

Pharming Group reports interim financial results for the first quarter of 2019

Main results compared to Q1 2018

- 19.5% increase in revenues
- 49% increase in operating profit
- 23% increase in net profit

Leiden, The Netherlands, 16 May 2019: Pharming Group N.V. (“Pharming” or “the Company”) (Euronext Amsterdam: PHARM) presents its (unaudited) interim financial report for the first quarter ended 31 March 2019.

Financial highlights

- Revenues increased approximately 19.5% to €35.2 million, compared with €29.5 million during the same period last year.
- US net product sales increased to €33.7 million (Q1 2018: €27.9 million), an increase of 21% compared to the same period last year, and were similar to the last quarter of 2018, reflecting the customary effect of calendar year patient insurance renewals in the USA, consistent with prior years. In Europe and the rest of the world, product sales for the first three months of 2019 remained at €1.3 million (Q1 2018: €1.3 million), mainly due to lower ordering by SOBI for certain Eastern European markets balanced by growth for Pharming direct markets.
- Operating profits rose by 49% to €12.2 million, compared to €8.2 million in the same period last year, reflecting an improvement in gross margin and better cost controls as well as .
- Net profit increased by 23% to €6.7 million, compared to €5.5 million for Q1 2018 after upward restatement of Q1 2018 by €2.2 million, despite a much higher tax charge for this quarter of €3.0 million (2018: €0.8 million). This tax charge is covered by the tax losses capitalized in the deferred tax asset taken at the end of 2018, and will not result in a cash payment. The restatement of Q1 2018 arose from changes to the accounting in that quarter for redemption of the last of the Ordinary Bonds and the effective interest on the Orbimed loan, in order to reflect the fees due on the quarterly repayments of this loan under financial income and expenses, as described more fully previously in the Annual Report 2018, and does not change the published 2018 accounts.
- Positive cashflows during the quarter were driven by strong revenue despite intensified competition, generating almost €10 million cash above the cash required for operating costs. This was then reduced by the quarterly instalment of €7.7 million of the principal amount of the Company’s outstanding loan including associated fees and the US\$20 million (€17.5 million) sales performance milestone paid to Bausch Health Companies Inc. (formerly Valeant Pharmaceuticals International, Inc.). This resulted in a decrease in the cash position to €66.5 million from €81.5 million at 31 December 2018 (€59.8 million at 31 March 2018).
- The equity position improved from €61.8 million at the end of December 2018 to €69.1 million at the end of the first quarter of 2019 (Q1 2018: €31.6 million), reflecting the net result for the quarter.
- Property plant and equipment in the non-current assets section of the balance sheet, and Finance lease liabilities under non-current liabilities, show the effects of new disclosures of items acquired under leases under the new financial standard IFRS 16. These changes have had no material net effect on operating results during the quarter.

- Other financial liabilities, which refers to the contingent consideration for the milestones, reflects the payment of the first successful sales performance milestone in March 2019 and the revised probability and timing for paying the last milestone. The milestone payment of \$20 million (€17.5 million) does not appear in the income statement itself because the cost of the milestone is balanced by the release of the contingent consideration liability (also €17.5 million) shown in current liabilities at the year end, after allowing for exchange rate differences.
- Inventories changed from €17.3 million at the end of December 2018 to €13.6 million at the end of the first quarter of 2019, mainly due to sales in the USA slightly exceeding commercial production in the first quarter and as some production was diverted to provide clinical trial material for the pre-eclampsia study and other studies.
- Since the last reporting date of 28 March 2019, the Company has issued a total of 2,097,420 shares in connection with a number of exercises of options under the current schemes. The number of issued shares as at 15 May 2019 is 624,331,765. The fully diluted number of shares as at 15 May 2019 is 663,653,916.

Operational highlights since the reporting date

- In April, following a preliminary announcement on 29 March 2019, Pharming completed its investment of €1.6 million in cash and conversion of €2.5 million of prepayments into new equity in its Fill & Finish partner BioConnection BV, which manufactures the sterile sealed vials of Pharming's product RUCONEST® from the purified drug substance. Together with additional shares acquired from existing shareholders, this gives Pharming a significant minority stake in BioConnection. Other current shareholders of BioConnection also supported the company with additional investments. This investment was made to support BioConnection to make capacity expansion investments which will benefit Pharming. No further details were disclosed.

Sijmen de Vries, Chief Executive Officer, commented:

"We are pleased to report strong results today in a period of intense competition. Pharming's revenue and profit performance confirm the success of our in-market strategy for RUCONEST® as we see continued growth in underlying demand for the product.

Looking forward to the remainder of 2019, we therefore expect continued sales growth, driven by increasing patient numbers and despite competitive pressure.

In addition, we continue to make good progress in our pipeline. Following ongoing interaction with ethics committees in the Netherlands and Australia, we anticipate receiving approval shortly to begin our clinical study in pre-eclampsia. We also expect to initiate a clinical trial with RUCONEST® in the second half of the year to treat acute kidney injury in patients undergoing percutaneous coronary interventions accompanied by contrast-enhanced examinations."

Financial summary

3 months to 31 March

<i>Amounts in €m except per share data</i>	<i>2019 1st Quarter</i>	<i>2018 1st Quarter</i>	<i>% Change</i>
<i>Income Statement</i>			
Revenues	35.2	29.5	19.5%
Gross profit	29.8	24.5	22%
Operating result	12.2	8.2	49%
Net result	6.7	5.5*	23%
<i>Balance Sheet</i>			
Cash & marketable securities	66.5	59.8	11%
<i>Share Information</i>			
Earnings per share (€): - Undiluted	0.011	0.009*	20%
- Fully diluted	0.010	0.008*	25%

* After restatement on the basis set out above and in Note 4 to the Financial Statements in the Annual Report 2018.

Outlook

For the remainder of 2019, the Company expects:

- Continued growth in revenues from sales of RUCONEST®, mainly driven by the USA and European operations.
- Maintenance of positive quarterly net earnings during the year.
- Continued investment in the expansion of production of RUCONEST® in order to ensure continuity of supply to the growing markets in the US, Europe, China and the Rest of the World.
- Investment in clinical trials for pre-eclampsia and acute kidney injury, and support for investigators wishing to explore additional indications for RUCONEST®
- Investment in further clinical trial programs for RUCONEST® in acute treatment and prophylaxis of HAE, the development of a small intravenous liquid version and new intramuscular, subcutaneous and intradermal versions of RUCONEST® as well as research into other routes of administration.
- Investment in development of the new pipeline programs in Pompe disease and Fabry's disease, and other new development opportunities and assets as these occur.
- Increasing marketing activity where this can be profit-enhancing for Pharming.
- Supporting all our teams and marketing partners in order to enable the maximisation of the sales and distribution potential of RUCONEST® for patients in all territories.

About Pharming Group N.V.

Pharming is a specialty pharmaceutical company developing innovative products for the safe, effective treatment of rare diseases and unmet medical needs. Pharming's lead product, RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of acute Hereditary Angioedema ("HAE") attacks in patients in Europe, the US, Israel and South Korea. The product is available on a named-patient basis in other territories where it has not yet obtained marketing authorization.

RUCONEST® is distributed by Pharming in Austria, France, Germany, Luxembourg, the Netherlands, the United Kingdom and the United States of America. Pharming holds commercialisation rights in Algeria,

Andorra, Bahrain, Belgium, Ireland, Jordan, Kuwait, Lebanon, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates and Yemen. In some of these countries distribution is made in association with the HAEi Global Access Program (GAP).

RUCONEST® is distributed by Swedish Orphan Biovitrum AB (publ) (SS: SOBI) in the other EU countries, and in Azerbaijan, Belarus, Georgia, Iceland, Kazakhstan, Liechtenstein, Norway, Russia, Serbia and Ukraine.

RUCONEST® is distributed in Argentina, Colombia, Costa Rica, the Dominican Republic, Panama, and Venezuela by Cytobiotek, in South Korea by HyupJin Corporation and in Israel by Kamada.

RUCONEST® is also being examined for approval for the treatment of HAE in young children (2-13 years of age) and evaluated for various additional follow-on indications.

Pharming's technology platform includes a unique, GMP-compliant, validated process for the production of pure recombinant human proteins that has proven capable of producing industrial quantities of high quality recombinant human proteins in a more economical and less immunogenetic way compared with current cell-line based methods. Leads for enzyme replacement therapy ("ERT") for Pompe and Fabry's diseases are being optimized at present, with additional programs not involving ERT also being explored at an early stage at present.

Pharming has a long-term partnership with the China State Institute of Pharmaceutical Industry ("CSIPI"), a Sinopharm company, for joint global development of new products, starting with recombinant human Factor VIII for the treatment of Haemophilia A. Pre-clinical development will take place to global standards at CSIPI and are funded by CSIPI. Manufacturing for the Chinese market and to provide additional supply for Pharming will take place at CSIPI's affiliate, the Chengdu Institute of Biological Products Co. Ltd. Clinical development will be shared between the partners with each partner taking the costs for their territories under the partnership.

Additional information is available on the Pharming website: www.pharming.com

Forward-looking Statements

This press release of Pharming Group N.V. and its subsidiaries ("Pharming", the "Company" or the "Group") may contain forward-looking statements including without limitation those regarding Pharming's financial projections, market expectations, developments, partnerships, plans, strategies and capital expenditures.

The Company cautions that such forward-looking statements may involve certain risks and uncertainties, and actual results may differ. Risks and uncertainties include without limitation the effect of competitive, political and economic factors, legal claims, the Company's ability to protect intellectual property, fluctuations in exchange and interest rates, changes in taxation laws or rates, changes in legislation or accountancy practices and the Company's ability to identify, develop and successfully commercialise new products, markets or technologies.

As a result, the Company's actual performance, position and financial results and statements may differ materially from the plans, goals and expectations set forth in such forward-looking statements. The Company assumes no obligation to update any forward-looking statements or information, which should be taken as of their respective dates of issue, unless required by laws or regulations.

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Pharming Group N.V.

Consolidated Interim Financial Statements (Unaudited)
For the first three months ended 31 March 2019

Consolidated statement of income
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of cash flows

Appendix: Main Financial Statements reported in US dollars

(The appendix does not form part of the Consolidated Interim Financial Statements)

Consolidated statement of income in US Dollars (unaudited)
Consolidated balance sheet in US Dollars (unaudited)
Consolidated statement of cash flows in US Dollars (unaudited)

Consolidated Statement of Income
For the first three months ended 31 March

<i>Amounts in €'000, except per share data</i>	YTD 2019	YTD 2018 *restated
Revenues	35,224	29,483
Costs of sales	(5,420)	(5,022)
Gross profit	29,804	24,461
Other income	281	149
Research and development	(5,305)	(5,737)
General and administrative	(2,968)	(2,463)
Marketing and sales	(9,568)	(8,205)
Costs	(17,841)	(16,405)
Operating result	12,244	8,205
Fair value gain (loss) on revaluation derivatives	(28)	(961)
Other financial income and expenses*	(2,497)	(957)
Financial income and expenses	(2,525)	(1,918)
Result before income tax	9,719	6,287
Income tax expense	(2,980)	(796)
Net result for the period	6,739	5,491
Attributable to:		
Owners of the parent	6,739	5,491
Total net result	6,739	5,491
Basic earnings per share (€)	0.011	0.009
Fully-diluted earnings per share (€)	0.010	0.008

* After restatement of Q1 2018 to reflect changes to 2017 as set out in Note 4 to the Financial Statements in the Annual Report 2018.

Consolidated Statement of Comprehensive Income
For the first three months ended 31 March

Amounts in €'000	YTD 2019	YTD 2018 *restated
Net result for the period	6,739	5,491
Currency translation differences	(304)	(1,423)
Items that may be subsequently reclassified to profit or loss	(304)	(1,423)
Other comprehensive income/(expenses), net of tax	(304)	(1,423)
Total comprehensive income for the period	6,435	4,068
Attributable to: Owners of the parent	6,435	4,068

* After restatement of Q1 2018 to reflect changes to 2017 as set out in Note 4 to the Financial Statements in the Annual Report 2018.

Consolidated Balance Sheet

As at date shown

<i>Amounts in €'000</i>	31 March 2019	31 December 2018
Intangible assets	52,062	52,435
Property, plant and equipment	12,167	8,402
Long term prepayments	-	2,006
Deferred tax asset	32,417	35,082
Restricted cash	1,225	1,204
Non-current assets	97,871	99,129
Inventories	13,642	17,315
Trade and other receivables	22,783	17,814
Cash and cash equivalents	65,264	80,311
Current assets	101,689	115,440
Total assets	199,560	214,569
Share capital	6,222	6,215
Share premium	387,956	387,525
Legal reserves	1,540	1,647
Accumulated deficit	(326,651)	(333,636)
Shareholders' equity	69,067	61,751
Loans and borrowings	31,946	37,267
Deferred tax liabilities	62	87
Contract liabilities	467	667
Finance lease liabilities	4,293	164
Other financial liabilities	31,456	32,034
Non-current liabilities	68,224	70,219
Loans and borrowings	34,963	35,235
Contract liabilities	800	800
Derivative financial liabilities	147	228
Trade and other payables	26,096	28,589
Finance lease liabilities	263	263
Other financial liabilities	-	17,484
Current liabilities	62,269	82,599
Total equity and liabilities	199,560	214,569

Consolidated Statement of Cash Flows
For the first three months ended 31 March

Amounts in €'000	YTD 2019	YTD 2018
Operating result	12,244	8,205
Non-cash adjustments:		
Depreciation, amortization	1,353	944
Accrued employee benefits	541	458
Release of contract liabilities	(200)	(202)
Operating cash flows before changes in working capital	13,938	9,405
Changes in working capital:		
Inventories	3,673	(3,277)
Trade and other receivables	(4,969)	(3,110)
Payables and other current liabilities	(2,833)	(4,684)
Total changes in working capital	(4,129)	(11,071)
Changes in non-current assets, liabilities and equity	3	705
Cash generated from (used in) operations before interest and taxes	9,812	(961)
Interest received	165	-
Net cash flows generated from (used in) operating activities	9,977	(961)
Capital expenditure for property, plant and equipment	(229)	(517)
Investment in intangible assets	(114)	(353)
Net cash flows used in investing activities	(343)	(870)
Repayments of loans and borrowings	7,728	-
Payments of contingent consideration	(17,635)	-
Redemption of bonds	-	(2,238)
Interest on loans	(2,510)	(2,592)
Interest on finance lease liabilities	(117)	-
Payment of lease liabilities	(262)	-
Proceeds of equity and warrants	228	6,556
Net cash flows generated from (used in) financing activities	(28,024)	1,726
Increase (decrease) of cash	(18,390)	(105)
Exchange rate effects	3,364	(127)
Cash and cash equivalents at 1 January	81,515	59,993
Total cash and cash equivalents at 31 March	66,489	59,761

Appendix: Main Financial Statements reported in US dollars

The original Financial Statements are reported in Euros. In case of differences of interpretation between the Financial Statements in US Dollars and the Financial Statements in Euros, the Financial Statements in Euros will prevail.

Principal exchange rate used for the income statement: €1 = \$1.1404

Principal period end exchange rate used for the balance sheet €1 = \$1.1214

Consolidated Statement of Income in US Dollars

For the first three months ended 31 March

Amounts in US\$'000, except per share data	YTD 2019	YTD 2018
Revenues	40,159	36,182
Costs of sales	(6,179)	(6,163)
Gross profit	33,980	30,019
Other income	320	183
Research and development	(6,048)	(7,040)
General and administrative	(3,384)	(3,023)
Marketing and sales	(10,908)	(10,069)
Costs	(20,341)	(20,132)
Operating result	13,959	10,069
Fair value gain (loss) on revaluation derivatives	(32)	(1,179)
Other financial income and expenses	(2,721)	(1,174)
Financial income and expenses	(2,753)	(2,354)
Result before income tax	11,206	7,715
Income tax expense	(3,397)	(977)
Net result for the period	7,809	6,739
Attributable to:		
Owners of the parent	7,809	6,739
Total net result	7,809	6,739
Basic earnings per share (\$)	0.012	0.011
Fully-diluted earnings per share (\$)	0.011	0.010

* After restatement of Q1 2018 to reflect changes to 2017 as set out in Note 4 to the Financial Statements in the Annual Report 2018.

Consolidated Balance Sheet in US Dollars

As at date shown

<i>Amounts in US\$'000</i>	31 March 2019	31 December 2018
Intangible assets	58,353	59,980
Property, plant and equipment	13,644	9,611
Long term prepayments	-	2,295
Deferred tax asset	36,352	40,130
Restricted cash	1,374	1,377
Non-current assets	109,753	113,394
Inventories	15,298	19,807
Trade and other receivables	25,549	20,377
Cash and cash equivalents	73,187	91,868
Current assets	114,034	132,052
Total assets	223,787	245,445
Share capital	6,977	7,109
Share premium	435,054	443,290
Legal reserves	1,727	1,884
Accumulated deficit	(366,306)	(381,646)
Shareholders' equity	77,452	70,637
Loans and borrowings	35,824	42,630
Deferred tax liabilities	70	100
Contract liabilities	524	763
Finance lease liabilities	4,814	188
Other financial liabilities	35,275	36,644
Non-current liabilities	76,507	80,324
Loans and borrowings	39,208	40,305
Contract liabilities	897	915
Derivative financial liabilities	165	261
Trade and other payables	29,263	32,703
Finance lease liabilities	295	301
Other financial liabilities	-	20,000
Current liabilities	69,828	94,485
Total equity and liabilities	223,787	245,445

Consolidated Statement of Cash Flows in US Dollars
For the first three months ended 31 March

<i>Amounts in US\$'000</i>	YTD 2019	YTD 2018
Operating result	13,959	10,069
Non-cash adjustments:		
Depreciation, amortization	1,543	1,158
Accrued employee benefits	617	562
Release of contract liabilities	(228)	(248)
Operating cash flows before changes in working capital	15,891	11,542
Changes in working capital:		
Inventories	4,188	(4,022)
Trade and other receivables	(5,665)	(3,817)
Payables and other current liabilities	(3,230)	(5,748)
Total changes in working capital	(4,707)	(13,586)
Changes in non-current assets, liabilities and equity	3	865
Cash generated from (used in) operations before interest and taxes	11,187	(1,179)
Interest received	188	-
Net cash flows generated from (used in) operating activities	11,375	(1,179)
Capital expenditure for property, plant and equipment	(261)	(634)
Investment in intangible assets	(130)	(433)
Net cash flows used in investing activities	(391)	(1,068)
Repayments of loans and borrowings	(8,811)	-
Payments of contingent consideration	(20,106)	-
Redemption of bonds	-	(2,746)
Interest on loans	(2,862)	(3,181)
Interest on finance lease liabilities	(133)	-
Payment of lease liabilities	(299)	-
Proceeds of equity and warrants	260	8,046
Net cash flows generated from (used in) financing activities	(31,950)	2,118
Increase (decrease) of cash	(20,966)	(129)
Exchange rate effects	2,282	1,935
Cash and cash equivalents at 1 January	93,245	71,854
Total cash and cash equivalents at 31 March	74,561	73,660

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