

Explanatory notes to resolutions to be proposed in the Annual General Meeting 2019 of Pharming Group N.V.

To be held at [Holiday Inn Leiden, Haagse Schouwweg 10, 2332 KG, Leiden, the Netherlands](#) and organized by Pharming Group N.V. (the “Company”) on Wednesday, 22 May 2019 at 14:00 hours (CEST).

Proposal 2 Annual Report 2018.

- a) *Explanation of the business, the operations and the results for the year ending on 31 December 2018*

The Company's Annual Report over the financial year 2018 has been made available on the Company's website (www.pharming.com) and at the Company's office address.

- b) *Explanation of the implementation of the remuneration policy*

The Company's remuneration policy is intended to attract, retain and motivate members of the Board of Management with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business. The Company's remuneration structure should drive strong business performance, promote accountability, incentivise members of the Board of Management to achieve short and long-term performance targets with the objective of increasing the Company's equity value, assure that the interests of the members of the Board of Management are closely aligned to those of the Company, its business and its stakeholders and ensure the overall market competitiveness of remuneration packages for members of the Board of Management.

The implementation of the Company's remuneration policy has been outlined in the Company's Annual Report over the financial year 2018.

- c) *Explanation of the implementation of the Dutch Corporate Governance Code*

The Company is subject to the Dutch Corporate Governance Code, which contains principles and best practice provisions on corporate governance, financial reporting, disclosure and compliance that apply to the Company, members of its Board of Management and Board of Supervisory Directors. Any departures by the Company from the Dutch Corporate Governance Code over the financial year 2018 are disclosed and explained in the Annual Report 2018.

- d) *Explanation of the dividend policy*

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

development. In addition, payment of future dividends may be made only if the Company's shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Company's articles of association.

e) *Proposal to adopt the financial statements*

The Company's annual accounts over the financial year 2018 have been made available on the Company's website (www.pharming.com) and at the Company's office address. It is proposed that these annual accounts be adopted.

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

It is proposed that the members of the Board of Management be released from liability for the exercise of their duties during the financial year 2018. The scope of this release from liability extends to the exercise of their respective duties insofar as these are reflected in the Company's Annual Report or annual accounts over the financial year 2018 or in other public disclosures.

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

It is proposed that the members of the Board of Supervisory Directors be released from liability for the exercise of their duties during the financial year 2018. The scope of this release from liability extends to the exercise of their respective duties insofar as these are reflected in the Company's Annual Report or annual accounts over the financial year 2018 or in other public disclosures.

Proposal 3 **Long Term Incentive Plan 2019 (LTIP) shares to members of the Board of Supervisory Directors.**

In accordance with the Remuneration Policy adopted at the Annual General Meeting in 2014, the following LTIP allocations for the Board of Supervisory Directors for the LTIP 2019 are being proposed for approval:

- Chairman: 50,000 shares
- Vice-Chairman and/or Board Committee Chairs: 40,000 shares
- Other members 35,000 shares

(Please see also page 74 of the Annual Report 2018 for further details).

If this proposal is approved by the Annual General Meeting, the General Meeting of Shareholders also authorizes the Board of Management as the company body authorized to, subject to the approval of the Board of Supervisory Directors, grant the above-mentioned LTIP shares to the respective members of the Board of Supervisory Directors and to exclude any pre-emptive rights in connection therewith. This authorization shall be in addition to, and without prejudice to, the authorization being requested in Proposals 4 and 10 below.

Proposal 4 **New Share Option Plan for Employees and Management.**

Following the issuing of the 2018 option grants to staff, the Company had no significant head-room available to issue future stock option grants, as the stock option pool of 10% of the Company's fully diluted equity which was granted at the Annual General Meeting in 2006 is almost depleted. Therefore, towards the end of 2018, the Company commissioned two benchmark studies with independent third parties specialised in the field of remuneration practices in the pharmaceutical and biotech industry to be able to decide what would constitute (i) an appropriate amount of equity to have (annually) available for granting stock options to staff and (ii) how to best structure such vehicle and (iii) determine appropriate stock option grant levels for the Board of Management. These studies take into consideration the Company's size and (multinational) complexity, including the fact that a majority of staff eligible for options are employed in the Company's US subsidiary, and the Company's stage of (commercial) development.

Following results from the two above-mentioned independent benchmark studies, it was recommended by the Remuneration Committee and approved by the Board of Supervisory Directors that no request for the approval of a new fixed staff option pool would be submitted to the Annual General Meeting this year. Instead, a specific amount of equity that can be used for granting staff options in that year will be proposed for approval each year by the General Meeting of Shareholders. This practice is consistent with (international) industry standards and appropriate for the Company's complexity and (commercial) stage of development and will allow the Company to offer its eligible staff a competitive annual equity incentive.

In accordance with this decision of the Board of Supervisory Directors, the Company is seeking approval from shareholders at this Annual General Meeting for authority to grant up to 2.8% of its outstanding share capital to its staff from the date of the Annual General Meeting until and including the Annual General Meeting to be held in 2020, equating to 17,400,000 stock options in total. This excludes grants to the Board of Management members, which are dealt with separately by the Board of Supervisory Directors as explained below.

Board of Management 2019 option grants

With regards to new share option grants for Mr. Bruno Giannetti and Mr. Sijmen de Vries, who have no future option scheme as at the date of these Notes following the vesting or expiry of all the grants originally granted to them by the Annual General Meeting in 2014, and following recommendations by the Remuneration Committee, the Board of Supervisory Directors determined that for 2019, the Company should return to its previous practice of annual stock option grants which vest only when the respective Directors continue to be in service on 31 January of the year following the grant.

For 2019, the following grants will be proposed for approval by the Annual General Meeting as part of this proposal:

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

In line with Dutch Corporate Governance Code, Mr. de Vries and Mr. Giannetti must commit not to exercise any of the options within 36 months of the date of the Annual General Meeting approving the grant. In addition, as is normal in such option schemes

in the Netherlands, in the event of a change of control of the Company becoming irrevocable, all granted but unvested options will vest immediately. In case of such an event resulting in a change of control or in case of the announcement of a (contemplated) public offer for all shares in the Company, the Board of Supervisory Directors can decide that the Company shall settle the options for the Board of Management in cash upon launch of such offer.

If this proposal is approved by the Annual General Meeting, the General Meeting of Shareholders also authorizes the Board of Management as the company body authorized to, subject to the approval of the Board of Supervisory Directors, make the above-mentioned option grants to the respective members of staff and the Board of Management and, if relevant, to exclude any pre-emptive rights in connection therewith. This authorization shall be in addition to, and without prejudice to, the authorization being requested in Proposals 3 above and 10 below.

Proposal 5 Re-election of Member to the Board of Management.

This proposal is to re-elect Mr. Bruno Giannetti for a two year term.

The Board of Supervisory Directors has made a binding nomination to reappoint Mr. Giannetti as member of the Board of Management for a period expiring at the end of the Annual General Meeting to be held in the year 2021, to enable his knowledge, experience and wisdom to support the Board of Management and to ensure continuity on the Board of Management.

Proposal 6 New Member for the Board of Supervisory Directors.

This proposal is to appoint the candidate nominated by the Board of Supervisory Directors, Ms. Deborah A. Jorn MBA, as a new Member of the Board of Supervisory Directors and Chair of the Remuneration Committee to replace Mr. Jaap Blaak, who retired during 2018.

Ms. Jorn, (age: 60), is Board Director & Founder of Jorn Consulting LLC. She is currently Board Member of Viveve Medical Inc. since May 10, 2016. She has over 30 years of operational experience building specialty pharmaceutical businesses across numerous therapeutic areas in the U.S. and globally. Most recently, Ms. Jorn was Executive Vice President of Corporate and Commercial Development at Eyepoint Pharmaceuticals, a specialty pharmaceutical company focused on the developing and commercializing innovative ophthalmic products to treat serious eye diseases. Prior to joining Eyepoint, she was Executive Vice President and Group Company Chair at Bausch Health (formerly Valeant Pharmaceuticals) where she led the dermatology, gastroenterology and HAE businesses. Ms. Jorn was Chief Global Marketing Officer at Bausch & Lomb prior to its acquisition in 2013 by Bausch Health where she led the launch of several new products and the integration of Ista Pharmaceuticals following acquisition. Previously, she was Group Vice President of Women's Healthcare and Fertility (2008-2010) and Allergy and Respiratory (2004-2008) at Schering Plough Corporation prior to its acquisition by Merck and Co., Inc. Ms. Jorn was also at Johnson & Johnson as the Worldwide Vice President of Internal Medicine and Early Commercial input. She began her career at Merck and for more than 20 years held roles of progressive responsibility in various

functional areas including R&D, Regulatory and Sales and Marketing. Ms. Jorn was also a Director of Orexigen Therapeutics, Inc. from May 2016 until July 2018.

PharmaVoice has recognized Ms. Jorn as “one of the top 100 most inspiring people in healthcare” in the “brand builders” category. Ms. Jorn holds an MBA degree with a combined major of Marketing and International Business from New York University Stern Graduate School of Business and a B.A. degree in Biochemistry from Rutgers University.

In the opinion of the Board of Supervisory Directors, Ms. Jorn represents a significant addition of excellent and relevant experience in building and maintaining strong brands in the US and globally, from the end of clinical development to maturity, and her abilities will be a strong addition to the Board of Supervisory Directors. The Board of Supervisory Directors has made a binding nomination to appoint Ms. Jorn as Supervisory Director of the Company for a period expiring at the Annual General Meeting to be held in the year 2023.

Ms. Jorn holds no shares in the Company.

Proposal 7 Re-election of Members to the Board of Supervisory Directors.

Proposals for re-election of:

- (i) Mr. Paul Sekhri as Chairman of the Board of Supervisory Directors for a four year term; and
- (ii) Mr. Barrie Ward as Member of the Board of Supervisory Directors for a two year term.

Mr. Sekhri and Mr. Ward have expressed their willingness to continue in their current roles for the terms stated.

Considering his portfolio of various directorship and other business activities, Mr. Jan Egberts has informed the Board of Supervisory Directors that he had to decide not to stand for re-election, and for this reason has not been proposed for re-election to the Board of Supervisory Directors. Mr. Egberts has been an excellent Supervisory Director, with wide and relevant experience and an incisive mind, but as outlined earlier, he has decided that his other business interests prevent him committing sufficient time to Pharming and thus he has tendered his resignation. The Board of Management and Board of Supervisory Directors would like to thank Mr. Egberts sincerely for his service and wish him all the best for the future.

Mr. Sekhri has served the Board of Supervisory Directors since May 2015, and has been chairman since 2017. The Board of Supervisory Directors has made a binding nomination to reappoint Mr. Sekhri as Supervisory Director a period expiring at the end of the Annual General Meeting to be held in the year 2023.

Mr. Ward was originally appointed in May 2007, and so this year he would normally be standing down as he has spent 12 years as a member of Pharming’s Board of Supervisory Directors. As a result of the retirement of Mr. Blaak and the resignation of Mr. Egberts, however, and the nomination of only one new Director to replace Mr. Blaak at this Annual General Meeting, the Board of Supervisory Directors has made a

binding nomination to reappoint Mr. Ward as Supervisory Director for a period expiring at the end of the Annual General Meeting to be held in the year 2021, to enable his knowledge, experience and wisdom to support the Board of Supervisory Directors until a new candidate is found.

The re-election of Mr. Sekhri and Mr. Ward are separate voting items.

Proposal 8 **Amendment of the Articles of Association to permit wider choice of locations for General Meetings of Shareholders.**

Proposal to amend location options for the venue for future General Meetings of Shareholders.

The Articles of Association of the Company are currently very restrictive in terms of locations where the Company can hold its General Meetings of Shareholders, limiting them to Amsterdam, Leiden, Rotterdam and Utrecht. As the Company gets larger, this will cause unnecessary expense as larger venues in these city centre locations are required.

The Board of Management, with the approval of the Board of Supervisory Directors, propose that this section of the Articles be amended to permit General Meetings of Shareholders to also be held in Haarlemmermeer, Leiderdorp and Oegstgeest.

If this proposal is approved by the Annual General Meeting, authorization shall also be granted to each civil law notary, candidate civil law notary and lawyer working with NautaDutilh N.V., the Company's Dutch legal counsel, to execute the requisite deed of amendment to the Company's articles of association.

Proposal 9 **Appointment of the external auditor of the Company.**

It is being proposed to instruct Deloitte Accountants B.V. to examine the Annual Report and the Financial Statements for the financial year 2019, to report to the Board of Supervisory Directors and the Board of Management, and to issue an auditor's statement.

Auditors for Dutch public companies listed in Europe on a regulated market (such as the Company) must stand down after 10 years to enable proper independence. 2018 has been the last of 10 years for which PricewaterhouseCoopers Accountants N.V. has been the company's auditor, and therefore a new auditor is needed for the financial year 2019 and beyond. The Chief Financial Officer and the Audit Committee of the Board of Supervisory Directors have interviewed several candidate firms over the period of review and feel that Deloitte has the best combination of industry experience, integrity and reach to replace PricewaterhouseCoopers Accountants N.V., who has performed an excellent job as auditors for 10 years. The Board of Supervisory Directors therefore recommends this appointment to the General Meeting of Shareholders.

Proposal 10 **Designation of the Board of Management as the Company's body, authorized to: (i) issue shares, (ii) grant option rights and (iii) restrict or exclude pre-emptive rights.**

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

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

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

Without prejudice to Proposals 3 and 4 above, the proposed authorization of the Board of Management is limited to 10% of the issued share capital at the date of the Annual General Meeting. It is being proposed to confer this authorization on the Board of Management for the period from 22 May 2019 to 22 July 2020.

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

Proposal 11 **Authorization of the Board of Management to repurchase shares in the Company**

It is proposed to authorize the Board of Management for a period from 22 May 2019 to 22 July 2020 to repurchase, subject to the approval of the Board of Supervisory Directors, not more than 10% of the issued capital, through the stock exchange or otherwise, for a price not less than the nominal value and not exceeding 100% of the average final closing rates for shares as listed in the Official Price Gazette of Euronext Amsterdam N.V. during five consecutive trading days prior to the date of repurchase.