form part of a *girodepot* or collective depot must inform the Company in writing of their intention to attend the general meeting of shareholders at the place referred to in the convocation notice, at the latest seven days prior to the date of the meeting. Unless a Registration Date has been determined, they can exercise the rights in question at the meeting only in respect of registered Shares which are registered in their names both on the day referred to above and on the day of the meeting.

Those entitled to attend general meetings of shareholders shall only be authorised to attend and to address the general meetings of shareholders, either in person or by proxy authorised in writing, if they have announced to the Management Board in writing at least four days prior to the meeting, that they intend to attend the meeting in person, or that they shall be represented by proxy. The convocation notice shall state such requirement.

Each Share confers the right to cast one vote.

Dividends

The Company may distribute dividends only in so far as its shareholders' equity exceeds the amount of its paid-up and called-in capital increased by the reserves which are required to be maintained pursuant to Netherlands company law. Under the Articles of Association, the Management Board, subject to the approval of the Supervisory Board, may annually determine to set aside as reserves part or all of the distributable profit of the Company with respect to the preceding financial year. To the extent that the annual profit has not been reserved, it will be distributed as a dividend on the Shares. Upon receipt of a proposal from the Management Board, which has been approved by the Supervisory Board, the general meeting of shareholders may resolve to make a dividend payment in whole or in part in Shares instead of in cash.

At a general meeting of shareholders, the shareholders may also resolve to make payments out of the distributable reserves of the Company upon receipt of a proposal thereto from the Management Board, which is subject to approval by the Supervisory Board.

The Management Board may, upon the approval of the Supervisory Board, distribute interim dividends.

The right of any shareholder to receive dividends shall be terminated if such dividends are not claimed within five years from the date on which this dividend became payable.

Amendment of the Articles of Association, Dissolution and Liquidation

A resolution of the general meeting of shareholders to amend the Articles of Association or to dissolve the Company may only be adopted upon a proposal of the Management Board which has been approved by the Supervisory Board.

In the event of dissolution of the Company pursuant to a resolution of the general meeting of shareholders, the members of the Management Board will be responsible for the liquidation of the business of the Company and the Supervisory Board will be responsible for supervision thereof.

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses will be distributed pro rata (based on the nominal amount of the Shares held) to the holders of Shares.

Issuance of Shares and Rights to Subscribe for Shares

The Management Board has the authority to issue Shares or grant rights to subscribe for Shares if and insofar as the Management Board has been designated by the general meeting of shareholders as the authorised corporate body for this purpose and subject to the approval of the Supervisory Board. Such a designation may be effective for a specified period of up to five years and may be renewed for additional periods not exceeding five years. The Management Board has been granted such a designation concerning all the authorised and issued share capital of the Company until 26 May 2013. This period may be extended by an amendment of the Articles of Association, or by a resolution of the general meeting of shareholders for a period not exceeding five years in each case.

Upon expiration of this authority of the Management Board, the issuance of Shares or the granting of rights to subscribe for Shares shall require a resolution of the general meeting of shareholders (unless another corporate body has been designated by the general meeting of shareholders). A resolution by the general meeting of shareholders to issue Shares or to grant rights to subscribe for Shares or to designate another corporate body as being competent to do so may only be adopted upon a proposal of the Management Board, which proposal is subject to the approval of the Supervisory Board.

Pre-emptive Rights

Under the Articles of Association, each holder of Shares generally has a pre-emptive right to subscribe to its pro rata portion of any issue of Shares or grant of rights to subscribe for Shares, except for certain issuances to employees and issuances for non-cash consideration. The Management Board has the authority to restrict or exclude the rights of pre-emption for a period not exceeding five years, if and insofar as the Management Board has been designated by the general meeting of shareholders as the authorised corporate body for this purpose and subject to the approval of the Supervisory Board. The Management Board has been granted such authorisation until 26 May 2013. This period may be extended by an amendment of the Articles of Association, or by a resolution of the general meeting of shareholders for a period not exceeding five years in each case.

Upon expiration of this authority of the Management Board, the right to restrict or exclude pre-emptive rights shall require a resolution of the general meeting of shareholders (unless another corporate body has been designated by the general meeting of shareholders). A resolution by the general meeting of shareholders to restrict or exclude pre-emptive rights or to designate another corporate body as being competent to do so may only be adopted upon a proposal of the Management Board, which proposal is subject to the approval of the Supervisory Board.

Reduction of Share Capital

Upon a proposal by the Management Board, which has been approved by the Supervisory Board, the general meeting of shareholders may reduce the issued share capital of the Company by cancellation of Shares held by the Company or by reducing the nominal value of Shares, subject to certain statutory provisions.

Acquisition of Shares by the Company

Subject to the authorisation of the general meeting of shareholders and the approval of the Supervisory Board and subject to certain conditions imposed by Dutch company law, the Company may acquire fully paid-up Shares in its own share capital, but only for no consideration or if: (i) the distributable equity is at least equal to the purchase price; and (ii) the nominal value of the shares in its capital or depository

receipts thereof which the company acquires, holds or holds on lien or which are held by a subsidiary does not exceed one-tenth of the issued capital.

The Management Board has been granted such authorisation until 26 May 2013.

No voting rights may be exercised on Shares held by the Company. The Management Board may decide to transfer such Shares. The shareholders of the Company do not have a pre-emptive right on such transfers.

Dividend Policy

Pharming currently intends to retain future earnings, if any, to finance the growth and development of its business. As a result, the Company does not anticipate paying any dividends for the foreseeable future.

Pharming's dividend policy will, however, be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Management Board, subject to approval of the Supervisory Board, after taking into account various factors including Pharming's business prospects, cash requirements, financial performance and the requirements of Dutch law. Under Dutch law, payment of dividends may be made only if the shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Articles of Association.

Obligations of Shareholders to Make a Public Offer

The European Directive on Takeover Bids (2004/25/EC) has been implemented in Dutch legislation in the AFS. Pursuant to the AFS, a shareholder who has acquired 30% of the Shares or of voting rights attached to the Shares has the obligation to launch a public offer for all Shares and depositary receipts issued for shares (if any). The legislation also applies to persons acting in concert who jointly acquire substantial control.

Squeeze Out Procedures

A shareholder who for his own account holds at least 95% of Pharming's issued capital may institute proceedings against Pharming's other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*, the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary upon advice of one or more experts.

An offeror under a public offer is also entitled to start such a squeeze out procedure before the Enterprise Chamber within three months after the offer period, if following the public offer he holds at least 95% of the shares (or class of shares) to which the offer relates, representing at least 95% of the voting rights carried by the shares to which the offer relates. Where the offer is made on a mandatory basis (as described above), the offer price is in principle deemed to be a reasonable price, which has to be accepted by minority shareholders. Where the offer is made on a voluntary basis, the offer price is considered reasonable if the offeror has acquired at least 90% of the shares (or class of shares) to which the offer relates. The Enterprise Chamber, however, may instruct one or more experts to determine the price.

Following a public offer, each remaining minority shareholder is entitled to demand a sale of its shares to the offeror if the offeror has acquired at least 95% of the shares (or class of shares) to which the offer relates, representing at least 95% of the voting rights carried by those shares. The same rules as for squeeze out proceedings initiated by the offeror apply to the determination of the price.

9. TAXATION

The following is a general summary and the tax consequences as described here may not apply to a holder of New Shares. Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of New Shares in his particular circumstances.

Dutch taxation

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of New Shares. It does not consider every aspect of taxation that may be relevant to a particular Holder of New Shares under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this taxation summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary also assumes that Pharming is organised, and that its business will be conducted, in the manner outlined in this Security Note. A change to such organisational structure or to the manner in which Pharming conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Security Note. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Where in this Dutch taxation paragraph reference is made to a "Holder of New Shares", that concept includes, without limitation:

1. an owner of one or more New Shares who in addition to the title to such New Shares, has an economic interest in such New Shares;
2. a person who or an entity that holds the entire economic interest in one or more New Shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more New Shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in New Shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

Taxes on income and capital gains

Resident Holders of New Shares

General

The summary set out in this section "Taxes on income and capital gains - Resident Holders of New Shares" applies only to a Holder of New Shares who is a **Dutch Individual** or a **Dutch Corporate Entity**.

For the purposes of this section, a Holder of New Shares is a "Dutch Individual" if it satisfies the following tests:

- a. he is an individual;

- b. he is resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or he has elected to be treated as a resident of the Netherlands for Dutch income tax purposes;
- c. his New Shares and any benefits derived or deemed to be derived therefrom have no connection with his past, present or future employment, if any; and
- d. his New Shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in Pharming within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in Pharming, such interest forms part of a substantial interest, or a deemed substantial interest, in Pharming if any one or more of the following circumstances is present:

- 1. Such person – either alone or, in the case of an individual, together with his partner (*partner*), if any or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) – owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent. or more of Pharming's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of Pharming's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or profit participating certificates (*winstbewijzen*) relating to five per cent. or more of Pharming's annual profit or to five per cent. or more of Pharming's liquidation proceeds.
- 2. Such person's shares, profit participating certificates or rights to acquire shares in Pharming are held by him or deemed to be held by him following the application of a non-recognition provision.
- 3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in Pharming.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

If a Holder of New Shares is an individual and if he satisfies test b., but does not satisfy test c. and/or test d., his Dutch income tax position is not discussed in this Security Note. If a Holder of New Shares is an individual who does not satisfy test b., please refer to the section "Taxes on income and capital gains – Non-resident Holders of New Shares".

For the purposes of this section a Holder of New Shares is a "Dutch Corporate Entity" if it satisfies the following tests:

- i. it is a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax in respect of benefits derived from its New Shares;
- ii. it is resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;
- iii. it is not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and
- iv. it is not an investment institution (*beleggingsinstelling*) as defined in article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If a Holder of New Shares is not an individual and if it does not satisfy any one or more of these tests, with the exception of test ii., its Dutch corporation tax position is not discussed in this Security Note. If a Holder of New Shares is not an individual that does not satisfy test ii., please refer to the section "Taxes on income and capital gains – Non-resident Holders of New Shares".

Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise

Any benefits derived or deemed to be derived by a Dutch Individual from New Shares, including any capital gain realised on the disposal of such New Shares, that are attributable to an enterprise from which such Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates at present up to a maximum rate of 52%.

Dutch Individuals deriving benefits from miscellaneous activities

Any benefits derived or deemed to be derived by a Dutch Individual from New Shares, including any gain realised on the disposal of such New Shares, that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), are generally subject to Dutch income tax at progressive rates at present up to a maximum rate of 52%.

A Dutch Individual may, *inter alia*, derive, or be deemed to derive, benefits from New Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if any benefits to be derived from his New Shares, whether held directly or indirectly, are intended, in whole or in part, as remuneration for activities performed by him or by a person who is a connected person to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Other Dutch Individuals

If a Holder of New Shares is a Dutch Individual whose situation has not been discussed before in this section "Taxes on income and capital gains – Resident Holders of New Shares", benefits from his New Shares are taxed annually as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4 per cent. per annum of his "yield basis" (*rendementsgrondslag*), generally to be determined at the beginning of the year, to the extent that such yield basis exceeds the "exempt net asset amount" (*heffingvrij vermogen*) for the relevant year (amounting to EUR 21,139 in 2012). The deemed benefit is currently taxed at the rate of 30 per cent. The fair market value of his New Shares forms part of his yield basis. Actual benefits derived from his New Shares, including any gain realised on the disposal of such New Shares, are not as such subject to Dutch income tax.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by, and yield basis for benefits from savings and investments of, a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dutch Corporate Entities

Any benefits derived or deemed to be derived by a Dutch Corporate Entity from New Shares, including any gain realised on the disposal thereof, are generally subject to Dutch corporation tax (at present at a rate of 25%, disregarding the starter rate of 20%), except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Non-resident Holders of New Shares

The summary set out in this section "Taxes on income and capital gains – Non-resident Holders of New Shares" applies only to a Holder of New Shares who is a Non-resident Holder of New Shares.

For the purposes of this section, a Holder of New Shares is a **Non-resident Holder of New Shares** if it satisfies the following tests:

- a. it is neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if he is an individual, he has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;
- b. its New Shares and any benefits derived or deemed to be derived from such New Shares have no connection with its past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);
- c. its New Shares do not form part of a substantial interest or a deemed substantial interest in Pharming within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise; and
- d. if it is not an individual, no part of the benefits derived from its New Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the circumstances under which New Shares form part of a substantial interest or a deemed substantial interest in Pharming.

If a Holder of New Shares satisfies test a., but does not satisfy any one or more of tests b., c., and d., its Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Security Note.

A Non-resident Holder of New Shares will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived from its New Shares, including any capital gain realised on the disposal thereof, except if:

1. it derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if he is an individual, or other than as a holder of securities, if it is not an individual and such enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its New Shares are attributable to such enterprise; or
2. he is an individual and he derives benefits from New Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the circumstances under which the benefits derived from New Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dividend withholding tax

General

Pharming is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by it.

The concept "dividends distributed by Pharming" as used in this section "Dutch Taxation" includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of New Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of New Shares issued by Pharming to a Holder of New Shares or an increase of the par value of New Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of Pharming's shareholders has resolved in advance to make such repayment and (b) the par value of the New Shares concerned has been reduced by an equal amount by way of an amendment to Pharming's articles of association.

Dutch Individuals and Dutch Corporate Entities

A Dutch Individual (other than an individual who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes), or a Dutch Corporate Entity, can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund in the form of a negative assessment of Dutch income tax or Dutch corporation tax, as applicable, insofar as such dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, as applicable. In addition, a Dutch Corporate Entity is entitled to an exemption from Dutch dividend withholding tax to the extent that the benefits derived from its New Shares are exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by Pharming. A Holder of New Shares who receives proceeds therefrom shall *not* be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in New Shares or similar instruments, comparable to its interest in New Shares prior to the time the composite transaction was first initiated.

An individual who is not resident or deemed to be resident in the Netherlands, but who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes, may be eligible for relief from Dutch dividend withholding tax on the same conditions as an individual who is a Non-resident Holder of New Shares, as discussed below.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by Pharming".

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the terms Dutch Individual and Dutch Corporate Entity.

Non-resident Holders of New Shares

Relief

If a Non-resident Holder of New Shares is resident in the non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by Pharming. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*).

In addition, a Non-resident Holder of New Shares that is not an individual is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it is, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and it is not transparent for tax purposes according to the tax law of such state;
2. any one or more of the following threshold conditions are satisfied:
 - a. at the time the dividend is distributed by Pharming, it holds shares representing at least five per cent of Pharming's nominal paid up capital; or
 - b. it has held shares representing at least five per cent of Pharming's nominal paid up capital for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by Pharming; or
 - c. it is connected with Pharming within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); or
 - d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) holds at the time the dividend is distributed by Pharming, New Shares representing at least five per cent. of Pharming's nominal paid up capital;
3. it is not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area, under the terms of a double taxation treaty concluded with a third State; and
4. it does not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between the Netherlands and the country of residence of the Non-resident Holder of New Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by Pharming. If a Non-resident Holder of New Shares is resident in a Member State of the European Union with which the Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if such holder owns five per cent. of the voting rights in Pharming.

Credit

If a Non-resident Holder of New Shares is subject to Dutch income tax or Dutch corporation tax in respect of any benefits derived or deemed to be derived from its New Shares, including any capital gain realized on the disposal thereof, it can generally credit Dutch dividend withholding tax against his Dutch income

tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund pursuant to a negative tax assessment if and to the extent the dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, respectively.

See the section "Dividend withholding tax – Dutch Individuals and Dutch Corporate Entities" for a description of the term beneficial owner.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by Pharming".

See the section "Taxes on income and capital gains – Non-resident Holders of New Shares" for a description of the term Non-resident Holder of New Shares.

See the section "Taxes on income and capital gains – Non-resident Holders of New Shares" for a description of the circumstances under which a Non-resident Holder of New Shares is subject to Dutch income tax or Dutch corporation tax.

Gift and inheritance taxes

If a Holder of New Shares disposes of New Shares by way of gift, in form or in substance, or if a Holder of New Shares who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (i) the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (ii) the donor made a gift of New Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of New Shares made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the Holder of New Shares in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of New Shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of New Shares or the performance by Pharming of its obligations under such documents, or (iii) the transfer of New Shares.

10. GENERAL INFORMATION

Available Information

Pharming publishes its annual accounts, accompanied by an annual report and an auditor's report, within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year. In addition, the Company publishes quarterly financial statements.

The annual accounts must be signed by all members of the Management Board and the Supervisory Board. The annual reports (comprising the annual accounts, an annual report and an auditor's report) and the half-yearly reports and quarterly reports upon their publication can be inspected by Pharming's shareholders without charge at its head office in Leiden, during regular business hours.

Copies of the annual reports for the years ended 31 December 2010 and 2011, its (unaudited) report for the half year period ended 30 June 2012, the Articles of Association and the Prospectus may be obtained free of charge for the life of the Registration Document by sending a request in writing to Pharming at its business address: Darwinweg 24, 2333 CR Leiden, the Netherlands and are also available on www.pharming.com for the life of the Registration Document.

The Prospectus will also be available to investors on the website of the AFM at www.afm.nl and through the Euronext Amsterdam website at www.euronext.com.

Corporate Information

Pharming Group N.V. is a public company with limited liability, incorporated on 11 November 1988 under the laws of the Netherlands, and is registered with the Trade Register of the Chamber of Commerce of The Hague under number 28048592 and has its corporate seat in Leiden, the Netherlands. The Company's business address is Darwinweg 24, 2333 CR Leiden, the Netherlands, its website is www.pharming.com and its telephone number is +31 (0)71 5247400.

Corporate Resolutions

The Management Board, with the approval of the Supervisory Board, has resolved to issue the New Shares and has resolved to exclude the related pre-emptive rights of the existing holders of Shares (see Chapter 8 "Description of Share Capital – Summary of the Articles of Association – Issuance of Shares and Rights to Subscribe for Shares").

Share Trading Information

The Shares are listed and traded on Euronext Amsterdam and are cleared through the book-entry facilities of Euroclear Netherlands, only. The address of Euroclear Netherlands is: Herengracht 459-469, 1017 BS Amsterdam.

The Shares are traded under the following characteristics:

ISIN Code: NL0000377018

Common Code: 15661178

Amsterdam Security Code: 37701

Euronext Amsterdam Symbol: PHARM

Paying Agent

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
1000 EA Amsterdam
The Netherlands

Advisors

Loyens & Loeff N.V. acted as Dutch counsel for Pharming in connection with the issuance of the New Shares.

ISSUER

Pharming Group N.V.

Darwinweg 24
2333 CR Leiden
the Netherlands

DUTCH COUNSEL TO THE ISSUER

Loyens & Loeff N.V.

Fred. Roeskestraat 100
1076 ED Amsterdam
the Netherlands

INDEPENDENT AUDITOR

PricewaterhouseCoopers Accountants N.V.

Thomas R. Malthusstraat 5
1066 JR Amsterdam
the Netherlands