Pharming Group NV

Preliminary Full Year Results 2017

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7 March 2018

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Safe harbour statement

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Preliminary full year results 2017

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Operational highlights

- Delivered strong operating profitability as a result of investment in developing commercial rights to RUCONEST® in North America and in Western Europe
- The integration of the US RUCONEST® business into Pharming is complete
- Significant investment now completed in our fully operational US commercialization team
- Positive data from a clinical trial for the use of RUCONEST® [Recombinant Human C1 Esterase Inhibitor/ conestat alfa] for the treatment of hereditary angioedema (HAE) attacks in children
- After discussion with the FDA, we filed for a supplementary Biologics License Approval (sBLA) for RUCONEST® in prophylaxis of HAE in November, and this file was accepted in January this year
- Successfully refinanced company debt on more favourable commercial terms in order to recover dilutive share capital and release short and medium term cash
- Now eliminated virtually all of the external overhang from warrants and convertible bonds that was in our stock

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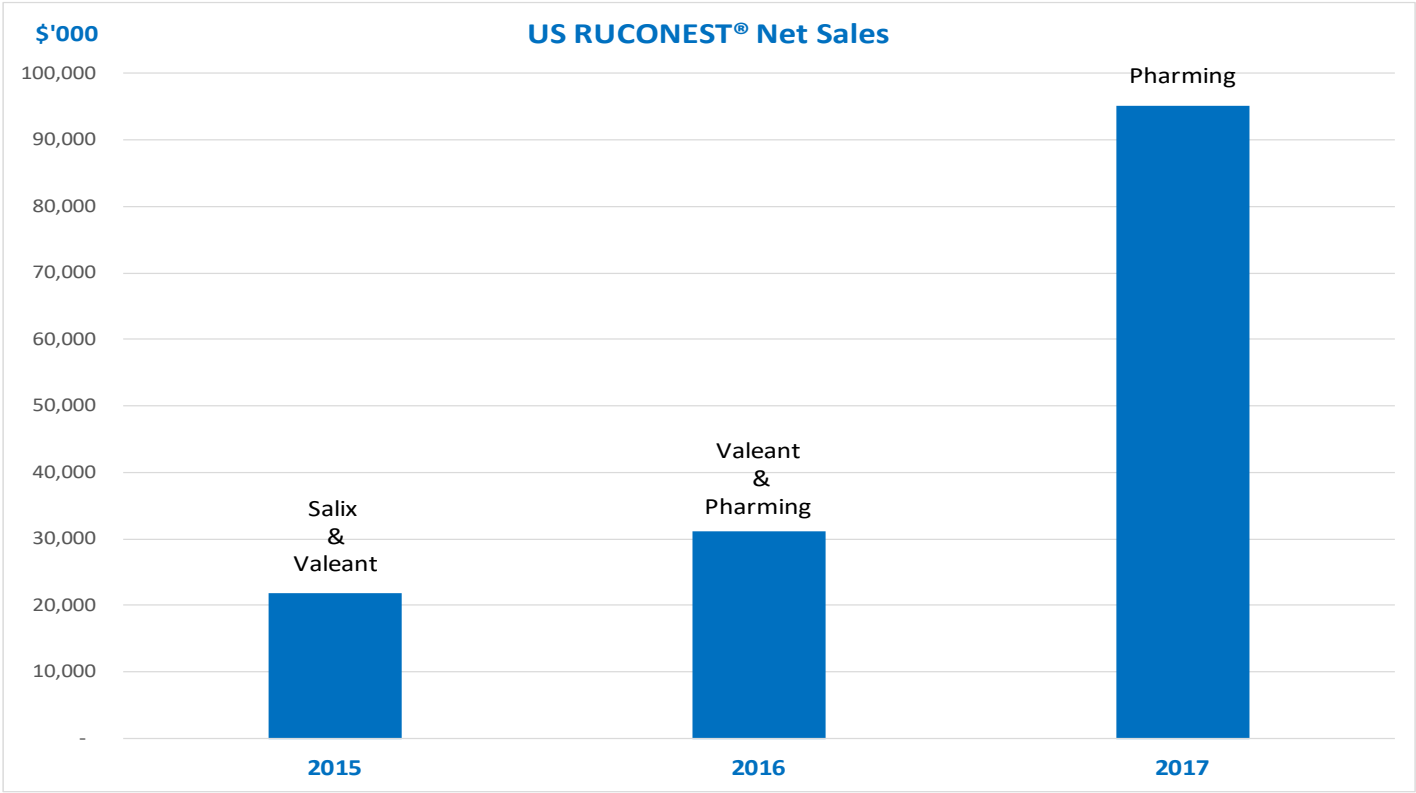
Financial highlights

- Revenues from product sales for the year increased by 547% to €88.7 million (FY 2016: €13.7 million), as a result of the combined effect of receiving all of the revenue from US product sales (instead of the previous 30% supply share of net sales) and strongly increasing patient numbers
- The effect of Pharming's approach to US sales can be seen in the chart below:



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Financial highlights

- Total revenues increased by 464% to €89.6 million (including €0.9 million of license revenue) from €15.9 million (including €2.2 million in license revenue) in 2016
- Operating results improved to a profit of €21.9 million from a loss of €11.5 million in 2016, despite a considerable increase in commercialization activities, especially in the US
- The net result was a loss of €80.0 million (2016: loss of €17.5 million), mainly as a result of one-off financing expenses required to be shown under IFRS associated with the extinction of the Amortising Convertible Bonds 2017/2018 and replacement of the previous debt facility, and other non-cash adjustments for provisions for potential milestones and the fair value of the ordinary bonds
- The company's cash position increased from €25.2 million at the half year 2016 (and €32.1 million at the end of 2016) to €60.0 million at the end of 2017, largely due to the increased sales and reduced interest costs

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Long-term growth strategy

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Investments driving long-term growth

In the US

- Now have a full sales team led by an experienced management group
- Medical Science Liaison, Patient Services, Market Access and Managed Care teams in place
- Major overhaul of Positioning, Messages, Business Rules and Operating policies, and re-launch of full service patient care program RUCONEST ® SOLUTIONS now complete and in action
- sBLA for Prophylaxis now under review by the FDA and a dialogue to explore a way to a pediatric label extension will be initiated

In the EU

- Administration Kit now available for use in various EU markets, following approval of the Educational Materials by the local authorities in those markets
- Following completion of pediatric study, a submission with EMA for pediatric label extension expected later this year

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Next generation RUCONEST® - improving convenience

- We believe RUCONEST®'s efficacy and safety profile for treatment of acute attacks (on-demand) is unsurpassed*
- New sustainability data during the year showed that patients typically do not develop new attacks within 3 days of taking RUCONEST®, with or without treating an attack
- Next step: improving convenience of use:
  - New highly concentrated vial in development for faster application of IV therapy (significantly lower volume and very rapid dissolution)
  - New vial will also enable clinical trials to test sub-cutaneous (SC) and intramuscular (IM) injections for both acute and prophylaxis of HAE attacks, later this year
  - Also enables research and testing for non-painful methods of administration
  - We are aiming to take these forward to have a full suite of convenience options for patients

** on the basis of comparing published literature and patient experiences*

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The Competitive Space

- Newly launched subcutaneously injected plasma derived C1 inhibitor product for prophylaxis and possible regulatory approval for another subcutaneously injected product for prophylaxis increase the competitive pressure in the prophylaxis segment
- All current and future prophylaxis therapies continue to have limitation of use as result of their specific efficacy and safety characteristics
- In additional supply constraints and up-scalability of plasma-derived C1 inhibitor manufacturing have been and are expected to continue to be a potential limitation and risk
- Exposure to commercially-obtained blood plasma has significantly increased with the introduction of the latest plasma-derived C1 inhibitor product
- The treatment/ management of HAE typically improves by having multiple types of treatments at hand over time
- RUCONEST is the one and only recombinant C1 inhibitor protein replacement therapy for HAE, currently approved for acute attacks and potentially also later on as well for prophylaxis
- It will therefore continue to have further growth potential as it has increasingly become a reasonable and reliable, efficacious , safe and well tolerated alternative

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But Pharming is not just about HAE

- RUCONEST is a very good product in HAE, but:
  - C1 Esterase Inhibitor functions as the handbrake of the complement inflammation cascade, and there are a number of large unmet medical needs which may be helped greatly by use of a good C1 inhibitor therapy
  - Some of these are already under way, such as the delayed graft function investigator sponsored study we have mentioned before
  - Other undisclosed investigator sponsored studies are ongoing, with some first results due this year
  - Our production platform is very scalable
- We aim to present more insights into plans for new clinical studies for RUCONEST in larger, unmet indications through a research webcast currently planned for end of Q2

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Financial Statements

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Stronger Capital Structure

- Recently completed $100m 4 year refinance debt facility (12+36) with OrbiMed
  - Recovery of 115 million shares (24% of outstanding shares) which would otherwise have been issued at prices far below the current share price – now worth about $200 million
- All convertible bonds now redeemed or converted, so that there will be no further fair value adjustments after quarter 1 2018
- Almost all remaining warrants are expected to have been exercised, either for cash or (mostly) cashlessly, by the end of this quarter so we should have no further adjustments of that kind
- This means that Pharming will have a clean capital structure, with only really the employee share option pool between issued and fully-diluted capital
- We will be moving to fully Glass-Lewis-compliant issuance authorities from this year

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Capitalisation Table

	31 December 2017	Shares issued	Other	6 March 2018
Shares	579.014.891	7.653.108	-	586.667.999
Warrants	15.251.000	-4.716.593	-	10.534.407
Options	54.901.629	-49.575	-	54.852.054
Convertible bonds	2.746.476	-2.746.476	-	-
LTIP	7.774.703	-961.114	-	6.813.589
Issued	**659.688.699**	**-820.650**	**-**	**658.868.049**
Available for issue	140.311.301	820.650	-	141.131.951
Authorised share capital	**800.000.000**	-	**-**	**800,000,000**

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Income statement

Amounts in € '000	2017	2016
Product sales	88,677	13,689
License fees	943	2,184
Revenues	89,620	15,873
Costs of sales	(12,445)	(4,683)
Gross profit	77,175	11,190
Other income	790	335
Research and development	(18,657)	(15,388)
General and administrative	(5,974)	(4,642)
Marketing and sales	(31,422)	(3,035)
Costs	(56,053)	(23,065)
Operating result	21,912	(11,540)
Fair value gain (loss) on revaluation derivatives	(40,284)	79
Other financial income and expenses	(71,027)	(6,075)
Financial income and expenses	(111,311)	(5,996)
Result before income tax	(89,399)	(17,536)
Income tax credit/(expense)	9,442	-
Net result for the year	(79,957)	(17,536)
Attributable to:		
Owners of the parent	(79,957)	(17,536)
Total net result	(79,957)	(17,536)
Basic earnings per share (€)	(0.160)	(0.042)

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Balance sheet - Assets

Amounts in € '000	2017	2016
Non-current assets		
Intangible assets	56,631	56,680
Property, plant and equipment	8,234	6,043
Long-term prepayments	2,296	1,622
Restricted cash	1,336	248
Deferred tax asset	9,442	-
Total non-current assets	**77,939**	**64,593**
Current assets		
Inventories	18,334	17,941
Trade and other receivables	11,260	12,360
Cash and cash equivalents	58,657	31,889
Total current assets	**88,251**	**62,190**
Total assets	**166,190**	126,783

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Balance Sheet - Liabilities

	2017	2016
Equity		
Share capital	5,790	4,556
Share premium	370,220	301,876
Legal reserves	(938)	60
Accumulated deficit	(356,270)	(279,025)
Shareholders' equity	**18,802**	**27,467**
Non-current liabilities		
Loans and borrowings	58,684	40,395
Deferred license fees income	1,467	2,270
Finance lease liabilities	390	599
Other provisions	28,319	4,674
Total non-current liabilities	**88,860**	**47,938**
Current liabilities		
Loans and borrowings	21,962	26,136
Deferred license fees income	804	943
Derivative financial liabilities	8,301	9,982
Trade and other payables	27,198	14,054
Finance lease liabilities	263	263
Total current liabilities	**58,528**	**51,378**
Total equity and liabilities	**166,190**	126,783

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Cash flow - Operating Activities

For the year ended 31 December

Amounts in €'000	2017	2016
Operating result	**21,912**	**(11,540)**
Non-cash adjustments:		
Depreciation, amortization	3,415	756
Accrued employee benefits	2,712	2,254
Deferred license fees	(943)	(2,184)
Operating cash flows before changes in working capital	**27,096**	**(10,714)**
Changes in working capital:		
Inventories	(393)	(1,712)
Trade and other receivables	(3,345)	(4,695)
Payables and other current liabilities	14,837	7,049
Total changes in working capital	**11,099**	**642**
Changes in non-current assets, liabilities and equity	281	63
Cash generated from / (used in) operations before interest and taxes	**38,476**	**(10,009)**
Interest received	3	5
Net cash flows generated from / (used in) operating activities	**38,479**	**(10,004)**

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Cash flow - Overall

€'000

Net cash flows generated from / (used in) operating activities	**38,479**	**(10,004)**
Capital expenditure for property, plant and equipment	(3,247)	(1,193)
Investment intangible assets	(2,797)	(321)
Acquisition of business	-	(55,960)
Net cash flows generated from / (used in) investing activities	**(6,044)**	**(57,474)**
Proceeds of debt loans and borrowings	89,137	68,524
Payments of transaction fees and expenses	(15,821)	(5,133)
Repayment and interest on loans	(83,671)	(4,889)
Proceeds of equity and warrants	6,833	8,825
Net cash flows generated from / (used in) financing activities	**(3,522)**	**67,327**
Increase (decrease) of cash	**28,913**	**(151)**
Exchange rate effects	(1,057)	445
Cash and cash equivalents at 1 January	32,137	31,843
Total cash and cash equivalents at 31 December	**59,993**	**32,137**

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Outlook 2018

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Outlook for 2018

For the remainder of 2018, the Company expects:

- Continued growth in sales of RUCONEST®, mainly driven by the US and EU operations
- Achievement of at least one positive quarter of Net Earnings during the year
- Continued investment in the expansion of production of RUCONEST® in order to ensure supply
- Investment in further clinical trial programs for RUCONEST® in acute treatment and prophylaxis of HAE with the small IV version, and in research into new painless versions of RUCONEST®
- Investment in clinical trials to explore additional indications for RUCONEST®.
- Investment in development of the new pipeline programs in Pompe disease and Fabry's disease
- Increasing marketing activity for Pharming, such as opening new countries for RUCONEST®
- Continue to support all our marketing partners to maximize the sales and distribution potential of RUCONEST® for patients in all territories

No further financial guidance for 2018 is provided.

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Tickers:

ENXTAM: PHARM

Bloomberg: PHAR.AS

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