

# Pharming Group NV

## 2016 Full Year Results & Business Update

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# Corporate Overview

## 2016 – Operating Highlights

- Re-acquisition of all commercial rights to sell RUCONEST® in North America from Valeant in a deal valued at \$125 million
- Amendment of distribution agreement with SOBI to enable Pharming to market and sell RUCONEST® directly into an additional 21 countries
- Extension of distribution agreement with Cytobiotech to include Argentina, Costa Rica, the Dominican Republic and Panama in addition to Colombia and Venezuela
- Positive results from a Phase II clinical study of RUCONEST® for prophylaxis in patients with HAE, meeting the primary and secondary endpoints
- European label change for RUCONEST® to remove the need for any pre-exposure testing and to permit use for adolescents with HAE
- Positive opinion from the CHMP to allow for self-administration of RUCONEST® with a special home-use kit
- Mr Paul Sekhri appointed as Chairman, replacing Mr Jaap Blaak who is retiring

## 2016 – Financial Highlights

- As part of the Valeant transaction, the Company raised €103 million in new funding through a combination of a rights issue, a new senior loan and convertible bonds
- Revenues from product sales increased to €13.7 million (2015: €8.6 million), mainly as a result of improved sales in the US
- Total revenues increased to €15.9 million (including €2.2 million of license revenue) in 2016 from €10.8 million in 2015 (including €2.2 million in license revenue)
- Operating results improved to a loss of €10.6 million from a loss of €12.8 million, in spite of a considerable increase in R&D and commercialization activity
- Net result of a loss of €17.5 million increased from a loss of €10.0 million in 2015, mainly as a result of the costs of the financing associated with the Valeant transaction
- Inventories increased from €16.2 million in 2015 to €17.9 million in 2016, largely due to the improving sales level in the US and to prepare for launch of the self-administration kits in Europe
- Cash position increased from €31.8 million at year-end 2015 to €32.1 million at year-end 2016

## 2017 – Post-period Events

- EMA amendment to the marketing authorization in Europe to allow self-administration of RUCONEST® for HAE attacks with a new custom-designed RUCONEST® Administration Kit
- Holders of the Amortizing Bonds due 2017/8 have converted some of their Bonds into 20,463,676 Pharming shares ahead of the due date for payment of the first and second instalments on those Bonds
  - The conversion price was €0.289 per share, 41% above the rights price offered to existing shareholders in the rights issue
  - No cash payment was required in respect of the first instalment of the Amortizing Bonds due on 1 February 2017 and only €0.1m for the second installment due on 1 March 2017
  - As result of these conversions, the total amount outstanding of the Amortizing Bonds has been reduced from €45.0 million to €38.9 million

# Income Statement

Income statement (€'000)	2016		2015 Actual
	Actual	Δ	
Product sales	13,689	5,069	8,621
License fee	2,184	(23)	2,207
<b>Total revenue</b>	<b>15,873</b>	<b>5,045</b>	<b>10,828</b>
<b>Gross margin</b>	<b>11,190</b>	<b>5,163</b>	<b>6,028</b>
<i>in % revenue</i>	<i>70%</i>	<i>0</i>	<i>56%</i>
Other income	335	188	147
R&D	15,388	1,209	14,180
G&A	4,642	898	3,744
M&S	3,035	1,950	1,085
<b>Total operating costs</b>	<b>23,065</b>	<b>4,057</b>	<b>19,009</b>
<b>Operating result</b>	<b>(11,540)</b>	<b>1,294</b>	<b>(12,834)</b>
Financial income/expenses	(5,996)	(8,873)	2,877
<b>Net result</b>	<b>(17,536)</b>	<b>(7,579)</b>	<b>(9,957)</b>

## Overall:

- Sales up 58.8%
- Gross profit up 85.7%
- Costs up 21%
- Operating result 9.9% better (was worse than 2015 at the 9 month point)
- Net loss increased due to costs of financing deal with Valeant

# Balance Sheet - Assets

Balance sheet (* € 1.000,-)	Actual 2016	Change Δ	Actual 2015
<b>Non-current assets</b>			
Intangible assets	56,680	55,956	724
Property, plants and equipment	6,043	382	5,661
Long term prepayment	1,622	1,622	
Restricted cash	248	48	200
<b>Total</b>	<b>64,593</b>	<b>58,008</b>	<b>6,585</b>
<b>Current Assets</b>			
Inventories	17,941	1,712	16,229
Trade and other receivable	12,360	9,140	3,220
Cash and cash equivalents	31,889	246	31,643
<b>Total</b>	<b>62,189</b>	<b>11,097</b>	<b>51,092</b>
<b>TOTAL ASSETS</b>	<b>126,783</b>		<b>57,677</b>

## Main changes:

- New intangible asset representing value of RUCONEST® rights reacquired
- New prepayment representing investment in future production at fill & finish partner BioConnection
- Increase in trade debtors mainly relating to orders from specialty pharmacies in the US and late payment of one bond investor

# Balance Sheet – Liabilities and Equity

Balance sheet (* € 1.000,-)	Actual 2016	Change Δ	Actual 2015
<b>Shareholders' equity</b>			
Share Capital	4,556	436	4,120
Share premium	301,876	18,480	283,396
Other reserves	60	(6)	66
Accumulated deficit	-279,025	(15,282)	-263,743
<b>Total</b>	<b>27,467</b>	<b>3,628</b>	<b>23,839</b>
<b>Non-current liabilities</b>			
Loans and borrowings	40,395	28,638	11,757
Deferred license fees	2,270	(5,538)	7,808
Finance lease liabilities	599	(199)	798
Other provisions	4,674	4,674	-
<b>Total</b>	<b>47,938</b>	<b>27,575</b>	<b>20,363</b>
<b>Current liabilities</b>			
Loans and borrowings	26,136	23,089	3,047
Deferred license fees	943	(1,264)	2,207
Derivative financial liabilities	9,982	9,029	953
Trade and other payables	14,054	7,049	7,005
Finance lease liabilities	263	-	263
<b>Total</b>	<b>51,378</b>	<b>14,814</b>	<b>13,475</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>126,783</b>	<b>9</b>	<b>57,677</b>

## Main changes:

- New capital from rights issue and equity component of convertible bonds and warrants
- New loans from senior lenders and convertible bonds
- New derivative liabilities relating to new warrants
- Increased trade payables relating to costs of Valeant deal (paid since year end)
- Reduction in deferred license fees
- Accumulated deficit increased due to net loss

# Cash Flow

Cash flow (* € 1.000,-)	2,016		2,015
	Actual	Δ	Actual
<b>Operating result</b>	<b>(11,540)</b>	<b>1,294</b>	<b>(12,834)</b>
<b>Non-cash adjustments:</b>			
Depreciation/amortisation	785	239	546
Accrued employee benefits	2,254	(489)	2,744
Deferred license fees	(2,184)	23	(2,207)
<b>Operating cash flow before changes in working capital</b>	<b>(10,686)</b>	<b>1,066</b>	<b>(11,751)</b>
<b>Changes in working capital:</b>			
Inventories	(1,712)	1,113	(2,825)
Trade and other receivables	(4,695)	(3,029)	(1,666)
Payables and other current liabilities	7,049	7,825	(776)
<b>Total changes in working capital</b>	<b>642</b>	<b>5,909</b>	<b>(5,267)</b>
<b>Changes in non-current assets, liabilities and equity</b>	<b>63</b>	<b>286</b>	<b>(223)</b>
<b>Cash generated from operations before interest and taxes</b>	<b>(9,980)</b>	<b>7,260</b>	<b>(17,241)</b>
<b>Interest received</b>	<b>5</b>	<b>(136)</b>	<b>141</b>
<b>Net cash flow used in operating activities</b>	<b>(9,975)</b>	<b>6,975</b>	<b>(17,100)</b>
<b>Capital expenditure for property, plant and equipment</b>	<b>(1,193)</b>	<b>(295)</b>	<b>(898)</b>
<b>Investment Intangible</b>	<b>(321)</b>	<b>(321)</b>	
<b>Acquisition of business</b>	<b>(55,960)</b>	<b>(55,960)</b>	
<b>Net cash flow used in investing activities</b>	<b>(57,474)</b>	<b>(295)</b>	<b>(898)</b>

## Overall:

- Trade receivables higher because of late payment of one investor
- Inventories higher because of new home-use kit stocking
- Trade payables higher because of costs to advisors relating to deal
- Main element is cost of the upfront payment to Valeant

# Income Statement

Cash flow (* € 1.000,-)	2,016		2,015
	Actual	Δ	Actual
<b>Net cash flow from operations and investing activities</b>	<b>(67,449)</b>	<b>6,680</b>	<b>(17,998)</b>
Interest + repayment loan	(4,889)	(4,530)	(359)
Proceeds of equity and warrants issued	8,825	8,342	483
Proceeds from debt capital	68,524	53,000	15,524
Payment of transaction fees	(5,133)	(4,525)	(608)
<b>Net cash flow from financing activities</b>	<b>67,327</b>	<b>52,287</b>	<b>15,040</b>
<b>Increase / (decrease) of cash</b>	<b>(122)</b>	<b>2,835</b>	<b>(2,958)</b>
Exchange rate effects on cash	445	29	416
<b>Cash and cash equivalents at beginning of period</b>	<b>31,843</b>	<b>(2,542)</b>	<b>34,385</b>
<b>Cash at end of period (incl. restricted cash)</b>	<b>32,166</b>	<b>322</b>	<b>31,843</b>

## Main changes:

- Principal repayments began on old facility (now repaid)
- Proceeds of Rights Issue
- Proceeds of debt and bond issues
- Transaction fees
- Net loss increased due to costs of Valeant deal

# Outlook for 2017

- Continued growth in revenues from sales of RUCONEST<sup>®</sup>, mainly driven by the US operations
- Achievement of positive quarterly operating results
- Continued investment in the production of RUCONEST<sup>®</sup> in order to ensure continuity of supply to the US, Europe and the RoW
- Continued investment in:
  - Approval/further clinical trial program for RUCONEST<sup>®</sup> in prophylaxis of HAE
  - Development of a small intravenous version of RUCONEST<sup>®</sup>
  - New intramuscular and subcutaneous versions of RUCONEST<sup>®</sup>
  - Development of pipeline programs in Pompe disease and Fabry's disease
  - New development opportunities
- Continued marketing support to maximize the sales and distribution potential of RUCONEST<sup>®</sup> for patients in all territories

# Summary

As a result of the EU and US transformational deals for RUCONEST® in 2016, Pharming has:

- An optimal commercial presence in both Western Europe and the US
- A clear commitment to become an operationally profitable company during 2017
- Strengthened the platform for significant growth and value creation
- A strong balance sheet and cash flow