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Confirmation of your representation: In order to be eligible to view the attached Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be (i) located outside the United States or (ii) QIBs acquiring for their account or the account of other QIBs. The Prospectus is being provided to you at your request, and by accessing the Prospectus you shall be deemed to have represented to the Company that (i) you and any customers you represent are located outside of the United States and any electronic mail address that you gave us and to which the Prospectus may have been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia; or (ii) you are a QIB acquiring the securities referred to herein for your own account and/or for another QIB and that you consent to delivery of such Prospectus by electronic transmission. You are reminded that the Prospectus has been provided to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The materials relating to the Offer (as defined in the Prospectus) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This electronic transmission and the Prospectus are only addressed to and directed at persons in member states of the European Economic Area, other than the Netherlands, who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant EEA Member State) (Qualified Investors). In addition, in the United Kingdom, this electronic transmission and the Prospectus are each being distributed only to, and are directed only at, (i) investment professionals (within the meaning of Article 19(5)

of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**)), (ii) high net worth companies (within the meaning of Article 49(2) of the Order); and (iii) persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as **relevant persons**). This electronic transmission and the Prospectus must not be acted on or relied on (a) in the United Kingdom, by persons who are not relevant persons and (b) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the Prospectus relates is available only to relevant persons in the United Kingdom and Qualified Investors in any member state of the European Economic Area other than the United Kingdom, and will be engaged in only with such persons. The Prospectus has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company (as defined in the Prospectus), any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus provided to you in electronic format and a hard copy version that may be available to you on request from the Company.

PHARMING GROUP N.V.

a public limited liability company (naamloze vennootschap) incorporated in the Netherlands with its statutory seat (statutaire zetel) in Leiden, the Netherlands

Rights offer of 58,943,624 new ordinary shares at an issue price of €0.205 per ordinary share

This document (including the documents incorporated by reference herein, the Prospectus) relates to the offer by Pharming Group N.V. (**Pharming** or the **Company**) of up to 58,943,624 new ordinary shares with a nominal value of €0.01 each (the **New Shares**) at an issue price of €0.205 per New Share (the **Issue Price**), which has been set at a discount of 10% to the 20-day volume weighted average price of the Shares up to 18 November 2016, the business day before publication of the Prospectus. Subject to applicable securities laws and the terms set out in the Prospectus, the holders of ordinary shares (the **Shareholders**) at the Record Date (as defined below) are being granted transferable subscription rights to subscribe for the New Shares pro rata to their shareholding in the Company. Shareholders as of the Record Date and subsequent transferees of the Rights (as defined below), in each case who are able to give the representations and warranties set out in Chapter 14 "*Selling Restrictions*", are Eligible Persons with respect to the Rights Offer (as defined below).

The offer (the **Offer**) comprises: (1) the rights offer (the **Rights Offer**) in which Shareholders as of 17:40 Central European Time (CET) on 22 November 2016 (the **Record Date**) will be granted one transferable subscription right for each existing Share held on that date (the **Rights**, and together with the New Shares, the **Offer Securities**) to subscribe for New Shares at the Issue Price, and (2) the rump offer (the **Rump Offer**), in which New Shares for which Rights have not been validly exercised during the Exercise Period (as defined below) (the **Rump Shares**) may be placed with certain QIBs or other Eligible Persons at the Issue Price. The statutory pre-emptive rights (*wettelijke voorkeursrechten*) of the Shareholders in respect of the Offer have been excluded.

The purpose of the Offer is to provide funds to help the Company to meet the upfront payment in an announced deal with certain subsidiaries of Valeant Pharmaceuticals International, Inc. (**Valeant**) (the **Transaction**) of US$60 million (approximately €56.7 million) (the **Upfront Amount**), and to enable the acceleration of sales efforts for RUCONEST® in North America after the Transaction. The Upfront Amount will be financed by the net proceeds of New Shares, private placements of convertible bonds and a new straight debt facility as further described in Chapter 10 "*Transaction with Valeant*".

The Rights Offer will be made by way of (a) a public offer in the Netherlands, in accordance with Regulation S (**Regulation S**) under the US Securities Act of 1933, as amended (the **Securities Act**), (b) private placements to Shareholders outside the United States of America (the USA or US) in accordance with Regulation S and applicable securities laws of the relevant jurisdiction and (c) private placements in the United States only to Shareholders in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act. The Rump Offer will be made by way of (1) private placements to certain institutional investors outside the United States in accordance with Regulation S under the Securities Act and applicable securities laws of the relevant jurisdiction and (2) private placements in the United States only to qualified institutional buyers (QIBs) as defined in Rule 144A under the Securities Act (Rule 144A) in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act. For a description of restrictions on transfer and resale, see Chapter 3 "*Important Information*" section "*Notice to Investors*" and Chapter 14 "*Selling Restrictions*".

In the Prospectus, 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).

Subject to the terms and conditions set out in the Prospectus, Shareholders as of the Record Date will be granted one Right per Share held. The exercise of seven (7) Rights entitles the exercising holder to subscribe for one New Share, against payment of the Issue Price (the **Subscription Ratio**) for each New Share subscribed.

On 18 November 2016, the 20-day volume weighted average price per Share was €0.2274 (the VWAP) and the closing price of the Shares was €0.227 per Share (Closing Price) on Euronext Amsterdam, the regulated market operated by Euronext Amsterdam N.V. (Euronext Amsterdam). The Issue Price represents a discount of approximately 10% to the VWAP and a discount of approximately 8.5% to the theoretical ex-rights price (the TERP) of €0.224, based on the Closing Price and the Subscription Ratio.

Shareholders who transfer, or who do not or are not permitted to exercise, any of their Rights granted under the Rights Offer will suffer a dilution of their proportionate ownership and voting rights of approximately 12.5% as a result of the issue of the New Shares in the event that the Rights Offer is fully subscribed.

Full exercise of all the warrants being offered to the subscribers of Convertible Bonds (as defined below), the lenders of the New Debt Facility (as defined below) and the subscribers of the Rump Shares (collectively the 2016 Warrants) would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 18.5% if they did not exercise any of their Rights and (ii) 16.5% if they exercised all of their Rights. Full conversion of the Ordinary Bonds and the Amortizing Bonds (each as defined below, and together the Convertible Bonds) would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 33.7% if they did not exercise any of their Rights and (ii) 30.8% if they exercised all of their Rights. The dilutive effect of each of the Ordinary Bonds and the Amortizing Bonds is described in Chapter 13 "*The Offer*" section "*Dilution"*.

The latest date for acceptance under the Rights Offer is 17.40 CET on 30 November 2016, with admission and commencement of dealings in New Shares to be expected to take place at 09:00 CET on 6 December 2016.

The price per Rump Share will be equal to the Issue Price. The total number of New Shares subscribed for in the Offer will be made public through a press release published in the Netherlands, which will be placed on Pharming's website, at the latest in the morning of the day following the settlement of the Offer.

All trades in Rights and New Shares prior to the settlement date for the Offer (the Settlement Date), which is 6 December 2016, are at the sole risk of the parties concerned. The Company, the Subscription, Listing and Paying Agent and Euronext Amsterdam do not accept any responsibility or liability with respect to any person in the event of and as a result of the withdrawal of the Offer or (the related) annulment of any transactions in Rights or New Shares on Euronext Amsterdam. For more information regarding the conditions of the Offer and the consequences of any termination or withdrawal of the Offer, see Chapter 13 "*The Offer*".

The Rights are expected to be traded on Euronext Amsterdam under the symbol "PHAOR" during the period from 9:00 CET on 23 November 2016 through 17:40 CET on 29 November 2016 (inclusive), barring unforeseen circumstances. Holders of Rights wishing to subscribe for New Shares must exercise their Rights during the period from 9:00 CET on 23 November 2016 through 17.40 CET on 30 November 2016 (the Exercise Period). Exercised Rights cannot be revoked or modified, except in certain circumstances. For more information, see Chapter 13 "*The Offer*". Rights may be exercised only in integral multiples of the Subscription Ratio. Any Rights not validly exercised by the end of the Exercise Period will no longer be exercisable. The Company expects that the New Shares will be admitted to listing and trading on Euronext Amsterdam and that trading will commence at 09:00 CET on or about 6 December 2016 under the current symbol "PHARM", barring unforeseen circumstances.

The Offer Securities will be delivered through the book-entry systems of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., trading under Euroclear Nederland (Euroclear Nederland), in accordance with its normal settlement procedures applicable to equity securities.

Investing in the Offer Securities involves risks. For a discussion of material risks which the investors should consider before exercising their Rights or investing in the Offer Securities, see Chapter 2 "*Risk Factors*", section "*Risks relating to Pharming*" beginning on page 23, and section "*Risks relating to the Offer and the Offer Securities*" beginning on page 30.

The Offer Securities have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and such securities may be offered, sold, taken up, exercised, delivered, distributed or otherwise transferred only: (i) outside the United States in offshore transactions in accordance with Regulation S; or (ii) in the United States to QIBs in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act. There will be no public offer of the Offer Securities in the United States.

No representation or warranty, express or implied, is made or given by Stifel Nicolaus Europe Limited or Roth Capital Partners, LLC (jointly the **Lead Placement Agents**), Trout Group, Inc. (the **Co-Placement Agent**) or First Berlin Securities Brokerage GmbH (the **Placement Advisor**) or any of their respective affiliates or any of their respective directors, officers or employees or any other person, as to the contents of this document, including its accuracy, completeness or fairness of the information or opinions contained in this document, or incorporated by reference herein, and nothing in this document, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Lead Placement Agents, the Co-Placement Agent or the Placement Advisor or any of their respective affiliates as to the past or future. None of the Lead Placement Agents, the Co-Placement Agent or the Placement Advisor accepts any responsibility whatsoever for the contents of this document or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Group, the Offer or the New Shares. Accordingly, each of the Lead Placement Agents, the Co-Placement Agent and the Placement Advisor disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this document and/or any such statement.

This document constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU, the Prospectus Directive) and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the FSA). The Prospectus has been filed with and approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**).

The Prospectus is dated 21 November 2016

Table of Contents

1. Summary

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary together with an indication that such Element is 'not applicable'.		
Section A – Introduction and warnings		
A.1	*Introduction and warnings*	This summary should be read as an introduction to this document (including the documents incorporated by reference herein, the Prospectus) relating to the offer by Pharming Group N.V. (**Pharming** or the **Company**). The offer (the **Offer**) comprises the rights offer, in which holders of ordinary shares (the **Shareholders**) are being granted transferable subscription rights (the Rights) to subscribe for new shares (the **New Shares**) *pro rata* to their shareholding in the Company (the **Rights Offer**) and the rump offer (the **Rump Offer**), in which New Shares for which Rights have not been validly exercised during the Exercise Period (as defined below) (the **Rump Shares**) may be placed with certain QIBs or other Eligible Persons. Any decision to invest in the New Shares should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the New Shares.
A.2	*Consent, indication, conditions and notice*	Not applicable; there will be no subsequent public resale of, or final placement of the Shares by financial intermediaries.
Section B – The issuer		
B.1	*Legal and commercial name of the Company*	The legal and commercial name of the issuer is Pharming Group N.V.
B.2	*Domicile, legal form, legislation and country of incorporation*	Pharming is a public company with limited liability incorporated under the laws of the Netherlands and has its corporate seat in Leiden, the Netherlands. Pharming operates under Dutch law.
B.3	*Key factors relating to the nature of the*	Pharming is developing innovative products for the treatment of unmet medical needs. The advanced technologies of the Company include innovative and validated platforms for the production of protein therapeutics, as well as technology and

	Group's operations and its principal activities	processes for the purification and formulation of these products. The Company's lead product RUCONEST® is a recombinant human C1 inhibitor (**RUCONEST®**) approved for the treatment of hereditary angioedema attacks in patients with a human genetic disorder caused by insufficient activity of the C1 inhibitor protein (HAE) in all 27 European Union (EU) countries plus Norway, Iceland and Liechtenstein, the United States of America (USA or US), Israel and South Korea. RUCONEST® is currently partnered with Valeant Pharmaceuticals International, Inc. (**Valeant**) in North America under the name RUCONEST®, and a Valeant subsidiary distributes the product in the USA. Valeant acquired the North American license rights to RUCONEST® through its acquisition of Salix Pharmaceuticals, Ltd. (Salix) in April 2015. Prior to this, Salix had acquired the license rights through its acquisition of Santarus, Inc. (Santarus) in January 2014. Pharming originally entered into an agreement with Santarus for the marketing, distribution and selling of RUCONEST® in the USA, Canada and Mexico in September 2010. Pharming and Valeant have agreed that the Company will acquire all commercialisation rights to its own product RUCONEST® in North America (USA, Canada and Mexico) from Valeant (the **Transaction**). The Transaction is expected to be closed shortly before 6 December 2016. Pursuant to amendments of the distribution agreement between Pharming and Swedish Orphan Biovitrum International AB (**SOBI**), Pharming has been marketing RUCONEST® directly in Austria, Germany and the Netherlands since October 2014 and into an additional 21 countries, including Algeria, Andorra, Bahrain, Belgium, France, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates, United Kingdom and Yemen, since 1 October 2016. Pharming uses commercial partners (including SOBI, MegaPharm Ltd (**MegaPharm**) and HyupJin Corporation (**HyupJin**)) for the marketing of RUCONEST® in various other countries. For the treatment of acute attacks of HAE the competition can be divided into C1 inhibitors and alternative therapies targeting different effector mechanisms. Currently, Pharming is the sole provider of a recombinant version of the C1 inhibitor; other inhibitors are derived from human plasma. Other providers of C1 inhibitors include CSL Behring, Shire Pharmaceuticals plc. (**Shire**) and Sanquin. Competitive drugs targeting different mechanisms to treat acute attacks of HAE include one approved product in the EU marketed by Shire and two approved products in the USA also marketed by Shire: Firazyr® and Kalbitor®. In July 2016, Pharming completed a Phase II clinical trial in prophylaxis of HAE with RUCONEST®. The objective of this clinical program is to achieve an additional registration for prophylaxis of HAE in the USA. The product is also under evaluation for indications in the areas of transplantation and ischaemia reperfusion injury. Other products under development include recombinant-human (rh)-α-glucosidase for the treatment of Pompe's disease, rh-α-galactosidase for the treatment of Fabry's disease and rh-Factor VIII for the treatment of Hemophilia-A. These are all in pre-clinical stage.
B.4a	*Significant recent trends*	Product sales are currently exclusively related to RUCONEST® and are realised directly by the Company and through Pharming's commercialisation partners, of which currently only SOBI and Valeant have generated substantial sales in the EU and the USA respectively. Reimbursement procedures in the various EU member states vary considerably and have become more onerous over the recent years. In addition,

		further regional and local hurdles for acceptance of new products exist in several markets, which is why the roll-out across the EU still continues. The actual selling prices vary across the EU, depending on the various reimbursement systems in member countries, and on the local distribution channels and margins involved. The selling price to Pharming's commercialisation partners is either fixed per unit or defined as percentage of the net selling price in the market. In certain contracts, additional tiered royalties are paid to Pharming upon exceeding pre-defined sales levels by the partner. Most of Pharming's inventories of €18.4 million at 30 September 2016 have originally been produced as preparation for higher levels of sales in the USA (which did not materialise as a result of changes of sales strategy by Valeant during 2015) and to ensure the product was available during the planned temporary closure of the Company's fill & finish partner BioConnection B.V. (BioConnection) during that company's separation from Merck Sharp & Dohme Inc. to become a new independent company. BioConnection has now recommenced completion of batches of finished product for Pharming. It is not expected that these inventories will reach their expiration dates prior to disposal through sales and/or use in (pre)clinical activities. Following an internal review of the overall inventory position, the Company incurred non-cash impairment charges of €0.2 million in the first nine months of 2016 while also expensing €3.0 million of inventories sold. The downstream production (purification of milk into drug substance and subsequent fill and finish of the drug substance into drug product) has been outsourced to Sanofi Chimie S.A. (**Sanofi**) (purification) and BioConnection (fill & finish). New purification production at the Sanofi site, on a larger scale but against a decreased cost of production compared to previous outsourced manufacturers, is now in full scale, such that sufficient quantities for the EU and USA markets are available and adequate capacity for accelerating sales in all markets, including but not limited to the USA, is safeguarded. New production processes and sites (or changes to either of those) are subject to formal approval by the respective regulatory authorities.
B.5	*Description of the group and the Company's position therein*	The group of Pharming includes the parent company Pharming Group N.V. and all of its subsidiaries, in which it holds 100% of the shares, listed below (the **Group**): Pharming B.V. (The Netherlands); Pharming Intellectual Property B.V. (The Netherlands); Pharming Technologies B.V. (The Netherlands); Broekman Instituut B.V. (The Netherlands); Pharming Healthcare, Inc. (United States); ProBio, Inc. (United States); and Pharming Americas B.V. (The Netherlands).
B.6	*Shareholders of the Company*	As far as Pharming can ascertain, based on information from the public register of the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the **AFM**), Kingdon Capital Management LLC has a potential interest in the Company's share capital/voting rights of more than the minimum notification threshold of 3%.
B.7	*Selected historical key financial information*	The following tables set forth Pharming's selected consolidated financial information. The year-end consolidated financial information for 2014 and 2015 has been extracted from Pharming's audited year-end consolidated financial statements; the consolidated financial information for the nine month periods ended 30 September 2015 and 2016 has been derived from Pharming's unaudited interim financial

		statements. The Company's independent auditors issued an unqualified audit opinion with respect to the 2014 and 2015 financial statements. Pharming's consolidated financial statements were prepared in accordance with IFRS as adopted in the EU. The summary consolidated financial information set forth below may not contain all of the information that is important to investors, but it does contain all key information and all other information which the Company considers likely to be important for investors.

Consolidated Income Statement Information

	30 September		31 December	
	2016	2015	2015	2014
	(unaudited)		(audited)	
(in millions)	€	€	€	€
Product Sales	7.0	6.8	8.6	3.0
License Fees	1.7	1.7	2.2	18.2
Other Income	0.3	0.1	0.1	0.1
Total Revenues	9.0	8.6	10.9	21.3
Cost of revenues	(3.2)	(3.7)	(4.8)	(3.4)
Operational costs	(15.1)	(13.9)	(19.0)	(15.0)
Operating loss	(9.4)	(9.1)	(12.8)	2.9
Financial income and expenses (net)	(1.0)	3.2	2.9	(8.6)
Net loss	(10.4)	(5.9)	(10.0)	(5.8)

Consolidated Balance Sheet Information

	30 September	31 December	31 December
	2016	2015	2014
	(unaudited)	(audited)	
(in millions)	€	€	€
Restricted cash[1]	0.2	0.2	0.2
Cash and cash equivalents[1]	16.8	31.6	34.2
Total assets	48.9	57.7	55.7
Current liabilities	18.3	13.5	14.9
Non-current liabilities	15.6	20.4	11.0
Equity	15.0	23.8	29.8

[1] The cash position of Pharming is composed of restricted cash plus cash and cash equivalents and amounted in total to €17.0 million on 30 September 2016, €31.8 million on 31 December 2015 and €34.4 million on 31 December 2014.

Consolidated Cash Flow Statement Information

	30 September		31 December	
	2016	2015	2015	2014
	(unaudited)		(audited)	
(in millions)	€	€	€	€
Net cash flows used in operating activities	(12.0)	(13.5)	(16.4)	(2.6)
Net cash flows used in investment activities	(0.9)	(0.7)	(0.9)	(0.7)
Net cash flows from financing activities	(1.5)	14.9	14.4	18.0

B.7	*Description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information*	During the period covered by the historical key financial information, there were two significant events. The first was the approval of RUCONEST® by the US Food and Drug Administration (FDA) in the US in July 2014, which resulted in a US$20 million (€16 million) cash milestone payment to Pharming in the fourth quarter of 2014. The second milestone was the agreement of a straight debt facility of US$17 million (€15.6 million) from Oxford Finance LLC and Silicon Valley Bank (the Lenders), which was made in July 2015. There has been no significant change in the financial or trading position of the Group since 30 September 2016.
B.8	*Selected key pro forma financial information*	The unaudited pro forma financial information is provided for illustrative purposes only in accordance with Annex II of the Commission Regulation 809/2004/EC. It does not purport to represent what the actual results of operations or financial position of the Company would have been had the Transaction with Valeant been completed at 1 January 2016, nor is it necessarily indicative of the results or financial position of the Company for any future periods. The unaudited pro forma financial information represents information prepared based on estimates and assumptions deemed appropriate by the Company. Because of its nature, the unaudited pro forma financial information is based on a hypothetical situation and, therefore, does not represent the actual financial position or results of operations of the Company. The assumptions used in the preparation of the unaudited pro forma financial information may prove not to be correct. The table below represents how the income statement for the nine month period ended 30 September 2016 would have looked if the Transaction had been completed at 1 January 2016, including the actual costs of the current Valeant sales force personnel throughout the period from 1 January 2016 to 30 September 2016, together with a reasonable allocation of the general and administrative expenses that Valeant incurred for RUCONEST®.

Summary Pro Forma Financial Highlights for the nine months ended 30 September 2016

Unaudited

(Amounts in €m)	Actual 9m 2016 €m	Actual 9m 2015 €m	% *Change*	Pro Forma 9m 2016 €m	% *Change*
Income Statement:					
Product Sales	7.0	6.8	*3*	20.5	*201*
License Fees	1.7	1.7	-	6.5	*276*
Total Revenue from Operations	8.7	8.5	*2*	27.0	*318*
Gross Profit	5.5	4.8	*15*	23.8	*396*
Other Income	0.3	0.1	*200*	0.3	-
Operating Costs	(15.1)	(13.9)	*(9)*	(25.0)	*(67)*
Operating Result	(9.4)	(9.1)	*(3)*	(0.9)	*91*
Balance Sheet					
Cash & Cash Equivalents**	17.0	35.1	*(52)*	17.0	-
Earnings/(Loss) per share (€)					
Basic	(0.025)	(0.014)	*(79)*	(0.021)	*16%*

*** Includes restricted cash. The 30 September 2015 balance includes the proceeds of the 2015 loan facility of €15.6 million*

A more complete pro forma table with the adjustments explained is provided in Chapter 10 "*Transaction with Valeant*" section "Unaudited Consolidated Pro Forma Financial Information".

The pro forma information differs from and supersedes the preliminary pro forma information presented in Pharming's announcement of the Transaction on 9 August 2016 and the publication of consolidated financial statements for 31 August 2016 and 30 September 2016 published on 3 October 2016 and 27 October 2016 respectively because (a) the financial structure for the Transaction has changed, (b) the accounting treatment has been altered from accounting for the Transaction as an asset transaction to accounting for the Transaction as a business combination and (c) more accurate information on cost and the financial structure is now available. This results in certain elements of the financial statements being treated differently, such as the contingent consideration, valuation of intangible assets and depreciation.

B.9	*Profit forecast*	Not applicable; no profit forecast or estimate is provided publicly by Pharming.
B.10	*Historical audit report qualifications*	Not applicable; there are no qualifications.
B.11	*Working capital statement*	The Company is of the opinion that it has sufficient working capital for the present requirements of the Group, which is for at least the next 12 months from the date of the Prospectus. Following closing of the Transaction, Pharming is of the opinion that it will generate sufficient cash from operations to meet all its present and future anticipated requirements as they fall due. If the Transaction does not close, the available net cash (cash and cash equivalents) at the date of the Prospectus is not expected to deplete before the end of March 2018. Pharming generates insufficient cash from commercial activities to meet all its

		present and future anticipated requirements and remains dependent on financing arrangements with third parties as has been the case since its incorporation, but currently has sufficient cash reserves and sales revenues including current growth to be confident that it will be able to meet all its obligations as they fall due until at least the end of March 2018. The cash and cash equivalents (including €0.25 million of restricted cash) at 30 September 2016 amounted to €17.0 million. Pharming's projected net operational, investment, debt service and finance lease payments for the next 12 months after the date of the Prospectus (in the absence of the Transaction closing) are approximately €10.7 million on the basis of the currently-planned activity if the Transaction does not close (described below). Gross margin for the next 12 months is expected to be in the region of €13.6 million, costs are expected to be €24.3 million on the same basis, and the Company had approximately €17.0 million in cash and cash equivalents at 30 September 2016. If the Transaction does not close, Pharming will continue to balance R&D spending and company growth against actual sales revenues, to ensure that the costs do not exceed the means and resources available to the Company. The business plan which Pharming intends to operate if it is unable to close the Transaction this year is as follows: 1. If sales continue to grow at the current rate in 2016 and 2017 (Base case), the Company will continue to develop two of the current main research programs (Pompe disease and Fabry disease), and the other research project (Human Recombinant Factor VIII) will be continued at a slower pace. The development of prophylaxis of HAE for registration in the USA and new additional IV Lite, intramuscular and subcutaneous versions of RUCONEST® will be continued. 2. If sales do not continue to grow at at least the current rate in 2016 and the first months of 2017 (No Growth case), then none of the three main research programs will be continued in fast mode, and the Company will only press ahead with the development of RUCONEST® for prophylaxis and the introduction of self-administration home kits for RUCONEST®. Other new routes of administration for RUCONEST® and other projects will continue at a slower pace, dependent on actual sales revenues. 3. The consequential changes for the Company of slower sales growth in the No Growth case are also expected to result in reductions of general and administration expenses of approximately 10%-15% (or €0.3 million to €0.4 million). The total reduction of Pharming's annual operating costs in cash terms relative to the rate prevailing over the first nine months of 2016 would be approximately €1.5 million in the Base case and €6.8 million in the No Growth case. On this basis, Pharming has sufficient cash for at least the next 16 months even in the absence of any sales improvement. This assessment does not take into account any increase in sales activity which may result from the current shortage in supply of the rival product Cinryze® (see Chapter 4 "*Capitalisation and Indebtedness*" section "*Financial and Trading Update*"). There are several sources available to raise working capital in the short and medium term future as outlined below. Pharming expects to be able to generate sufficient funding from one or more of these resources. However, in case it is not able to do so,

		Pharming may ultimately enter into bankruptcy soon after March 2018. 1. Pharming may raise capital by means of a capital markets transaction (other than the Offer), such as non-dilutive (debt) financing, issue 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). Whether capital market transactions are a realistic option depends, inter alia, on the progress made in sales of RUCONEST® by Valeant in the event that the Transaction does not close. 2. Pharming may be able to attract funds by incurring additional debt which requires 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 of drug substance (bulk active material). The likelihood that such a debt-based funding will succeed depends on a number of factors, but given that (i) RUCONEST® is now a sellable asset in an increasing number of markets in Europe and is improving in sales terms in the USA and (ii) with the achievement of the positive Phase II study for prophylaxis of HAE, the likelihood of RUCONEST® being able to grow faster in the US market has increased, Pharming believes that such future debt financing options are viable within the next 12 months after the date of the Prospectus. 3. The Company may decide to cancel and/or defer certain additional activities in order to limit cash outflows until sufficient funding is available to resume them. Deferrals substantially relate to the timing of research-related programs including clinical development of new programs or manufacturing-related activities for additional indications or programs carried out on the initiative of Pharming. The effect of such reductions in working capital requirements are included in the revised business plan above and would move the date of depletion of funds to beyond June 2018.

Section C – Securities		
C.1	*Type and class, security identification number*	The New Shares to be admitted to trading are ordinary shares in the capital of Pharming with a nominal value of €0.01 (the Shares). The Shares are trade under the following characteristics: - ISIN Code: NL0010391025 - Euronext Amsterdam Symbol: "PHARM" The Rights will be traded under the following characteristics: - ISIN Code: NL0012081459 - Euronext Amsterdam Symbol: "PHAOR"
C.2	*Currency of the Shares*	The Shares are denominated in and will trade on Euronext Amsterdam in euro.
C.3	*Number of Shares and nominal value*	Pharming currently has 412,605,374 issued and fully-paid Shares in its capital. The EGM held on 5 October 2016 approved an increase in the Company's authorised share capital from 650,000,000 Shares to 800,000,000 Shares. The par value per Share is €0.01, for a total of €8 million.
C.4	*Rights attached to the Shares*	Subject to applicable securities laws, an Eligible Person will receive one Right for each Share held at the Record Date, and shall subsequently be entitled to subscribe for one New Share for every seven (7) Rights held upon payment of the issue price of €0.205 per New Share (the Issue Price) for each New Share so subscribed, until the end of the Exercise Period (as described below). Each Share confers the right to cast one vote. Except where Dutch law or the articles of association of Pharming (the Articles of Association) require a qualified majority, all resolutions shall be adopted by absolute majority of the votes cast. The New Shares will, upon issue, rank pari passu in all respects with the then outstanding Shares. The New Shares will be eligible for any dividend payment which Pharming may declare on the Shares after the Settlement Date. Holders of Shares have a pre-emptive right in the event of an issue of Shares. Holders of Shares do not have pre-emptive rights in respect of Shares issued against contribution in kind or Shares issued to employees of Pharming. These pre-emptive rights also apply in case of granting of rights to subscribe for Shares. The management board of Pharming (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 of Pharming (the General Meeting of Shareholders) as the authorised corporate body for this purpose and at that time is also authorised to issue Shares, and subject to the approval of the supervisory board of Pharming (the Supervisory Board). The Management Board has been granted the authority to issue Shares or grant rights to subscribe for Shares and to restrict or exclude pre-emptive rights until 25 July 2017 up to the authorised capital as per the moment of the resolution, subject to the approval of the Supervisory Board. 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.

C.5	*Restrictions on transferability of the Shares*	Not applicable; there are no restrictions on the free transferability of the New Shares. However, the offer of Offer Securities to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Offer Securities into jurisdictions other than the Netherlands may be subject to specific regulations or restrictions.
C.6	*Listing and admission to trading of the Shares*	The Rights and New Shares are the object of an application for admission to trading on Euronext Amsterdam, the regulated market operated by Euronext Amsterdam N.V. (Euronext Amsterdam). The Company expects trading in the Rights on Euronext Amsterdam to commence at 09:00 hours CET on 21 November 2016 and to end at 17:40 hours CET on 29 November 2016, barring unforeseen circumstances. The Rights will be traded under the symbol "PHAOR" and ISIN code NL0012081459. The Company expects that the New Shares will be admitted to listing and trading on Euronext Amsterdam and that trading will commence at 09:00 CET on or about 6 December 2016 under the current symbol “PHARM”, barring unforeseen circumstances.
C.7	*Dividend policy*	Pharming does not intend to pay any dividends for the foreseeable future. Payment of future dividends to the Shareholders will effectively be at the discretion of its Management Board, subject to the approval of its 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 in so far as Pharming’s 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 Dutch law. All Shares outstanding at the date of the Prospectus have been fully paid-up, so currently there is no called-in capital.

Section D – Risks		
D.1	*Key risks that are specific to the Group or its industry*	The key risks that are specific to Pharming or its industry are the following: • Pharming may not obtain all regulatory approvals for its products; • Pharming relies on third parties to conduct pre-clinical and clinical trials; • Regulatory standards are constantly developing and the failure to comply with applicable regulatory requirements would have serious consequences for the Company; • The development of Pharming's early stage products requires a long product development cycle; • Pharming faces and expects to remain confronted with intense competition in most of the various markets for its products; • Pharming's future success may depend upon its ability to enter into partnerships with third parties; • Pharming's products may not gain market acceptance, even if they obtain regulatory approval; • Pharming relies on single source suppliers for the provision of essential materials incorporated in certain product candidates; • The success of Pharming is dependent on public, market and governmental acceptance of its transgenic technology, development methods and products; • Disappointing reimbursements paid by third parties and disappointing cost-effectiveness of Pharming's products once approved for marketing may have a material adverse effect on Pharming's financial results; • Pharming is dependent on its ability to obtain and hold rights to proprietary technology and to develop its technology and products without infringing the proprietary rights of third parties and to protect its proprietary technology; • Pharming operates in an industry sector that has a relatively high risk of facing litigation; • Pharming's future supplies of RUCONEST® are dependent on third parties; • Pharming is dependent on its ability to recruit and retain management and key employees; • Pharming generates insufficient cash from commercial activities to meet all its present and future anticipated requirements. If the Transaction does not close, Pharming anticipates that it will continue to incur losses for the foreseeable future and remains dependent on financing arrangements with third parties, as has been the case since its incorporation; • If Pharming is unable to close the Debt Components and/or secure sufficient uptake on the New Shares, the Transaction will not close. In that case the net proceeds of the Rights Offer will be used for general corporate purposes; • If the Transaction closes, Pharming may not be able to develop a business selling RUCONEST® which enables it to reach profitability within the time frame currently expected by the Management Board; • A material change in the laws and regulations to which Pharming is subject, or in their interpretation or enforcement, could materially adversely affect Pharming's business, results of operations and financial condition;

		• Exchange rate fluctuations could negatively affect Pharming's financial condition; • Interest rate fluctuations could negatively affect Pharming's financial position; and • Pharming's internal risk management and control system may be inadequate.
D.3	*Key risks relating to the Shares*	The key risks that are specific to the Offer and the Offer Securities of Pharming are the following: • Dilutive effects may reduce future potential earnings per Share and subsequently the market price of the Shares; • Future sales, or the possibility of future sales, of a substantial number of Shares may depress the price of the Shares; • 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; • Pharming cannot assure that an active trading market in the Rights will develop or be sustained; • Active and liquid trading may not materialise or prove not durable; • Securities laws of certain jurisdictions may restrict the Company's ability to allow the Shareholders to participate in the Rights Offer; • If Shareholders fail to exercise their Rights, they will experience dilution of their ownership and voting rights in the Company's enlarged share capital; • The pre-emptive rights of the Shareholders may be restricted or excluded by the Management Board; • Pharming does not intend to pay dividends for the foreseeable future; and • 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 be affected.

Section E – Offer		
E.1	*Net proceeds and estimated expenses*	The total net proceeds from the issue of the New Shares will amount to approximately €11.3 million, based on a price for the New Shares of €0.205 after deduction of expenses relating to the issue of the New Shares (as indicated hereafter) if all New Shares are subscribed for in the Offer. Pharming has received provisional and non-binding commitments from institutional investors to subscribe for up to an aggregate total of approximately 15 million Rump Shares, and may obtain further commitments prior to the close of the Exercise Period. The total expenses in connection with the Offer are estimated at around €0.8 million, comprising advisory fees of 4.5% of the gross proceeds of the issue of the New Shares in the Rump Offer payable to Stifel Nicolaus Europe Limited (**Stifel)** and Roth Capital Partners, LLC (**Roth**) as Lead Placement Agents, Trout Group, Inc. as Co-Placement Agent and First Berlin Securities Brokerage GmbH as Placement Advisor and other external fees relating to the proposed amendments to the Articles of Association, the drafting of legal documentation, including the Prospectus, and the execution of the corporate actions in connection with the Rights Offer.
E.2a	*Reasons for the Rights Offer*	The Rights Offer is intended to provide the Company with sufficient funds to re-acquire the commercialisation rights to RUCONEST® in North America from Valeant in the Transaction and accelerate growth of sales of the product there and in the EU. In order to close the Transaction, Pharming must secure sufficient funds to pay $60 million (or approximately €56.7 million) to Valeant as the upfront payment in respect of the Transaction (the **Upfront Amount**). Pharming has entered into a non-binding term sheet in respect of a new debt facility for a principal amount of US$40 million (or €37.7 million) (the **New Debt Facility**) and has received demand from institutional investors to subscribe for two types of convertible bonds: the first for a principal amount of US$18.0 million (or €17.0 million) in ordinary redeemable interest-bearing convertible bonds (the **Ordinary Bonds**); and the second for a principal amount of €45.0 million million (orUS$47.7 million) in non-interest-bearing amortising bonds for which a non-binding term sheet has been signed (the **Amortizing Bonds** and, together with the Ordinary Bonds, the **Convertible Bonds** and, together with the New Debt Facility, the **Debt Components**). The Debt Components are expected to be closed on or prior to the Settlement Date. Pharming intends to use the net proceeds from the issue of all of the New Shares (expected to be €11.3 million), together with the net proceeds from the placement of the Convertible Bonds (expected to be approximately €53.9 million after costs of €8.1 million) and the net proceeds of the New Debt Facility (expected to be approximately €35.9 million after costs of €0.57 million and a retention for liquidity of €1.26 million), in total approximately €101 million, primarily for: • The payment of US$60 million (or €56.7 million) to Valeant as an upfront payment in respect of the acquisition by Pharming of all North American commercialisation rights to RUCONEST® (the Upfront Amount); • Repayment of the existing loan held with Oxford Finance LLC and Silicon Valley Bank, which will cost approximately €16.2 million (or $17.2 million); • Costs relating to the Transaction of approximately €0.7 million in total; • Financing the acceleration of sales efforts in respect of RUCONEST® in the USA including core marketing activities up to an amount of €20.0 million; • Financing the acceleration of sales efforts in respect of RUCONEST® in the EU including a modest expansion of commercial activity in the EU up to an amount

		of €7.0 million, following the addition of a further 21 countries to Pharming's direct commercialisation territories after amendment of the Company's distribution agreement with SOBI, and the introduction of self-administration home kits if the European Commission adopts the positive opinion issued on 11 November 2016 by the Committee for Medicinal Products for Human Use and approves the use of such kits for RUCONEST®, including financing the acceleration of clinical investigation of new routes of administration for RUCONEST®, including specifically intramuscular and sub-cutaneous formulations; and • Any balance (expected to be approximately €0.5 million) will be used for general corporate purposes as appropriate. Closing of the New Debt Facility is conditional on a minimum raise of approximately €40 million (gross) between the Offer and the Convertible Bonds. The Management Board believes that based on the demand for Convertible Bonds it will be able both to trigger completion of the New Debt Facility and to close the Transaction. Consequently, there is no minimum amount required to be raised from the Rights Offer. Closing of the Transaction is expected shortly before 6 December 2016, and will be executed as soon as the Company has secured sufficient funds to do so. This may be before the closing of the Exercise Period, if the documentation for the Convertible Bonds can be completed before then. Apart from the condition that Pharming obtains sufficient financing for payment of the Upfront Amount, closing of the Transaction is subject to the following customary conditions (which may be waived by Pharming or Valeant to the extent legally permissible): no law or court order making the Transaction illegal or otherwise prohibiting the closing of the Transaction; execution or termination of certain agreements among Pharming and Valeant and the delivery of certain documents by Valeant to Pharming; no material adverse change regarding the assets or product subject to the Transaction; no breach by either party of representations and warranties or covenants provided for in the agreement with Valeant (subject to customary materiality qualifiers). In the event that the gross proceeds from the Convertible Bonds and the Offer together are less than €40 million and as a result the Transaction cannot close, the Debt Components and the Rump Offer will not be closed as well. It will not be possible, however, to reverse the closing of the Rights Offer and return the proceeds to the investors who have paid for the New Shares. In that case only, the net proceeds of the Rights Offer will be used for general corporate purposes and to extend the cash runway of the Company to 2019, including expenditure on the acceleration of sales of RUCONEST® in Europe and other territories and development of other new routes of administration for RUCONEST® such as intramuscular delivery and subcutaneous delivery, in addition to the roll-out of self-administration home kits for RUCONEST® in Europe. Further details on the use of proceeds, including the use of proceeds in circumstances where not all of the funds are subscribed, are given in Chapter 5 "*Use of Proceeds*". Further details on the Debt Components and the warrants to be issued to the lenders of the New Debt Facility and the subcribers of the Convertible Bonds (the 2016 Warrants) are given in Chapter 10 "*Transaction with Valeant*" section "*Debt Components*" and Chapter 13 *"The Offer"* section "*Support Arrangements*".

E.3	*Terms and conditions of the Rights Offer*	**Rights Offer** Subject to the terms and conditions set out in the Prospectus, Shareholders as of the Record Date will be granted one Right per Share held. The exercise of seven (7) Rights entitles the exercising holder to subscribe for one New Share (the Subscription Ratio), against payment of the Issue Price for each New Share subscribed. The Issue Price represents (i) a discount of approximately 10% to the 20-day volume weighted average price per Share on 18 November 2016 (the **VWAP**) of €0.2274 and (ii) a discount of approximately 8.5% to the theoretical ex-rights price (the **TERP**) of €0.2240, based on the closing price of the Shares on 18 November 2016 of €0.227 per Share (Closing Price) and the Subscription Ratio. **Record Date** The Record Date for determining the holders of Shares who will receive Rights (subject to applicable securities laws) is immediately following the close of trading in Shares on Euronext Amsterdam at 17:40 hours CET on 22 November 2016. Until the close of trading in the Shares on Euronext Amsterdam on the Record Date, the Shares will trade cum Rights. From 09:00 hours CET on 23 November 2016, the Shares will trade ex-Rights. **Rights Trading Period** Pharming expects trading of the Rights on Euronext Amsterdam to commence at 09:00 hours CET on 23 November 2016 and to end at 17:40 hours CET on 29 November 2016, barring unforeseen circumstances. The Rights will be traded under the symbol "PHAOR", ISIN code NL0012081459. The transfer of Rights will take place through the book-entry systems of Euroclear Nederland. **Exercise Period** Subject to the restrictions set out below, an Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) can only validly subscribe for New Shares by exercising his Rights from 09:00 hours CET on 23 November 2016 until 17.40 hours CET on 30 November 2016. Rights may only be exercised in multiples of seven (7) . The last date and/or time before which notification of exercise instructions may be validly given by holders of Rights may be earlier, depending on the financial intermediary through which their Rights are held. **Unexercised Rights** Rights cannot be exercised after 17.40 hours CET on 30 November 2016, which is the end of the Exercise Period. After expiry of the Exercise Period there will be a Rump Offer to institutional investors. Pharming has received provisional and non-binding commitments from institutional investors to subscribe for up to an aggregate total of approximately 15 million Rump Shares (the **Support Arrangements**), and may obtain further commitments prior to the close of the Exercise Period. **Allotment of New Shares** Allotment of New Shares to be issued pursuant to the Offer is expected to take place on 2 December 2016. **Payment and Delivery** Holders of Rights that exercise their Rights must pay the Issue Price for the New Shares subscribed for in accordance with the instructions they receive from the financial intermediary through which they hold the Rights. Payment for the New Shares must be made to the Subscription, Listing and Paying Agent no later than the Settlement Date, which is expected to be on 6 December 2016.

		Delivery of the New Shares is expected to take place on 6 December 2016. Delivery of the New Shares will take place through the book-entry system of Euroclear Nederland. Admission of the New Shares to Listing and Trading Application has been made for the listing and trading of the New Shares on Euronext Amsterdam. The Company expects that the New Shares will be admitted for listing and trading, and that trading in the New Shares will start, on Euronext Amsterdam at 09:00 hours CET on 6 December 2016, barring unforeseen circumstances. The outstanding Shares are listed and will remain listed on Euronext Amsterdam under the symbol "PHARM", ISIN code NL0010391025 and common code 089615275.
E.4	*Material interests*	Not applicable; there are no interests that are material to the Offer (including conflicting interests).
E.5	*Person or entity offering to sell the Shares and lock-up arrangements*	The investors who have acquired Rump Shares may not dispose of the New Shares until after the later of the announcement of the closing of the Transaction, expected to be shortly before 6 December 2016, and the announcement of the closing of the Offer.
E.6	*Dilution*	The minimum dilution resulting from the issue of all of the New Shares amounts to nil (also nil on a fully diluted basis), which occurs if all Shareholders take up their Rights in full. Shareholders who transfer, or who do not or are not permitted to exercise, any of their Rights granted under the Rights Offer will suffer a dilution of their proportionate ownership and voting rights of approximately 12.5% as a result of the issue of the New Shares in the event that the Rights Offer is fully subscribed. Full exercise of all the warrants being offered to the subscribers of Convertible Bonds, the lenders of the New Debt Facility and the subscribers of the Rump Shares (the 2016 Warrants) would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 18.5% if they did not exercise any of their Rights and (ii) 16.5% if they exercised all of their Rights. Full conversion of the Convertible Bonds would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 33.7% if they did not exercise any of their Rights and (ii) 30.8% if they exercised all of their Rights. The dilutive effect of each of the Ordinary Bonds and the Amortizing Bonds is described in Chapter 13 "*The Offer*" section *"Dilution"*.
E.7	*Estimated expenses charged to the Investors*	The estimated expenses charged to investors by Pharming in relation to the Offer and the Support Arrangements are nil.

2. Risk Factors

Pharming is subject to many risks and uncertainties that may affect its financial performance. If any of the events or developments described below 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.

Although Pharming believes that the risks and uncertainties described below are the material risks and uncertainties concerning Pharming's business and the Offer Securities, they are not the only risks and uncertainties relating to Pharming and the Offer Securities. Additional risks, facts or circumstances 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.

Investing in the Offer Securities involves a high degree of risk. Investors should carefully consider the risks and uncertainties described below and all of the other information set forth in the Prospectus before deciding to invest in any of the Offer Securities. Furthermore, before making an investment decision with respect to any of the Offer Securities, prospective investors should consult their financial, legal and tax advisors, and consider such an investment decision in light of their personal circumstances.

Risks Relating to Pharming

Clinical & Regulatory Risks

Pharming may not obtain all regulatory approvals for its products

The process of undertaking and completing preclinical studies and clinical trials, and obtaining regulatory approvals, may take several years and requires the expenditure of substantial cash resources. There can be no assurance that applicable regulatory approvals for the Company's products will be granted in a timely manner, or at all. Any failure or delay in commencing or completing clinical trials for Pharming's products could severely harm its business.

The regulatory approval process is costly and lengthy and Pharming may not be able to successfully obtain all required regulatory approvals. Negative or inconclusive study results (either preclinical or clinical) could result in Pharming stopping the development of a product or technology or requiring additional clinical trials or other testing and could have significant detrimental consequences for Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Once a product receives regulatory approval, such approval can nonetheless be subject to limitations with regard to the indications for which it may be marketed. The approval may also be given subject to conditions, such as additional proof of the product's effectiveness and safety. Even after approval is granted, the product, its manufacturer and the manufacturing facilities are subject to ongoing scrutiny and regular inspections by the relevant agencies. If previously unknown problems are discovered in connection with the product, the manufacturer or the manufacturing facilities, this can result inter alia in restrictions on use and withdrawal of the product from the market and may adversely affect Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Pharming relies on third parties to conduct preclinical and clinical trials

Pharming does not have the ability to conduct preclinical and clinical trials for product candidates independently. Pharming must rely on third parties, such as contract research organisations, medical institutions, clinical investigators and contract laboratories to conduct the preclinical and clinical trials. Pharming has entered into agreements with third parties to conduct these trials for and on behalf of Pharming. The Company remains responsible that each of the preclinical and clinical trials is conducted in

accordance with its general investigation plan and protocol. Moreover, the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA) require the Company to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of preclinical and clinical trials to ensure that data and reported results are credible and accurate and that trial participants are adequately protected. The reliance on third parties does not relieve Pharming of these responsibilities and requirements. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, or the third parties need to be replaced or if the quality or accuracy of the date they obtain is compromised due to the failure to adhere to Pharming's preclinical and clinical protocols or regulatory requirements or for other reasons, the preclinical or clinical trials may be extended, delayed, suspended or terminated and Pharming may not be able to obtain regulatory approval for, or successfully commercialise, product candidates. These events may have a material adverse effect on Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Regulatory standards are constantly developing and the failure to comply with applicable regulatory requirements would have serious consequences for the Company

The industry in which Pharming operates is highly regulated and the applicable regulatory requirements vary considerably in the different geographic markets in which Pharming operates. These regulations are subject to change and development and future regulatory standards relating to, inter alia, biotechnology-derived products, may be imposed that are distinct from those currently employed. The Company cannot guarantee that it will be able to meet such standards as they evolve and are implemented.

In addition to changing regulatory requirements, the failure of the Company to comply with applicable regulatory requirements could result in, among other things, injunctions, product recalls, product seizures, fines and criminal prosecution.

The development of Pharming's early stage products involves a long product development cycle

The development of a therapeutic drug up to marketing approval by the competent authority is a lengthy process. During this time a research project must proceed through preclinical and several clinical stages of development, as well as the regulatory approval process. The consequence of this lengthy process and the uncertainties in connection with the research and development (R&D) of pharmaceuticals is that only a small fraction of initial product candidates ultimately receive regulatory approval. In addition to its lead product, the therapeutic protein recombinant human C1 inhibitor RUCONEST® (RUCONEST®) and its other products in development, Pharming seeks to discover products in a number of long-term research projects for which clinical trials have not been initiated yet. A failure to develop additional products successfully and within a reasonable time frame could have significant detrimental consequences for Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Commercial Risks

Pharming faces and expects to remain confronted with intense competition in the various markets for its products

Although Pharming is the sole provider of a recombinant therapy (either on the market or in development) for the treatment of Hereditary Angioedema (HAE) attacks, the Company faces intense competition from products used to treat HAE attacks. In Europe, two other non-recombinant C1 inhibitor products and one product using another mechanism of action have been approved in the European Union (EU), each for the treatment of acute HAE attacks. In the United States of America (USA or US) one non-recombinant C1 inhibitor product and two products with alternative mechanisms of action have been approved for certain types of acute HAE attacks as well as one non-recombinant C1 inhibitor product for preventive treatment of HAE attacks. As a consequence, Pharming may not obtain a sufficient market penetration with RUCONEST® or a sufficient level of sales of the product to allow it to become profitable. For its other products under

development, Pharming is also exposed to the risk that a competitor may bring a product with similar effects to the market faster than the Company does, which may result in Pharming's sales of its products to fall short of the level needed to reach profitability.

New technologies from competitors can make RUCONEST® or any other products under development and Pharming's technology obsolete. Several competitors are active in the market for therapeutic products with more resources and significantly greater experience in, amongst others, obtaining regulatory approvals. The above events may have a material adverse effect on Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Pharming's future success may depend upon the ability to enter into partnerships with third parties

Pharming's strategy for the commercialisation of some of its products, in particular those for larger indications, is to partner or out-license such products to third parties. Pharming currently has a product portfolio which focuses on the commercialisation and further development of RUCONEST® for HAE. The other products of Pharming are in pre-clinical stage, see Chapter 9 "*Business*" section "*Research and Development*". There are currently no partnerships on the development or commercialisation of any of Pharming's products, other than for RUCONEST® and Factor VIII. If Pharming is not able to locate and enter into favourable agreements with suitable third parties, it may have difficulties commercialising the relevant products and bringing the sales of the relevant product to the level needed to reach profitability. The process of establishing partnerships is difficult and time-consuming and involves significant uncertainty. Pharming's ability to predict the success of any partnership it may enter into is limited due to (amongst other factors) the complexity and uncertainty of these arrangements.

Pharming's products may not gain market acceptance

Sales of medical products depend on physicians' willingness to prescribe the treatment, which is likely to be based on a determination by these physicians that the products are safe and efficacious from a therapeutic and cost perspective relative to competing treatments. Pharming cannot predict whether physicians will make this determination in respect of its products. Even if Pharming's products achieve market acceptance, the market may fluctuate in size and may end up not being large enough to allow Pharming to generate sufficient revenues.

Pharming relies on single source suppliers for the provision of essential materials incorporated in certain product candidates

For some of the essential materials incorporated into product candidates, Pharming relies on a single supplier. Any disruption in the supply of these materials could adversely affect its ability to complete the clinical trials and other studies of its product candidates successfully, delay submissions of the regulatory applications or affect adversely its ability to commercialise its product candidates in a timely and/or commercially-valuable manner, or at all.

The success of Pharming is dependent on public, market and governmental acceptance of its transgenic technology, development methods and products

Development methods and technologies which Pharming uses include, among others, genetic transfer technology and genetic modification. These and other activities have been, and may in the future be, the subject of debate and negative publicity. In the past, organisations and individuals have tried to stop genetic modification through different ways of putting pressure on companies relating to these activities, including by use of media campaigns. These actions may have a material adverse effect on Pharming's business, financial position, operational performance and prospects and the market price of the Shares.

Furthermore, the Company needs the market to accept its products in order to be able to commercialise them. Market acceptance is dependent on the opinions of the medical community, partners and competitors

about numerous factors including the safety and efficacy of the relevant products. Any failure to obtain market acceptance may also have a material adverse effect on Pharming's business, financial position, operational performance and prospects and the market price of the Shares.

Disappointing reimbursements paid by third parties and disappointing cost-effectiveness of Pharming's products once approved for marketing may have a material adverse effect on Pharming's financial results

Pharming's success is dependent on the reimbursement of the Company's products by third parties such as government health administration authorities, private health insurers and other organisations. There is an increasing tendency of health insurers to reduce healthcare cost by limiting both coverage and the level of reimbursement for new therapeutic products and in some cases by refusing to provide coverage altogether. Not obtaining, or obtaining insufficient reimbursement from these parties may have an adverse effect on Pharming's business, financial position, operational performance and prospects and the market price of the Shares.

In addition to reimbursements from third parties, if the Company succeeds in bringing a product to the market, it also faces uncertainties about the cost-effectiveness and profitability of the product. The prices for the product that health care insurers and/or consumers are willing to pay may be lower than the production costs which may make the product uncompetitive and may thereby adversely affect Pharming's business, financial position, operational performance and prospects and the market price of the Shares.

Pharming is dependent on its ability to obtain and hold rights to proprietary technology and to develop its technology and products without infringing the proprietary rights of third parties and to protect its proprietary technology

Patents, trade secrets and other proprietary rights are important to Pharming's business. The Company sometimes has to protect its products and technology through patenting and licensing and at the same time develop its products without infringing the proprietary rights of third parties. The patent positions of pharmaceutical companies are sometimes uncertain and can involve complex legal and factual questions. In addition, the breadth of claims that will be allowed by patent authorities cannot be predicted with certainty. Pharming has several patent applications granted and pending in the USA, Europe, Japan and other countries. It is not certain that the pending patent applications will result in patent issues, that these patents will afford adequate protection or that the existing patents will not be challenged. As a result, not being granted the applied-for patents or more probably the risk of expensive and protracted proceedings to defend the Company’s proprietary rights may have a material adverse effect on Pharming's business, financial position, operational performance and prospects and the market price of the Shares. The success of Pharming also depends, in part, on the ability of its licensors to obtain, maintain and enforce their intellectual property rights to the extent required by Pharming to develop and commercialise its products.

The Company seeks protection of its other proprietary know-how through confidentiality and other agreements with employees and third parties. No assurance can be given that these agreements offer an adequate protection or that equivalent or superior know-how is not independently developed by competitors.

Pharming operates in an industry sector that has a relatively high risk of facing litigation

Pharming participates and will participate in an industry that has been subject to significant product liability and intellectual property claims and other litigation. Pharming cannot be certain that it was the first to invent the subject matter of its patent applications and patents, that it was the first to apply for such a patent, or that those technologies or products used by Pharming will not infringe third party intellectual property rights or that existing patents remain valid and enforceable. Pharming may therefore face litigation or other legal proceedings concerning its intellectual property. These processes can be time-consuming and very costly. In the event of an unfavourable ruling in patent or intellectual property litigation, Pharming could be subject to significant liabilities to third parties, or be required to cease developing, manufacturing or selling the affected

products or technology or be required to in-license the disputed rights from third parties. Each of these outcomes may adversely affect Pharming's business, financial position, results of operations and prospects and the market price of the Shares. Although Pharming is not aware of any such pending litigation and does not believe that there is any material litigation or other proceeding pending or threatened, it cannot be excluded that it will face such claims in the future or that such claims, although not considered material, will impose on Pharming considerable costs or will consume significant management resources. In addition, it cannot be excluded that Pharming will be confronted with claims which are raised with the main aim of exploiting the nuisance value of publicly raised claims. In order to prevent infringement of third party intellectual property rights, Pharming may need to acquire licenses for patents held by third parties to re-establish or maintain its freedom to operate, possibly on unfavourable terms. A failure to obtain licenses for patents held by third parties, or failure to obtain them on favourable terms, may have a material adverse effect on Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Pharming's future supplies of RUCONEST® are dependent on third parties

Pharming has entered into (downstream) manufacturing and supply agreements for the production of rhC1INH, the drug substance of RUCONEST®, namely with Sanofi and BioConnection. Pharming may have to develop and/or contract additional (upstream) manufacturing capabilities and may have to develop or contract additional (downstream) manufacturing capacity. It is uncertain whether and to what extent Pharming will be able to develop such capabilities or enter into such partnerships or agreements on a timely basis and on acceptable terms. Even if a partnership or agreement has been concluded, the possibility exists that these partners fail to live up to the agreements made with them or that Pharming is unable to maintain such agreements. A failure to develop and/or sufficiently contract additional manufacturing capacity on a timely basis could have significant detrimental consequences for Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Financial Risks

Pharming generates insufficient cash from commercial activities to meet all its present and future anticipated requirements. If the Transaction does not close, Pharming anticipates that it will continue to incur losses for the foreseeable future and remains dependent on financing arrangements with third parties, as has been the case since its incorporation

Pharming generates insufficient cash from commercial activities to meet all its present and future anticipated requirements and is currently dependent on financing arrangements with third parties, as has been the case since its incorporation. If the Transaction does not close, the available net cash (cash and cash equivalents) at the date of the Prospectus is not expected to deplete before the end of March 2018. However, in case it is not able to do so, Pharming may ultimately enter into bankruptcy soon after March 2018. For more details, see Chapter 6 "*Working Capital*".

Product sales are currently exclusively related to RUCONEST® and are realised directly by the Company and through Pharming's commercialisation partners, of which currently only SOBI and Valeant have generated substantial sales in the EU and the USA respectively. The ability of Pharming to attract external funding is (inter alia) dependent on the external market conditions (equity and/or debt). In case no cash is received from capital market transactions and/or commercial activity undertaken after the date of the Prospectus, the available balance of cash at the date of the Prospectus is expected to deplete by the end of March 2018.

Pharming has thus far incurred losses in each year since incorporation. These losses have arisen mainly from costs incurred in R&D of Pharming's products and general and administrative expenses. The acquisition by Pharming of all commercialisation rights to RUCONEST® in North America (USA, Canada and Mexico) from certain subsidiaries of Valeant Pharmaceuticals International Inc. (Valeant, NYSE/TSX: VRX), as further described in the Prospectus (the Transaction), should enable Pharming to achieve sufficient revenues in the

future and to generate profits. If the Transaction does not close, Pharming anticipates that it will continue to incur losses for the foreseeable future.

The amount and timing of any expenditure required to implement Pharming's business strategy and continue the development of its products will depend on many factors, some of which are out of Pharming's control, including but not limited to:

- Scope, rate of progress, results and cost of Pharming's preclinical and clinical trials and other R&D activities;
- Terms and timing of any collaborative, licensing and other arrangements that Pharming may establish;
- Higher cost, slower progress than expected to develop products and delays in obtaining regulatory approvals;
- Number and characteristics of products that Pharming pursues;
- Cost and timing of establishing sales, marketing and distribution capabilities;
- Timing, receipt and amount of sales or royalties, if any, from Pharming's potential products, or any upfront or milestone payments during their development phase;
- The cost of preparing, filing, prosecuting, defending and enforcing any intellectual property rights; and
- The extent to which Pharming acquires or invests in businesses, products or technologies.

No assurance can be given that Pharming will achieve profitability in the future. Furthermore, if Pharming's products fail in clinical trials or do not gain regulatory approval, or if Pharming's products do not achieve market acceptance, Pharming may never achieve profitability. Even if Pharming achieves profitability in the future, Pharming may not be able to sustain profitability in subsequent periods.

In the absence of the Transaction, Pharming expects to need additional funding in the future, which may not be available to Pharming on acceptable terms or at all, which could force Pharming to delay or impair its ability to develop or commercialise its products. There can be no assurance that additional funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient to enable Pharming to continue to implement its long term business strategy. If Pharming is unable to raise such additional funds through equity or debt financing, it may need to delay, scale back or cease expenditures for some of its longer term research, development and commercialisation programs, or grant rights to develop and market products that Pharming would otherwise prefer to develop and market itself, thereby reducing their ultimate value to Pharming. Pharming's inability to obtain additional funds necessary to operate the business could materially and adversely affect the market price of the Shares and all or part of an investment in the Shares could be lost. In addition, to the extent Pharming raises capital by issuing additional Shares, Shareholders' equity interests may be diluted.

If Pharming is unable to close a sufficient amount of the Debt Components, the Transaction will not close. In that case the net proceeds of the Rights Offer will be used for general corporate purposes.

In order to close the Transaction, Pharming must secure sufficient funds from the Debt Components and the Rights Offer. Pharming entered into a non-binding term sheet for the New Debt Facility for a principal amount of US$40 million (or €37.7 million) and has entered into a non-binding term sheet with long-term institutional investors to subscribe for the Amortizing Bonds for a principal amount of €45.0 million (or US$47.7 million) and has received orders for a principal amount of US$18.0 million (or €17.0 million) of the Ordinary Bonds. The Debt Components are subject to final documentation which is ongoing, and are expected to be closed on or prior to the Settlement Date. Closing of the New Debt Facility is conditional on a minimum raise of €40 million (gross) in the Convertible Bonds and the Offer (see Chapter 10 "*Transaction with Valeant*" section "*Debt Components*" for a further description of the Debt Components).

A risk exists that the Company may be unable to obtain sufficient funds from the Debt Components and the Offer to enable it to pay the Upfront Payment to Valeant. Pharming has received provisional and non-binding commitments from institutional investors to subscribe up to an aggregate total of approximately 15 million New Shares in the Rump Offer (the Support Arrangements), and may obtain additional indications of interest

in the Rump Offer prior to the close of the Exercise Period if not all of the Rights available are exercised in the Rights Offer. The Management Board believes that based on the demand for Convertible Bonds it will be able both to trigger completion of the New Debt Facility and to close the Transaction. However, if that support does not materialise, then it will be necessary either to strike a different deal with Valeant, which is by no means necessarily possible, or to abandon the Transaction. It will not be possible to reverse the closing of the Rights Offer and return the proceeds to the investors who have paid for the New Shares. In this situation, the Company will use any funds actually subscribed for in the Rights Offer for general corporate purposes including the acceleration of sales of RUCONEST® in Europe and other territories and on development of new routes of administration for RUCONEST® including intramuscular delivery and subcutaneous delivery. Please see further details in Chapter 5 "*Use of Proceeds*".

If the Transaction closes, Pharming may not be able to develop a business selling RUCONEST® which enables it to reach profitability within the time frame currently expected by the Management Board

While Pharming is not acquiring Valeant's business of selling RUCONEST®, it should be noted that the same patients using RUCONEST® in the days before the Transaction will normally still be using the drug in the days after the Transaction, and re-ordering it from the same pharmacies who supplied them, who will be ordering from Pharming after the closing of the Transaction instead of Valeant. Sales of RUCONEST® are currently growing significantly. There will be considerable changes and updating required to the way the product is sold in the USA in order to accelerate growth of sales further, but the existing business of RUCONEST® is not expected to be significantly disrupted immediately following the Transaction. In addition, as the Company is making offers to all of the existing sales people, the Management Board anticipates that the same sales force will be selling the product very soon after the closing of the Transaction, which should allow for continued growth of sales. In the event that patients regard Pharming as a less attractive company for supply of their drugs than Valeant and subsequently choose to use a different product to treat their HAE attacks, it is possible that the current growth may stop and that as a result of that decrease in growth the Company may not be able to reach profitability earlier than under the current Valeant license.

A material change in the laws and regulations to which Pharming is subject, or in their interpretation or enforcement, could materially adversely affect Pharming's business, results of operations and financial condition

Pharming must comply with a variety of laws and regulations, including regulatory, health and safety, licence requirements, tax and other laws and regulations. The Company may be required to pay penalties for non-compliance with the laws and regulations of local, regional, national and EU authorities to which it is subject. A material change in the applicable laws and regulations, or in their interpretation or enforcement, could force the Company to alter its business strategy or operations, leading to additional costs or loss of revenue, which could materially adversely affect its business, results of operation and financial condition.

Exchange rate fluctuations could negatively affect Pharming's financial condition

Pharming is based in the Netherlands, but sources materials, products and services from several countries outside the EU-territory which are paid in local currencies. As a result of the commercialisation of RUCONEST® in the USA and in other countries outside the EU and the USA, Pharming will also receive payments or generate costs in US dollars or possibly in other currencies. Pharming's policy for the management of foreign currency risks is aimed at protecting the operating results and positions held in foreign currencies, in particular of the US dollar. Certain milestone payments and sales of RUCONEST® in the US are being and will be received in US$. Repayments of the loans are carried in US$. Some direct payments of US activities are carried in US$ through the Dutch entities. At 31 December 2015 the Company's cash and cash equivalents, including restricted cash, amounted to €31.8 million. This balance consisted of cash assets denominated in EUR for a total amount of €14.3 million and cash assets denominated in US$ for a total amount of US$19.1 million or €17.5 million (applying an exchange rate EUR to US$ at 31 December 2015 of 0.917 to 1). The US$ cash balances are currently mainly used for the repayment of the loans. The Company performed a sensitivity analysis by applying an adjustment to the spot rate at year-end. A 10 percent strengthening or weakening of the euro versus the US dollar has a hypothetical result of respectively a loss or gain of €0.2 million. As a result,

Pharming's business and Share price may be affected by fluctuations in foreign exchange rates between the Euro and these foreign currencies, including the US dollar, which may have a significant impact on Pharming's reported results of operations and cash flows from year to year.

Interest rate fluctuations could negatively affect Pharming's financial position

Pharming's interest rate risk policy is aimed at minimising the interest rate risks associated with the financing of the Group. This policy translates into a certain desired profile of fixed-interest and floating interest positions, including those generated by cash and cash equivalents and those paid on finance lease liabilities. The Company performed sensitivity analyses regarding the effect of a 1% interest increase or a 1% interest decrease on the carrying value of the financial instruments at year-end 2015. Pharming concluded that the total effect taking place on the carrying value of these items in either case would have been less than €0.1 million at year-end 2015. However, a rise in the interest rates on its liabilities may cause Pharming to pay more interest than anticipated, negatively impacting the profitability and liquidity position of the Group, which could have a significant impact on Pharming's reported results of operations and cash flows from year to year.

Personnel Risk

Pharming is dependent on its ability to recruit and retain its management and key employees

Pharming depends to a large degree on the performance and expertise of its management, sales and technical personnel. Competition for qualified employees is intense in the fields in which Pharming is engaged and there is no guarantee that qualified employees will not leave Pharming. The loss of one or more of these employees could lead to significant delays in product development and thus negatively influence Pharming's business activities. Pharming's continued success depends moreover on recruiting and retaining highly qualified employees in the future, especially in management and in the areas of product sales and of R&D. Pharming is anticipating that Valeant's dedicated RUCONEST® sales force, consisting of 11 people, will accept offers to join Pharming to continue the RUCONEST® sales effort in the USA following the closing of the Transaction. The loss of individual employees or failure to attract Valeant's dedicated RUCONEST® sales force and new highly qualified employees could have significant detrimental consequences for Pharming's business, financial position, results of operations, prospects and market price of the Shares.

Risk Management and Control Risk

Pharming's internal risk management and control system may be inadequate

The board of managing directors of Pharming (the Management Board) is responsible for designing, implementing and operating the Company's internal risk management and control systems. The purpose of these systems is to manage in an effective and efficient manner the significant risks to which the Company is exposed and to provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The Company's internal risk management and control systems are designed to provide reasonable assurance that strategic objectives can be met. The Company has developed an internal risk management and control system that is tailored to the risk factors that are relevant to the Company, allowing for its small size. However, such systems can never provide absolute assurance regarding achievement of Pharming's objectives, nor can they provide an absolute assurance that material errors, losses, fraud, and the violation of laws or regulations will not occur.

Risks Relating to the Offer and the Offer Securities

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

Full exercise of all the 2016 Warrants would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 18.5% if they did not exercise any of their Rights and (ii) 16.5% if they exercised all of their Rights. Full conversion of the Convertible Bonds would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 33.7% if they did not exercise any of their Rights and (ii) 30.8% if they exercised all of their Rights. Full conversion of the minimum amount of Amortizing Bonds required to be amortised in Shares, assuming that the Share price of amortisation was the TERP, would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 9.8% if they did not exercise any of their Rights and (ii) 8.7% if they exercised all of their Rights. Full redemption of the Ordinary Bonds for cash would result in a dilution of Shareholders in their proportionate ownership and voting rights of 0%.

The effects of dilution may reduce earnings per Share and independently the market price of the Shares. The impact of dilution will also impact the amount that each individual Share will be worth in terms of proportionate ownership and voting rights. See Chapter 10 "*Transaction with Valeant*" section "*Debt Components* and Chapter 13 *"The Offer"* section "*Support Arrangements*".

Future sales, or the possibility of future sales, of a substantial number 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 of Pharming 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 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 Company and the biotech industry. In addition, the market price of the Shares could fluctuate substantially due to any of the risks described in the Prospectus materialising or the sale of large blocks of Shares. Moreover, stocks of life science companies which are currently 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.

Pharming cannot assure that an active trading market in the Rights will develop or be sustained.

The Company has set a trading period for the Rights on Euronext Amsterdam from 09:00 CET on 23 November 2016 through 17:40 CET on 29 November 2016 (inclusive), barring unforeseen circumstances. Prior to the Rights Offer there has been no market for the Rights. The Company cannot assure that an active trading market in the Rights will develop or be sustained on Euronext Amsterdam during that period. The Rights will have a limited trading life, which may impair the development or sustainability of an active trading market. If such a market fails to develop or be sustained, this could negatively affect the liquidity and price of the Rights, as well as increase their price volatility. Accordingly, the Company cannot assure investors of the liquidity of any such market, any ability to sell the Rights or the prices that may be obtained for the Rights. In addition, the price at which Rights may trade on Euronext Amsterdam will be subject to the same risks which affect the market price of the Shares. Accordingly, the market price of the Rights may be highly volatile.

Active and liquid trading may not materialise or prove not durable.

The investors who acquired the Rump Shares may not dispose of these Shares until after the later of announcement of the closing of the Transaction (expected to be shortly before 6 December 2016) and the announcement of the outcome of the Offer. It is impossible to anticipate the degree to which the investors' interest in the Company will lead to active trading in the Shares during this period or how trading in the Shares will function in the future. Should active and liquid trading not materialise or prove not durable, holders of Shares may find it difficult to sell their Shares without causing a reduction in the market price, or at all.

Securities laws of certain jurisdictions may restrict the Company's ability to allow the Shareholders to participate in the Rights Offer.

The securities laws of certain jurisdictions may restrict the Company's ability to allow the Shareholders to participate in the Rights Offer. Accordingly, Shareholders with registered addresses in certain jurisdictions will not be eligible to exercise Rights as part of the Rights Offering. As a result, such Shareholders will experience dilution of their ownership and voting interests in the Company's enlarged share capital. No compensation will be paid to such Shareholders.

If Shareholders fail to exercise their Rights, they will experience dilution of their ownership and voting rights in the Company's enlarged share capital.

If Eligible Persons fail to exercise their Rights by the end of the Exercise Period, they will experience dilution of their ownership and voting rights in the Company's enlarged share capital. If they elect to sell rather than exercise their Rights, the consideration they receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's share capital which will result from the Rights Offer. No compensation will be paid to holders of unexercised Rights.

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

The Shareholders will generally have pre-emptive rights to subscribe for a pro rata amount of any Shares and rights to subscribe for 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, pursuant to authorities granted to the Management Board by the General Meeting of Shareholders from time to time. The Management Board has been granted such authority until 25 July 2017 up to the authorised capital as per the moment of the resolution, subject to the approval of the Supervisory Board. See Chapter 12 "*Description of Share Capital and Corporate Governance*".

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 in so far as Pharming's 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 Dutch law. 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 be affected.

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. Currently there are several institutions which publish independent research reports on the Company, including Stifel, Roth and First Berlin Equity Research GmbH.

If one or more of the analysts who cover Pharming or Pharming's industry downgrade the Shares in a research report, the market price of the Shares would probably decline. If one or more of these analysts ceases coverage of Pharming or fails to publish reports on Pharming regularly, the Company could lose visibility in the financial markets, which could cause the market price and/or trading volume of the Shares to decline.

3. 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 the Prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorised by Pharming. The delivery of the Prospectus 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 the Prospectus is correct as of any time since its date.

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

No representation or warranty, express or implied, is made by the (Lead) Placement Agents, the Placement Advisor or the Subscription, Listing and Paying Agent or any of their respective affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information contained in the Prospectus and nothing in the Prospectus is, or shall be relied upon as, a promise or representation by the (Lead) Placement Agents, the Placement Advisor and the Subscription, Listing and Paying Agent or any of their respective affiliates whether as to the past or future.

None of the (Lead) Placement Agents, the Placement Advisor or the Subscription, Listing and Paying Agent, each in any of their respective capacities in connection with the Rights Offering, accepts any responsibility whatsoever for the contents, accuracy or completeness of the Prospectus nor for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Rights Offering, the Rights or the New Shares (including, for the avoidance of doubt, the Rump Shares). Accordingly, the (Lead) Placement Agents and the Subscription, Listing and Paying Agent disclaim to the fullest extent possible permitted by applicable law, all and any liability, whether arising in tort or contract or otherwise which they might otherwise be found to have in respect of the Prospectus and/or any such statement.

The (Lead) Placement Agents, the Placement Advisor and the Subscription, Listing and Paying Agent are acting exclusively for the Company and no one else in connection with the Rights Offering. They will not regard any other person (whether or not a recipient of the Prospectus) as their respective customers in relation to the Rights Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective customers or for giving advice in relation to the Rights Offering or any transaction or arrangement referred to herein.

Although the (Lead) Placement Agents, the Placement Advisor and the Subscription, Listing and Paying Agent are party to various agreements pertaining to the Rights Offering and each of the (Lead) Placement Agents, the Placement Advisor and the Subscription, Listing and Paying Agent has or might enter into a financing arrangement with the Company, this should not be considered as a recommendation by any of them to invest in the Rights or the New Shares."

Notice to Investors

The distribution of the Prospectus may be restricted by law in certain jurisdictions. Persons in possession of the Prospectus are required to inform themselves about and to observe any such restrictions. See also Chapter 14 "*Selling Restrictions*".

The Prospectus 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 the Prospectus. Any representation to the contrary is a criminal offence in the US.

Presentation of Financial and Other Information

Certain figures contained in the Prospectus 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 the Prospectus may not conform exactly to the total figure given for that column or row.

All references in the Prospectus to "euros" or "€" are to the lawful 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.

Any financial information in the Prospectus that has not been extracted from Pharming's audited consolidated financial statements for the years ended 2014 and 2015 is unaudited.

The consolidated pro forma financial information included in the Prospectus supersedes the pro forma financial information which was published by the Company in its press releases of 9 August 2016, 3 October 2016 and 27 October 2016.

The assurance report issued by PricewaterhouseCoopers Accountants N.V. on the unaudited consolidated pro forma financial information on page 94-96 is not intended to be relied on in the USA and PwC accepts no responsibility for any use made of them in the USA. The work performed by PricewaterhouseCoopers Accountants N.V. has not been carried out in accordance with auditing standards generally accepted in the USA and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Exchange Rates

Pharming publishes its consolidated financial statements in Euros. The exchange rates below are provided solely for information and convenience. No representation is made that the Euro could have been, converted into US$ at these rates.

The table below shows the high, low, average and end of period exchange rates expressed in US dollars per €1.00 for the years given, using the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) for the periods indicated.

Year ended 31 December (US$ per Euro)	High	Low	Average	End of Period
2014	1.3993	1.2095	1.3286	1.2101
2015	1.2110	1.0456	1.1103	1.0859

On 30 September 2016, the Noon Buying Rate for the Euro was €1.00 = US$1.1238.

All amounts specified for the Transaction, for the Offer and for the Debt Components have been converted at the closing price for one Euro on 18 November 2016, the last business day before submission of the Prospectus for approval, of €1 = US$1.059.

Enforceability of Judgments

Pharming Group N.V. is a limited liability company incorporated under the laws of the Netherlands. All of the members of the Management Board and board of supervisory directors of Pharming (the Supervisory Board) are residents outside the USA, and a substantial portion of Pharming's assets and the assets of such persons are located outside the USA. As a result, it may not be possible for investors to effect service of process within the USA upon Pharming or on such persons, or to enforce against them in the Netherlands or elsewhere judgments obtained in USA courts, including judgments predicated on the civil liability provisions of the securities laws of the USA or any state or territory within the USA.

Market Data and Other Information from Third Parties

Pharming believes that market information contained in the Prospectus provides fair and adequate estimates of the volume of the Company's markets and fairly reflects the Company's market position within these markets. However, the Company's management estimates have not been verified by an independent expert, and the Company cannot guarantee that a third party using different methods to assemble, analyse or compute market data would obtain or generate exactly the same results. In addition, the Company's competitors may define their markets and their own relative positions in these markets in a different way to the one the Company uses.

The Company has used data sources from third parties in relation to certain matters noted herein. Such publications generally state that their information is obtained from sources they believe reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of assumptions. The information in the Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Market data has been obtained from various analyst reports from a wide variety of EU and US banks and brokerages including but not exclusively Stifel, Roth, First Berlin Equity Research GmbH, KBC Bank N.V. and N+1 Singer Capital Markets Ltd. Other sources contributing to Pharming's understanding of the market data comes from published independent and peer reviewed scientific papers in the academic literature, including but not limited to the New England Journal of Medicine, the Immunological Review, and the Journal of Angioedema. Pharming's commercial partners, SOBI and Valeant, have also provided primary and secondary information on the market including a market research project and feedback from clinicians working in the field.

Forward-Looking Statements

The Prospectus contains certain forward-looking statements including without limitation those regarding Pharming's financial projections, market expectations, developments, partnerships, plans, strategies and capital expenditures including statements about Pharming's beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "predict", "estimate", "project", "may", "could", "should", "would", "will", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Pharming cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it cannot provide assurances that they will materialise or prove to be correct. Such forward-looking statements involve unknown risks, uncertainties and other factors, many of which are beyond the Company's control and may cause the Company's actual results of operations, financial condition, business performance or achievements to be materially different from those expressed or implied

by such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Chapter 2 "*Risk Factors*". Investors or potential investors should not place undue reliance on the forward-looking statements in the Prospectus. Pharming undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

Documents Incorporated by Reference

Certain parts of Pharming's audited annual reports for the years 2014 and 2015 and its unaudited report for the first nine months ended 30 September 2016 with comparative figures for the first nine months ended 30 September 2015, listed below, are incorporated by reference into the Prospectus. The information contained in these documents that is not incorporated is either not relevant for investors or is covered elsewhere in the Prospectus. No other documents or information form part of, or are incorporated by reference into, the Prospectus. Copies of the documents incorporated by reference into the Prospectus may be obtained free of charge for the life of the Prospectus by sending a request in writing at: Darwinweg 24, 2333 CR Leiden, the Netherlands. All documents incorporated by reference into the Prospectus are also available via www.pharming.com.

	Page reference as per		
Reference to	Nine month report to 30 Sept 2016[1,2]	Annual report 2015	Annual report 2014
Consolidated statement of income	2	56	43
Consolidated statement of comprehensive income	3	57	44
Consolidated balance sheet	4	58	45
Consolidated statement of cash flows	5	61	48
Consolidated statement of changes in equity	6-7	59	46
Notes to the consolidated financial statements	8-15	62-107	49-88
Note on Equity	13	84-85	68-70
Note on Related party transactions	Not applicable	101	82
Note on Commitments and contingencies	14	102	83
Auditor's report	Not applicable	115-24	94-100
IAS34 Review Report	16	Not applicable	Not applicable

1 Including comparative information for the first nine months ended 30 September 2015.

2 This refers to the report re-published on 21 November 2016 under IAS 34 which includes Notes to the consolidated financial statements

4. Capitalisation and Indebtedness

The information set out in the tables below should be read in conjunction with the information in Chapter 8 "*Operating and Financial Review*" and Pharming's consolidated financial statements incorporated by reference therein. The tables below set out the Company's consolidated capitalisation and indebtedness as at 30 September 2016 on an actual basis extracted from Pharming's unaudited financial statements for the nine month period ended 30 September 2016 and as adjusted to reflect how the Company's capitalisation and indebtedness position would appear if (i) the Debt Components complete for the amounts and on the terms as currently expected (see Chapter 10 "*Transaction with Valeant*" section "*Debt Components*"), (ii) the Transaction closes and (iii) the maximum number of New Shares is issued pursuant the Offer (Chapter 13 *"The Offer"*).

The secured current and non-current liabilities in the first column refer wholly to the current and non-current portions respectively of the Company's secured senior debt financing originally of €15.6 million (€15.0 million net proceeds after subtraction of transaction fees and costs) with the Lenders (the Loans). The secured current and non-current liabilities in the second column refer wholly to the effects of the New Debt Facility, after deducation of processing costs and retentions, on the basis that the entire balance of the Loans has been repaid immediately following completion and drawdown of the New Debt Facility. The Group has pledged all the receivables, moveable assets and intellectual property rights of the Group as security to the Lenders for the Loans prior to the Transaction, and will pledge the same security (all the receivables, moveable assets and intellectual property rights of the Group including the newly acquired commercialisation rights to RUCONEST® in North America) as security to the providers of the New Debt Facility as part of the completion of that facility.

At 30 September 2016, the actual net asset value per Share (based on shareholders' equity) was €0.036 (unaudited).

No significant change in the capitalisation and indebtedness of the Group has occurred since 30 September 2016.

See Chapter 8 "*Operating and Financial Review*" section "*Contractual Obligations*" for information about the Company's indirect and contingent indebtedness.

	As at 30 September 2016 (unaudited)	
Capitalisation €'000	(actual)	(adjusted for the Offer, the Transaction and the Debt Components)
Total Current Liabilities	**18,288**	**29,635**
Guaranteed	-	-
Secured	5,636	-
Not guaranteed or secured	12,652	29,635
Total Non-Current Liabilities	**15,587**	**73,672**
Guaranteed	-	35,938
Secured	8,647	-
Not guaranteed or secured	6,940	37,734
Shareholders' Equity	**14,982**	**42,390**
Share Capital	4,126	4,715
Share Premium	283,538	313,647
Legal Reserve	64	64
Accumulated losses	(272,746)	(276,036)

Total Capitalisation	**48,857**	**143,272**

Indebtedness/Net Cash €'000	As at 30 September 2016 (unaudited) (actual)	 (adjusted for the Offer, the Transaction and the Debt Components)
Liquidity	**17,012**	**45,031**
Cash	17,012	45,031
Cash equivalents	-	-
Trading securities	-	-
Current financial receivables	**-**	**-**
Current financial debt	**5,895**	**18,258**
Current bank debt	5,636	-
Bonds issued	-	17,999
Current portion of non-current debt	-	-
Other current financial debt	259	259
Net (Current Financial Indebtedness)/Net Current Cash	**11,117**	**26,773**
Non-Current Financial Indebtedness	**9,373**	**53,150**
Non-current bank loans	8,647	35,938
Bonds issued	-	16,486
Other non-current loans	726	726
Net (Financial Indebtedness)/Net Cash	**1,744**	**(26,377)**

Financial and Trading Update

There has been no significant change in the financial or trading position of the Group since 30 September 2016.

In November 2016, one of the Group's principal competitors, Shire, announced to its patients and physicians that it is unable to supply its plasma-derived C1 inhibitor product Cinryze® for prophylaxis of HAE, because of a production issue at its supplier Sanquin in the Netherlands. This shortage of supply is expected by Shire to be rectified by early 2017. At the current time, RUCONEST® is the only alternate product with published data showing good efficacy in prophylaxis although it has not yet obtained approval for the indication in the USA, and it may be that some physicians feel it is a suitable alternative for patients unable to obtain their supply of Cinryze®. It is too early to say whether this will improve sales of RUCONEST® but this may be the outcome of this situation, in which case the financial and trading position of the Group would be improved.

5. Use of Proceeds

Maximum Proceeds

The total net proceeds from the issue of all of the New Shares will amount to approximately €11.3 million, based on a price for the New Shares of €0.205 after deduction of expenses relating to the issue of the New Shares (as indicated hereafter) if all New Shares are subscribed for in the Offer. Pharming has received provisional and non-binding commitments from institutional investors to subscribe for up to an aggregate total of approximately 15 million New Shares in the Rump Offer, and may obtain additional interest prior to the close of the Exercise Period (see Chapter 13 "*The Offer*" section "*Support Arrangements*").

The total expenses in connection with the Offer are estimated at around €0.8 million, comprising advisory fees of 4.5% of the gross proceeds of the issue of the New Shares in the Rump Offer payable to the Lead Placement Agents, the Co-Placement Agent and the Placement Advisor and other external fees relating to the proposed amendments to the Articles of Association, the drafting of legal documentation including the Prospectus, and the execution of the corporate actions in connection with the Rights Offer.

Pharming has entered into a non-binding term sheet for the New Debt Facility for a principal amount of US$40 million (or €37.7 million), which after costs of €0.57 million and a cash retention for liquidity purposes of €1.26 million will produce proceeds of approximately €35.9 million. At the same time, the Company has entered into a non-binding term sheet for the Amortizing Bonds for a principal amount of €45.0 million (or US$47.7 million), which after costs of €7.3 million will produce proceeds of approximately €37.7 million. The Company has also received orders from institutional investors to subscribe for a principal amount of US$18.0 million (or €17.0 million) of the Ordinary Bonds (expected to be approximately €16.2 million after costs of €0.8 million). These three instruments together are defined herein as the Debt Components. The Debt Components are subject to final documentation, which is in the process of being completed. The Debt Components are expected to be closed on or prior to the Settlement Date. Closing of the New Debt Facility is conditional on a minimum raise of €40 million (gross) in equity and convertible debt. If both types of Convertible Bonds are completed in accordance with the current terms, amounting to approximately €62.0 million, no minimum amount would be required from the Rights Offer.

Pharming intends to use the net proceeds from the issue of all of the New Shares and the net proceeds of the Debt Components, a total of approximately €101 million, primarily for:

- The payment of US$60 million (or €56.6 million) to Valeant as an upfront payment in respect of the acquisition by Pharming of all North American commercialisation rights to RUCONEST® (the Upfront Amount);
- Repayment of the existing loan held with Oxford Finance LLC and Silicon Valley Bank, which will cost approximately €16.2 million (or $17.1 million);
- Costs relating to the Transaction of approximately €0.7 million in total;
- Financing the acceleration of sales efforts in respect of RUCONEST® in the USA including the following core marketing activities up to an amount of €20.0 million including the following activity:
    - strengthening of medical science liaison activities, and the addition of extra sales representatives to complement the existing team who have very large areas to cover at present;
    - unconditional support for the HAEA, the HAE patients' association in the USA, and for the University of California San Diego's HAE Center of Excellence and other centres of excellence. This is necessary to enable proper support of HAE patients with difficulties in insurance, treatment or

disease state, and must be unconditional to comply with all relevant legislation for both the Company and the various recipients including the Sunshine Act; and

- additional activities to involve Key Opinion Leaders in HAE with RUCONEST® and its relative merits and benefits for patients, including help with development of new dosage forms. As with assistance for the patients' association and related bodies, these activities are carefully planned to conform with the spirit and the word of all relevant legislation including the Sunshine Act, and may include non-product-specific speaking opportunities, advisory positions and product-neutral research, none of which may offer an inducement to a physician to prescribe or a patient to choose any Pharming product.

- Financing the acceleration of sales efforts in respect of RUCONEST® in the EU including a modest expansion of commercial activity in the EU up to an amount of €7.0 million, following the addition of a further 21 countries to Pharming's direct commercialisation territories after amendment of the Company's distribution agreement with SOBI, and the introduction of self-administration home kits if the European Commission adopts the positive opinion issued on 11 November 2016 by the Committee for Medicinal Products for Human Use (CHMP) and approves the use of such kits for RUCONEST®, including financing the acceleration of clinical investigation of new routes of administration for RUCONEST®, including specifically intramuscular and sub-cutaneous formulations; and

- Any balance (expected to be approximately €0.5 million) will be used for general corporate purposes as appropriate.

Pharming intends to use its existing cash resources and cash derived from operations to service its existing research and development costs and the costs of the Debt Components.

Minimum Proceeds

Closing of the New Debt Facility is conditional on a minimum raise of approximately €40 million (gross) between the Offer and the Convertible Bonds. The Management Board believes that based on the demand for Convertible Bonds it will be able both to trigger completion of the New Debt Facility and to close the Transaction. Consequently, there is no minimum amount required to be raised from the Rights Offer.

If the Company is unable to raise at least €40.0 million gross proceeds of the Convertible Bonds and the Rights Offer, it will not be able to complete the Transaction without the New Debt Facility. If not enough proceeds can be obtained in this way, then the Convertible Bonds will not be closed and Pharming will allocate the net proceeds of the Rights Offer to:

- Financing the acceleration of sales efforts in respect of RUCONEST® in the EU including a modest expansion of commercial activity in the EU and other direct territories, following the addition of a further 21 countries to Pharming's direct commercialisation territories after amendment of the Company's distribution agreement with SOBI in October 2016, and the introduction of self-administration home kits if the European Commission adopts the positive opinion issued on 11 November 2016 by the CHMP and approves the use of such kits for RUCONEST®; and

- Financing the acceleration of clinical investigation of new routes of administration for RUCONEST®, including specifically intramuscular and sub-cutaneous formulations.

Closing of the Transaction

Closing of the Transaction is expected shortly before 6 December 2016 and will be executed as soon as the Company has secured sufficient funds to do so. This may be before the closing of the Exercise Period, if the documentation for the Convertible Bonds can be completed before then. Apart from the condition that Pharming obtains sufficient financing for payment of the Upfront Amount, closing of the Transaction is

subject to the following customary conditions (which may be waived by Pharming or Valeant to the extent legally permissible): no law or court order making the Transaction illegal or otherwise prohibiting the closing of the Transaction; execution or termination of certain agreements among Pharming and Valeant and the delivery of certain documents by Valeant to Pharming; no material adverse change regarding the assets or product subject to the Transaction; no breach by either party of representations and warranties or covenants provided for in the agreement with Valeant (subject to customary materiality qualifiers).

In the event that the gross proceeds from the Convertible Bonds and the Rights Offer together are less than €40 million and as a result the Transaction cannot close, the Debt Components and the Rump Offer will not be closed as well. It will not be possible, however, to reverse the closing of the Rights Offer and return the proceeds to the investors who have paid for the New Shares. In that case only, the net proceeds of the Rights Offer will be used as described above for general corporate purposes and to extend the cash runway of the Company to 2019, including expenditure on the acceleration of sales of RUCONEST® in Europe and other territories and development of other new routes of administration for RUCONEST® such as intramuscular delivery and subcutaneous delivery, in addition to the roll-out of self-administration home kits for RUCONEST® in Europe.

6. Working Capital

The Company is of the opinion that it has sufficient working capital for the present requirements of the Group, which is for at least the next 12 months from the date of the Prospectus.

Following closing of the Transaction, Pharming is of the opinion that it will generate sufficient cash from operations to meet all its present and future anticipated requirements as they fall due.

If the Transaction does not close, the available net cash (cash and cash equivalents) at the date of the Prospectus is not expected to deplete before the end of March 2018. Pharming generates insufficient cash from commercial activities to meet all its present and future anticipated requirements and remains dependent on financing arrangements with third parties as has been the case since its incorporation, but currently has sufficient cash reserves and sales revenues including current growth to be confident that it will be able to meet all its obligations as they fall due until at least the end of March 2018.

The cash and cash equivalents (including €0.25 million of restricted cash) at 30 September 2016 amounted to €17.0 million. Pharming's projected net operational, investment, debt service and finance lease payments for the next 12 months after the date of the Prospectus (in the absence of the Transaction closing) are approximately €10.7 million on the basis of the currently-planned activity if the Transaction does not close (described below). Gross margin for the next 12 months is expected to be in the region of €13.6 million, costs are expected to be €24.3 million on the same basis, and the Company had approximately €17.0 million in cash and cash equivalents at 30 September 2016.

If the Transaction does not close, Pharming will continue to balance R&D spending and company growth against actual sales revenues, to ensure that the costs do not exceed the means and resources available to the Company. The business plan which Pharming intends to operate if it is unable to close the Transaction this year is as follows:

1. If sales continue to grow at the current rate in 2016 and 2017 (Base case), the Company will continue to develop two of the current main research programs (Pompe disease and Fabry disease), and the other research project (Human Recombinant Factor VIII) will be continued at a slower pace. The development of prophylaxis of HAE for registration in the USA and new additional IV Lite, intramuscular and subcutaneous versions of RUCONEST® will be continued.

2. If sales do not continue to grow at at least the current rate in 2016 and the first months of 2017 (No Growth case), then none of the three main research programs will be continued in fast mode, and the Company will only press ahead with the development of RUCONEST® for prophylaxis and the introduction of self-administration home kits for RUCONEST®. Other new routes of administration for RUCONEST® and other projects will continue at a slower pace, dependent on actual sales revenues.

3. The consequential changes for the Company of slower sales growth in the No Growth case are also expected to enable possible reductions of general and administration expenses of approximately 15% (or €0.7 million).

The total reduction of Pharming's annual operating costs in cash terms relative to the rate prevailing over the first nine months of 2016 would be approximately €1.5 million in the Base case and €6.8 million in the No Growth case. On this basis, Pharming has sufficient cash for at least the next 16 months even in the absence of any sales improvement. This assessment does not take into account any increase in sales activity which may result from the current shortage in supply of the rival product Cinryze® (see Chapter 4 "*Capitalisation and Indebtedness*" section "*Financial and Trading Update*").

There are several sources available to raise working capital in the short and medium term future as outlined below. Pharming expects to be able to generate sufficient funding from one or more of these resources.

However, in case it is not able to do so, Pharming may ultimately enter into bankruptcy soon after March 2018.

1. Pharming may raise capital by means of a capital markets transaction (other than the Offer), such as non-dilutive (debt) financing, issue 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). Whether capital market transactions are a realistic option depends, inter alia, on the progress made in sales of RUCONEST® by Valeant in the event that the Transaction does not close.

2. Pharming may be able to attract funds by incurring additional debt which requires 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 of drug substance (bulk active material). The likelihood that such a debt-based funding will succeed depends on a number of factors, but given that (i) RUCONEST® is now a sellable asset in an increasing number of markets in Europe and is improving in sales terms in the USA and (ii) with the achievement of the positive Phase II study for prophylaxis of HAE, the likelihood of RUCONEST® being able to grow faster in the US market has increased, Pharming believes that such future debt financing options are viable within the next 12 months after the date of the Prospectus.

3. The Company may decide to cancel and/or defer certain additional activities in order to limit cash outflows until sufficient funding is available to resume them. Deferrals substantially relate to the timing of research-related programs including clinical development of new programs or manufacturing-related activities for additional indications or programs carried out on the initiative of Pharming. The effect of such reductions in working capital requirements are included in the revised business plan above and would move the date of depletion of funds to beyond June 2018.

7. Selected Financial Information

The summary consolidated financial information set forth below should be read in conjunction with the information in Chapter 8 "*Operating and Financial Review*" and Pharming's consolidated financial statements and the notes thereto that are incorporated by reference in the Prospectus. The year-end consolidated financial information for 2014 and 2015 has been extracted from Pharming's audited year-end consolidated financial statements; the consolidated financial information for the nine month periods ended 30 September 2015 and 2016 has been derived from Pharming's unaudited interim financial statements. The Company's independent auditors issued an unqualified audit opinion with respect to the 2014 and 2015 financial statements. Pharming's consolidated financial statements were prepared in accordance with IFRS as adopted in the EU. The summary consolidated financial information set forth below may not contain all of the information that is important to investors, but it does contain all key information and all other information which the Company considers likely to be important for investors.

Consolidated Income Statement Information

	30 September		31 December	
	2016	2015	2015	2014
	(unaudited)		(audited)	
(in millions)	€	€	€	€
Product Sales	7.0	6.8	8.6	3.0
License Fees	1.7	1.7	2.2	18.2
Other Income	0.3	0.1	0.1	0.1
Total Revenues	9.0	8.6	10.9	21.3
Cost of revenues	(3.2)	(3.7)	(4.8)	(3.4)
Operational costs	(15.1)	(13.9)	(19.0)	(15.0)
Operating loss	(9.4)	(9.1)	(12.8)	2.9
Financial income and expenses (net)	(1.0)	3.2	2.9	(8.6)
Net loss	(10.4)	(5.9)	(10.0)	(5.8)

Consolidated Balance Sheet Information

	30 September 2016	31 December 2015	2014
	(unaudited)	(audited)	
(in millions)	€	€	€
Restricted cash[1]	0.2	0.2	0.2
Cash and cash equivalents[1]	16.8	31.6	34.2
Total assets	48.9	57.7	55.7
Current liabilities	18.3	13.5	14.9
Non-current liabilities	15.6	20.4	11.0
Equity	15.0	23.8	29.8

[1] The cash position of Pharming is composed of restricted cash plus cash and cash equivalents and amounted to €17.0 million on 30 September 2016, €31.8 million on 31 December 2015 and €34.4 million on 31 December 2014.

Consolidated Cash Flow Statement Information

	30 September		31 December	
	2016	2015	2015	2014
	(unaudited)		(audited)	
(in millions)	€	€	€	€
Net cash flows used in operating activities	(12.0)	(13.5)	(16.4)	(2.6)
Net cash flows used in investment activities	(0.9)	(0.7)	(0.9)	(0.7)
Net cash flows from financing activities	(1.5)	14.9	14.4	18.0

8. Operating and Financial Review

The following should be read in conjunction with Pharming's consolidated financial statements and notes thereto that are incorporated by reference in the Prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

In addition to historical information, this Chapter includes forward-looking information that involves risks, uncertainties and assumptions. Pharming's actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed below and elsewhere in the Prospectus, particularly in Chapter 2 "*Risk Factors*", section "*Risks relating to Pharming*".

Overview

Pharming was founded in 1988 and has its headquarters in Leiden, the Netherlands. Pharming became public in 1998 and is developing innovative products, focusing on the treatment of diseases with significant unmet medical needs. These products are developed utilising Pharming's proprietary transgenic production technology.

Pharming currently has a product portfolio which focuses on the commercialisation and further development of RUCONEST® (recombinant human C1-esterase inhibitor) for HAE, a genetic disorder. The Company is also evaluating RUCONEST® in other potential indications in the area of ischaemia reperfusion injury (e.g. Delayed Graft Function) to generate value both in the short-term and long-term. Furthermore, Pharming has other recombinant protein assets (e.g. α-glucosidase and α-galactosidase) but these have not yet entered formal clinical development. In addition, Pharming seeks various partnerships to generate additional income through expanding its pipeline further and to maximise the value of its transgenic platform.

In October 2010, Pharming received a Marketing Authorisation Application (MAA) approval in the EU for its lead product RUCONEST®, and the product was launched by Pharming's European partner SOBI in that year. In July 2014, the Company received FDA approval of its Biologics License Application (BLA) which had been re-submitted in July 2013, and the product was launched by Pharming's US partner at that time, Salix Pharmaceuticals, Ltd. (Salix) in November 2014. Salix was acquired by Valeant in April 2015, whereupon Valeant became Pharming's partner for the North American territory. In January 2014, Pharming's partner MegaPharm received marketing authorisation and full reimbursement for RUCONEST® in Israel, and it has begun sales of the product there. In December 2015, Pharming's partner HyupJin received marketing authorisation for RUCONEST® in South Korea, and it has begun sales of the product there.

Until the date of the Prospectus, Pharming has been primarily funded through private and public equity and/or debt transactions. In 2010, Pharming received an aggregate cash amount of €19.7 million in upfront and milestone payments of new agreements with partners SOBI and Santarus, Inc. (Santarus). Both 2010 agreements related to the RUCONEST® product and, in addition to existing agreements with Cytobioteck S.A.S. (Cytobioteck), Megapharm, Transmedic and HyupJin, the Company and its partners have now covered the territories of the EU, Iceland, Norway, Switzerland, Israel, the USA, Mexico, Canada, Venezuela, Costa Rica, Colombia, Argentina, Panama, the Dominican Republic, Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, the Republic of Korea and (through an additional 2011 agreement with SOBI) parts of the Balkans, North Africa and the Middle East. Under the agreement with Santarus, Salix and Valeant, Pharming received further milestones of US$35.0 million upon the fulfilment of announced clinical, regulatory and commercial events. The commercialisation agreements require Pharming's partners to buy finished products from Pharming for a transfer price that incorporates a (progressive) tiered royalty component based on annual net sales performance. Pharming sells the product itself directly in Germany, Austria and the Netherlands.

Material Factors Affecting the Results of Operations and Financial Condition

Pharming believes that the factors described below have had and are expected to continue to have a material effect on its operational results and financial condition.

Pharming's revenue comprises mainly revenues from proceeds from sales and out-licensing (e.g. upfront and development milestone payments). Licensing revenues relate to income received from third parties for rights to products or technology developed by the Company and is recognised in the year to which the income relates. Where a license revenue amount applies to the entire duration of an agreement, the license revenue is recognised in annual amounts over that agreement duration. Proceeds from sales are currently limited to finished product of RUCONEST® shipped to SOBI, Valeant and the Company's other partners as well as direct sales by the Company in Germany, Austria and the Netherlands.

The Company also intends to obtain revenues from payments under future partnerships in respect of its products, government grants, licensing and partnerships using its technology, interest income as well as other miscellaneous income.

To date, Pharming's primary sources of liquidity have been funds generated through equity and debt financing. In July 2015, the Company put in place a debt facility with Oxford Finance LLC and Silicon Valley Bank (the Lenders), which is a straight debt loan of US$17 million (€15.6 million) (the Loans), allowing the Company to finance the build-up of inventories of finished products before its fill & finish partner, BioConnection, closed its facility to allow transfer of the business out of Merck Sharp & Dohme and re-registration as a new business. Pharming issued warrants representing 2,315,157 Shares to the Lenders under the Loans (the 2015 Warrants).

To date, the majority of Pharming's expenditures have been for R&D activities. The Company expects R&D expenses to continue at approximately the current level over the next few years as the development costs of additional indications for RUCONEST® slow down and as the Company's new development projects start to reach the clinical development stage and have a greater financial impact. In some cases, cost-sharing partners will be sought. In addition, general and administrative expenses necessary to support these programs are expected to remain approximately the same.

R&D costs are expensed as incurred and include costs associated with collaborative agreements. These costs consist of direct and indirect costs related to specific projects as well as fees paid to other entities, which conduct certain research activities on behalf of the Company.

Reference is also made to Chapter 9 "*Business*" section "*Business Plan*" for a description of the key assumptions underlying the business plan of Pharming for the next two years.

Results of Operations for the Years 2015, 2014 and nine month periods ended 30 September 2016 and 30 September 2015

Consolidated Income Statement Information

	30 September		31 December	
	2016	2015	2015	2014
	(in millions, except per share data)			
	(unaudited)		(audited)	
	€	€	€	€
Product Sales	7.0	6.8	8.6	3.0
Release of deferred license fee income[1]	1.7	1.7	2.2	18.2
Revenues	8.7	8.5	10.8	21.2
Cost of product sales	(3.0)	(3.9)	(5.0)	(2.9)
Impairment charges	(0.2)	0.2	0.2	(0.6)
Cost of Sales	(3.2)	(3.7)	(4.8)	(3.4)
Gross Profit	5.5	4.8	6.0	17.8
Other Income	0.3	0.1	0.1	0.1
Research and development	(11.1)	(10.3)	(14.2)	(11.7)
General and administrative	(3.1)	(2.7)	(3.7)	(3.3)
Marketing & Sales[2]	(0.9)	(0.9)	(1.1)	-
Operational costs	(15.1)	(13.9)	(19.0)	(15.0)
Operating Result	(9.4)	(9.1)	(12.8)	2.9
Fair value result derivatives	0.4	3.2	3.4	(9.1)
Other financial income and expenses, net	(1.5)	0.0	(0.5)	0.5
Financial income and expenses (net)	(1.1)	3.2	2.9	(8.6)
Net Result before Tax	(10.4)	(5.9)	(10.0)	(5.8)
Income Tax expense	-	-	-	-
Net Result	(10.4)	(5.9)	(10.0)	(5.8)
Attributable to:				
Owners of the parent	(10.4)	(5.9)	(10.0)	(5.8)
Share Information:				
Earnings per Share (€)	(0.025)	(0.014)	(0.024)	(0.015)

[1] In 2014, a one-off milestone payment of US$20 million (€16.0 million) was received on the approval of RUCONEST® in the USA.

[2] Direct marketing and sales operations began in 2015 with operations in Germany, Austria and the Netherlands, which were taken back from SOBI in an agreement amendment.

Revenues and Other Income

Pharming's revenue and other income comprise revenues (license fee income, product sales) and other income relating to grants.

In the years 2014 and 2015 the Company recognised license fee income of €2.2 million following the periodic release of upfront and milestone payments received through the commercial partnerships with Santarus and SOBI; these amounts are released to the statement of income over the lifetime of the agreements, mainly recognised originally in 2010. The full year effect of this continuing release of amounts received resulted in €2.2 million of license fee revenues in 2015, with €1.7 million recognised in the first nine months of each of 2015 and 2016. Revenues in 2014 included a one-off receipt of milestone revenue amounting to US$20.0 million (€16.0 million) relating to the approval and launch of RUCONEST® in the USA.

Product sales represent supplies of RUCONEST® to distribution partners who pay a given amount for those supplies, as well as direct sales by Pharming in certain territories. These product sales started in the fourth quarter of 2010 following market launch in the EU of RUCONEST®. Sales in the USA started in the fourth quarter of 2014, and direct sales by Pharming in Germany, Austria and the Netherlands began in the second quarter of 2015. The 2015 product sales income amounted to €8.6 million with €6.8 million in the first nine months of 2015; this increased to €7.0 million in the first nine months of 2016.

Income from grants in 2015 amounted to €0.1 million which was in line with 2014, with such income in the first nine months of 2015 and 2016 amounting to €0.1 million and €0.3 million respectively.

Cost of Revenues

Costs of revenues are related to the cost of goods sold, (anticipated) transfer price adjustments and other impairment charges related to inventories valued at the lower of cost and net realisable value. The €4.8 million cost of revenues in 2015 included €0.2 million inventory revaluation on inventories designated for commercial activities following valuation of the inventories and comparison with net realisable value during the first part of the year. In the first nine months of 2016, costs of revenues amounted to €3.2 million of which €3.0 million related to product sales and €0.2 million to inventory impairments following write down of certain inventories to net realisable value.

The selling price for a vial of RUCONEST® in the USA is very much higher than the price for the same vial in the EU. The cost of production of a vial for sale in the USA is exactly the same as the cost of production of a vial for sale in the EU. Accordingly, US sales are more profitable than EU sales. As US sales increase relative to EU sales, the total gross margin increases and the percentage of gross margin overall also increases. In 2015, US product sales represented approximately 73% of sales, and Europe and the rest of the world represented approximately 27%. The gross margin percentage overall was 69%. In the first nine months of 2016, US product sales represented 82% of total product sales, and the gross margin percentage overall was 79%.

Operational Costs

Costs of R&D are primarily related to basic research as well as preclinical and clinical activities, including employee benefits incurred in respect of Pharming employees involved in these activities. In particular external costs may vary significantly due to the timing and extent of R&D activities. Costs of R&D of €11.7 million in 2014 increased by €2.5 million to €14.2 million in 2015, which reflects greater concentration on new programs for protein replacement therapies in Pompe and Fabry disease and the costs of the Phase II study for RUCONEST® in prophylaxis of HAE. R&D costs in the first nine months of 2016 increased to €11.1 million compared to €10.3 million in the comparative period of 2015; the increase primarily stems from the clinical activities related to finalisation of the prophylaxis study.

General and administrative expenses comprise all cash-related expenses not part of the Company's development and commercial processes, and include both third party fees & expenses and employee

benefits. These expenses grew slightly between 2014 (€3.3 million) and 2015 (€3.7 million) reflecting mainly the cost of share-based compensation for all staff, and were €3.1 million in the first nine months of 2016 compared with €2.7 million in the comparable period in 2015 as a result of a small increase in personnel.

Direct marketing and sales operations began in 2015 with operations in Germany, Austria and the Netherlands, which were taken back from SOBI in an agreement amendment. Accordingly, there were no costs for this activity in 2014. The costs in the first nine months of 2016 are almost exactly the same as in the first nine months of 2015, and relate to the costs of sales people and selling activity in those three countries.

Expenses for share-based compensation included within operating costs are non-cash items and relate to the fair value expenses of option plans as well as the Long Term Incentive Plan. These expenses have increased from €2.5 million in 2014 to €2.7 million in 2015; the increase largely reflects the increase in personnel especially in R&D. Share-based compensation expense in the first nine months of 2015 of €1.4 million mainly related to the granting of options to the new R&D Head and Sales Team in the second quarter of 2015; the decrease in the fair value of an option as a result of the Company's lower share price resulted in a lower expense for the same period in 2016 of €1.2 million.

Financial Income and Expenses

Loans and Fair Value Result of Revaluation of Derivatives

The results related to the fair value results of derivatives are all primarily related to the financial impact of marking the value of the warrants issued in connection with the Loans (described below) to the market fair value. This has no implications for the Company, as it is purely an accounting exercise to comply with IFRS. The result is essentially a loss if the price of the underlying Shares rises, and a gain if that price falls between reporting dates. There is no cash movement, and no real underlying liability. The gains and losses cannot ever be crystallised, and only affect the accumulated result or share premium accounts as non-cash movements.

On 20 July 2015, Pharming entered into the Loans with the Lenders pursuant to which the Lenders provided US$17 million (€15.6 million) secured senior debt funding against 48 months' promissory notes with a 7.02% fixed interest per annum. The initial 12 months of the notes are interest payments only, followed by monthly re-payment of the notes in a 36 months' straight amortisation scheme. In 2015 the total amount of interest was €0.8 million. As further consideration for the facility, the Lenders have received a 3.95% warrant coverage (2,315,517 warrants) with a strike price of €0.29, representing the average closing price of the Shares over the last ten days prior to the closing date (the 2015 Warrants), and a final payment on maturity (1 July 2019) of 9% of the principal sum. Other facility fees of €0.6 million have been deferred from the original Loans. The Group has pledged all the receivables, moveable assets and intellectual property rights as security to the Lenders. After initial recognition at fair value, the carrying amount of the Loans is restated at each reporting date.

In case of a change in the underlying cash flows, the carrying amount of the Loans is restated to the net present value of the underlying cash flows discounted at the effective interest rates of 12.2 and 13.1%.

The Loans for December 2015 can be summarised as follows:

Amounts in €'000	2015
Loans from banks	14,804
Current portion of the long-term loans due within one year	(3,047)
Non-current portion of long-term loans	11,757

It should be noted that this treatment complies with IFRS regarding recording of liabilities including deductions of transaction costs. The amount of the liability which is due to be repaid does not change, and remains at US$17 million in total, but this treatment is intended to show a more complete view of the effective cost to the Company of the entire deal, including the warrants and the right to repay early as well as

the effective value of a provision for cashless settlement of the warrants as described below. The remaining lifetimes of the loans are less than 5 years.

Fair Value of Revaluation of Derivatives

The Company has issued a number of warrant schemes over the past five years, some of which are still valid. Where a warrant scheme includes a provision for cashless exercise (in which a warrant-holder receives a reduced number of Shares on exercise if they do not pay the strike price per Share) or other mechanism which affects the number of Shares which can be issued under the instrument, then the IFRS rules require that such a warrant instrument is treated as a financial derivative. This means, in practical terms, that an entirely hypothetical value is ascribed to the warrants based on the value they would have to a holder of the warrants (Fair Value) rather than the value to the Company, which does not change. If this value fluctuates, largely as a result of fluctuations in the Share price, artificial non-cash profits and losses are created which affect the Company's net result, even though they cannot be crystallised in any way. This revaluation of the warrants to Fair Value has created large swings in profitability for the Company over the reporting period. In the year 2014, the revaluation of derivatives resulted in a 'loss' of €9.1 million. In 2015, the process resulted in a 'gain' of €3.4 million. In the first nine months of 2016 the revaluation resulted in a gain of €0.4 million whereas in the first nine months of 2015 the process resulted in a gain of €3.2 million. None of these gains or losses have resulted or can result in any cash or value being paid or received by the Company, as these are non-cash accounting gains and losses made in accordance with IFRS.

Net Interest Income and Expenses

Interest income and expenses are derived from the Loans (interest expenses only during the periods under review) and balances of cash and cash equivalents.

The Company has entered into various finance lease arrangements with respect to manufacturing and laboratory equipment. Overall, these transactions have resulted in finance interest expenses of €1.5 million in the first nine months of 2016, €0.5 million for the full year 2015 and €Nil for the first nine months of 2015. The amount increased in 2016 as a result of the increased investment in the Company's R&D facility in Evry, France and work in Leiden on the new development programs for Pompe and Fabry disease.

Net interest expense in 2015 amounted to €0.5 million due to interest on the Loans, which were only briefly represented in the first nine months of 2015.

Liquidity and Capital Resources

Pharming's primary sources of liquidity have been funds generated through equity and debt financing, in addition to income generated through licensing agreements, product sales and government grants.

In July 2011 Pharming completed a private placement to new US-based specialist investors in which the Company issued 29,000,000 Shares at a cash consideration of €0.11 per Share or €3.2 million in aggregate. The investors also obtained the right to receive 20,300,000 Shares with an exercise price of €0.11 (the 2011 Warrants). On 3 February 2012, the Company held an EGM in which the Shareholders approved the increase of authorised share capital from 550 million to 805 million Shares. Also, following participation of the investors in the 2012 Bonds, the exercise price of the 2011 Warrants was adjusted to €0.06. The exercise price of the 2011 Warrants was reduced to €0.013878 following the issue of Shares under the Working Capital Facility. All 2011 Warrants have been exercised prior to their expiration date on 15 July 2017.

In December 2011 the Company entered into an agreement with inter alia investors of the July 2011 issue under which convertible bonds were issued subject to an increase of share capital anticipated to take place in 2012 (the 2012 Bonds). The Company issued the 2012 Bonds with a nominal value of €8.4 million carrying 8.5 percent interest per annum and to be repaid in six equal monthly tranches of €1.4 million between February and July 2012. The investors had the right to convert outstanding 2012 Bonds at a fixed conversion price of

€0.12; the Company had the option to repay in either cash or Shares. In addition, the investors received the warrants with an exercise price of €0.12 per warrant (the 2012-I Warrants). The exercise price of the 2012-I Warrants was reduced to €0.013878 following the issue of Shares under the Working Capital Facility. As per the date of the Prospectus, Pharming has fully repaid the 2012 Bonds plus interest in Shares; the total number of Shares issued by Pharming was 230,181,995 with a total fair value of €11,427,000 (20,000,000 Shares in 2011 with a fair value of €1,503,000; 174,925,970 Shares in the first half year 2012 with a fair value of €9,078,000; 35,256,025 Shares with a fair value of €846,000 as a final settlement payment in July 2012). All 2012-I Warrants have been exercised prior to their expiration date on 6 February 2017.

In August 2012, Pharming entered into the working capital facility of up to €10.0 million for a two-year term with a number of US institutional investors (the Working Capital Facility). In the third quarter of 2012, until the date of the Prospectus, Pharming issued 164,304,453 Shares under the Working Capital Facility against receipt of €2.3 million in cash. The investors under the Working Capital Facility received warrants entitling them to subscribe for 27,505,500 Shares and became furthermore entitled to additional warrants representing a maximum of 38,494,500 Shares subject to further draw-downs under the Working Capital Facility (the 2012-II Warrants). The exercise price of the 2012-II Warrants is €0.0233 per warrant (subject to adjustment). All 2012-II Warrants have been exercised prior to their expiration date on 1 September 2017.

In January 2013, the Company entered into a financing of €16.35 million (€15.3 million net proceeds after subtraction of transaction fees and a 2% issuers' discount) by means of a convertible bond with a syndicate of existing specialised and institutional investors led by Kingsbrook Opportunities Master Fund LP (the 2013 Bonds). The 2013 Bonds had a fixed conversion price of €0.03. The 2013 Bonds were redeemed in cash or shares at the option of the Company in seven monthly tranches between March and September 2013 and carried a coupon of 8.5% percent per annum. The investors also received 30% warrant coverage (the 2013-I Warrants). The 2013-I Warrants are exercisable for a further two years and expire on 4 March 2018. The 2013-I Warrants have an exercise price of €0.03.

In October 2013, the Company entered into a private equity placement of €12.0 million (€11.5 million net proceeds after subtraction of transaction fees) with existing and new institutional investors (PIPE). Participating institutional investors included existing Shareholders Deerfield Management Company, Kingdon Capital Management and Broadfin Capital. The PIPE was priced at €0.117 per Share, which represented a 10% discount to the closing price of €0.13 per share on 8 October 2013. A total of 102,564,103 Shares were issued to the investors. In addition, the investors received 25,641,026 warrants with a strike price of €0.135 (the 2013-II Warrants). The exercise period of the 2013-II Warrants is five years and they expire on 10 October 2018.

In April 2014, the Company entered into a private equity placement of €14.7 million (€14.04 million net proceeds after subtraction of transaction fees) with existing institutional investors. The placement was priced at €0.49 per share, which was the average closing price of the shares over the last five trading days prior to 22 April 2014. A total of 30,000,000 shares, representing 8% of the outstanding share capital, was issued to the investors. In addition, the investors received 21,000,000 warrants with a strike price of €0.57. These warrants expired on 22 April 2016.

On 20 July 2015, the Lenders provided US$17 million (€15.6 million) secured senior debt funding (the Loans) against 48 months' promissory notes with a 7.02% fixed interest per annum. The initial 12 months of the notes are interest payments only, followed by monthly re-payment of the notes in a 36 months' straight amortisation scheme. The Lenders are entitled to a final payment on maturity (1 July 2019) of 9% of the principal sum. In 2015 the total amount of interest was €0.8 million. As further consideration for the facility, the Lenders have received the 2015 Warrants. The 2015 Warrants have an exercise period of 10 years and expire on 17 July 2025. As of July 2016, the Company has begun repaying the Loans.

Cash Flows

The Company's total liquidity position comprises cash and cash equivalents (including restricted cash).

Net cash and cash equivalents in 2014 increased from €19.1 million at 1 January 2014 to €34.4 million at 31 December 2014. The €15.3 million net increase results mainly from net cash inflows from financing activities of €18.0 million, less cash outflows from operating activities of €2.6 million, investment cash outflows of €0.6 million, and the €0.4 million gain effect on cash and cash equivalents held in foreign currencies. The limited net operating cash outflows of €2.6 million in 2014 stem from €18.5 million contributions received from licensing partners (of which €16.0 million milestone payments from agreements with Santarus and SOBI), together with manufacturing expenses of €10.1 million, third party fees & expenses including VAT of €7.9 million and gross payments related to employees and board members of €4.6 million. Investment cash flows of €0.6 million in 2014 mainly reflect payments in relation to assets acquired in the purchase of the French R&D activity from Transgenic Rabbit Models SASU (TRM), a private French company in liquidation. Financing activities of €18.0 million consisted of the €19.4 million proceeds of the private placement (€14.7 million) and warrant exercise (€4.7 million), less the costs of the exercises (€0.7 million) and the payment of finance lease liabilities (€0.7 million).

Net cash and cash equivalents in 2015 decreased from €34.4 million at 1 January 2015 to €31.8 million at 31 December 2015. The €3.0 million net decrease results mainly from net cash outflows from operating activities of €16.4 million, investment cash outflows of €0.9 million, net cash inflows from financing activities of €14.3 million and the €0.4 million gain effect on cash and cash equivalents held in foreign currencies. The large net operating cash outflows of €16.4 million in 2015 stem from €8.5 million contributions received from licensing partners (including product sales), less manufacturing expenses of €8.8 million, third party fees & expenses including VAT of €11.3 million net and gross payments related to employees and board members of €6.3 million. Investment cash flows of €0.9 million in 2015 mainly reflect purchases of assets required for R&D activities. Financing activities of €14.3 million consisted of the €15.5 million proceeds of debt agreement with the Lenders, less the payments of transaction fees and expenses (€0.6 million) and the payment of finance lease liabilities (€0.7 million).

Net cash and cash equivalents in the first nine months of 2016 decreased by €14.8 million from €31.8 million at the beginning of 2016 to €17.0 million at 30 September 2016; the decrease reflects mainly a net cash outflow from operating activities of €12.0 million, investment cash outflows of €0.9 million and net cash outflows from financing in the amount of €1.5 million. Net cash outflows used in operating activities primarily reflect revenues less payments in relation to ongoing (pre)clinical activities and the Company’s transgenic platform, while investment cash outflows reflect payments in relation to equipment added to the production facilities. Net cash outflows from financing activities relate mainly to interest on the debt facility and to finance lease payments.

Negative Equity

In December 2011, the Company announced that it had entered negative equity. This negative equity position was reversed due to the issue of the 2013 Bonds. Since then, the Company has had positive equity.

Principal Investments

In 2014, Investments included the acquisition of certain assets of TRM for €0.5 million in cash. Through this acquisition Pharming has gained access to five potential new product leads (founder rabbits); recombinant-human (rh)-α-glucosidase for the treatment of Pompe's disease, rh-α-galactosidase for the treatment of Fabry's disease, rh-β-cerebrosidase for the treatment of Gaucher's disease, rh-Factor VIII for the treatment of Hemophilia-A and rh-Factor IX for the treatment of Hemophilia-B.

No material investments have taken place since 2014 until the date of the Prospectus.

Save for regular minor investments in property, plant and equipment items, no significant investments are planned in the near future.

Contractual Obligations

The Company has entered into non-cancellable operating lease commitments for rent of its various offices, production sites and laboratories as well as cars for certain senior staff. Based on the current status of these contracts, anticipated payments under these commitments for the second portion of 2016 are €0.6 million, €1.2 million for 2017 and €3.2 million for the period 2018 to 2021.

As at the date of the Prospectus, the Company had entered into several agreements with third parties under which Pharming has to pay cash against delivery of goods or services or in case certain performance criteria have been met. These relate primarily to the manufacturing of Pharming's products. Except for the agreement with Valeant, none of these agreements contain milestone payments. The contingent payment obligations are summarised below.

In July 2016, the Company entered into a process development and preclinical manufacture agreement with Therapure Inc., a Canadian contract manufacturing organisation with strong expertise in protein purification, in respect of Pharming's new program for α-glucosidase, a therapy for Pompe Disease. Under this agreement, Therapure will acquire certain equipment required for the purification process and will be reimbursed by Pharming through increased charges on process development and purification services, which will be recognised in due course as an embedded finance lease in the Company's accounts. Under this agreement, payments of up to US$3.6 million are payable by Pharming, of which US$1.7 million is payable in 2016 and US$1.9 million is payable in 2017.

On 9 August 2016, the Company announced a definitive agreement under which Pharming will acquire all North American commercialisation rights to its own product RUCONEST® (recombinant human C1 esterase inhibitor), including all rights in the US, Mexico and Canada, from Valeant (the Transaction). RUCONEST® is an orphan drug designated therapy developed by Pharming, already approved for the treatment of acute HAE attacks in patients in the USA and EU. The Transaction will accelerate Pharming's development into a profitable specialty pharmaceutical company with its own independent commercial infrastructure, which will form the foundation for growth in the future. Closing of the Transaction is subject to payment of an upfront amount of $60 million to Valeant. The agreement contains further commitments to pay sales milestones totalling $65 million upon achievement of certain sales targets. These milestones are self-funding, which means that the profits expected to be achieved from the sales of RUCONEST® necessary to achieve the sales target are sufficient to pay the milestone in each case, after meeting all other expected group costs. For more information, see Chapter 10 "*Transaction with Valeant*".

Off Balance Sheet Arrangements

Pharming has no off balance sheet arrangements.

Dividend Policy

Pharming has not paid dividends since its incorporation and currently intends to retain future earnings, if any, in the short term 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 at the end of 2017 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 in so far as Pharming's 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 Dutch law. All Shares outstanding at the date of the Prospectus have been fully paid-up, so currently there is no called-in capital.

9. Business

Overview

Pharming is developing innovative products for the treatment of unmet medical needs. Its main product RUCONEST® is a recombinant human C1 inhibitor approved for the treatment of angioedema attacks in patients with HAE in all 27 EU countries plus Norway, Iceland, Liechtenstein, the USA, Israel and South Korea. It is currently distributed in the USA by Valeant. In Israel the licensee is Megapharm, and in South Korea Pharming's partner is HyupJin. The rights to distribute RUCONEST® in the Balkan region, certain former CIS countries and the Middle East and North Africa are held by SOBI.

In July 2016, Pharming completed a Phase II clinical trial in prophylaxis of HAE with RUCONEST®. The objective of this clinical program is to achieve an additional registration for prophylaxis of HAE in the USA. The product is also under evaluation for indications in the areas of transplantation and ischaemia reperfusion injury.

The commercial attractiveness of the Company stems from the potentially best-in-class therapeutic qualities of RUCONEST® and its commercial potential in both acute and prophylactic treatment of HAE. Other main assets include Pharming's innovative platform for the production of protein therapeutics and its extensive technology and process know-how for the purification and formulation of these products. Pharming has a strategic collaboration with the China State Institute of Pharmaceutical Industry (CSIPI), a subsidiary of Sinopharm) for the development, manufacture and commercialisation of new products based on Pharming's technology platform. In addition, Pharming has also granted CSIPI an exclusive license to commercialise RUCONEST® (conestat alfa) in China.

History

Pharming was founded in 1988 as a spin-off from GenPharm International. In 1998 it became public through an initial public offering on EASDAQ, the Pan-European electronic trading platform for growth companies (which ceased to exist in 2003). In 1999 Pharming was listed on the Amsterdam Stock Exchange (now called Euronext Amsterdam by NYSE Euronext). In 2001 and 2002 the Company underwent a major financial and corporate restructuring reducing its workforce from 240 people to below 50 while focusing most of its resources on the development of RUCONEST®. In 2004 the Company strengthened its financial position through a private placement of Shares.

In late 2006 the Company acquired DNage, a small biotech company focusing on diseases associated with old age, to expand its technology platforms and to obtain access to potential future new product lines. As a result of a portfolio prioritisation, DNage subsequently was partially spun-off in the course of 2010 and upon failure to attract third party financing after the expiration of agreed bridge funding by Pharming, DNage was declared bankrupt in February 2011.

After having failed to obtain the MAA for rhC1INH in late 2007, the Company re-submitted a new dossier for market authorisation in Europe in September 2009 after obtaining the additional data as requested by the committee in 2007/2008. The MAA was granted in October 2010 and the product is now marketed under the trade name RUCONEST®.

In the course of 2008 and 2009 the Company cancelled approximately €59.1 million of the €70.0 million outstanding 2007 bonds by partial payment in cash and issuance of Shares to the bondholders. In 2009 and 2010, the Company issued Shares and the 2010 bonds in private placements to strengthen its financial position. In the fourth quarter of 2010 the €10.9 million remaining outstanding 2007 bonds was fully repaid in cash. The 2010 bonds were converted into Shares in the course of 2010.

In June 2010, RUCONEST® was the first recombinant (non-blood-derived) C1-esterase inhibitor replacement therapy authorised by the EMA. In 2015 the marketing authorisation for RUCONEST® was renewed for an unlimited period.

In July 2010, Pharming announced it had entered into a settlement agreement as a result of which Pharming's maximum earn-out payments due to the former DNage shareholders of up to €10 million were settled through a payment of 5 million Shares and a 49% equity interest in DNage. It was also announced that the remaining 51% interest of the Company in DNage was expected to further decrease as and when DNage would secure new specialised investors willing to share the risks and rewards by purchasing newly issued equity in DNage. Pharming provided DNage with a limited bridge funding of €1.2 million.

In December 2010, the Company entered into an agreement with Socius under which Pharming issued Shares and warrants for a gross amount of €16.1 million. The warrants were exercised in March 2011. The total cash received by Pharming from Socius, net of fees, amounted to €14.8 million (€4.8 million in 2010 and €10.0 million in the first quarter of 2011).

In December 2010, Pharming also submitted the RUCONEST® BLA to the FDA for the treatment of acute angioedema attacks in patients with HAE. In February 2011, the FDA requested that the RUCONEST® BLA include results from an additional ongoing Phase III study prior to reviewing the BLA. In August 2011, a Special Protocol Assessment (SPA) was agreed with the FDA on the requirements for a BLA file.

In January 2011, and following the settlement agreement of July 2010, Pharming and other DNage shareholders announced that they had discontinued the funding of DNage since DNage had not been able to secure new investors. DNage entered into voluntary liquidation and was declared bankrupt in February 2011.

In July 2011, the Company completed a financing of €3.2 million adding new US-based specialist investors in exchange for the issue of Shares and 2011 Warrants. In December 2011, Pharming announced the issue of a €8.4 million loan by means of the 2012 Bonds to institutional investors, including the investors participating in the July 2011 financing. The 2012 Bonds were fully paid off in Shares with the final instalment paid in July 2012.

The USA pivotal trial (Study 1310) completed recruitment in July 2012 but due to an internal oversight the un-blinding of the top-line data was delayed by up to three months in order to complete the statistical package required by the FDA. This delay highlighted a potential cash shortfall at the Company and Pharming announced that it had engaged Nomura Code alongside long term advisor, Roth Capital Partners, to assist in a review of strategic options which could include a merger, equity investment or sale.

In June 2012, Pharming decided to close its US-based cattle platform research operations which were comprised of farm based research facilities, land and staff involved in research and maintenance of the Company's transgenic cattle herd. The decision reflected the declining importance of transgenic cattle research, and legacy proteins such as fibrinogen, lactoferrin and collagen, to Pharming's future strategy and the increasing business development focus on current and new projects, such as C1 inhibitor and Factor VIII. Early July 2012, the sale of the associated assets was announced.

In August 2012, Pharming entered into the Working Capital Facility of up to €10.0 million for a two-year term with a number of US institutional investors. The Company also announced a strategic restructuring plan of its Dutch operations. The plan included a request for collective redundancies, which was filed with the Netherlands Authority for Labour Relations and Unemployment Benefits (UWV Werkbedrijf) in accordance with the Wet Melding Collectief Ontslag. The process entailed a formal procedure, required when there is a need for downsizing an organisation by 20 staff or more. In September 2012, Pharming's works council rendered a positive advice with respect to the restructuring and agreed to a social plan. Subsequently the Company requested UWV Werkbedrijf to approve the discontinuation of 23 labour agreements. The approval was received in the course of the fourth quarter of 2012, after which the formal discontinuations were effected in late 2012 and early 2013.

At the end of September 2012, the Company announced that the Study 1310 was completed. As is usual in the conduct of clinical trials, the trial database was finalised and locked; subsequently, the results were

analysed and a new drug application was submitted to the FDA. This application was granted in July 2014, and the product was launched in the USA in November 2014.

In early 2015, Pharming announced a double-blind, placebo-controlled trial, Study 3201, to determine the effectiveness of RUCONEST® in reducing breakthrough attacks in HAE patients and its suitability as a prophylactic therapy. This study was fully recruited in January 2016 and completed in July 2016. In the study, RUCONEST® showed a clinically relevant and statistically significant reduction in attack frequency for both the twice-weekly and once-weekly treatment regimens as compared with placebo.

In October 2015, the FDA granted 12 years of exclusivity to RUCONEST® 50 IU/kg. The determination of exclusivity ensures that prior to 16 July 2026 the FDA will not approve any applications for biosimilars of RUCONEST®.

In February 2016, the CHMP issued a positive opinion to the European Commission on Pharming's request to include the treatment of HAE attacks in adolescents with HAE and to remove the requirements for rabbit IgE testing that forms part of the EU label for RUCONEST®.

In November 2016, the CHMP issued a further positive opinion recommending an extension to the terms of the marketing authorisation for RUCONEST® to the European Commission. This recommendation is to allow self-administration of RUCONEST® for acute hereditary angioedema (HAE) attacks by adolescents and adults with a new custom-designed administration kit. Following normal timelines after the adoption of the positive opinion by the CHMP, the final decision from the European Committee is expected in January 2017. It is expected that the kits will become available for use in the various EU markets soon thereafter.

Strategy

The mission of Pharming is to develop innovative therapeutics for unmet medical needs and to provide solutions to the potential limitations of existing recombinant protein production methods. Pharming's technologies include novel platforms and know-how for the production of protein therapeutics, as well as technology and processes for the purification and formulation of these products. Pharming's commercial focus is primarily aimed at specialty pharmaceutical markets and is intended to cover the entire value chain through internal expertise and external collaborations.

Pharming's strategy to become an international specialty pharmaceutical company is based on three pillars:

1. Product development strategy: Pharming focuses on developing indications for which its platform can offer competitive advantage, most notably greater efficacy, lower immunogenicity or potential savings in manufacturing cost. For programs with a higher risk profile, or programs targeting larger indications, Pharming will pursue co-development partnerships. The Company is also examining new product opportunities, mainly at the late preclinical stage, where it has a clear understanding of how the commercial advantages of such opportunities can be achieved for the benefit of Shareholders. All product development strategy is adjusted in terms of timing and planning to match the revenues generated by sales and other sources of funds.

2. Commercialisation strategy: Pharming intends to commercialise RUCONEST® and its other current programs itself in territories where it can take advantage of its own expertise and infrastructure, adapting this where necessary to ensure maximisation of the products' potential. In larger indications or territories where specialised access or knowledge is required, such as the People's Republic of China, the Company's policy is to form strategic partnerships to obtain access to other required competencies, such as marketing and sales.

3. Financing strategy: Pharming focuses on the commercialisation of RUCONEST® which currently provides royalties on sales and potential development milestones, and revenues from direct sales. The near term focus is on expanding geographical coverage of RUCONEST® in Europe and accelerating sales of the

product in the USA. The Transaction is a major step forward in this regard, as it will give Pharming sole control of RUCONEST® in the USA, Canada and Mexico. In order to facilitate such business development activities, Pharming continues to maintain international collaborations with leading academic and research institutions that will continue to position Pharming at the forefront of innovative science.

The development of RUCONEST® for additional indications, followed by other selected products from its pipeline and new acquired programs if these are found, may be expected to generate value both in the short-term and long-term through direct commercial activity by Pharming, or through agreements which include upfront cash milestones, development funding milestones and royalties on future commercial sales.

The key elements of Pharming's strategy to develop and commercialise selected therapeutic products to market include:

- Building strong sales teams capable of developing the full market potential of RUCONEST® in all countries where Pharming is directly responsible for sales, especially in the stronger markets of the USA and the main Western European countries (including Austria, Belgium, France, Germany, Ireland, the Netherlands, Portugal, Spain and the United Kingdom);

- Strengthening of the financial position of the Company, for instance through (combinations of) loans and new equity transactions;

- Controlling the operational cash burn of the Company through careful titration of non-revenue generating activity such as basic research and (pre)clinical trials against growth in sales, to enable the Company to reach cash generation and net profitability as soon as practicable consistent with building a strong and sustainable business;

- Pursuing final development and regulatory marketing approval from the FDA for RUCONEST® for prophylaxis of HAE;

- Exploring and developing rhC1INH for additional indications, including applications in the area of hemorrhagic shock, ischaemic reperfusion injury and certain other indications such as pre-eclampsia and neonatal asphyxia;

- Entering into partnerships where appropriate to commercialise its products, including RUCONEST® in all major regions, and thereby drive revenues through milestone and royalty payments;

- Leveraging its proprietary transgenic technology to produce additional recombinant human protein therapeutics for development;

- Assessing and, if appropriate, acquiring rights to develop or commercialise new product opportunities consistent with the commercial infrastructure Pharming is building for RUCONEST®;

- Entering into co-development partnerships to accelerate development of new indications and new product candidates; and

- Pursuing and maintaining patent protection for its innovative technologies, products and processes, and pursuing Orphan Drug designation for its products where relevant.

Business Plan

Without prejudice to the risks described in Chapter 2 "*Risk Factors*", section "*Risks relating to Pharming*", the key assumptions on which the business plan of Pharming for the next two years is based, are the following:

1. The Company will be able to generate sufficient cash to fund its activities, after attracting sufficient cash from existing and new Shareholders and lenders to complete the Transaction and accelerate sales of RUCONEST®.

2. RUCONEST® sales will continue to grow in the USA, in Europe and gradually across other territories.

3. The FDA will ultimately approve RUCONEST® for prophylaxis of HAE.

4. The Company has the ability to keep key employees or attract replacements if necessary.

The Company takes the following view of the risks associated with these assumptions and the sensitivity of these assumptions with respect to the business in the next two years.

The first assumption is a 'conditio sine qua non' and by far the most important assumption. The cash at 30 September 2016 amounted to €17.0 million, of which €16.8 million was readily available and use of €0.2 million was restricted. Pharming's maximum required projected operational, investment and finance lease payments for the 12 months after the date of the Prospectus, excluding the Transaction and its consequences, are approximately €24.3 million. This maximum cash requirement will decrease significantly in the event that the Company is unable to develop sales of RUCONEST® consistent with this level of spend in the absence of completion of the Transaction. Successful achievement of such sales development, if there is no completion of the Transaction, is expected to generate positive annual operating cash in-flows by 2018. This number is based on the current growth rate of RUCONEST® sales by Valeant, the annualised run rate (i.e. the latest period of sales multiplied by the number of times that period goes into one year), the contribution payable by Valeant to a second Phase III study for prophylaxis of HAE if the Transaction is not completed and the current and projected sales revenues in Europe.

Successful achievement of such sales development following completion of the Transaction would generate cash in-flows from product sales in 2017 of in excess of €33.0 million, which (after allowing for the additional sales costs anticipated to achieve such sales development) would render the Company profitable at the operating result level and possibly at the net result level, depending on the sales growth actually achieved. Pharming anticipates that the Company will potentially reach profitability as much as three years earlier than under the Valeant license.

A significant portion of the efforts of the Management Board have been directed towards securing sufficient funds for the continued business of the Company and, more recently, to achieving the Transaction agreement and prepare for the financing necessary to complete it.

At present, RUCONEST® sales are growing in all markets, although such growth is relatively slow in most markets. Pharming does not believe this is related to the product itself, which competes very effectively with all other therapies wherever a significant attempt is made to promote the product along the same lines as such competitor therapies. Instead it seems to be directly related to low or non-existent efforts to promote the product. As the product grows even though promotion efforts are weak, then it is reasonable to assume that it will at least continue to grow at the current level if much stronger efforts are made to promote RUCONEST® in all major markets.

After having agreed the parameters for the ongoing clinical development of RUCONEST® in prophylaxis of HAE with the FDA, the Company expects that any further clinical development in this study program (Study 3201) will be completed by the end of 2018 at the latest, enabling a new application for a BLA with the FDA in prophylaxis to be filed soon after such studies are complete, assuming that the necessary endpoints are

achieved. Non-approval by the FDA would, however, cause a delay and may, ultimately, jeopardise the product development program as well as affect the commercialisation prospects thereof in the USA and may adversely affect the Company's business, financial condition and prospects.

The ability to keep key employees or attract replacements if necessary is also important for the further growth of the Company. The business of Pharming is highly specialised and requires specific expertise from highly educated and trained professionals. Since there is severe competition on an international scale between companies in the relevant industry for talented and experienced individuals, there is a risk that one or more of these employees may leave causing delays in the execution of the business plan. Pharming tries to attract and retain talent by a combination of incentives including competitive compensation structures, participation in option and share plans and providing an attractive employment culture.

Operating Review

This section provides an overview of the Company's main commercial agreements, the clinical development of RUCONEST® for prophylaxis of HAE in the USA, the status of other protein replacement programs and, ultimately, the ongoing development of the transgenic platform.

Commercial Agreements

In 2004, the Company signed an agreement with Laboratorios del Dr. Esteve, S.A. (Esteve) in Spain for the exclusive development, marketing and sales of RUCONEST® in Spain, Portugal, Andorra and Greece.

In 2010, Pharming entered into an exclusive distribution partnership with Swedish-based SOBI for Iceland, Norway, Switzerland and all the territories of the EU except those then covered through this agreement with Esteve. SOBI is specialised in the marketing and selling of Orphan Drugs. This distribution partnership provided Pharming with a total of €8.0 million in upfront and milestone payments. In 2010, the Company also entered into an exclusive license and distribution partnership with US-based Santarus for the North American territories (Canada, Mexico and the USA). This distribution partnership provided Pharming with an upfront payment of US$15.0 million. This license transferred to Salix upon the acquisition of Santarus by Salix in January 2014, and then to Valeant upon the acquisition of Salix by Valeant in April 2015. Both SOBI and Valeant buy finished product from Pharming for a transfer price that incorporates a (progressive) tiered royalty component based on annual net sales performance.

In 2011, Pharming entered into an agreement with MegaPharm, a privately owned Israeli pharmaceutical company, for the commercialisation of RUCONEST® in Israel for the treatment of acute angioedema attacks in patients with HAE. Under the agreement, MegaPharm pays Pharming for completion of certain commercial, regulatory and clinical milestones. MegaPharm purchases its commercial supply of RUCONEST® from Pharming at a supply price, based on a percentage of net sales of RUCONEST®.

In 2011, Pharming and SOBI agreed to extend their 2010 agreement with territories in the Balkans, North Africa, and the Middle East. Following an agreement with Esteve to return the rights to market RUCONEST® in Spain, Portugal, Andorra and Greece, the rights to commercialise RUCONEST® in these territories were subsequently granted to SOBI as well.

In 2012, Pharming entered into two commercial partnerships for the treatment of acute HAE attacks in patients. Transmedic, a privately owned Singapore pharmaceutical company, was granted the rights for the commercialisation of RUCONEST® in Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. This agreement comes to an end in February 2017. HyupJin, a Seoul based Korean specialty pharma company, obtained these rights in the Republic of Korea.

In 2014, Pharming acquired certain assets of TRM, a private French company in liquidation. Pharming gained access to five potential new product leads (founder rabbits); recombinant-human (rh)-α-glucosidase for the treatment of Pompe's disease, rh-α-galactosidase for the treatment of Fabry's disease, rh-β-cerebrosidase for

the treatment of Gaucher's disease, rh-Factor VIII for the treatment of Hemophilia-A and rh-Factor IX for the treatment of Hemophilia-B. In addition, Pharming gained access to transgenic rabbit founder technology and know-how developed by TRM.

In October 2014, Pharming and SOBI amended their distribution agreement for RUCONEST® so that Pharming would take back commercialisation rights in Austria, Germany and the Netherlands, and SOBI would extend its RUCONEST® sales territory with the addition of Azerbaijan, Belarus, Georgia, Kazakhstan, Russia, Serbia and Ukraine.

In May 2015, Pharming has entered into an exclusive distribution agreement with Cytobioteck, a privately owned specialty healthcare company based in Bogota, Colombia, for the distribution of RUCONEST® (recombinant human C1 inhibitor) for the treatment of acute attacks of Hereditary Angioedema (HAE) in Colombia and Venezuela. Under the agreement, Cytobioteck will drive all regulatory processes and will purchase its commercial supplies of RUCONEST® from Pharming at a fixed transfer price.

In July 2016, Pharming and SOBI announced an amendment of the RUCONEST® distribution agreement, effective 1 October 2016. In addition to Austria, Germany and the Netherlands, Pharming regains control of commercialisation rights to RUCONEST® in an additional 21 countries. These countries include Algeria, Andorra, Bahrain, Belgium, France, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates, United Kingdom and Yemen.

Pharming continues to discuss and negotiate with potential RUCONEST® licensing partners for all major territories outside those already covered through existing partnerships and those which the Company is developing a direct sales capability.

Commercialisation of RUCONEST® in the USA

Pharming and its partner Valeant have reached agreement for Pharming to acquire all North American commercialisation rights to its own product RUCONEST®, including all rights in the USA, Mexico and Canada. The Transaction will accelerate Pharming's development into a profitable specialty pharmaceutical company with its own independent commercial infrastructure, which will form the foundation for growth in the future. Reference is made to Chapter 10 "*Transaction with Valeant*".

Both SOBI and Valeant currently have the right to participate in the future development and distribution of RUCONEST® in their agreed countries for additional indications beyond acute attacks of HAE. If either SOBI and/or Valeant (in the absence of completion of the Transaction) decides to participate in such development projects, development costs for such projects are shared with Pharming. To date Valeant has opted in for the development of the prophylaxis indication and further routes of administration (including a subcutaneous version and an IV-lite version) and as such is sharing in the ongoing development costs. Valeant will cease to have the right to participate in these development projects following the closing of the Transaction.

To ensure a seamless transition, Pharming is anticipating that Valeant's dedicated RUCONEST® sales force, a total of 11 people, will accept independent offers to join Pharming to continue the RUCONEST® sales effort in the USA. The Company also plans to increase the size of the sales force to drive growth in product sales, together with increased investments in medical science liaison personnel and additional marketing activities, including patient advocacy programs and the provision of significant unconditional support for the HAEA (the US HAE patients' association) and its programs as well as other HAE centers of excellence in the USA. In addition, Pharming is planning further investment in the acceleration of RUCONEST® sales efforts to drive growth in the EU, Middle East and Africa markets which Pharming will take over in October 2016 from SOBI, as announced on 14 July 2016, and to make RUCONEST® available in Canada and Mexico.

Valeant and Pharming will work closely on the transition for customers and HAE patients under a transition services agreement entered into at the same time as the Transaction. This will enable Pharming to replace core functions currently undertaken by Valeant and its contractors in a timely manner.

Commercialisation of RUCONEST® in Europe

The roll-out of RUCONEST® in Europe is progressing, although gaining market access across Europe has generally been slower than Pharming initially expected, reflecting the process of obtaining national, regional and local listings and reimbursements, getting labelling improvements approved by the EMA and developing real competition with existing market participants (this is a challenge faced by the entire industry and is not unique to Pharming). Nonetheless, the Company anticipates that RUCONEST® will be properly available and competitive in all of the major European markets by the end of 2017.

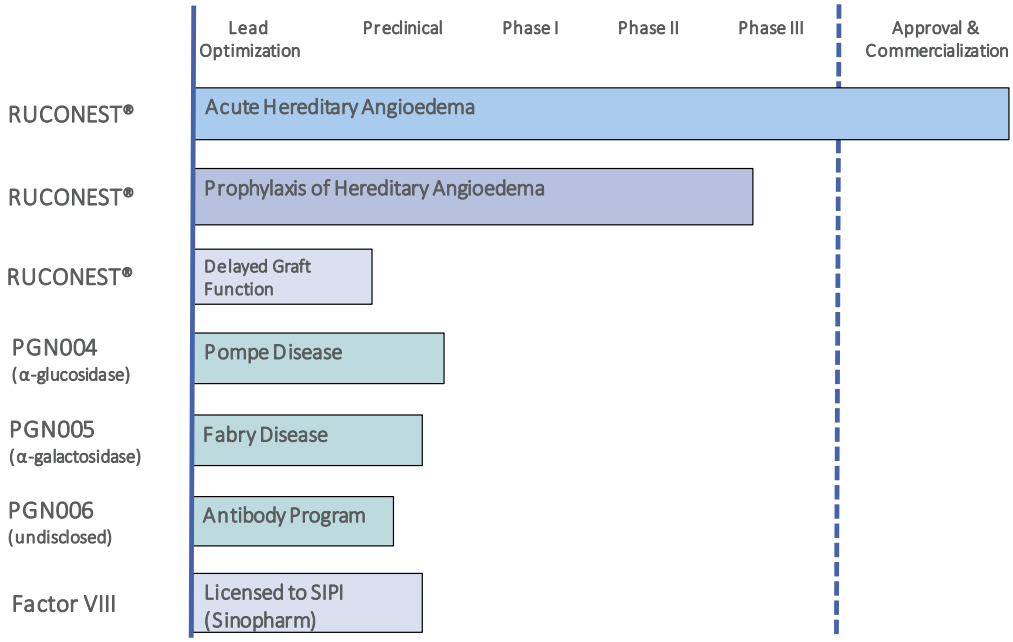
Pharming's business model depends on commercial partners to market its product in the various territories where it does not have commercialisation rights or where it does not have the necessary market access and expertise. Pharming is also indirectly exposed to the risks of its chosen partners. The Company continues to believe that RUCONEST® is a very valuable addition to the therapeutic options available to HAE patients and Pharming continues to support its commercialisation partners in their endeavours.

Research & Development

Pipeline

On 18 July 2016, Pharming announced positive results from a Phase II clinical study of RUCONEST® for prophylaxis in patients with HAE. In the study, RUCONEST® showed a clinically relevant and statistically significant reduction in attack frequency for both the twice-weekly and once-weekly treatment regimens as compared with placebo. Pharming will schedule a meeting with the FDA early next year to discuss the parameters for the ongoing clinical development of RUCONEST® in prophylaxis of HAE with the FDA. The Company expects that any further clinical development in this study program (Study 3201) will be completed by the end of 2018 at the latest, enabling a new application for a BLA with the FDA in prophylaxis to be filed soon after such studies are complete, assuming that the necessary endpoints are achieved.

The other programs of Pharming have all passed the lead optimalisation phase during which the lead drug molecule is improved and perfected. These programs are now in pre-clinical stage as is shown in the picture below. The last three programs are further discussed in the following paragraphs.



It should be noted that Program PGN006 is a new but undisclosed antibody program which Pharming is in the process of acquiring from an undisclosed third party. No binding commitment has yet been executed. The costs of acquisition will not be material in the context of the Group as a whole, and will be met from existing resources without affecting the projections shown in the Prospectus. The costs of acquisition and of developing the PGN006 program are already included in Pharming's financial forecasts.

Other Products under Research & Development

The Company recently announced headline information regarding its three new molecule programs:

Alpha-glucosidase for the treatment of Pompe disease

Pompe disease is a rare multisystem genetic disorder that is characterised by absence or deficiency of the lysosomal enzyme alpha-glucosidase (GAA). This enzyme is required to breakdown (metabolise) the complex carbohydrate glycogen and convert it into the simple sugar glucose. Glycogen is a thick, sticky substance and failure to properly break it down results in massive accumulation of lysosomal glycogen in cells, particularly in cardiac, smooth, and skeletal muscle cells. Pompe disease is a single disease continuum with variable rates of disease progression and different ages of onset. The infantile form is characterised by severe muscle weakness and abnormally diminished muscle tone (hypotonia) without muscle wasting, and usually manifests within the first few months of life. Additional abnormalities may include enlargement of the heart (cardiomegaly), the liver (hepatomegaly), and/or the tongue (macroglossia). Without treatment, progressive cardiac failure usually causes life-threatening complications by the age of 12 to 18 months. Pompe disease can also present in childhood, adolescence or adulthood, collectively known as late-onset Pompe disease. The extent of organ involvement may vary among affected individuals, however, skeletal muscle weakness is usually present with minimal cardiac involvement. Initial symptoms of late-onset Pompe disease may be subtle and may go unrecognised for years. Pompe disease is caused by mutations of the GAA gene and is inherited as an autosomal recessive trait. The disease is estimated to affect 1 in every 40,000 individuals.

The only approved therapy to date is Enzyme Replacement Therapy (ERT) wherein recombinant human α-glucosidase, produced on Chinese Hamster Ovary (CHO) cells (Myozyme®/Lumizyme® from Genzyme – now Sanofi-Aventis), is administered intravenously (I.V.) every 2 weeks with a dosing of 20 mg/kg body weight. Patients receiving ERT need treatment during their entire life. The major drawbacks in ERT are immune responses which can be raised towards an impure recombinant protein and low efficacy due to limited ability of the protein to reach and bind to its specific receptors on the into target cells, which seems to be the main reason for the high dosing. Several alternatives to Myozyme are under development, including a yeast-derived α-glucosidase with an improved glycosylation pattern for better recognition by cellular receptors (Oxyrane) and a gene therapy approach by Duke University.

Human recombinant α-glucosidase has been produced in transgenic animals before. Until 2002, Genzyme together with Pharming generated transgenic rabbits producing α-glucosidase. Production levels were as high as 8 g/L (Bijvoet et al. 1998, 1999). The transgenic material was shown to be active in clinical trials.

In 2002 all assets related to the α-glucosidase program (animals, constructs, notebooks, IP, etc.) were transferred to Genzyme under the Settlement Arrangements of 15 August 2002. Genzyme then stopped the program, preferring to continue with the better-understood CHO-cell program which became Myozyme®, but scaling issues forced it to develop a second cell-line version to achieve capacity, which became Lumizyme®. Pharming is taking an aggressive approach in which the new product is intended to have better immunogenicity, safety and efficacy profiles than Myozyme/Lumizyme. The product will not be considered a 'Biosimilar' by the authorities as it is produced on a totally different production platform, but from an activity and safety perspective, this new product will likely be broadly biosimilar to Myozyme/Lumizyme. The approach by Pharming (if successful) may also result in a so-called 'Biobetter'. In 2015, sales of Myozyme®/Lumizyme® were €650 million, an increase of 12.4%[3]. On this basis, assuming a similar growth for the products in 2016, the size of the Pompe disease market globally may be estimated at approximately US$730 million.

In addition to lower costs of goods, which allow for a forecast lower price for the new product as compared to Myozyme/Lumizyme, Pharming is aiming for greater ease of administration. Pharming believes that a significant market share can be obtained, even though Genzyme currently holds 100% of the Pompe market.

[3] Source: *Sanofi Aventis quarterly report September 2015*.

Alpha-galactosidase for the treatment of Fabry disease

Fabry disease is another rare inherited disorder of lipid (fat) metabolism, similar to Pompe disease, resulting from the deficient activity of a different enzyme, alpha-galactosidase A (a-Gal A). This disorder belongs to the same group of diseases known as lysosomal storage disorders. This enzymatic deficiency is caused by mutations (or alterations) in the a-Gal A gene (GLA) that instructs cells to make the a-Gal A enzyme. Lysosomes function as the primary digestive units within cells. Enzymes within lysosomes break down or digest particular compounds and intracellular structures. a-Gal A functions to break down specific complex sugar-lipid molecules called glycolipids, specifically, globotriaosylceramide (GL-3 or Gb3), lyso-GL-3/Gb3 and related glycolipids, by removing the terminal galactose sugar from the end of these glycolipid molecules.

The enzyme deficiency causes a continuous build-up of GL-3/Gb3 and related glycolipids in the body's cells, resulting in the cell abnormalities and organ dysfunction that particularly affect the heart and kidneys. The GLA gene is located on the X-chromosome and therefore, Fabry disease is inherited as an X-linked disorder. Males are typically more severely affected than females. Females have a more variable course and may be asymptomatic or as severely affected as males (see Genetics section below). There are two major disease phenotypes: the type 1 "classic" and type 2 "later-onset" subtypes. Both lead to renal failure, and/or cardiac disease, and early death (Desnick 2001). Type 1 males have little or no functional a-Gal A enzymatic activity (<1% of normal mean), and marked accumulation of GL-3/Gb3 and related glycolipids in capillaries and small blood vessels which cause the major symptoms in childhood or adolescence. These include the acroparesthesia (excruciating pain in the hands and feet which occur with exercise, fevers, stress, etc.); angiokeratomas (clusters of red to blue rash-like discolorations on the skin); anhidrosis or hypohidrosis (absent or markedly decreased sweating); gastrointestinal symptoms including abdominal pain and cramping, and frequent bowel movements; and a characteristic corneal dystrophy (star-burst pattern of the cornea seen by slit-lamp ophthalmologic examination) that does not affect vision (Desnick 2001, Desnick 2009, Germain 2010). With increasing age, the systemic GL-3/Gb3 deposition, especially in the heart leads to arrhythmias, left ventricular hypertrophy (LVH) and then hypertrophic cardiomyopathy (HCM), and in the kidneys to progressive insufficiency and then to renal failure, and/or to cerebrovascular disease including transient ischaemic attacks (TIAs) and strokes.

There are only two approved treatments at present, Fabrazyme®, also from Genzyme (now Sanofi-Aventis), which is agalsidase beta, a form of the human enzyme produced by recombinant DNA technology, also in CHO cells, and Replagal from Shire, also a recombinant form of agalsidase beta from a human cell line. The FDA has granted Orphan Drug status to another investigational therapy called AT1001, manufactured by Amicus Therapeutics, Inc., for the treatment of Fabry disease. This oral therapy is designed to enhance an individual's residual alpha-galactosidase A activity. With any genetic disorder which involves the patient being unable to produce a protein (enzyme) correctly, supply of the correctly produced enzyme is normally the standard of care, and other approaches tend to leave patients at risk of relapse or breakthrough symptoms, as has been seen for HAE. As for α-glucosidase, Pharming believes that its own platform technology can produce a high purity, less immunogenetic α-galactosidase that will compare favourably with Fabrazyme on efficacy and ease of administration. In 2015, sales of Fabrazyme® increased 17.2% to €592 million[4]. In August 2016, Shire reported quarterly sales of Replagal of US$118.4 million[5], which implies annual sales of approximately US$474 million. Assuming similar growth in 2016 for Fabrazyme, the approximate size of the Fabry's disease market may be estimated at approximately US$1,167 million (i.e. US$474 million plus US$693 million.

Factor VIII for the treatment of Hemophilia-A

Hemophilia-A, also known as classical hemophilia, is a genetic bleeding disorder caused by insufficient levels of a blood protein called factor VIII. Factor VIII is a clotting factor. Clotting factors are specialised proteins that are essential for proper clotting, the process by which blood clumps together to plug the site of a wound to stop bleeding. Individuals with Hemophilia-A do not bleed faster or more profusely than healthy individuals, but, because their blood clots poorly, they have difficulty stopping the flow of blood from a wound.

[4] Source: *Sanofi Aventis Quarterly Report September 2015.*
[5] Source: *Shire Quarterly Report August 2, 2016.*

Hemophilia-A can be mild, moderate or severe, depending on the baseline level of factor VIII made by that individual. The approximate size of the global market for recombinant versions of clotting Factor VIII in 2014 was $2.7 billion[6].

As for the liposomal storages diseases, the recognised standard of care for Hemophilia-A is replacement of the missing factor, in this case Factor VIII. Treatment consists of replacing the missing clotting protein (factor VIII) and preventing the complications associated with the disorder. Replacement of this protein may be obtained through recombinant factor VIII, which is artificially created in a lab. Many physicians and voluntary health organisations favour the use of recombinant factor VIII because it does not contain components derived from human blood. Factor VIII can also be obtained from frozen plasma (i.e., blood donations). Human blood donations do carry a risk of transmitting viral infection such as hepatitis.

The FDA has approved several recombinant forms of factor VIII for the treatment of hemophilia-A including Helixate®FS (CSL Behring); Recombinate® (Baxter); Kogenate®FS (Bayer HealthCare); Advate® (Baxter); ReFacto® (Pfizer); Eloctate® (Biogen-Idec) and Xyntha® (Pfizer). Human plasma-derived preparations include Monarc-M (Baxter), Monoclate-P® (CSL Behring), Hemofil M (Baxter), and Koate-DVI (Kedrion). Nuwiq was approved by the FDA in 2015, an intravenous therapy for adults and children. The medication is manufactured by Octapharma. In 2015, Adynovate was approved for use in adults and adolescents, aged 12 years and older. It is made by Baxalta U.S. Inc. In 2016, the FDA approved the drug Kovaltry Antihemophilic factor (recombinant) for the treatment of hemophilia-A in children and adults. Kovaltry is made by Bayer.

Pharming is assisting its Chinese partner (CSIPI) in producing a quality recombinant Factor VIII replacement therapy product. Further details on this program will be released once the program enters into clinical studies.

Transgenic Platform

Pharming's main platform is the development of human recombinant proteins with excellent therapeutic properties and good safety profiles through the generation of transgenic animals which only express the human protein in their milk. This enables the safe, pure production of the protein without the animal suffering or being biologically affected, although they remain transgenic animals and may not therefore mix with wild populations. Pharming is open to discussion about various partnerships to generate additional income through expanding the geographical reach of its RUCONEST® franchise and out-licensing of its transgenic platform.

R&D collaborations

Besides the strategic collaboration agreement with CSIPI for the development, manufacture and commercialisation of new products based on Pharming's technology platform (which is not a traditional collaboration agreement as there is no ongoing interaction on research or development), the Company currently has no significant external R&D collaborations. The Company is in discussions with various parties with respect to potential new products, but these have yet to produce a definitive agreement.

Intellectual Property

Patents

Patents and other proprietary rights are critical to Pharming's business. Pharming's policy is to file patent applications to protect technology, including production processes, products (or composition of matter) and use of products, and improvements thereto that are of potential interest to the development of its business. Pharming's policy is to extend patent coverage to countries that represent a market opportunity for its products, its technology or both, in order to be able to sell licenses or form partnering alliances for joint

[6] Source: *GlobalData December 2015.*

development of its technologies in related fields. The Company also relies on confidentiality agreements and other measures to protect its proprietary technology, drug candidates and products. The most effective form of defence for Pharming's lead product RUCONEST® is the data exclusivity rights it has in the major US market, which last until 2026. While not a patent, this prevents another party from developing its own product and referencing the trials that Pharming has completed as evidence for its own product. In practice, this means that new entrants must develop their own recombinant product and must test it in the clinic as if RUCONEST® did not exist. Pharming's new products in Pompe disease and Fabry disease will benefit from similar rights once they have completed their own clinical trial programs.

In seeking to obtain the most extensive patent protection possible, Pharming generally starts by filing an initial patent application with the European Patent Office (EPO) and a provisional patent application with the United States Patent and Trademark Office, which fixes the relevant priority date. Within one year of these initial filings, the Company files an application under the Patent Cooperation Treaty (PCT) and in relevant non-PCT contracting states, e.g. in Taiwan. Usually, within 30 months of the PCT filing and after the PCT examination, the Company files patent applications with the EPO, in the USA, Japan and other important countries, including Australia, Canada and New Zealand. Patents granted by the EPO may cover all European Patent Convention contracting states and are generally validated in most countries. Without regarding national European patents as separate patents, the Company's patent portfolio includes around 120 issued patents worldwide, of which around 60 are in the USA.

Pharming owns a number of patents and several patent applications worldwide relating to expression systems for the expression of compounds in the milk of non-human transgenic animals and for species-specific milking devices. None of these patents is material to the Company, although they do prevent other parties from easily following the development path of RUCONEST®. In addition, the Company owns patents and several applications worldwide on transgenic cattle. These patents contribute to the Company's role as an important player in the field of the production of recombinant proteins in the milk of transgenic cattle. Other patents and patent applications are product-related. All of Pharming's patents referred to in this paragraph expire by the end of 2020.

In 2004, the Company acquired the patent portfolio of PPL Therapeutics Ltd (Scotland). This portfolio covers various aspects of transgenic technology, including expression systems, purification methods, and specific transgenically expressed recombinant human proteins. These patents are also not material to the Company, but serve to delay other parties from catching up on the transgenic animal research carried out in Pharming's R&D division. These patents run until 2020. Thereafter, it is likely that the new Pharming products will be protected by data exclusivity rights in important markets.

Late 2011, Pharming was granted U.S. Patent 8,071,532, covering a method of preventing, reducing or treating an ischaemia and/or reperfusion injury by administering recombinant C1 inhibitor (RUCONEST®). The broad claims in the patent provide protection until 2028.

Licenses

Out-licensed by Pharming

Pharming granted Collagen Corporation (now called: Cohesion Technologies Inc.) by agreement of May 1993, amended February 1996, a license under Pharming's patents relating to the use and sale of transgenically produced human collagen.

Under a cross-license agreement of July 1996 with Genpharm International, a subsidiary of Medarex, Inc., as amended in November 1996, Pharming granted to Genpharm International a non-exclusive license to certain USA patents and corresponding non-USA applications for the use in production of immunoglobulins.

In 2000, Pharming granted to Genencor International, Inc. a non-exclusive license to USA patents covering the use of transgenes longer than 50 kb in transgenic mice.

Under a cross-license of June 2002, Pharming granted a non-exclusive worldwide license under specific USA and non-USA patents to GTC, covering the production of proteins in the milk of certain transgenic animals, provided GTC does not manufacture, use and sell any of the products currently being developed by the Company.

Under a settlement agreement of August 2002 between Genzyme Corporation and the Company, an exclusive, worldwide license was granted to Genzyme under the Company's patents and patent applications in the field of transgenic technology, solely for the production of human alpha-glucosidase.

In July 2004, Pharming provided a license to Esteve for the marketing, distribution and selling of RUCONEST® in Spain, Andorra, Portugal, and Greece. This license was terminated in 2011.

In March 2008, Pharming also provided a license to EIP for the marketing, distribution and selling of RUCONEST® in Turkey. This license was terminated in 2016.

In April 2010, Pharming provided a license to SOBI for the marketing, distribution and selling of RUCONEST®/rhC1INH in Iceland, Norway, Switzerland and all territories of the EU, except Greece, Portugal, Andorra and Spain.

In September 2010, Pharming provided a license to Santarus for the marketing, distribution and selling of RUCONEST®/rhC1INH in Canada, Mexico and the USA. This license transferred to Salix upon its acquisition of Santarus in January 2014 and then to Valeant following the latter's acquisition of Salix in April 2015, and is the subject of the Transaction.

In June 2011, Pharming provided a license to MegaPharm for the marketing, distribution and selling of RUCONEST®/rhC1INH in Israel.

In August 2011, Pharming and SOBI agreed to extend their agreement with territories in the Balkans, North Africa, and the Middle East.

In August 2011, Esteve returned the rights to market RUCONEST® in Spain, Portugal, Andorra and Greece. These rights were subsequently granted to SOBI.

In February 2012, Pharming entered into a commercialisation partnership with Transmedic for the commercialisation of RUCONEST® in Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand for the treatment of acute HAE attacks in patients. This partnership will end in February 2017

In March 2012, the Company entered into an agreement with HyupJin to commercialise RUCONEST® for the treatment of acute attacks of HAE in the Republic of Korea.

In May 2015 Pharming entered into an agreement with Cytobioteck to commercialise RUCONEST® for the treatment of acute attacks of HAE in Colombia and Venezuela.

In October 2014, Pharming re-acquired from SOBI the rights to market RUCONEST® in Austria, Germany and the Netherlands and in October 2016, Pharming re-acquired from SOBI the rights to market RUCONEST® in Algeria, Andorra, Bahrain, Belgium, France, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates, United Kingdom and Yemen.

In-licensed by Pharming

The Company holds licenses for intellectual property that have been developed by others and which can be used with the Company's platform technology to expand its potential range of products or increase its product development efficiency. Where licenses have been entered to obtain rights to the intellectual

property rights of third parties, the Company has agreed to pay royalties and, in certain cases, license fees as consideration for the related rights.

In 1993, Cohesion granted Pharming an exclusive license to all production rights of collagen and its corresponding non-EP filings for the product collagen for the use in oral tolerance induction.

Genpharm International granted Pharming a, royalty-free, perpetual sublicense, under a 1995 agreement covering a USA patent entitled 'Positive-Negative Selection Methods and Vectors' to be used exclusively for cattle, rabbits, goats and sheep.

Under a cross-license of June 2002, GTC granted Pharming a non-exclusive worldwide license under its specific USA and non-USA patents for the production of proteins in the milk of goats and to the production of monoclonal antibodies in the milk of transgenic animals, under certain conditions and for certain territories. In 2008 Pharming acquired an exclusive sub-license to key patents and technology on recombinant fibrinogen from GTC. These rights enable Pharming to accelerate pharmaceutical development of rhFIB and stimulate medical device development through its biomaterials program.

Pharming has access to the nuclear transfer technology of Infigen Inc. (Infigen) with a worldwide, exclusive license under Infigen's intellectual property for the production of all Pharming products currently or previously in development using Infigen technology. In addition, Pharming holds a non-exclusive license to all intellectual property of Infigen in the area of nuclear transfer and associated technologies under a 2004 agreement.

Pharming holds an exclusive license to certain intellectual property of the University of Hawaii in the area of nuclear transfer and assisted reproductive technologies, which was previously owned by ProBio Inc., a company that was acquired by Pharming in 2004. The intellectual property portfolio of Infigen was acquired by Advanced Cell Technology in the first quarter of 2007. This does not affect Pharming's rights under the Infigen patents.

Pharming has exclusive rights for the production of proteins for treatment of lysosomal disorders in milk of transgenic animals under an agreement with Genzyme Corporation, entered into in 2002.

The termination of any of these licenses could have an adverse impact on the Company's ability to develop, manufacture, market or sell its product candidates. See also Chapter 2 "*Risk Factors*", section "*Risks relating to Pharming*".

Trademarks and Patents

The Company also intends to protect its intellectual property through trademark registration and patents. To date, the Company holds several trademarks registered in or accepted in the EU and in the USA, Japan, Australia and Israel.

Regulatory Approvals

The testing, manufacture, packaging, labelling, distribution, sale, marketing, promotion, and advertising of products intended for therapeutic use in humans are subject to extensive and rigorous regulation in the USA by the FDA, as well as other agencies, including the US Department of Agriculture and the Federal Trade Commission, and are subject to comparable regulation by other authorities such as the EMA for the member states of the EU.

The process of undertaking and completing preclinical studies and clinical trials, and obtaining regulatory approvals, may take several years and requires the expenditure of substantial resources, with an uncertain outcome. There can be no assurance that any product will receive approval on a timely basis, if at all. Further, the manufacture of products through the use of transgenic animals is expected to present novel questions

concerning the safety and efficacy of the products produced thereby and concerning compliance with prescribed current cyclic good manufacturing practices applicable to the Company's range of products.

The FDA and the EMA have published a number of guidance documents related to biotechnology-derived products, including a "Points to Consider" document on products for human use derived from transgenic animals, that contain recommendations that represent the agencies' current thinking on, among other things, the scientific rigor and data necessary to demonstrate the safety and efficacy of such products. In addition, regulations and recommendations regarding the use of species of animals, such as bovines, in which prion-mediated diseases have been reported, may impact the availability, expense, and care of certain source animals for transgenic production. The Company expects that regulatory standards will be imposed that are distinct from those currently employed in commercial animal husbandry practices.

The Company expects that products from its current development portfolio will mostly fall under regulations in effect for pharmaceutical or biological products. The primary regulatory activities required to be successfully completed before a new human pharmaceutical or biological product may be marketed in the USA include (i) preclinical laboratory and animal testing, (ii) the submission to the FDA of an Investigational New Drug (IND) application, (iii) adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug, (iv) the submission of a New Drug Application (NDA) or a BLA to the FDA, and (v) FDA approval of the NDA or BLA prior to any commercial promotion, sale, or shipment of the product. Once approved, any changes in the manufacturing of the product that have substantial potential to adversely affect its safety or efficacy will require supplemental approval by the FDA as well as the EMA, as may changes in labelling or promotional materials, or in formulation, route of administration, or dosage form.

Sponsors of and investigators in clinical trials in the USA and Europe are subject to numerous regulations, including those relating to Good Laboratory Practices, informed consent of human patients, and welfare of animals used in preclinical trials. Accordingly, depending on the requirements of any particular jurisdiction, data from clinical trials may be useful in the registration and/or approval processes in various jurisdictions.

Preclinical studies are conducted in the laboratory and in animal models to gain preliminary information about the presence of any significant safety issues and product feasibility. In the USA, the results are submitted to the FDA as part of the IND application. Testing in humans may not commence until the IND becomes effective. Human clinical trials are conducted in phases and are designed to collect additional data relating to the safety, dosage and side effects of the new product, and to the product's efficacy. Phase I clinical trials are usually conducted with a small number of healthy individuals to determine the metabolic and pharmacological activities of the product, to test its safety and, if possible, to obtain early evidence of efficacy. Phase II clinical trials usually involve studies in a limited patient population to determine the efficacy of the product for specific indications and to determine dosage tolerances and optimal dosage. Phase III clinical trials usually are conducted to evaluate clinical efficacy and to test safety within an expanded patient population.

There can be no assurance that submission of an IND to the FDA will result in the IND becoming effective so that clinical trials may commence. In addition, each clinical trial must be conducted under the auspices of an Institutional Review Board (IRB), which considers, among other things, ethical issues, the safety of human subjects, the adequacy of patient informed consent, and the potential liability of the institution. Further, the FDA may, for a number of reasons, impose a clinical hold on ongoing clinical trials, or the IRB or the applicant may suspend clinical trials at any time if it is felt that the participants are being exposed to an unanticipated or unacceptable health risk. If a clinical hold is imposed by the FDA, trials may not recommence without prior FDA authorisation, which may require changes to, among other things, clinical trial protocols. The results of a product’s preclinical studies, clinical studies, chemistry and manufacturing data and proposed labelling, among other things, are submitted to the FDA in the form of an NDA or BLA for approval of the marketing and commercial shipment of the product. The FDA may refuse to accept the NDA or BLA for filing if administrative content criteria are not satisfied, and even after accepting an application for review, the FDA may require additional testing or information before making a decision to approve or deny an application. The FDA must deny an application if applicable regulatory requirements are not ultimately satisfied. Moreover, if regulatory

approval of a product is granted, such approval may be conditional on post-market testing and surveillance to monitor the safety of the product and may entail limitations on the indicated uses for which the product may be marketed. Finally, product approvals may be suspended or withdrawn if, among other reasons, compliance with regulatory requirements is not maintained, new information raises safety or efficacy questions, or problems occur following initial marketing.

Trends

Product sales are currently exclusively related to RUCONEST® and are realised directly by the Company and through Pharming's commercialisation partners, of which currently only SOBI and Valeant have generated substantial sales in the EU and the USA respectively. Reimbursement procedures in the various EU member states vary considerably and have become more onerous over the recent years. In addition, further regional and local hurdles for acceptance of new products exist in several markets, which is why the roll-out across the EU still continues. The actual selling prices vary across the EU, depending on the various reimbursement systems in member countries, and on the local distribution channels and margins involved. The selling price to Pharming's commercialisation partners is either fixed per unit or defined as percentage of the net selling price in the market. In certain contracts, additional tiered royalties are paid to Pharming upon exceeding pre-defined sales levels by the partner.

Most of Pharming's inventories of €18.4 million at 30 September 2016 have originally been produced as preparation for higher levels of sales in the USA (which did not materialise as a result of changes of sales strategy by Valeant during 2015) and to ensure the product was available during the planned temporary closure of the Company's fill & finish partner BioConnection during that company's separation from Merck Sharp & Dohme Inc. to become a new independent company. BioConnection has now recommenced completion of batches of finished product for Pharming. It is not expected that these inventories will reach their expiration dates prior to disposal through sales and/or use in (pre)clinical activities. Following an internal review of the overall inventory position, the Company incurred non-cash impairment charges of €0.2 million in the first nine months of 2016 while also expensing €3.0 million of inventories sold.

The downstream production (purification of milk into drug substance and subsequent fill and finish of the drug substance into drug product) has been outsourced to Sanofi (purification) and BioConnection (fill & finish). New purification production at the Sanofi site, on a larger scale but against a decreased cost of production compared to previous outsourced manufacturers, is now in full scale, such that sufficient quantities for the EU and USA markets are available and adequate capacity for accelerating sales in all markets, including but not limited to the USA, is safeguarded. New production processes and sites (or changes to either of those) are subject to formal approval by the respective regulatory authorities.

Competition

The pharmaceutical and biotechnology industries are highly competitive and subject to rapid technological change. Any products that Pharming successfully may develop will compete with existing and future therapies. There are many organisations, including pharmaceutical companies, biotechnology companies, academic laboratories, research institutions, governmental agencies and public and private universities, which are actively engaged in developing products that target the same markets as the product candidates of Pharming. Many of these entities have financial and other resources substantially greater than those of the Company. In addition, many of Pharming's competitors have significantly greater experience in manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing than the Company does. These entities also compete with Pharming in recruiting and retaining qualified scientific and management personnel, as well as in acquiring products and technologies complementary to, or necessary for, Pharming's product candidates. Moreover, there can be no assurance that such competitors will not obtain patent protection or other intellectual property rights that would make it difficult or impossible to market the product candidates of Pharming. As a result, there can be no assurance that the Company will be able to compete effectively against these companies or their products.

For the treatment of acute attacks of HAE the competition can be divided into C1 inhibitors and alternative therapies targeting different effector mechanisms. Currently, Pharming is the sole provider of a recombinant version of C1 inhibitor and the other C1 inhibitors mentioned below are derived from human plasma. Other providers of C1 inhibitors include:

- CSL Behring with an approved product in several countries in the EU and in the USA;
- Shire with an approved product for preventive use in the USA and both preventative and acute use in the EU; and
- Sanquin with the same approved product in some countries in the EU.

Competitive drugs targeting different mechanisms to treat acute attacks of HAE include:

- Shire with one approved product in the EU and two approved products in the USA (Firazyr® and Kalbitor®).

Facilities

Pharming's administrative, regulatory and clinical development departments are located in the research facility rented in Leiden, the Netherlands.

The Company has two facilities for breeding and milking transgenic rabbits in the Netherlands, including approximately 0.2 hectares of land on one site (upstream manufacturing). This state of the art facility is dedicated to the generation, care and milking of transgenic rabbits, producing recombinant proteins in their milk. The second site is being developed to provide a second production facility and to enable development of new programs for alpha-glucosidase and alpha-galactosidase. Each facility is fully licensed for the housing, caretaking, breeding and milking of rabbits to produce therapeutic proteins.

Pharming also has a small laboratory and office in the Genepole site at Evry in France, south of Paris. This facility is rented and includes space for the microinjection and fertilisation of rabbits, care of breeding populations and associated microbiology.

Employees

The headcount at year end of employees of the Group for each of the years ended 31 December 2014 and 2015 per functional category was as follows:

	2015	2014
Research and development	40	29
Manufacturing	27	19
Marketing & sales	2	-
General and administrative	10	9
Total	79	57

The increase in employees from 57 in 2014 to 79 in 2015 primarily reflects the increase in R&D activity with the new programs and the beginning of marketing and sales activities following the recovery of commercialisation rights in Germany, Austria and the Netherlands from SOBI.

The weighted average number of employees as at 30 September 2016 was 84. The increase in number of employees compared to 31 December 2015 primarily reflects the addition of new staff at the Company's new production/research facility in the Netherlands.

10. Transaction with Valeant

On 9 August 2016, Pharming announced that it had entered into a definitive agreement with its partner Valeant for Pharming to acquire all North American commercialisation rights to its own product RUCONEST® (recombinant human C1 esterase inhibitor), including all rights in the US, Mexico and Canada. This transaction (the Transaction) will accelerate Pharming's development into a profitable specialty pharmaceutical company with its own independent commercial infrastructure, which will form the foundation for growth in the future. Pharming anticipates that the Transaction, after taking full account of the costs of the Transaction and the Financing (including interest), will be accretive to earnings immediately and will enable the Company to reach profitability potentially as much as three years earlier than under the Valeant license.

Since the FDA's approval of RUCONEST® on 16 July 2014, US net product sales have grown from US$0.3m in 2014 to an annualised rate of approximately US$35 million at the end of the third quarter of 2016 within the US HAE acute therapy market which is worth approximately US$845 million[7]. Recently RUCONEST® has also shown good positive data in prophylaxis of HAE, meeting its primary endpoints for both once weekly and twice weekly dosing regimens in a Phase II clinical trial as announced on 18 July 2016. If approved in this indication, RUCONEST® will be able to enter this additional market, currently worth approximately US$700 million[8]. RUCONEST® therefore has the potential to be the only recombinant C1 esterase inhibitor approved to target both the acute market and the prophylaxis market in HAE. The size of the European market is difficult to assess because of differences in prescribing patterns and the absence of a marked distinction between acute and prophylaxis indications, but the Management Board believes the approximate size of approved HAE drug sales is around €150 million, with the rest of the world smaller still at approximately €50 million.

Structure of the Deal

Under the terms of the agreement with Valeant, Pharming will pay certain subsidiaries of Valeant an upfront payment of US$60 million upon closing of the Transaction (which is expected shortly before 6 December 2016). In addition, over the coming years the Company will make one-time-only payments to Valeant on achievement of a small number of specific sales milestones events, totalling a maximum of US$65 million. The payments of these milestones will be self-funding because they occur at levels of sales at which the product may be expected to produce incremental profits which will themselves be sufficient for payment of the milestone once it is incurred. The closing is subject to Pharming obtaining sufficient financing for payment of the Upfront Amount.

These payments, and Pharming's agreement to assume full responsibility for the development, marketing and sale of RUCONEST® following the closing are to be made in consideration of the cancellation of the legal rights held by Valeant to commercialise RUCONEST® in North America and the transfer to Pharming of certain rights under third party service agreements, intellectual property rights and regulatory approvals and related documentation used by Valeant for RUCONEST®.

The Transaction has already completed pre-notification and clearance procedures under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Growth of Sales Force and Supplementary Marketing Efforts Crucial for Success

To ensure as seamless a transition as possible, Pharming is anticipating that Valeant's dedicated RUCONEST® sales force, a total of 11 people, will accept offers to join Pharming to continue the RUCONEST® sales effort in the USA. Pharming also plans to increase the size of the sales force to drive growth in product sales, and increase investments in medical science liaison personnel and additional marketing activities, including

[7] This figure is derived from adding together the most recent public statements of the sales of the main competitor products, except for one product which has been estimated from price and patient prescription data.

[8] Based on the sales of the only approved product (US$618 million in 2015 and $693m per year on the basis of the latest quarter results according to the parent company) and estimated sales of other products known to be used on an off-label basis for prophylaxis.

patient advocacy programs and the provision of significant unconditional support for the HAEA (the US HAE patients' association) and its programs as well as other HAE centres of excellence in the USA. In addition, Pharming is planning further investment in the acceleration of RUCONEST® sales efforts to drive growth in the EU, Middle East and Africa markets which Pharming has taken over in October from SOBI, as announced on 14 July 2016, and to make RUCONEST® available in Canada and Mexico.

Valeant and Pharming will work closely on the transition for customers and HAE patients under a transitional services agreement to be entered into at the same time as the closing of the Transaction. This will enable Pharming to replace core functions currently undertaken by Valeant and its contractors in a timely and efficient manner.

While Pharming is not acquiring Valeant's business of selling RUCONEST®, it should be noted that the same patients using RUCONEST® in the days before the Transaction will normally still be using the drug in the days after the Transaction, and ordering it from the same pharmacies, who will be ordering from Pharming instead of Valeant. This allows the Management Board to expect that there will be relatively little disruption of the business if essentially the same sales force is selling the product the day after the Transaction, as is intended.

Debt Components

The Transaction will be funded by the combination of proceeds from the New Debt Facility, the Convertible Bonds and the issue of New Shares. Any excess proceeds will be used for other purposes (see Chapter 5 "*Use of Proceeds*"). The Debt Components are further described below. The terms shown below are subject to final changes as the full documentation is completed. These descriptions show the terms as currently agreed.

The Convertible Bonds are being placed with institutional investors. There are two series of Convertible Bonds: the balance is expected to be €17 million of Ordinary Bonds and €45 million of Amortizing Bonds based on current term sheets and written expressions of interest, although the balance of proceeds between the two types and the precise terms of each series may change as the transactions with these investors are finalised.

The Ordinary Bonds have a fixed term of 5 years unless previously converted or redeemed, and carry a fixed coupon of 8.5% per annum (payable semi-annually) and are convertible at the option of the holder during an exercise period, expected to begin shortly after issue and end shortly before the maturity date, into 58,859,154 New Shares at a conversion price of €0.284, i.e. a price representing a premium of 25% to the VWAP or 38.5% to the Issue Price. The Ordinary Bonds are redeemable at the Company's option at par after 3 years, if in a period of 30 consecutive trading days the volume weighted average price of the Shares is 30% above the conversion price, unless the holders elect to convert their Ordinary Bonds instead of being redeemed. The holders may request redemption at par of any unredeemed or unconverted Bonds on maturity. The Ordinary Bonds are neither guaranteed nor secured but will rank behind the secured debt facility. The Ordinary Bondholders will receive 20% warrant coverage in the 2016 Warrants entitling them to subscribe for 11,971,831 Shares at a warrant strike price of €0.284, i.e. a price representing a premium of 25% to the VWAP or 38.5% to the Issue Price.

The Amortizing Bonds are expected to have a maturity of 18 months and carry no coupon, although there is a fee payable to the holders upon closing of €5.0 million. The Company will begin repaying the Amortizing Bonds after two months in 16 equal instalments, in either Shares or cash at the Company's sole discretion, although the first three such payments will be in cash only. The maximum total payment in cash (other than for an early repayment) is capped at 70% of the principal amount. Any repayments in cash will be at a premium to the repayment amount. The Shares used to meet a repayment will be priced at a discount to the volume-weighted average price of the Shares over the month preceding the repayment. The premium and discount are subject to final negotiation. The Amortizing Bonds are convertible at the option of the holder within 18 months from issue at a conversion price of €0.30, i.e. a price representing a premium of 32% to the VWAP or 46% to the Issue Price. The Amortizing Bonds are redeemable at the Company's option at a significant premium within the 18 months duration. The premium will vary between 15% and 25% depending on how much of the Amortizing Bonds have already been paid in Shares. The holders may nevertheless elect to convert their Shares rather than be repaid in cash. The Amortizing Bonds are not guaranteed nor secured, but will rank behind the secured debt facility and the Ordinary Bonds. The Amortizing Bondholders will

receive 40% warrant coverage in the 2016 Warrants entitling them to subscribe for 63,380,282 Shares at a warrant strike price of €0.284, i.e. a price representing a premium of 25% to the VWAP or 38.5% to the Issue Price.

The New Debt Facility is expected to be granted by Kreos Capital V (UK) Ltd and Silicon Valley Bank (the New Lenders), with whom the Company has entered into a non-binding term sheet on very similar general terms to those of the Loans. Under the current terms and conditions of the New Debt Facility, the New Lenders will provide US$40 million (approximately €37.7 million) secured senior debt funding repayable over 42 months with an 8.0 % fixed interest per annum. During the initial 12 months of the facility only interest will be payable, followed by monthly repayments of the outstanding principal amount on a 30 month straight amortisation basis. As further consideration for the New Debt Facility, the New Lenders or their associate companies will receive 10% warrant coverage (i.e. warrants to acquire 12,933,431 Shares at a conversion price of €0.284, representing a premium of 25% to the VWAP or 38.5% to the Issue Price) and a final payment on maturity (due June 2020) of 9% of the principal sum as for the current Loans. The New Lenders will receive a first priority ranking debenture (or the equivalent) and/or other first ranking security over all assets, including intellectual property of the Group and the commercialisation rights for RUCONEST® which are the subject of the Transaction. Closing of the New Debt Facility is conditional on a minimum raise of €40 million in equity and convertible debt, satisfactory outcome of due diligence inquiry by the New Lenders, no breach of representations and warranties by Pharming and execution of all required documentation by the parties.

The New Lenders, the Ordinary Bond holders, the Amortizing Bond holders and institutional investors in the Support Arrangements will all receive warrants on identical terms (the 2016 Warrants). The 2016 Warrants will be exercisable for a period of five years as of the Settlement Date at an exercise price of €0.284, equal to a premium of 25.0% above the VWAP, or 38.5% over the Issue Price. The exercise price of the 2016 Warrants will be adjusted in case of an issue altering the terms and conditions of the Shares, such as subdivision or amalgamation of Shares, to reflect the value of the original warrant immediately prior to such event.

Chapter 12 "*Description of Share Capital and Corporate Governance*", section "*Capitalisation Table*" shows the Shares issued and reserved prior to the Transaction, plus the possible issues of Shares and 2016 Warrants upon closing of the Debt Component transactions and conversion of the Convertible Bonds.

Unaudited Consolidated Pro Forma Financial Information

The Transaction is essentially the cancellation of legal rights held by Valeant to commercialise RUCONEST® in North America, in order to enable Pharming to commercialise the product there itself instead. As a consequence, no assets are being acquired as such, and no business is being acquired – only the right to conduct a business. Potential investors should understand that the pro forma tables below do not therefore represent a standard pro forma consolidation of one business with another, as no ongoing business is being acquired, but instead represents the potential effects the commercialisation rights might have had upon Pharming's financial position if the exact same sales had been achieved by Pharming with the same cost base over the period in question, in the opinion of the Management Board.

In producing the pro forma table below, therefore, the Management Board has taken a hypothetical situation in which the Transaction had been completed at 1 January 2016, and the sales results achieved by Valeant had in fact been achieved instead by Pharming. Pharming has included the actual costs of the current Valeant sales force personnel throughout the period from 1 January 2016 to 30 September 2016, together with a reasonable allocation of the costs for support services (warehousing, patient support, administration, pharmacovigilance, regulatory support, marketing materials and support, legal and financial support and so on), because the Valeant costs for all those activities are spread over many products and generally not allocated to RUCONEST®.

The form of the table is based on the precise form of Pharming's regular financial statements showing income statement and balance sheet. The adjustments are explained below the table where necessary.

The unaudited consolidated pro forma financial information for the nine month period ended 30 September 2016 (the Consolidated Pro Forma Financial Information) is presented to illustrate the different effect the Transaction would have had on Pharming's financial and trading position on the basis that the Financing had been achieved in accordance with the terms set out elsewhere in the Prospectus. The Consolidated Pro Forma Financial Information differs from and supersedes the preliminary pro forma information presented in Pharming's announcement of the Transaction on 9 August 2016 and the publication of consolidated financial statements for 31 August 2016 and 30 September 2016 published on 3 October 2016 and 27 October 2016 respectively because because (a) the financial structure for the Transaction has changed, (b) the accounting treatment has been altered from accounting for the Transaction as an asset transaction to accounting for the Transaction as a business combination and (c) more accurate information on cost and the financial structure is now available. This results in certain elements of the financial statements being treated differently, such as the contingent consideration, valuation of intangible assets and depreciation.

The Consolidated Pro Forma Financial Information is provided for illustrative purposes only in accordance with Annex II of the Commission Regulation 809/2004/EC. It does not purport to represent what the actual results of operations or financial position of the Company would have been had the Transaction occurred at 1 January 2016, nor is it necessarily indicative of the results or financial position of the Company for any future periods. The Consolidated Pro Forma Financial Information represents information prepared on the basis of estimates and assumptions deemed appropriate by the Company and is unaudited. Because of its nature, the Consolidated Pro Forma Financial information is based on a hypothetical situation and, therefore, does not represent the actual financial position or results of operations of the Company. The assumptions used in the preparation of the Consolidated Pro Forma Financial Information may prove not to be correct.

The Company's auditors PricewaterhouseCoopers Accountants N.V. have issued an assurance report in respect of the Consolidated Pro Forma Financial Information. Their report can be found below on page 94-96.

Basis of Preparation

General

The unaudited pro forma consolidated financial income statement for the nine month period ended 30 September 2016 has been prepared based on (a) the Group's condensed consolidated interim financial statements prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34), for the same period; (b) the adjustments as explained further in the notes below the income statement; and (c) a proportion of the estimated net proceeds of the Amortizing Bonds and the New Debt Facility being received on 1 January 2016.

The unaudited pro forma consolidated balance sheet as at 30 September 2016 was prepared based on (a) the Transaction occurring on 30 September 2016; (b) the adjustments as explained further in the notes below the balance sheet; and (c) a proportion of the estimated net proceeds of the New Debt Facility and the Amortizing Bonds being received on 30 September 2016.

The adjustments have been prepared as follows: (1) for revenues, based on the actual sales reports issued by Valeant to Pharming, (2) for R&D expenses, based on actual contributions paid by Valeant to Pharming, (3) for General and administrative expenses, based on the estimated useful life of the re-acquired right and Transaction costs, (4) for Marketing and sales costs, based on a reasonable allocation of Valeant's costs for support services (warehousing, patient support, administration, pharmacovigilance, regulatory support, marketing materials and support, legal and financial support and so on), and (5) for financing expenses, based on the estimated effective interest cost on the proceeds of the instruments issued to fund the Transaction.

As Pharming is not in fact acquiring a business from Valeant, but merely reacquiring the rights to create a very similar business of its own, and as the financing transaction is not for the acquisition of the rights alone but also for the capital required to enable that new business to accelerate relative to the current Valeant business, the Consolidated Pro Forma Financial Information represents an entirely hypothetical situation in which none of the adjustments are expected to have a continuous impact in precisely the way they are

represented in the Consolidated Pro Forma Financial Information. Instead, new line items will be included from the closing date of the Transaction which follow exactly the same principles but which reflect the actual situation for Pharming going forward and not the hypothetical one looking backward. It would not be relevant to use the future planned activities as a comparison to the previous business which was run without most of those planned activities, as this would necessarily give an erroneous view of how the business might have looked today if it had been in place since the last audited financial reporting date. As a result, all adjustments should be regarded as recurring in nature following the Transaction except as indicated otherwise in the notes.

The Consolidated Pro Forma Financial Information has been prepared in a form consistent with the accounting policies adopted in the Company's consolidated financial statements prepared in accordance with IFRS for the first nine months ended 30 September 2016 incorporated by reference in the Prospectus. The Transaction is accounted for as a business combination under IFRS 3. As a result, a purchase price allocation has been performed. The purchase price allocation for purposes of this unaudited pro forma financial information is relatively simple. Pharming has made a preliminary allocation in which it is assumed that the total purchase consideration is paid for the commercial rights to sell RUCONEST® in North America and therefore the full amount paid (including any contingent consideration, but less the allocation for other items being acquired or taken on, such as the sales force which is being independently approached to work in the same capacities for Pharming) is allocated to the fair value of the re-acquired right to sell RUCONEST® in North America. Following the completion of the Transaction we will finalise the purchase price allocation, which may result in a different outcome to that presented in the Consolidated Pro Forma Financial Information.

The pro forma adjustments are described in the accompanying notes. The adjustments have been limited to only those adjustments that are directly attributable to the Transaction and the Financing obtained, and are factually supportable. The Consolidated Pro Forma Financial Information does not include any adjustments for the impact of any extra costs or revenues which Pharming may incur following the Transaction as a result of different business planning for RUCONEST® relative to how the product was handled by Valeant, nor for any potential operating efficiencies or additional funds or revenues in relation to the Transaction or the Offer.

Consolidated Pro Forma Financial Information

Consolidated Pro Forma Income Statement for the nine month period ended 30 September 2016 (unaudited)

Amounts in €'000	Notes	Pharming 9m to 30 Sep 2016 Actual	Valeant 9m to 30 Sep 2016 Actual	Adjustments	Pharming 9m to 30 Sep 2016 Pro Forma
Product sales	1	7,034	19,309	(5,816)	20,527
Deferred license fee income	3	1,656		4,828	6,484
Revenues		8,690	19,309	(988)	27,011
Costs of product sales		(3,022)	(5,816)	5,816	(3,022)
Inventory impairments		(209)		-	(209)
Costs of sales		(3,231)	(5,816)	5,816-	(3,231)
Gross profit		5,459	13,493	4,828	23,780
Other income		265		-	265
Research and development	4	(11,080)	(1,188)		(12,268)
General and administrative	5	(3,120)		(2,677)	(5,797)
Marketing and sales	6	(911)	(6,037)		(6,948)
Costs		(15,111)	(7,225)	(2,677)	(25,013)
Operating result		(9,387)	6,268	2,151	(968)
Gain/(loss) on derivatives		411		-	411
Other financial income /expenses	7	(1,463)		(5,974)	(7,437)
Net settlement loss	2	-	-	(676)	(676)
Financial income & expenses		(1,052)		(6,650)	(7,702)
Result before income tax		(10,439)	6,268	(4,499)	(8,670)
Income tax expense		-		-	-
Net result for the period		(10,439)	6,268	(4,499)	(8,670)
Earnings per share - basic		(0.025)			(0.021)

Notes to the Consolidated Pro Forma Income Statement:

1. Revenues

At present, Pharming's main revenues from sales of RUCONEST® in the USA comprise the Supply Price received from Valeant, which is 30% of Net Sales*, 'free' vials distributed by Valeant to new patients while their entitlement to insurance benefits is verified (which are paid to Pharming at Pharming's cost of goods price). In addition, reimbursements of amounts spent on preclinical and clinical development of new indications or routes of administration for RUCONEST® are netted off those costs within Research & development (R&D) expenses. Accordingly, once the Transaction closes, all revenue from those same US sales will accrue to Pharming, which will mean that Pharming receives the other 70% of Net Sales as well as the 30% it currently receives. In the nine months to 30 September 2016, revenues from Net Sales by Valeant were approximately €19.386 million, from which Pharming was paid €5.816 million, and so the difference is €13.570 million. The adjustment will not actually occur following the Transaction, as Pharming will instead account for 100% of all the actual revenues generated for RUCONEST® in the US following the Transaction, but the scale of the adjustment (sales of RUCONEST® in the USA being 2.33 x the sales recorded at present) will continue. The €5.816 million appears as a cost of product sales for Valeant, but this is also reversed out in the adjustments as this would effectively become an intercompany transaction.

An additional adjustment is needed to Revenue for the costs of goods of 'free vials' sent on behalf of Valeant to the Lash Group for entrants into Ruconest Solutions. This was approximately €77,000 during the period to 30 September 2016 and paid by Valeant. This adjustment will have a lasting effect, as Pharming will be liable for the cost of any such free vials itself in future.

Accordingly, Revenue from product sales would have been different:

9 months to 30 September 2016:	€'000
Original Product Sales (including EU)	7,034
Additional sales recorded in USA	13,570
New Product Sales	20,604
Less:	
'Free' vials not paid by Valeant	77
Revised Product Sales for the period	20,527

2. Net Settlement Loss on Acquisition

The payment of $60 million (approximately €56.7 million) to Valeant in connection with the Transaction and the possible payment of further milestones depending on performance will together form the fair value of the Transaction for business combination accounting purposes under IFRS and create a significant intangible asset on the Company's Balance Sheet. Effectively this represents the value, net of costs, which is represented by the commercial rights to sell RUCONEST® in North America. The intangible asset has a value for the purposes of this pro forma on the basis of the purchase price plus a contingent consideration amount in respect of the likelihood of the business as it stood then reaching the $65 million milestone payments, calculated by reference to the value of the business it represented when acquired. It does not necessarily represent the future value of the business which can be built with that right or using that asset, but a snapshot of the fair value at the time the Transaction was agreed and the price set. In any event this adjustment will not recur as it happens once on completion of the Transaction.

The value of the intangible asset is made up as follows, both at 1 January 2016 (for the Income Statement adjustments) and at 30 September 2016 (for the Balance Sheet adjustments):

	€'000
Fair Value of cash flows relevant to the business of RUCONEST in the USA	72,233
TOTAL:	72,233

The subsequent adjustments are fairly complicated, and result from the interpretation of the transaction as a business combination even though no actual business in terms of sales, working capital, accounts payable or receivable, costs or liabilities is acquired. This results in a theoretical loss on settlement of the relationship with Valeant, which is matched by the creation of an intangible asset on the balance sheet representing the re-acquired right to sell RUCONEST® in North America, and a theoretical amount of negative goodwill, which is matched by the cash paid for the Transaction including the contingent obligation to pay milestones in due course if sales achieve the relevant levels.

These adjustments are broken down as follows:

	€'000	€'000
Consideration:		
Cash paid in Upfront Amount		56,658
Contingent consideration for future milestone amounts (see Note 7)		15,575
		72,233

Represented by:

	€'000	€'000
Fair value of reacquired right to sell RUCONEST® in NA	65,876	
Value of workforce (35% of annual cost)	676	
Release of Deferred License Revenue from balance sheet	5,681	
	72,233	

Settlement loss on termination of Valeant agreement:	
Fair value of reacquired right to sell RUCONEST® in NA	65,876
Reduced by value of deferred license revenue released	(5,681)
Settlement loss (A):	60,195

Purchase price consideration	
Consideration	72,233
Fair value of reacquired right	(65,876)
So Purchase price consideration is	6,357

This is allocated to:

	€'000	€'000
Reacquired right	65,876	
Value of workforce (C)	676	
Negative goodwill (B)	(60,195)	
	6,357	

The income statement impact is:

Settlement Loss plus acquisitions other than the reacquired rights:	
Settlement Loss (A)	(60,195)
Value of workforce (C)	(676)
Negative goodwill (B)	60,195
Net Settlement Loss to income statement:	(676)

In addition, there will be depreciation of this reacquired right over the nine month period. This is shown under Note 5 below.

3. Deferred License Revenue

As a result of the license agreement with Santarus in 2010, Pharming received a significant sum in an upfront payment. This sum has been gradually released to the income statement over the expected life of the license agreement, and as at the start of 2016 there was a total of €5.681 million remaining within the larger deferred license revenue balances within non-current and current liabilities. This would have been immediately released in the event of the Transaction happening at the start of the year and reflected in the income statement as the settlement of the pre-existing agreement with Valeant. The amount of deferred license revenue relating to the Santarus license agreement which was released in the first nine months of 2016 was approximately €852,000, and this would not have been released if the Transaction had already happened. Accordingly, this amount would have been reversed out of the revenue, so that the net adjustment would have been €4.828 million. This adjustment will occur if the Transaction is completed, with the outstanding balance (which will be €4.639 million at the end of November 2016) being released into calculation of the fair value of the intangible asset created or acquired as a windfall amount. This is a non-cash movement and so does not improve the Group's cash balance. This adjustment is a non-recurring adjustment, as it will only happen once on completion of the Transaction.

	€'000
9 months to 30 September 2016:	
Original Deferred License Revenue Released	1,656
Full release of all revenue still held for Santarus Agreement	5,681
Sub-total	*7,337*
Released revenue from Santarus Agreement in 2016	(852)
Revised Deferred License Revenue Released	6,485

4. Reimbursement of Development Work

Valeant currently contributes 50% to Ruconest-related development work, including the prophylaxis study and the development work on new routes of administration. During the first nine months of 2016, the amount received from Valeant was €1.188 million. This amount would not have been received from Valeant during the period if the Transaction had closed on or before 1 January 2016, and would have resulted in an increase in R&D expenses, where this amount is normally netted off.

5. Depreciation

Within General and Administrative (G&A) expenses Pharming accounts for depreciation of fixed and intangible assets. If the Transaction had occurred at the start of the year, a large intangible asset would have been created as a result of the purchase of the North American Commercial Rights to RUCONEST®, which would have needed to be depreciated. The rights will be a useful asset for the lifetime of RUCONEST® as a product, and this is likely to be at least until the expiry of the data exclusivity on the RUCONEST® reference file in 2026 and for many years beyond. Accordingly, depreciation on this asset for the purposes of the pro forma income statement is set as straight line depreciation to zero over 25 years. The intangible asset valuation is discussed below under Balance Sheet Adjustments. This value of intangible asset would have given rise to an additional depreciation expense of €65.9 million/25 years x 9 months, or €1,976 million.

Another change necessary within G&A expenses reflects legal costs associated with the Transaction to date of €0.701 million, for a total adjustment of €2.677 million. This adjustment is a non-recurring adjustment, as it will only happen once on completion of the Transaction, when it will reflect the value of the intangible and the actual costs incurred up to that date.

6. Marketing and sales costs

Marketing and sales costs relating to Valeant sales are based on a reasonable allocation of Valeant's costs for support services (warehousing, patient support, administration, pharmacovigilance, regulatory support, marketing materials and support, legal and financial support) normally associated with such activity. The main categories would have been:

	€million
Personnel & related costs:	1.449
Ruconest Solutions costs, Facilities, Warehousing & logistics	4,588
TOTAL	6,037

In practice, this adjustment will not be necessary, as the Company will simply account for the actual expenses incurred in marketing and sales in the USA.

7. Finance Expenses

Finance expense adjustments comprise the following items:

	€million
Effective interest on New Debt Facility	2,409
Effective interest on the Ordinary Bonds	2,434
Portion of effective interest on the Amortizing Bonds	1,184
Effective interest on contingent consideration	1,168
Interest foregone on $17 million current debt repaid	(1,221)
TOTAL	5,974

The effective interest on the contingent consideration is notional interest charged in respect of the ongoing value of the contingent obligation to pay the sales milestones, at a rate of 10% per annum based on the effective cost of the Loans. This reflects the ongoing financial liability recognised. These adjustments will recur, with the exception of the interest foregone, which is a one-off adjustment.

Consolidated Pro Forma Balance Sheet as at 30 September 2016 (unaudited)

Amounts in €'000	Notes	Pharming 30 Sep 2016 Actual	Valeant 30 Sep 2016 Actual	Adjustments	Pharming 30 Sep 2016 Pro Forma
Intangible assets	1	685		66,729	67,414
Property, plant & equipment		5,909		-	5,909
Restricted cash		248		-	248
Long term prepayment	6	1,000		-	1,000
Non-current assets		**7,842**		**66,729**	**74,571**
Inventories		18,379		-	18,379
Trade and other receivables	4,6	5,872		(581)	5,291
Cash and cash equivalents	7	16,764		-	16,764
Current assets		**41,015**		**(581)**	**40,434**
Total assets		**48,857**		**66,148**	**115,005**
Share capital	2	4,126		589	4,715
Share premium	2	283,538		23,406	306,944
Legal reserves		64		-	64
Accumulated deficit	4	(272,746)		(3,290)	(276,036)
Shareholders' equity		**14,982**		**20,856**	**35,687**
Loans and borrowings	6	8,647		35,691	44,338
Deferred license fee income	3	6,214		(3,692)	2,522
Finance lease liabilities		726		-	726
Other liabilities	5	-		15,575	15,575
Non-current liabilities		**15,587**		**47,574**	**63,161**
Loans and borrowings	6	5,636		(1,115)	4,521
Deferred license fee income	3	2,145		(1,136)	1,009
Derivative financial liabilities		534			534
Trade and other payables	4	9,714		120	9,834
Finance lease liabilities		259		-	259
Current liabilities		**18,288**		**(2,131)**	**16,157**
Total equity and liabilities		**48,857**		**66,148**	**115,005**

Notes to the Consolidated Pro Forma Balance Sheet:

General:

(i) There are no entries for the Valeant business as this business is not being acquired.

(ii) It has been assumed for the purposes of this pro forma that the Transaction is funded as follows:

		€'000	€'000
(a)	Net proceeds from the Offer		11,283
(b)	Net proceeds from the Ordinary Bond		16,150
(c)	Proceeds from the New Debt Facility		37,772
	Sub-total		65,205
	Portion of Amortizing Bonds required to balance consideration:		9,483
	Total		**74,688**
	Then:		
(d)	Costs of New Debt Facility		(567)
(e)	Retention of Advanced Payment of New Debt Facility		(1,267)
(f)	Cost of Upfront Amount		(56,658)
(g)	Repayment of Oxford Finance debt		(16,196)
	Total		**(74,688)**

This approach has been assessed as reasonable because the Amortizing Bonds is necessary to trigger release of the New Debt Facility, but only a small portion (plus the other instruments above) is required to pay the Transaction balance and costs.

1. Intangible Assets

The payment of $60 million (approximately €56.7 million) to Valeant in connection with the Transaction and the possible payment of further milestones depending on performance will together form the fair value of the Transaction for business combination accounting purposes under IFRS and create a significant intangible asset on the Company's Balance Sheet, as shown in Note 2 to the Consolidated Income Statement above on page 81. As at 30 September for balance sheet purposes, the adjustments would have been:

The value of the intangible asset is made up as follows, both at 1 January 2016 (for the Income Statement adjustments) and at 30 September 2016 (for the Balance Sheet adjustments):

	€million
Fair Value of cash flows relevant to the business of RUCONEST in the USA	72.233
Total:	**72,233**

The subsequent adjustments are almost identical to the situation in the income statement above, and result from the interpretation of the transaction as a business combination even though no actual business in terms of sales, working capital, accounts payable or receivable, costs or liabilities is acquired. This results in a theoretical loss on settlement of the relationship with Valeant, which is matched by the creation of an intangible asset on the balance sheet representing the re-acquired right to sell RUCONEST® in North America, and a theoretical amount of negative goodwill, which is matched by the cash paid for the Transaction including the contingent obligation to pay milestones in due course if sales achieve the relevant levels.

These adjustments are broken down as follows:

	€'000	€'000
Consideration:		
Cash paid in Upfront Amount		56,658
Contingent consideration for future milestone amounts		15,575
		72,233
Represented by:		
Fair value of reacquired right to sell RUCONEST® in NA	66,729	
Value of workforce (35% of annual cost)	676	
Release of Deferred License Revenue from balance sheet	4,828	
	72,233	

Please note that the fair value is slightly greater at September than in January because the amount of deferred license revenue to be released is lower later in the year, as more has already been released in earlier months.

Settlement loss on termination of Valeant agreement:	
Amount of the settlement for the reacquired right	66,729
Reduced by value of deferred license revenue released	(4,828)
Settlement loss to be recorded in the income statement:	61,901

Purchase price consideration:	
Consideration	72,233
Amount related to settlement of pre-existing relationship	(66,729)
Remaining purchase price consideration	5,504

This is allocated to:

Reacquired right	66,729
Value of workforce	676
Negative goodwill	(61,901)
	5,504

The income statement impact is:

Summary of income statement impacts:	
Settlement Loss	(61,901)
Value of workforce	(676)
Negative goodwill	61,901
Loss to income statement:	(676)

2. Share Capital & Share Premium

The Offer itself has a direct effect on the balance sheet. The nominal amount represented by the Shares issued in connection with the Transaction would be shown as an addition to Share Capital. On the basis of the full amount of equity issued of €12.083 million in shares of nominal value €0.01 at the Rights price of €0.205, this will be 58,943,624 Shares with a total nominal value of 58,943,624 x €0.01 or €0.589 million.

The balance of the new Equity raised in the Rights Offer after deduction of the nominal value, less the share of the financing costs attributable to the Rights Offer portion, is added to Share Premium account. In this case, that adjustment is €12.083 million less the nominal value added to Share Capital of €0.589 million identified above less costs attributable to the Rights Offer of €0.800 million, making a difference of an additional €10.694 million. These differences are shown below:

Share Capital as at 30 September 2016:

	€'000
Original Share Capital per 9 months results statement	4,126
Nominal Value of new shares issued	589
New Share Capital after Transaction	4,715

Share Premium as at 30 September 2016:

	€'000	€'000
Original Share Premium per 9 months results statement		283,538
Proceeds of new shares issued	12,083	
Less:		
Nominal Value of new shares issued	589	
Costs associated with share issue	800	
Net addition to Share Premium		10,694
Warrant effects (Note 8)	6,429	
Equity portion of Ordinary Bonds (Note 9)	4,034	
Equity portion of Amortizing Bonds (Note 9)	2,249	
Subtotal		12,712
Total adjustment:		23,406
New Share Premium after Transaction		306,055

3. Deferred Revenue release

As mentioned above, the license agreement with Santarus in 2010 resulted in Pharming receiving a significant sum in an upfront payment. This sum has been gradually released to the income statement over the expected life of the license agreement, and as at 30 September 2016 there was a total of €4.828 million remaining within the larger deferred license revenue balances within non-current and current liabilities. This would have to be released immediately in the event of the Transaction happening on that date, as the reason for spreading it over a long period would have been terminated. The amount of deferred license revenue relating to the Santarus license agreement remaining within non-current assets was €3.692 million and within current assets the amount remaining was €1.136 million at 30 September 2016. These amounts would therefore be deducted from deferred license revenue liabilities and released into the income statement as a non-cash revenue amount upon closing of the Transaction. These amounts would also be credited to the accumulated deficit line to reflect the effect on the profit and loss account. These adjustments effectively go through the profit and loss account on that day for the purpose of a pro forma picture of the effect on the Group's financial statements.
The adjustments made for these items are as follows:

Deferred License Revenue as at 30 September 2016:

	€'000
Total Remaining Deferred License Revenue for Santarus Agreement	4,828
Current portion	1,136
Non-current portion	3,692

Then:

Original Deferred License Revenue - Non-current	6,214
Non-current portion of License revenue released	(3,692)
New Deferred License Revenue - Non-current after Transaction	2,522

Original Deferred License Revenue - Current	2,145
Non-current portion of License revenue released	(1,136)
New Deferred License Revenue - Current after Transaction	1,009

4. Adjustment of holding balances of legal costs

The crystallisation of the balances of prepaid legal and similar costs which are currently held as prepayments, and of the remaining amounts expected to be incurred to close the transactions, which are shown as payable in trade creditors. This will cause a small reduction in debtors of €0.581 million and a small increase of €0.12 million in trade creditors as a result of these costs passing through the income statement on the day of transaction for the purpose of this pro forma. In addition, repayment of the Loan associated with Oxford Finance is a necessary condition for the New Debt Facility, in order to release the first charge on all the Company's assets held by Oxford Finance so that a new charge may be applied for the benefit of the New Debt Facility.

These adjustments are as follows:

	€'000
Original Accumulated Deficit	272,746
Less:	
Legal Expenses prepaid (removed from Other receivables)	581
Outstanding legal costs (added to Other payables)	120
Total:	(701)
Costs of Oxford Finance & Silicon Valley Bank debt repayment (final payment)	(1,913)
Net settlement loss for reacquired right	(676)
Total: Adjustment to Accumulated Deficit	(3,290)

5. Milestone Contingent Consideration

As part of the Transaction Pharming agreed milestone payments with Valeant. The Management Board estimated the fair value of this contingent consideration based on the present value of the expected amount of milestone payments and the likelihood of them occurring. This resulted in an estimated fair value of €17,137.

The contingent consideration can be calculated as shown below:

	€'000
Original Contingent Consideration per 9 months results statement	Nil
New Intangible asset created	72,233
Less:	
Payment to Valeant	56,658
New Contingent Consideration after Transaction	15,575

The new contingent consideration would be assessed regularly at each reporting date with changes recorded in the income statement, and would be amortised if either a milestone was paid, in which case the percentage of the liability represented by that milestone would be released, or if the likelihood of the milestones ever being paid was deemed permanently more (or permanently less) likely.

6. Borrowings

Borrowings are complicated by the need to repay the existing debt. The new debt also contains a retention which reduces the amount actually received, and therefore the balance sheet entries. This retention of €1.233 million is used to pay the final month's amortisation and interest, and can therefore be regarded as a prepayment. The entries for the borrowings calculation are as follows:

Borrowings as at 30 September 2016:		
		€'000
Total Remaining Original Loans at 30 September		14,283
Current portion		5,636
Non-current portion		8,647
Total:		14,283
Attributable to Oxford Finance:		10,082
Attributable to Silicon Valley Bank		4,201
Oxford Finance & SVB: Current Portion		5,636
Non-current Portion		8,647
Sub-total		*14,283*
Final payment and interest (incl. exchange differences):		1,913
Total repayable to Oxford Finance and SVB:		16,196
Then:		
	€'000	€'000
Total Non-current Loans at 30 September		8,647
Add:		
New Debt Facility:	37,772	
Costs of issue	(567)	
So:		
Net Proceeds New Debt Facility (All non-current)	37,205	
Convertible Bonds (See note 9)	14,554	
Less:		
Retention (€1.259 million Advanced Payment, plus interest)	(1,267)	
Repayment of debt: Non-current Loans	(8,647)	
Warrant liability (Note 8)	(6,429)	
Sub-total:		35,416
Pro Forma Non-current Loans at 30 September		44,338
Then:		
Total Current Loans at 30 September		5,636
Less:		
Repayment of debt: Current Loans :	(5,636)	
Convertible Bonds – current portion (Note 9)	4,521	
Balance Sheet – Current Loans		(1,115)
Pro Forma Current Loans at 30 September		4,521

7. Cash Movements

Balance sheet cash adjustments will be necessary to reflect the major movements in case, such as the fundraising and the repayments:

Adjustments to cash:

		€'000	€'000
(h)	Net proceeds from the Offer		11,283
(i)	Net proceeds from the Ordinary Bonds (Note 9)		16,150
(j)	Net proceeds from the Amortizing Bonds (Note 9)[9]		9,483
(k)	Net Proceeds from the New Debt Facility (Note 6)		37,205
(l)	Retention of New Debt Facility (Note 6)	(1,267)	
(m)	Cost of Upfront Amount	(56,658)	
(n)	Repayment of existing Loans	(16,196)	
	Total		(0)

8. Warrants adjustments

The warrants attaching to the New Debt Facility, the Ordinary Bonds and the Amortizing Bonds are equity instruments which will have the following entries:

	€'000
Warrants relating to:	
New Debt Facility (12,933,431 warrants)	1,811
Support Arrangements (5,095,199 warrants)	713
Ordinary Bonds (11,971,831 warrants)	1,676
Amortizing Bonds (pro rata to 9,483, or	
= 9,483/37,750 x 63,380,282 warrants = 15,921,456 warrants	2,229
Adjustment	6,429

Each warrant is valued at €0.14 being the fair value according to the option pricing model. The balancing entry is an adjustment to equity via the share premium account.

[9] This amount is simply sufficient to balance the costs of the Transaction, and does not represent the whole of the Amortizing Bonds.

9. Convertible adjustments

The convertible notes which form the Ordinary Bonds and the Amortizing Bonds are instruments which have both equity and liability components. These are estimated by reference to the cash flows each will create. For the purposes of this pro forma, we have approximated the Amortizing Bonds to the Ordinary Bonds, as the Amortizing Bonds has a less predictable equity cost since it depends on price movements in the future. The introduction of these debt elements will have the following entries:

	€'000	€'000
Initial Recognition Ordinary Bonds		
Net Proceeds to Cash	16,150	
Liabilities – non-current		12,116
Equity portion		4,034
	16,150	16,150
Similarly for the small portion of Amortizing Bonds (€9.483m)		
Net-proceeds to Cash	9,483	
Liabilities – current (10 of 16 payments)		4,521
Liability – non-current (6 of 16 payments)		2,713
Equity component to Share Premium		2,249
	9,483	9,483
So the overall entries will be:		
To cash	25,633	
To liabilities (non-current)		14,829
To liabilities (current)		4,521
To Equity		6,283
	25,633	25,633

Report on the Compilation of Consolidated Pro Forma Financial Information

To: the board of management of Pharming Group N.V.

We have completed our assurance engagement to report on the compilation of Consolidated Pro Forma Financial Information of Pharming Group N.V. (the "Company") and its subsidiaries (the "Group") by the Company. The Consolidated Pro Forma Financial Information consists of the Consolidated Pro Forma income statement for the nine months period ended 30 September 2016 as well as the Consolidated Pro Forma balance sheet as of 30 September 2016 and related notes as included on pages 77 to 93. The applicable criteria on the basis of which the Company has compiled the Consolidated Pro Forma Financial Information are specified in Annex II of Commission Regulation (EC) No 809/2004, as described in Section 10, paragraph: "Basis of Preparation".

The Consolidated Pro Forma Financial Information has been compiled by the Company to illustrate the impact of the Transaction, the RUCONEST® license acquisition for the US, Canadian and Mexican market which was not yet completed at the date of this Assurance report and the offerings related to the Transaction, as set out in Section 10 "Transaction with Valeant" and Section 13 "The Offer", on the financial performance for the nine months period ended 30 September 2016, as well as the impact on the financial position as at 30 September 2016 as if the Transaction and Offering set out in Section 5 "Use of Proceeds" respectively Section 13 "The Offer" had taken place at 1 January 2016 and 30 September 2016, respectively.

As part of this process, information about the financial performance of the RUCONEST® license for the US, Canadian and Mexican market has been determined as follows by the Company: (1) for revenues, based on the actual sales reports issued by Valeant to Pharming, (2) for R&D expenses, based on actual contributions paid by Valeant to Pharming, (3) for General and administrative expenses, based on the estimated useful life of the re-acquired right and Transaction costs, (4) for Marketing and sales costs, based on a reasonable allocation of Valeant's costs for support services (warehousing, patient support, administration, pharmacovigilance, regulatory support, marketing materials and support, legal and financial support and so on), and (5) for financing expenses, based on the estimated effective interest cost on the proceeds of the instruments issued to fund the Transaction.

Management's responsibility for the Consolidated Pro Forma Financial Information

Management of the Company is responsible for compiling the Consolidated Pro Forma Financial Information on the basis as set out in the Section 10 "Transaction with Valeant", paragraph "Basis of Preparation" of the Consolidated Pro Forma Financial Information .

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Auditor's responsibility

Our responsibility is to express an opinion as required in paragraph 7 of Annex II of Commission Regulation (EC) No 809/2004, as to the proper compilation of the pro forma financial information and the consistency of accounting policies.

We conducted our engagement in accordance with Dutch law, including the Dutch Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus. This requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company has compiled, in all material respects, the Consolidated Pro Forma Financial Information on the basis as set out in "The Basis of Preparation" of the Consolidated Pro Forma Financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Consolidated Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Consolidated Pro Forma Financial Information .

The purpose of the Consolidated Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction, the RUCONEST® license acquisition and their related Offerings would have been as presented.

A reasonable assurance engagement to report on whether the Consolidated Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Company in the compilation of the Consolidated Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

a) the related pro forma adjustments give appropriate effect to those criteria; and
b) the Consolidated Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Group, the transactions in respect of which the Consolidated Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Consolidated Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the Consolidated Pro Forma Financial Information has been properly compiled on the basis stated in "Basis of Preparation"; and

b) such basis is consistent with the accounting policies of the Company as described in the basis of preparation stated in the consolidated financial information for the year ended 31 December 2015.

Restriction on use

The Consolidated Pro Forma Financial Information and our assurance report thereto are intended solely for enclosure in the Prospectus. This report is required by the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

In addition, this report is not intended to be relied on in the United States of America and we accept no responsibility for any use that you make of it in the United States of America. Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been in accordance with those standards.

Amsterdam, 21 November 2016
PricewaterhouseCoopers Accountants N.V.

Original version signed by R.M.N. Admiraal RA

11. Management, Supervision and Remuneration

Set out below is a summary of certain significant provisions of Dutch corporate law and the Articles of Association in respect of the Management Board and the Supervisory Board and a summary of relevant information concerning the Management Board, Supervisory Board, senior management and other employees of Pharming.

Management Structure

Pharming has a two-tier board structure, consisting of a Management Board (Raad van Bestuur) and a Supervisory Board (Raad van Commissarissen).

Management Board and Supervisory Board

Powers, Composition and Function

The Management Board is entrusted with the management of the Company and is responsible for the policy and the central management of the Company under the supervision of the Supervisory Board. The Management Board is authorised to bind the Company towards third parties. On 22 April 2005, the Management Board adopted the current Management Board regulations which provide for certain duties, composition, procedures and decision-making of the Management Board.

The Supervisory Board is charged with supervising the policy of the Management Board and the general course of the Company's affairs and the enterprise connected therewith. The Supervisory Board assists the Management Board by rendering advice. In performing their duties, the members of the Supervisory Board are obliged to act in the best interests of the Company and the enterprise connected therewith. On 14 October 2004, the Supervisory Board adopted the current Supervisory Board regulations, which provide for certain duties, composition, procedures and decision-making of the Supervisory Board.

The members of the Management Board and the members of the Supervisory Board are appointed at a general meeting of shareholders of Pharming (the General Meeting of Shareholders) from nominations made by the Supervisory Board. The nomination shall be binding. If the Supervisory Board fails to submit the nominations in time, the General Meeting of Shareholders has the authority to appoint any person it chooses. Notwithstanding the foregoing, the General Meeting of Shareholders may at all times, by a resolution adopted by a majority of the votes cast representing more than one third of the Company's issued share capital, deprive the nominations of their binding effect. The General Meeting of Shareholders may adopt or reject a non-binding nomination by a resolution adopted with a majority of the votes cast.

The members of the Management Board and the members of the Supervisory Board may at any time be suspended or dismissed by a resolution adopted by a majority of the votes cast representing more than one third of the Company's issued share capital. The members of the Management Board may also be suspended or dismissed by a resolution of the Supervisory Board.

If in the aforementioned cases, the quorum of one third of the Company's issued share capital is not met, a new meeting will be convened in which a nomination can be rejected or a dismissal or suspension can be resolved by a majority of the votes cast.

The General Meeting of Shareholders shall adopt the remuneration policy in respect of remuneration of the Management Board. The remuneration and other terms and conditions of employment of each of the members of the Management Board is determined by the Supervisory Board taking into account the remuneration policy. The remuneration of each of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

Members of the Management Board

The Management Board is composed of the following members:

Name	Position	Member Since	Term
Bruno Giannetti	Chief Operations Officer	1 December 2006	Up to AGM in 2017
Sijmen de Vries	Chief Executive Officer	13 October 2008	Up to AGM in 2017
Robin Wright	Chief Financial Officer	29 October 2015	Up to AGM in 2020

The business address of the members of the Management Board is Darwinweg 24, 2333 CR Leiden, the Netherlands.

B.M.L. (Bruno) Giannetti, MD PhD – Chief Operations Officer

Mr. Giannetti (1952) is responsible for the Company's operations including R&D and manufacturing activities as well as medical governance and non-clinical and clinical development, regulatory affairs, drug safety, and medical information teams. He has more than 25 years of experience in the pharmaceutical and biotech industry. Previously, he was the President and founder of CRM Clinical Trials GmbH (now Topcro GmbH), CEO of AM-Pharma B.V. and President and CEO of Verigen AG. He has served as senior management consultant for pharmaceutical R&D projects at Coopers & Lybrand (in Switzerland and the UK). Mr. Giannetti was also worldwide Vice-President Marketing and Medical Information at Immuno, Austria and Head of Clinical Research at Madaus AG. Mr. Giannetti holds a PhD in Chemistry and a MD PhD degree in Medicine from the University of Bonn and has been appointed visiting Professor at the Pharmaceutical Faculty of the University of Seville (Spain).

S. (Sijmen) de Vries, MD MBA – Chief Executive Officer

Mr. De Vries (1959) is responsible for the overall management of the Company. Mr. De Vries has extensive senior level experience in both the pharmaceutical and biotechnology industry. He joined Pharming from Switzerland-based 4-Antibody where he was CEO. Mr. De Vries is also a member of the Board of Directors of Midatech Pharma PLC (MTPH.L). Mr. De Vries has been CEO of Morphochem AG and prior to this he worked at Novartis Pharma and Novartis Ophthalmics and at SmithKline Beecham Pharmaceuticals plc where he held senior business and commercial positions. Mr. De Vries holds an MD degree from the University of Amsterdam and an MBA in General Management from Ashridge Management College (UK). Mr. De Vries has been responsible for the commercial development of several major drugs on a global basis and has considerable experience commercialising pharmaceutical therapies in the USA.

R. (Robin) Wright, BA, FCA – Chief Financial Officer

Mr. Wright (1964) is responsible for the financial management, accounting and investor relations activities of Pharming within the CFO role. He has extensive senior level experience as a CFO of public companies in both the pharmaceutical and biotechnology industries. He is a qualified accountant and joins Pharming from Sweden-based Karolinska Development AB (publ.) (KDEV: SS), where he was CFO and Head of Business Development. Mr. Wright was also CFO and Head of Business Development at Orexo AB (publ.) (ORX: SS) in Sweden. Prior to this, he worked in private equity and corporate finance advisory roles, including long periods at Citibank Salomon Smith Barney and Barclays de Zoete Wedd. He has completed 170 global license and M&A transactions as well as many financing transactions within the pharma/biotech sector. Mr. Wright holds a BA degree in Chemistry from Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales in the UK. Mr. Wright has been involved in the commercialisation directly and through partners of several drugs into the USA from Europe.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Position	Member Since	Term
Paul Sekhri	Chairman	30 April 2015	Up to AGM in 2019
Jurgen Ernst	Vice Chairman	15 April 2009	Up to AGM in 2017
Jaap Blaak	Member	23 May 2007	Up to AGM in 2019
Barrie Ward	Member	23 May 2007	Up to AGM in 2019
Aad de Winter	Member	15 April 2009	Up to AGM in 2017
Jan Egberts	Member	30 April 2015	Up to AGM in 2019

The business address of all members of the Supervisory Board is Darwinweg 24, 2333 CR Leiden, the Netherlands.

P. (Paul) Sekhri, MSc – Chairman

Mr. Sekhri (1958) has 30 years of operational experience in life sciences with in-depth knowledge of multinational pharmaceutical and biotechnology markets and products. Mr. Sekhri is currently President and Chief Executive Officer of Lycera Corp., a US-based biopharmaceutical company developing breakthrough medicines to treat cancer and autoimmune disease. Prior to joining Lycera, Mr. Sekhri was Senior Vice President, Integrated Care at Sanofi, where he led the creation of innovative solutions and business models to meet patient needs. Previously, he served as Group Executive Vice President, Global Business Development and Chief Strategy Officer at Teva Pharmaceutical Industries Ltd. Mr. Sekhri has held positions in small biopharmaceutical companies, large and small pharmaceutical companies, and venture capital/private equity firms, including TPG, Cerimon Pharmaceuticals, Ariad Pharmaceuticals and Novartis AG. In addition to his board position with Lycera, he currently serves on several public and private boards including Enumeral Holdings, Inc., Nivalis Therapeutics, Inc., and Veeva Systems, Inc., as well as on several non-profit boards and is a member of the Patrons Council of Carnegie Hall where he served as a member of the Board of Trustees from 2010-2012. Mr. Sekhri completed postgraduate studies in clinical anatomy and neuroscience at the University of Maryland, School of Medicine and received his BSc degree from the University of Maryland.

J.H.L. (Jurgen) Ernst, MBA – Vice Chairman

Mr. Ernst (1939) has extensive senior level experience in the field of pharmaceutical development and marketing, including the USA. From 1969 until 1989 he held several positions at Kali-Chemie AG (subsidiary of Solvay SA), including Head of Pharmaceutical Marketing and Head of Pharmaceutical Division. In 1989, Mr. Ernst continued his career at Solvay and held several positions until he retired in 2004. Amongst others, Mr. Ernst was chairman of the Supervisory Board of Aeterna Zentaris Inc., of which he was member of the board of Pharmaceutical Division, CEO of Health Divisions, General Manager Pharmaceutical Sector and supervisory director and member of the Executive Committee. Mr. Ernst holds an ISMP Degree from Harvard University and an MBA from the University of Cologne.

J. (Jaap) Blaak, MSc – Member

Mr. Blaak (1941) has held executive positions with Hoogovens, Indivers N.V. and Interturbine Holding B.V. in the Netherlands, U.S. Germany and Singapore. In 1983, he got involved with the foundation of the MIP Equity Fund, one of the largest venture capital groups in Europe, and was appointed CEO in 1986. MIP made several investments in Life Science companies and was the driving force behind the BioScience Park in Leiden. Later on MIP merged with the ABN AMRO Venture Capital Group to form Alpinvest. Mr. Blaak has been an advisor to the Dutch Ministry of Economic Affairs for the Biopartner and Technopartner Program and other innovative projects related to Entrepreneurship and Innovation.

Mr. Blaak holds an MSc in Physics and Business Economics from the Free University in Amsterdam and followed the Advanced Management Program of the Harvard Business School (AMP '81).

J.B. (Barrie) Ward, PhD – Member

Mr. Ward (1938) has a broad international network and experience in managing and financing biopharmaceutical companies. He has held senior management positions in the UK, USA and Singapore at several pharmaceutical and biotechnology companies, including Glaxo Group Research Ltd, Virus Research Institute Inc., Avant Immunotherapeutics Inc. and KuDOS Pharmaceuticals Ltd. and board positions at Cancer Research Technology Ltd., Spirogen SARL and CellCenteric Ltd. His most recent senior management position was CEO of KuDOS Pharmaceuticals Ltd, which was sold to Astra-Zeneca in 2006. Mr. Ward holds a PhD in microbiology from the University of Bath (UK).

A. (Aad) de Winter, LLM – Member

Mr. De Winter (1953) has extensive financial experience. He started his career at AMRO Bank in 1980. He worked in the areas of capital markets, investment banking and institutional investor relationship management. In 1990, Mr. De Winter became senior Advisor Corporate and Institutional Finance at NIBC (formerly 'De Nationale Investerings Bank'). As of 1998, Mr. De Winter was at NYSE Euronext (now Euronext), Amsterdam responsible for advising and admitting companies to the stock exchange in Amsterdam as Director Listing & Issuer Relations. As of January 2009 until July 2015, Mr. De Winter was an Associate Partner at First Dutch Capital, Amsterdam and from 2008 to end of 2013, he was a member of the China and India working group at the Holland Financial Centre which was, inter alia, focused on attracting Chinese and Indian companies to a (cross) listing on the Euronext Amsterdam. Since 2010 he is an Associate Partner at Nederlandsche Participatie Exchange (NPEX), an innovative online financing and trading platform for securities of SME companies. Mr. De Winter has more than three decades of experience in assisting companies with stock exchange listings for various capital markets instruments. He holds a law degree from Erasmus University Rotterdam specialising in corporate law.

J. (Jan) Egberts MD, MBA – Member

Mr. Egberts has over 25 years of executive experience in the pharmaceutical and medical device sectors, most recently as Chief Executive Officer at Agendia Inc., a molecular diagnostics company. Prior to this, Mr. Egberts was Chief Executive Officer of Octoplus N.V., a specialty pharmaceutical company, which was acquired by Dr. Reddy's Laboratories Ltd. In 2013. Mr. Egberts also served as a senior healthcare advisor for 3i Group plc, a private equity firm, and as President, Chairman and Chief Executive Officer of Novadel Pharmaceuticals Inc., where he developed a portfolio of pre-clinical and clinical compounds, gaining FDA approval for two compounds. In addition, Mr. Egberts has held multiple business development and general management positions at Johnson & Johnson, Merck & co. and Mölnlycke Health Care. Mr. Egberts graduated from Erasmus University Medical School in the Netherlands and he obtained his MBA from Stanford after which he worked as a management consultant for McKinsey & Co. Mr. Egberts continues to serve on the supervisory board of CHDR (Center for Human Drug Research) and Implanet SA.

Senior Management

The Management Board is supported by the following members of the executive group, composing the senior management (the Senior Management):

J.L.M. (Jos) van der Lubbe, MSc, PhD – Senior Director Quality Assurance and Archive & Documentation / Qualified Person

Jos van der Lubbe (1954) joined Pharming in 2012 and is currently responsible for developing, implementing and managing Pharming's global quality strategy and quality system and ensuring compliance of Pharming's business units and external partners with the applicable international quality expectations and Pharming's

quality strategy for outsourced quality activities. He previously held several positions at Xendo Pharma Services B.V., Pharmachemie B.V., two Bloodbanks and Centocor B.V. in the Netherlands. Jos van der Lubbe received his PhD in medical biochemistry from Leiden University.

A. (Anurag) Relan, MD MPH – Vice President Clinical Research & Medical Affairs

Anurag Relan (1972) joined Pharming in 2006 and is responsible for the management of clinical operations, including CRO activities for trials, investigator/site support, protocol development, patient group interactions, managing regulatory affairs operations and strategic planning. He has more than ten years of experience in the clinical and medical industry. Previously, he held positions at the University of California, Los Angeles, School of Medicine, Providence Medical Institute, Zynx Health Inc and MedFirst Healthcare Inc. Anurag Relan holds an MD and an MPH from UCLA and a BA in Economics from University of California at Berkeley, USA.

M. (Mourad) Salaheddine, DVM PhD – Senior Director Animal Health

Mourad Salaheddine (1964) joined Pharming in 1994 as a veterinary scientist and contributed to the development of all Pharming's transgenic animal lines. He has been responsible for the Company's transgenic rabbit facility and the development of the Company's upstream production for RUCONEST®. He is currently responsible for the health, breeding and welfare of the animals. In addition, he is the Company's expert on the transgenic animal platform and associated strategies. Mourad Salaheddine holds a PhD from the University of Glasgow in veterinary reproductive physiology.

A-M. (Anne-Marie) de Groot – Senior Vice President Organisational Development

Mrs. De Groot (1981) joined Pharming in 2007 and is responsible for developing and executing organisational development within the Company to drive performance and identify and implement best business practices. She plays a key role in aligning talent to business strategy and cultivating high employee engagement. Mrs. De Groot has over 10 years of experience crossing the full spectrum of the HR discipline. She held various Human Resources and Talent Acquisition positions at Randstad, Janssen Pharmaceuticals (the pharmaceutical companies of Johnson and Johnson) and Pharming. She holds a Bachelor in Social Work and a Bachelor in Human Resources Management from Hogeschool Leiden.

P. (Paul) Th. Janssen, MA MBA MSc – Vice President Marketing & Sales

Paul Janssen (1969) joined Pharming in 2014 and is responsible for Marketing and Sales Strategy & Tactics and Business Development. Previously, he was the founder and managing director of ViroPharma GmbH (Germany, Austria, and Switzerland). He has nearly 20 years of experience in the pharmaceutical (Bristol-Myers Squibb, Merck), biotech (Baxter, ViroPharma) and medical devices industries. Paul holds an external PhD candidate position at the business school WHU Otto Beisheim School of Management in Vallendar, Germany. Paul holds an MBA/MSc from Mannheim Business School, (Germany) and Tongji University (China), and an MA in Economics and Business Administration from the University of Maastricht, Netherlands.

T. (Tobias) Suiter, MD – Vice President Medical Affairs Europe

Tobias Suiter (1959) joined Pharming in 2014 and is responsible for medical affairs in the Netherlands, Austria and Germany. He has 20 years' experience in product and franchise launch strategies, global and regional medical affairs, life cycle management, rare disease management, biologics (plasma and recombinant therapeutic proteins), pharmacovigilance & virology. Prior to this assignment, he worked as Vice President Global Medical Affairs at Biogen (US) for the launch of a new franchise involving two next generation biologics. Previous roles include Head of Commercial Development at CSL Behring.

The business address of all members of the Senior Management is Darwinweg 24, 2333 CR Leiden, the Netherlands.

Supervisory Board Committees

The Supervisory Board has appointed from among its members an audit committee (the Audit Committee), a remuneration committee (the Remuneration Committee) and a corporate governance committee (the Corporate Governance Committee).

The Audit Committee consists of Mr. De Winter (Chairman), Mr. Ernst, and Mr. Egberts. The tasks performed by the Audit Committee include reviewing the scope of internal controls and reviewing the implementation by the Management Board recommendations made by the independent external auditor of Pharming.

The Remuneration Committee consists of Mr. Ward (Chairman), Mr. Ernst and Mr. Blaak. The Remuneration Committee advises the Supervisory Board with regard to salaries, grants and awards under incentive plans, benefits and overall compensation for the individual members of the Management Board.

The Corporate Governance Committee consists of Mr. Ward (Chairman), Mr. Ernst and Mr. De Winter. The Corporate Governance Committee is responsible for monitoring compliance with the Dutch Corporate Governance Code.

Remuneration Policy

The remuneration policy was approved in the annual general meeting (AGM) of 18 June 2014. Reference is made to the report of the Remuneration Committee in the annual report 2015, pages 42-48, available on Pharming's website.

Management Board

The following table denotes the breakdown in remuneration of members of the Management Board in 2015 (amounts in €'000):

Name	Salary	Bonus	Share-based payment	Post-employment benefits	Other	Total
Sijmen de Vries	432	194	1,055	76	32	1,789
Bruno Giannetti	282	106	636	72	25	1,121
Robin Wright*	44	-	7	2	-	53
Total	758	300	1,698	150	57	2,963

* Remuneration as of appointment in October 2015

Share Ownership

As per the date of the Prospectus, the number of Shares held by the members of the Management Board and Senior Management are set out below:

Name	Shares held
Sijmen de Vries	1,271,368
Bruno Giannetti	632,711
Robin Wright	150,000
Total Management Board	2,054,079
Total Senior Management	1,855,191
Total General	3,909,270

Supervisory Board

The total remuneration paid to or for the benefit of members of the Supervisory Board in 2015 amounted to €326,000. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

The following table denotes the breakdown in remuneration of members of the Supervisory Board in 2015 (amounts in €'000):

Name	Supervisory Board	Audit Committee	Remuneration Committee	Share-based payment	Total
Paul Sekhri	36	-		9	45
Jurgen Ernst	41	3	3	11	58
Jaap Blaak	50		3	13	66
Barrie Ward	36	3	6	11	56
Aad de Winter	36	9		11	56
Jan Egberts	36			9	45
Total	235	15	12	64	326

Members of the Supervisory Board do not participate in the Company's option plans. In 2015, a total of 725,000 LTIP Shares were granted to the members of the Supervisory Board at the AGM held on 30 April 2015.

The following table denotes the holdings of these LTIP Shares as at 31 December 2015:

Name	Granted	Forfeited	Not vested	Reserved at 31 December
Paul Sekhri	100,000	-	-	100,000
Jurgen Ernst	125,000	-	-	125,000
Jaap Blaak	150,000	-	-	150,000
Barrie Ward	125,000	-	-	125,000
Aad de Winter	125,000	-	-	125,000
Jan Egberts	100,000	-	-	100,000
Total	725,000	-	-	725,000

Apart from these LTIP Shares, none of the Supervisory Board members holds Shares, options or warrants in the Company.

Senior Management

The total remuneration which Pharming paid to or for the benefit of the Senior Management in 2015 amounted to €1,501,000.

Other Information

None of the members of the Management Board, Supervisory Board and Senior Management is, or has been, (i) subject to any convictions in relation to fraudulent offences in the last five years, (ii) in the last five years associated with any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships or senior management positions, or (iii) subject to any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or

supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Administrative, Management and Supervisory Bodies Conflicts of Interest

Pharming is not aware of any potential conflict of interest between the private interests or other duties of the members of the Management Board, Supervisory Board or Senior Management and their duties and responsibilities to the Company. No family ties exist among the members of the Management Board, Supervisory Board and Senior Management.

Option Plans

The Company has a Long Term Incentive Plan and two option plans in place, one for the Management Board and one for employees. In addition, option arrangements have been made with individual consultants. All these plans or arrangements are equity settled.

Long Term Incentive Plan

At the AGM of 16 April 2008, a long term incentive plan (LTIP) was approved with an effective date of 1 January 2008. Under the LTIP, Shares are granted conditionally each year. LTIP Shares will vest after three years provided that the Share price has increased. The number of Shares to vest will be based on the performance of Pharming compared to a peer group of 31 other European Small Cap (< €500 million) listed companies active in Life Sciences. The reference group consists of the following 31 companies:

Main location	Number	Companies
Belgium	3	Ablynx, Galapagos, Ti-Genix
Denmark	4	Bavarian Nordic, Neurosearch, Veloxis Pharmaceuticals, Genmab
Finland	1	Biotie Therapies
France	5	Cellectis, Diaxonhit, Hybrigenics, Innate Pharma, Transgene
Germany	4	Evotec, Medigene, Morphosys, Wilex
Italy	1	Newron Pharmaceuticals
Norway	1	Photocure
Sweden	1	Medivir
Switzerland	4	Addex Therapeutics, Basilea Pharmaceutica, Cytos, Santhera Pharmaceuticals
United Kingdom	7	Allergy Therapeutics, Ark Therapeutics, Gw Pharmaceuticals, Immupharma, Oxford Biomedica, Renovo, Vernalis

The vesting schedule is as follows:

Ranking in the top:	
0-5% of the index:	100%
5-10% of the index:	80%
10-20% of the index:	60%
20-30% of the index:	50%
30-50% of the index:	20%
Lower than 50% index:	Nil

The LTIP is applicable to the Management Board, the Supervisory Board (only for 2014 onwards) and a selected number of members of Senior Management. Participants leaving the Company within three years after the grant date, either voluntarily or upon request of the Company (including through a court

settlement), are immediately excluded from the LTIP and grants under the LTIP will automatically be cancelled. Under the LTIP, Shares are granted conditionally each year with a target value of 30% of annual compensation. Upon a change of control, all LTIP Shares will vest automatically.

An overview of the maximum number of LTIP Shares granted in 2013-2015 as well as the fair value per Share award is as follows:

Participant category	2013	2014	2015	Total
Supervisory Board		525,000	725,000	1,250,000
Management Board	793,200	1,497,062	550,334	2,840,596
Senior managers	370,000	800,000	1,095,000	2,265,000
Total	1,163,200	2,822,062	2,370,334	6,355,596
Fair value per share award (€)	0.022	0.088	0.267	

The 2013 LTIP Shares did not vest at the end of the vesting period (31 December 2015). LTIP Shares reserved at 31 December 2015 relate to the 2014 and 2015 Shares available for participants still in service at the end of 2015.

Main Characteristics of the Option Plans

The option plans were adopted by the Supervisory Board as of 1 June 2016.

The total number of Shares with respect to which options may be granted pursuant to both option plans accumulated, shall not exceed 10% of all issued and outstanding Shares on a fully diluted basis. Unexercised options can be re-used for granting of options under the option plans.

The option exercise price is the price of the Shares on Euronext Amsterdam on the trading day prior to the date of grant or on the trading day prior to the meeting of the Supervisory Board during which it was resolved to grant options. Options can be exercised at any time within five years following the date of grant. Unexercised options shall be deemed lapsed and shall cease to exist automatically after five years. Exercise of options is subject to compliance with laws and regulations in the Netherlands. Exercise of options is including withholding taxes.

In case of the termination of the employment or membership of a participant of the Management Board (except for retirement and death), the following shall apply:

(a) Participants who are required to leave Pharming due to an involuntary resignation will forfeit any vested options immediately upon the date of their resignation;

(b) Participants who leave Pharming by means of a voluntary resignation after the first year of grant will retain the vested options granted to them until the date of their resignation for a period of 90 days following the date of their resignation. After this 90 day period, the unexercised options will lapse; and

(c) The Management Board (in case of employees) or the Supervisory Board (in case of members of the Management Board) is in its sole discretion entitled to decide to recover (on behalf of Pharming) from the participant, who left Pharming due to an involuntary resignation, (the value of) any Shares acquired pursuant to the exercise of options.

Option Plan for Management Board

The Supervisory Board may, at its sole discretion, (i) grant options to a member of the Management Board, (ii) define the conditions attached to the options which need to be fulfilled before the options can be exercised and (iii) determine the criteria for the granting of the options. The Remuneration Committee will propose (i) the criteria for the granting of options, (ii) whether the criteria for granting an option have been met by a potential participant and (iii) the number of options to be granted. The options will at all times be granted under the condition that such granting will be approved by the General Meeting of Shareholders.

Option Plan for Employees

The criteria for the granting of options to employees will be determined by the Supervisory Board. The Management Board will propose (i) whether the criteria for granting an option have been met by a potential participant and (ii) the number of options to be granted. The options are subject to vesting conditions. For each participant, the options will vest in four equal tranches of 12 months provided that at the time of vesting such participant is still an employee.

Option Movements and Option Positions Management Board, Senior Management and Others

An overview of activity in the number of options for the years 2014 and 2015 is presented in the following table.

	2015		2014	
	Number	Weighted average exercise price (€)	Number	Weighted average exercise price (€)
Balance at 1 January	37,534,551	0.481	8,825,431	0.515
Expired	(483,206)	1.712	(201,951)	5.111
Exercised	(356,250)	0.063	(56,250)	0.063
Granted under Plan for:				
Management Board	1,000,000	0.335	19,200,000	0.505
Employees	2,977,225	0.344	9,768,581	0.505
Forfeited under Plan for:				
Management Board	-	-	-	-
Employees	(236,159)	0.504	(1,260)	0.337
Balance at 31 December	40,436,161	0.455	37,534,551	0.481

Total number of options which have been granted as per the date of the Prospectus is as follows:

Options held by	Number	Weighted average exercise price (€)
Management Board	28,943,750	0.319
Senior Management	5,640,319	0.402
Others	8,465,925	0.412
Total	43,049,994	0.348

The following table provides an overview of outstanding options issued to members of the Management Board as per the date of the Prospectus.

Name	Granted	Weighted average exercise price of options granted (€)	Expiration date
Bruno Giannetti	243,750	0.56	13 May 2017
	1,625,000	0.09	14 May 2018
	1,440,000	0.505	17 Jun 2019
	1,440,000	0.341	17 June 2019
	1,440,000	0.209	17 June 2019
	2,880,000	Tbd *	17 June 2019
Sijmen de Vries	375,000	0.56	13 May 2017
	2,500,000	0.09	14 May 2018
	2,400,000	0.505	17 June 2019
	2,400,000	0.341	17 June 2019
	2,400,000	0.209	17 June 2019
	4,800,000	Tbd *	17 June 2019
Robin Wright	1,000,000	0.355	28 October 2020
	4,000,000	Tbd *	25 May 2021
Total Management Board	28,943,750	0.319	

*) The options of the Management Board will vest in equal tranches over a defined period going forward. The strike price of these options shall be equal to the volume weighted average price of the Shares measured over the 20 trading days prior to the date of the Annual General Meeting of Shareholders. Going forward the strike price of the options will be set each year at a value equal to the volume weighted average price of the Shares measured over the 20 trading days prior to the date of the Annual General Meeting of Shareholders.

Employment Agreements

Pharming has entered into management agreements with each of the members of the Management Board. These agreements have a term of five years and can be terminated, subject to a two-month notice period.

In the event of termination of an employment agreement with a member of the Management Board for other reasons than (i) immediate dismissal (ontslag) of the relevant member of the Management Board on the basis of an urgent reason as defined in Article 7:678 of the Dutch Civil Code (including but not limited to wilful misconduct, gross negligence and bad faith) or (ii) non-compliance by the relevant member of the Management Board with Article 2:9 of the Dutch Civil Code, and the same has been acknowledged by judgement of a competent court of law or lawful arbitral award which is not or no longer subject to appeal (in kracht van gewijsde) or by deed of settlement between the parties, the relevant member of the Management Board shall be entitled to a one-time severance pay in cash that (a) equals 50% of gross salary that the member of the Management Board enjoyed during a period of 12 months prior to the month in which the dismissal has come into effect, if dismissed within 2 years of their first day in office, or (b) equals 100% of gross salary that the member of the Management Board enjoyed during a period of 12 months prior to the month in which the dismissal has come into effect, if dismissed after 2 years of their first day in office.

Pharming did not enter into (service) agreements with members of the Supervisory Board providing for benefit upon termination of such agreement.

Directors Indemnification and Insurance

In order to attract and retain qualified and talented persons to serve as members of the Management Board or the Supervisory Board, in respect of a sector, region, product group or other internal company structure or segment, Pharming provides such persons with protection through a directors' and officers' insurance policy.

Pharming holds harmless and indemnifies the members of the Management Board against third party claims made against such member of the Management Board as a result of damages (allegedly incurred) caused by acts or omissions of Pharming while being in function, provided that such member of the Management Board (i) notifies Pharming immediately when facts or circumstances have occurred that may result in such third party claim and forthwith upon receipt of such claim(s) and (ii) provides all supports and assistance that Pharming may reasonable require. Nonetheless, Pharming may withdraw the aforementioned indemnity in certain circumstances such as gross negligence, or criminal acts.

Pension Plan

For all Dutch employees as of age 21, the Company participates in defined contribution pension plans with an independent insurance company. Defined contributions are expensed in the year in which the related employee services are rendered. Employees in the USA are enabled to participate in a separate plan, which also qualifies as a defined contribution plan. To become an eligible participant, an employee must complete six months of service and attain the age of 21 years.

Works Council

As required by Dutch law, Pharming has invited employees to form a works council. Works councils in the Netherlands have the authority to advise on certain company decisions proposed by the General Meeting of Shareholders or the Management Board, including but not limited to a change of control. Employers are also required to submit certain statutory defined matters that are viewed as 'social policy' (affecting employment terms and conditions) to the works council for prior approval.

As no employees came forward to serve on the council in 2015, the works council has not yet been formed. A new invitation will be made to all employees in October 2016.

12. Description of Share Capital and Corporate Governance

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 Dutch Chamber of Commerce under number 28048592. The corporate seat of the Company is in Leiden, the Netherlands. The Articles of Association were last amended on 13 October 2016 before a deputy of Mr R. van Bork, 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 related Dutch corporate law as well as a description of Pharming's compliance with the Dutch corporate governance code (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.

Corporate Objects

Pursuant to Article 3 of the Articles of Association, the corporate objects of the Company are:

- To incorporate, to participate in, to manage and to take part financially in any way whatsoever, in other companies and enterprises;
- To render services to other companies, persons and enterprises in the administrative, technical, financial, economic and managerial fields;
- To develop and trade in patents, trademarks, licenses, know-how and other industrial property and intellectual rights;
- To obtain, alienate, manage and exploit registered property, securities, and items of property in general; and
- To borrow, to lend and to raise funds, including to act as guarantor or as severally-liable co-debtor, or to bind itself as a security for a debt of a third party,

And furthermore, to do everything that is connected therewith or may be conducive thereto, all this to be interpreted in the widest sense of the word.

Share Capital

Authorised and Issued Share Capital

At the date of the Prospectus, the authorised share capital of Pharming amounts to €8.0 million, divided into 800 million ordinary shares, with a nominal value of €0.01 each. There are currently 412,605,374 ordinary shares (in the Prospectus referred to as Shares) issued and outstanding.

Currently, neither the Company nor any of its subsidiaries hold any Shares. All Shares that are outstanding as of the date of the Prospectus are fully paid up.

The following table sets forth information about the issued share capital including the outstanding options, LTIP Shares and entitlements to Shares under warrants granted or issued by Pharming as of the date of the Prospectus.

Shares	412,605,374
Full dilution of shares:	
Warrants	4,203,125
Options	43,049,994
LTIP	6,901,736
Fully-diluted issued	466,760,229
Available for issue	333,239,771
Authorised Share Capital	800,000,000

Capitalisation Table

The table below shows the Shares issued and reserved prior to the Transaction, plus the possible issues of Shares and 2016 Warrants upon closing of the Debt Component transactions and conversion of the Convertible Bonds, assuming full conversion and full take-up of Rights wherever relevant.

(Amounts in number of Shares)	*Authorised*	*Issued*	*Reserved*	*Fully Diluted*
Before the Offer:	**800,000,000**	**412,605,374**	**54,154,855**	**466,760,229**
The Rights Offer:		58,943,624	-	525,703,853
Support Arrangements:				
2016 Warrants			5,095,199	530,799,052
New Debt Facility:				
2016 Warrants			12,933,431	543,733,483
Ordinary Bond:				
Conversion into Shares			59,859,154	603,591,637
2016 Warrants			11,971,831	615,563,468
Amortizing Bond:				
Conversion into Shares:			150,000,000[1]	765,563,468
2016 Warrants			63,604,240	828,943,750
Standstill of options by Management Board[2]			(28,943,750)	800,000,000
Total after the Offer:	**800,000,000**	**471,548,998**	**328,451,002**	**800,000,000**
Total Issued		58,943,624		
Total reserved for 2016 Warrants			93,169,226	
Total reserved for Convertible Bonds			210,070,671	
Total		**58,943,624**	**303,239,897**	

[1.] *This number reflects a conversion of the entire principal amount by the holders prior to any repayment. After the initial 2 months without repayments, the first 3 instalments are due to be paid 100% in cash. This reduces the effect of full conversion of the Amortizing Bonds from 150,000,000 Shares to 121,875,000 Shares. The minimum amount of the Amortizing Bonds which Pharming must repay in Shares is 30% or €13.5 million. The Company may repay additional portions of the Amortizing Bonds above this amount in Shares if it elects to do so.*

[2] *Each member of the Management Board has irrevocably agreed not to exercise any of his options to enable the Company to issue the requisite number of Shares in the event of a full conversion of the Convertible Bonds and a full exercise of all warrants and all other options granted by the Company (full dilution) until the earlier of (i) an increase of the authorised capital of the Company or (ii) the moment on which the headroom in the current authorised capital of the Company is sufficient for the issuance of the Shares on a full dilution basis, subject to certain exceptions.*

Form and Trading of Rights and 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. The Rights are in registered form. Rights and Shares are traded through the book-entry facilities of Euroclear Netherlands. No share certificates are issued. The Company is responsible for keeping a Shareholders' register.

History of Share Capital

On 21 April 2014, Pharming entered into a private placement of €14,7 million pursuant to which it issued 30 million Shares at €0.49 representing the average closing price of the Shares over the last five trading days preceding the placement.

In 2014 a total of 963,066 Shares were issued to members of the Management Board and several employees in lieu of bonuses with an aggregate value of €0.5 million.

On 18 June 2014, the General Meeting of Shareholders approved the increase of the authorised share capital from €4.5 million to €5.5 million, which was effected on 25 July 2014.

In 2015, the Company issued 523,813 Shares to members of the Management Board and several employees in lieu of bonuses with an aggregate value of €0.2 million. During 2015, 3,405,128 warrants, as well as 356,250 options were exercised.

In 2016, the Company issued 533,584 Shares to members of the Management Board and several employees in lieu of bonuses for the year 2015 with an aggregate value of €0.5 million. In addition, 100,000 warrants were exercised.

On 25 May 2016, the General Meeting of Shareholders approved the increase of the authorised share capital from €5.5 million to €6.5 million, which was effected on 23 August 2016.

On 5 October 2016, the General Meeting of Shareholders approved the increase of the authorised share capital from €6.5 million to €8 million, which was effected on 11 October 2016.

11 October 2016		23 Augustus 2016		31 December 2015		31 December 2014	
share capital		share capital		share capital		share capital	
authorised	issued	authorised	issued	authorised	issued	authorised	issued
€8 million	412,605,374	€6,5 million	412,555,374	€5,5 million	411,971,790	€5,5 million	407,686,599

Shareholders of the Company

As far as Pharming can ascertain, based on information from the public register of the AFM, Kingdon Capital Management LLC has a potential interest in the Company's share capital/voting rights of more than the minimum notification threshold of 3%.

Options and LTIP

Since 1995, there have been stock option plans for the Company's employees and members of the Management Board, which have been slightly revised, effective as of 1 January 1999. In addition, options may be granted to consultants. In 2008, the Company implemented a Long Term Incentive Plan in addition to the option plans pursuant to which LTIP Shares are granted subject to the financial performance of Pharming. Reference is made to Chapter 11 "*Management, Supervision and Remuneration*" section "*Option Plans*".

Warrants

The outstanding warrants as at the date of the Prospectus are as follows:

Scheme	Outstanding Warrants	Exercise Price	Expiry Date
2013-I Warrants	50,000	€0.093175	4 March 2018
2013-II Warrants	1,837,608	€0.135	10 October 2018
2015 Warrants	2,315,517	€0.29	17 July 2025

In addition, Pharming shall issue up to 93,380,743 of the 2016 Warrants to the New Lenders, the subscribers of the Convertible Bonds and the subscribers of the Rump Shares.

Summary of the Articles of Association

The following description summarises certain provisions of the Articles of Association as currently in force and related provisions of Dutch corporate law. 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.

General Meeting of Shareholders

An AGM is to be held within six months after the end of each financial year in Leiden, Amsterdam, Rotterdam or The Hague. The matters considered at the AGM include: (a) the Management Board report; (b) the adoption of the annual accounts; (c) discharge of members of the Management Board and members of the Supervisory Board; (d) notification of intended appointments of members of the Supervisory Board and members of the Management Board and of anticipated vacancies in the Supervisory Board; (e) instruct an auditor to verify the annual accounts and (f) any other proposals put forward by the Supervisory Board or the Management Board. Extraordinary general meetings of Shareholders will be held (i) as often as the Management Board or the Supervisory Board deems necessary or (ii) upon the written request of those persons entitled to attend the general meetings of Shareholders who represent at least one tenth of the Company's issued share capital, which request must be submitted to the Management Board and/or the Supervisory Board and set out in detail the matters to be considered.

Shareholders who are entitled to attend the general meetings of Shareholders of the Company and who represent at least a percentage of the issued share capital of the Company or represent Shares with at least a market value as prescribed by Dutch law have the right to initiate proposals for consideration at a

Shareholders (recht van initiatief), provided that they submit their proposal to the Management Board or the Supervisory Board by registered letter.

The Company will provide notice of each meeting of Shareholders in accordance with the provisions of the Dutch Civil Code, i.e. by publishing a notice on its website. Pursuant to Dutch law, such notice will be given no later than 42 days before the day of the meeting.

Right of Attendance and Voting Rights

The Company shall consider as holders of Shares that form part of a girodepot or collective deposit, those Shareholders 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 deposit of such financial institution, (iii) that the Shareholder named in the was a participant in that collective deposit at the record date for the number of Shares mentioned, 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. The subject date cannot be a date prior to the seventh day prior to the date of the meeting.

Shareholders may only attend the General Meeting of Shareholders and participate in the voting in respect of Shares which are registered in their name on the record date as specified in the notice of the meeting. The record date will be on the 28th day prior to the date of the meeting. The notice of the meeting shall be effected no later than on the 42nd day prior to the date of the meeting and shall state the items to be dealt with, the items to be discussed and which items are to be voted on, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holder and the address of the website of the Company.

Those entitled to attend the General Meetings of Shareholders shall only be authorised to attend and to address the General Meetings of Shareholders and to exercise their proxy rights, either in person or by proxy authorised in writing, if they have announced to the Management Board in writing seven 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. In the General Meeting, no voting rights may be exercised for any Share held by the Company or a subsidiary of the Company, nor for any Share for which the Company or a subsidiary of the Company holds the depositary receipts.

Annual Report and Annual Accounts

The Company's financial year is the calendar year. The Management Board must prepare the Company's annual accounts (consisting of the balance sheet and profit and loss account with explanatory notes thereto) and the annual report within four months after the end of the preceding financial year. Within this same period, the Management Board must prepare the Company's annual report.

The General Meeting of Shareholders selects an independent auditor who is responsible for auditing the annual accounts, reporting to the Supervisory Board and the Management Board on the audit, and issuing an auditor's opinion with respect thereto. If the General Meeting of Shareholders fails to select an auditor, the Supervisory Board is authorised to do so, and, if this body also fails to do so, the Management Board is then authorised to select the auditor.

The annual accounts of the Company must be submitted to the Shareholders at a General Meeting of Shareholders for adoption. Copies of the annual accounts and annual report must be available to the Shareholders for inspection at the offices of the Company from the date on which the notice of the meeting at which they are to be considered is given. The Shareholders will be informed about the availability of the annual accounts and the annual report through the notice for the General Meeting of Shareholders in which the annual accounts are to be adopted. Upon request, those entitled to attend such meeting can receive copies of the annual accounts and the annual report free of charge. Within eight days after the adoption of the annual accounts by the General Meeting of Shareholders, the annual accounts and the annual report must be filed with the Dutch Chamber of Commerce.

The General Meeting of Shareholders may resolve to discharge the members of the Management Board and the Supervisory Board from any liability with respect to the conduct of their duties during the financial year concerned. Under Dutch law, this discharge is not absolute and is not effective with regard to matters not disclosed to the Shareholders.

Dividends

The Company may distribute dividends only in so far as the 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 Dutch 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. Any dividend that is not collected within this period reverts to the Company.

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.

Issue 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, which designation may only be resolved upon at the proposal of the Management Board, 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, subject to the approval of the Supervisory Board, for a period ending on 25 July 2017, which authorisation is limited to the authorised capital as per the moment of the resolution of the Management Board to issue shares and/or grant rights to acquire shares. 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. At the EGM no change was made to this authorisation, which therefore remains in force and will enable the Management Board, subject to the approval of the Supervisory Board, to allot all the Shares necessary for the completion of the Offer in accordance with the conditions of the Offer as set out in the Prospectus.

Upon expiration of this authority of the Management Board, the issue 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 at that time is also authorised to issue Shares, and subject to the approval of the Supervisory Board. The Management Board has been granted such authorisation until 25 July 2017. 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. At the EGM no change was made to this authorisation, which therefore remains in force and will enable the Management Board, subject to the approval of the Supervisory Board, to allot all the Shares necessary for the completion of the Offer in accordance with the conditions of the Offer as set out in the Prospectus.

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 merging the existing Shares and thereafter 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 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 25 July 2017.

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.

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 FSA and the Public Takeover Bids Decree (Besluit openbare biedingen Wft).

Pursuant to the FSA, a Shareholder who directly or indirectly obtains controlling influence of a Dutch listed company, such as the Company after Admission, is required to make a public offer for all issued and outstanding shares in that company's share capital. Such controlling influence is deemed present if a (legal) person is able to exercise, alone or acting in concert, at least 30% of the voting rights in the Company. The legislation also applies to persons acting in concert who jointly acquire 30% of the voting rights. An exemption exists if such shareholder or group of shareholders reduces its holding below 30% within 30 days of the acquisition of controlling influence provided that (i) the reduction of its holding was not effected by a transfer of shares or depositary receipts to an exempted party and (ii) during this period such shareholder or group of shareholders did not exercise its voting rights.

Squeeze Out Procedures

Pursuant to Section 2:92a Dutch Civil Code (Burgerlijk Wetboek, the DCC), a Shareholder who for his or her own account contributes at least 95% of the Company's issued capital may institute proceedings before the Enterprise Chamber against the other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before 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 three experts. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him or her. Unless the addresses of all of them are known to him or her, he or she shall also publish the same in a newspaper with a national circulation.

Pursuant to Section 2:359c DCC, the offeror under a public offer is also entitled to start a squeeze out procedure, within three months after the public offer, if following the public offer he or she holds at least 95% of the shares and represents at least 95% of the total voting rights attached to the shares. In the event of a mandatory offer, the mandatory offer price is in principle deemed to be a reasonable price, which has to be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable if at least 90% of the shares have been acquired.

Pursuant to Section 2:359d DCC, if the offeror has acquired at least 95% of the shares held by him or her, representing at least 95% of the total voting rights, each remaining minority Shareholder is entitled to demand a squeeze out. This procedure must be initiated with the Enterprise Chamber within three months after the end of the period for tendering shares in the public offer. With regard to the price per share to be paid by the majority shareholder, the same procedure as for squeeze out proceedings initiated by the offeror, as set out in the previous paragraph, applies.

Corporate Governance Code

The Code contains principles and best practice provisions for the Management Board, the Supervisory Board, Shareholders and the General Meeting of Shareholders and audit and financial reporting. The Code inter alia applies to all companies whose registered offices are in the Netherlands and whose shares or depositary receipts for shares have been admitted to listing and to trading on a regulated market.

Companies to which the code applies are required to disclose in their annual reports whether or not they apply the provisions of the corporate governance code that relate to the Management Board or Supervisory Board and, if they do not apply, to explain the reasons why. The corporate governance code provides that if a

company's General Meeting of Shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the corporate governance code.

Pharming acknowledges the importance of good corporate governance and generally agrees with its basic provisions.

Pharming fully supports the principles and best practice provisions of the corporate governance code and applies with the relevant best practice provisions of the corporate governance code, subject to the exceptions set out below.

Non-Compliance with the Corporate Governance Code

The practices where the Company is not in compliance with the Code are the following:

Options for the Management Board (section II.2.4 of the Code)

With respect to section II.2.4 of the Code, the Company believes that its future success will depend in large part on the continued services of its members of the Management Board and key employees. The Company believes it is essential that it can offer internationally competitive remuneration packages to qualified members of the Management Board. In line with the recommendations of the Remuneration Committee and in line with industry practice, the options granted to members of the Management Board to acquire Shares will be a conditional remuneration component which becomes unconditional when a member of the Management Board is still in the service of the Company at the end of the year. These options may be exercised within the first five years of granting, provided that these options have vested in line with conditions set by the Supervisory Board and approved by the Shareholders. The Company considers the total compensation of the members of the Management Board is in line with international industry practice and significantly driven by long-term incentives, the potential values of which are fully dependent on value creation for all Shareholders.

Profile Supervisory Board (section III.3.1 of the Code)

The current Supervisory Board profile was adopted under and in compliance with the previously prevailing Corporate Governance Code. This profile has not been aligned with the more detailed requirements of this provision under the currently prevailing Corporate Governance Code.

Regulations governing ownership of and transactions in securities, other than issued by the Company, by the Management Board or the members of the Supervisory Board (section III.6.5 of the Code)

The Company believes that the members of the Management Board and the members of the Supervisory Board should not be further limited by regulations in addition to commitments which are already applicable pursuant to Dutch law and regulations.

Granting of Shares or Rights to Shares to members of the Supervisory Board (section III.7.1 of the Code)

From 2014 the members of the Supervisory Board are entitled to participate in the LTIP. This follows a decision taken at the AGM of 18 June 2014. The participation of the members of the Supervisory Board in the LTIP was initially approved at the AGM in 2008. The members of the Supervisory Board at that time voluntarily decided not to participate in the LTIP. In order to be able to attract and retain members of the Supervisory Board with relevant industry experience in a competitive and global environment and in line with global pharmaceutical/biotech industry practice, the Supervisory Board proposed to re-install the participation of the members of the Supervisory Board in the LTIP from 2014.

Follow in real time all the meetings (section IV.3.1 of the Code)

Considering the Company's size, it would create an excessive burden to provide facilities that enable Shareholders to follow in real time all the meetings with analysts, presentations to analysts, presentations to investors referred to in the best practice provision. However, the Company ensures that presentations are posted on the website immediately after the meetings in question. Meetings discussing financial results and other significant news will be announced and conducted in accordance with this provision.

Independent third party to hold proxies (section IV.3.12 of the Code)

Given its size, the Company does not believe it is appropriate at this time to appoint an independent third party to hold proxies. The Company does allow for Shareholders to appoint their own independent third party proxies.

Outline policy on bilateral contacts with the Shareholders (section IV.3.13 of the Code)

This is a requirement, introduced only by the implementation of the currently prevailing Code. The Company has not historically felt the requirement for such a policy and therefore did not comply.

Internal Auditor (sections III.5.4c-III.5.4d and V.3.1-V.3.3 of the Code)

Due to the size of the Company, Pharming has not created a specific position for an internal auditor but it has provided for the assessment and testing of the risk management and control systems to be supported by the Chief Financial Officer and the Group Controller, who is also the Company's Compliance Officer.

Disclosure rules

Home Member State for Purposes of the Transparency Directive

The Netherlands is the home member state of the Company for the purposes of Directive 2004/109/EC, as amended (the Transparency Directive). As a consequence, the Company will be subject to financial and other reporting obligations under the FSA and the Financial Reporting Supervision Act (Wet toezicht financiële verslaggeving, the FRSA), which both implement the Transparency Directive in the Netherlands.

Disclosure of Information

The Company is required to publish its annual report (consisting of the audited annual accounts, the annual report and the responsibility statement) within four months after the end of each fiscal year and its half-yearly report (consisting of the half-yearly unaudited accounts, the half-yearly report and the responsibility statement) within three months after the end of the first six months of each fiscal year. Both the annual report and the half-yearly report of the Company are required to be made available to the public during a period of at least 10 years.

Financial Reporting Supervision Act

On the basis of the FRSA, the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards and (ii) recommend the Company to make further explanations available. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer van het Gerechtshof te Amsterdam, the Enterprise Chamber) orders the Company to (i)

provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

Shareholder Disclosure and Reporting Obligations

Long Positions

Pursuant to the FSA, each Shareholder who holds a substantial holding in the Company should forthwith notify the AFM of such substantial holding. Substantial holding means the holding of at least 3% of the Shares or the ability to vote on at least 3% of the voting rights of such Shares. Any person who, directly or indirectly, acquires or disposes of an interest in the share capital or voting rights of the Company must without delay give notice to the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person, directly or indirectly, reaches or crosses the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

In addition, any person whose capital interest or voting rights reaches or crosses a threshold due to a change of the outstanding share capital of the Company or in votes that can be cast on the outstanding share capital of the Company, as notified by the Company to the AFM, must give notice to the AFM no later than the fourth trading day after the AFM has published the change in the share capital and/or voting rights in the public register.

Equally, if the composition of a notified holding differs from the previous notification, because options or any other form of negotiable security, not being options, were converted into shares or depositary receipts for shares or vice versa, or because shares were exchanged for depositary receipts or vice versa, a notice must be given to the AFM within four trading days of the moment of change. The same applies if the different composition was caused by the exercise of rights to acquire voting rights.

The notification to the AFM should indicate whether the interest is held directly or indirectly, and whether the interest is an actual or a potential interest.

For the purpose of calculating the percentage of capital interest or voting rights, amongst others, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person, (ii) shares or depositary receipts for shares or voting rights held (or acquired or disposed of) by such person's controlled undertakings or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney), (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment, (iv) shares or depositary receipts for shares or voting rights which such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right held by such person (including, but not limited to, on the basis of convertible or exchangeable bonds).

For the same purpose of calculating the percentage of capital interest or voting rights a person disposes of, one should take into account: (i) financial instruments of which the value depends on the increase in value of the shares or dividend rights and which will be settled other than in those shares, (ii) options for acquiring shares or depositary receipts, and (iii) negotiable instrument's which provide for an economic position similar to the economic position of a holder of shares or depositary receipts.

As mentioned above, a person is deemed to hold the interest in the share capital or voting rights that is held by its controlled undertakings as defined in the FSA. The controlled undertaking does not have a duty to notify the AFM because the interest is attributed to the undertaking in control, which as a result has to notify the interest as an indirect interest. Any person, including an individual, may qualify as an undertaking in control for the purposes of the FSA. A person who has a 3% or larger interest in the share capital or voting rights and who ceases to be a controlled undertaking for purposes of the FSA must without delay notify the AFM. As of

that moment, all notification obligations under the FSA will become applicable to the formerly controlled undertaking.

A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the FSA, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts for shares, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for shares, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for shares.

Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property.

Short Positions

In addition to the above described notification obligations pertaining to capital interest or voting rights, pursuant to Regulation (EU) No 236/2012, notification must be made of any net short position of 0.2% in the issued share capital of the Company, and of every subsequent 0.1% above this threshold. Notifications starting at 0.5% and every subsequent 0.1% above this threshold will be made public via the short selling register of the AFM.

Furthermore, gross short positions shall be notified in the event that a threshold is reached, exceeded or fallen below. The same subsequent disclosure thresholds as for holders of capital interests and/or voting rights apply.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes all notifications received by it. The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

Company Disclosures

The Company is required to notify the AFM without delay of any changes in its share capital if its share capital has changed by 1% or more compared to the previous disclosure in respect of its share capital. The AFM must be notified of other changes in the Company's issued and outstanding share capital or voting rights within eight days after the end of the quarter in which the change occurred. The AFM will publish all such notifications relating to the Company's issued and outstanding share capital and voting rights in a public register.

Furthermore, each member of the Management Board and Supervisory Board must immediately give written notice to the AFM of all Shares and voting rights in the Company held by him or her at the time of admission of Shares to listing on Euronext Amsterdam and thereafter of any change in his or her holding of shares and voting rights in the Company. Such notifications are disclosed in a public register kept by the AFM.

Non-compliance with Disclosure Obligations

Non-compliance with the disclosure obligations set out in the paragraph above is an economic offence and may lead to criminal charges. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed may be instituted by, amongst others, the Company and/or one or more Shareholders who alone or together with others represent(s) at least 3% of the Company's issued and outstanding share capital. The measures that the civil court may impose include:

(i) An order requiring the person violating the disclosure obligations under the FSA to make the appropriate disclosure;

(ii) Suspension of voting rights in respect of such person's shares for a period of up to three years as determined by the court;

(iii) Voiding a resolution adopted by a general meeting, if the court determines that it is plausible that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding; and

(iv) An order to the person violating the disclosure obligations under the FSA to refrain, during a period of up to five years as determined by the court, from acquiring the shares and/or voting rights in the shares.

Identity of Shareholders

The Company may request Euroclear Nederland, admitted institutions, intermediaries, relevant institutions abroad, and managers of investment institutions, to provide certain information on the identity of the Shareholders. Such request may only be made during a period of 60 days up to the day on which the general meeting will be held. No information will be given on Shareholders with an interest of less than 0.5% of the issued and outstanding share capital of the Company. A Shareholder who, individually or together with other Shareholders, holds an interest of at least 10% of the issued and outstanding share capital may request the Company to establish the identity of the Shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the general meeting will be held.

Insider Trading and Market Manipulation Rules

Reporting of Insider Transactions

Recently, the regulatory framework on market abuse within Europe has been amended and extended. These revisions are laid down in the Market Abuse Directive (2014/57/EU) (MAD II) as implemented in Dutch law and the Market Abuse Regulation (no. 596/2014) (MAR) which is directly applicable in the Netherlands.

Pursuant to the MAR, no natural or legal person is permitted to: (a) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares, (b) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (c) unlawfully disclose inside information relating to the Shares or the Company. Furthermore, no person may engage in or attempt to engage in market manipulation.

The Company is required to inform the public as soon as possible and in a manner which enables fast access and complete, correct and timely assessment of the information, of inside information which directly concerns the Company. Pursuant to the MAR, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not yet been made public and publication of which could significantly affect the trading price of the securities (i.e. information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also deemed to be inside information. The Company is required to post and maintain on its website all inside information for a period of at least five years. Under certain circumstances, the disclosure of inside information may be delayed, which needs to be notified to the AFM after the disclosure has been made. Upon request of the AFM, a written explanation needs to be provided setting out why a delay of the publication was considered permitted.

Persons discharging managerial responsibilities, as well as persons closely associated with them (within the meaning of the MAR) are obliged to notify the Company and the AFM, ultimately on the third trading day after the transaction date, of every transaction conducted on their own account relating to the shares or debt

instruments of (or other financial instruments linked to) the Company, once the threshold of €5,000 has been reached within a calendar year.

Furthermore, a person discharging managerial responsibilities is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of an half-yearly report or an annual report of the Company.

Persons discharging managerial responsibilities within the meaning of the MAR include: (a) members of the Management Board and Supervisory Board; or (b) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated means: (a) a spouse, or a partner considered to be equivalent to a spouse in accordance with national law; (b) a dependent child, in accordance with national law; (c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or (d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in point (a), (b) or (c), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

Non-compliance with Market Abuse Rules

In accordance with the MAR, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements.

Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime (*misdrijf*) and could lead to the imposition of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the MAR.

The Company has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by members of the Management Board and Supervisory Board and the Company's employees. The Company and any person acting on its behalf or on its account is obligated to draw up an insiders list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

13. The Offer

The Offer

Pharming intends to issue up to 58,943,624 New Shares with a nominal value of €0.01 each at an Issue Price of €0.205 per New Share. The Issue Price represents a discount of approximately 10% to the VWAP of €0.2274 and a discount of approximately 8.5 % to the TERP of €0.224, based on the Closing Price and the Subscription Ratio.

Subject to applicable securities laws, existing holders of Shares as at the Record Date are being granted Rights that will entitle Eligible Persons to subscribe for the New Shares in accordance with the terms and conditions set forth herein. This section of the Prospectus contains the terms and conditions of the Rights.

The members of the Management Board have indicated that they intend to subscribe in the Rights Offer for their entire holdings of Shares.

For information on applicable selling and transfer restrictions in respect of the New Shares and the Rights, see Chapter 14 "*Selling Restrictions*".

Expected Timetable

The timetable below lists certain expected key dates for the Offer:

Record Date	Immediately after the close of trading on Euronext Amsterdam at 17:40 CET on 22 November 2016
Ex-Rights trading in the Shares commences	09:00 CET on 23 November 2016
Exercise Period commences	09:00 CET on 23 November 2016
Trading in the Rights commences	09:00 CET on 23 November 2016
Trading in the Rights ceases	17:40 CET on 29 November 2016
Exercise Period ends	17:40 CET on 30 November 2016
Allotment of New Shares	Expected on 2 December 2016
Issue of, payment for and delivery of, the New Shares (including the Rump Shares) (**Settlement Date**) and start of trading in the New Shares	Expected on 6 December 2016

(1) The last date and/or time before which notification of exercise instructions may be validly given by the holder of any Right may be earlier than the date and/or time specified above as the end of the Exercise Period, depending on the financial intermediary through which such Rights are held.

(2) Financial intermediaries may require payment for the New Shares to be provided prior to 6 December 2016 by holders of Rights exercising such Rights.

The number of New Shares subscribed for in the Offer will be made public through a press release published in the Netherlands, which will be placed on Pharming's website, at the latest in the morning of the day following the Settlement Date.

The Company may adjust the dates, times and periods given in the timetable and throughout the Prospectus. If the Company should decide to adjust dates, times or periods, it will issue a press release with the revised dates, times or periods. Any other material alterations will be published in a press release on the Company's website and in a supplement to the Prospectus (if required).

Rights

Subject to applicable securities laws, each person holding Shares immediately following the close of trading in the Shares on Euronext Amsterdam at 17:40 hours CET on the Record Date will be entitled to one Right for each Ordinary Share held. An Eligible Person will be entitled to subscribe for one New Share for every seven (7) Rights held at the Issue Price until the end of the Exercise Period. Rights can only be exercised in multiples of seven (7). No fractional New Shares will be issued. Eligible Persons may sell any excess Rights or acquire additional Rights to subscribe for a whole number of New Shares on Euronext Amsterdam in the trading period commencing at 09:00 hours CET on 23 November 2016 and ending at 17:40 hours CET on 29 November 2016. If a Shareholder holds Shares on the Record Date, the financial intermediary through which it holds Shares will customarily provide that Shareholder with details of the total number of Rights to which that Shareholder will be entitled, subject to applicable securities laws. The financial intermediary will provide the relevant Shareholders with this information in accordance with its usual client relationship procedures. A Shareholder should contact its financial intermediary if it is entitled to receive Rights but has received no information from its financial intermediary with respect to the Offer.

Rights will be provisionally granted to all Shareholders as at the Record Date, including Shareholders who are not Eligible Persons. Only Shareholders who qualify as Eligible Persons as at the Record Date will be entitled to take up, exercise, sell or otherwise transfer Rights pursuant to the grant of Rights by the Company. Rights that are credited to the account of a non-Eligible Person will not constitute an offer of the Shares to such person and will not confer any rights upon such person, including the right to take up, exercise, sell or otherwise transfer such credited Rights. However, Shareholders with registered addresses in, or who are located in, the United States may be permitted to take up, exercise, sell or otherwise transfer Rights, where the Company, in its sole and absolute discretion, is satisfied that the transaction in question, is exempt from, or is not subject to, the registration requirements of the Securities Act or the applicable securities laws of any state or other jurisdiction of the United States. See Chapter 14 "*Selling Restrictions*".

Statutory Pre-emption Rights

The statutory pre-emption rights (wettelijke voorkeursrechten) of holders of Shares in respect of the Offer have been excluded for the purpose of the Offer. See also Chapter 12 "*Description of Share Capital and Corporate Governance*" section "*Pre-emptive rights*".

Record Date

The Record Date for determining the holders of Shares who will receive Rights (subject to applicable securities laws) is immediately following the close of trading in Shares on Euronext Amsterdam at 17:40 hours CET on 22 November 2016. Until the close of trading in the Shares on Euronext Amsterdam on the Record Date, the Shares will trade cum Rights. From 09:00 hours CET on 23 November 2016, the Shares will trade ex-Rights.

Listing and Trading of Rights

The Company expects trading of the Rights on Euronext Amsterdam to commence at 09:00 hours CET on 23 November 2016 and to end at 17:40 hours CET on 29 November 2016, barring unforeseen circumstances. The Rights will be traded under the symbol "PHAOR", ISIN code NL0012081459. The transfer of Rights will take place through the book-entry systems of Euroclear Nederland. Shareholders who are Eligible Persons and who wish to sell all or part of their Rights and who hold their Shares through a financial intermediary should instruct the financial intermediary through which they hold their Rights in accordance with the instructions they have received from it. Shareholders who are Eligible Persons may also instruct their financial intermediary to buy or sell Rights on their behalf. Shareholders who are interested in trading, buying or selling Rights should be aware that they may be restricted from buying, selling and/or exercising Rights and acquiring Shares if they are located in a jurisdiction other than the Netherlands and therefore may not be eligible to participate in the Offer. See Chapter 14 "*Selling Restrictions*".

All transactions in Rights prior to the Settlement Date are at the sole risk of the parties concerned. None of Pharming, the Lead Placement Agents, the Subscription, Listing and Paying Agent and/or Euronext Amsterdam accept any responsibility or liability with respect to the withdrawal of the Offer or the related annulment of any transactions in Rights or New Shares on Euronext Amsterdam.

Exercise Period

Subject to the restrictions set out below, an Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) can only validly subscribe for New Shares by exercising his Rights from 09:00 hours CET on 23 November 2016 until 17.40 hours CET on 30 November 2016. Rights may only be exercised in multiples of seven (7) . The last date and/or time before which notification of exercise instructions may be validly given by holders of Rights may be earlier, depending on the financial intermediary through which their Rights are held. If an Eligible Person has not exercised his Rights by the end of the Exercise Period, these can no longer be exercised. Once an Eligible Person has validly exercised his Rights, such exercise cannot be revoked or modified, unless the Company amends a material term of the Offer or amends the Prospectus or Prospectus in any material respect leading to a supplement to the Prospectus within the meaning of section 5:23 of the FSA being published, in which event the holder will have the right, exercisable within two business days after publication of the supplement, to revoke the exercise. Even if the market price of the Shares fluctuates below the Issue Price after the Rights have been exercised, the Issue Price for any New Shares subscribed for will be payable. Upon exercise of the Rights, such Rights must be delivered to the Shareholder's financial intermediary, the financial intermediary of the subsequent transferee of Rights, or the investor's financial intermediary. The Company and the Lead Placement Agents have not and will not take any action outside the Netherlands to permit the exercise and transfer of Rights by the general public. The Company urges all potential investors to study carefully the restrictions described under Chapter 14 "*Selling Restrictions*". The Company reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws of any jurisdiction or if the Company believes that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in the Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described in the Prospectus.

Support Arrangements

Pharming has received provisional and non-binding commitment offers from institutional investors pursuant to which these investors have expressed their desire to take, pursuant to the Rump Offer, some of the New Shares which are not subscribed for by Eligible Persons (unexercised Rights). The investors' commitment offers are to take portions varying between the individual investors, up to an aggregate total at present of approximately 15 million New Shares. The Company will seek additional support from investors during the Exercise Period up to a maximum of approximately 25 million New Shares. This limit is set by the maximum authorised share capital available to the Company for all purposes including securing of warrants. The price at which such investors will buy each New Share is equal to the Issue Price. None of the investors have presented commitment offers intentions to take up unexercised Rights representing more than 5% of the Offer.

In addition, Pharming will issue 2016 Warrants to the investors who subscribe for the New Shares in accordance with their commitment in the Support Arrangements, at a rate of one 2016 Warrant for every four New Shares so subscribed. Each of the investors will receive the 2016 Warrants *pro rata* as compensation for the risk they are taking on in agreeing to accept and subscribe for New Shares for which the original Shareholders to which such Rights were issued have not subscribed. Based on the aggregate commitment expected in the Support Arrangements, in total a maximum of 5,095,199 million 2016 Warrants are expected to be issued to these investors.

In the event that no Rump Shares exist as at the end of the Exercise Period because of full take up of the Rights by Eligible Persons, then no Investors will receive New Shares through the Support Arrangements and no 2016 Warrants will be issued in connection with the Offer.

The Company will bear all its own costs and expenses in relation to the Offer and the Support Arrangements. No fees are payable by the Company to the Investors in connection with their commitments and obligations under the Support Arrangements.

Dilution

The minimum dilution resulting from the issue of the New Shares amounts to nil (also nil on a fully-diluted basis), which occurs if all Shareholders take up their Rights in full.

Shareholders who transfer, or who do not or are not permitted to exercise, any of their Rights granted under the Rights Offer will suffer a dilution of their proportionate ownership and voting rights of approximately 12.5% as a result of the issue of the New Shares in the event that the Rights Offer is fully subscribed.

Full exercise of all the 2016 Warrants would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 18.5% if they did not exercise any of their Rights and (ii) 16.5% if they exercised all of their Rights. Full conversion of the Convertible Bonds would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 33.7% if they did not exercise any of their Rights and (ii) 30.8% if they exercised all of their Rights. Full conversion of the minimum amount of Amortizing Bonds required to be amortised in Shares, assuming that the Share price of amortisation was the TERP, would result in a dilution of Shareholders in their proportionate ownership and voting rights of (i) 9.8% if they did not exercise any of their Rights and (ii) 8.7% if they exercised all of their Rights. Full redemption of the Ordinary Bonds for cash would result in in a dilution of Shareholders in their proportionate ownership and voting rights of 0%.

Subscription

Eligible Persons (whether a Shareholder on the Record Date or a subsequent transferee of Rights) who wish to exercise their Rights should instruct the financial intermediary through which they hold the Rights in accordance with the instructions received from that financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from Eligible Persons holding Rights and for informing the Subscription, Listing and Paying Agent of the Eligible Person's exercise instructions. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the relevant financial intermediary in accordance with its usual customer relations procedures or as it otherwise notifies the holder of Rights.

None of Pharming or the Lead Placement Agents are liable for any action, or failure to act, by a financial intermediary through which Shares or Rights are held, or by the Subscription, Listing and Paying Agent in connection with any subscriptions or purported subscriptions.

Unexercised Rights

Rights cannot be exercised after 17.40 hours CET on 30 November 2016, which is the end of the Exercise Period. After expiry of the Exercise Period there will be a Rump Offer to institutional investors. Pharming has received provisional and non-binding commitments from institutional investors to subscribe for up to an aggregate total of approximately 15 million Rump Shares (the Support Arrangements), and may obtain further commitments prior to the close of the Exercise Period.

Holders of unexercised Rights will not be entitled to any compensation and will have no claim against the Company, the Lead Placement Agents, the Placement Advisor and the Subscription, Listing and Paying Agent. Shareholders who do not, or are not permitted to, exercise any of their Rights granted under the Offer will

suffer an immediate dilution (see section “Dilution" above).

Allotment of New Shares

Allotment of New Shares to be issued pursuant to the Offer is expected to take place on 2 December 2016. Eligible Persons who have subscribed for New Shares and paid the Issue Price ultimately on the Settlement Date may obtain information on the number of New Shares they have been allotted through their own financial intermediary.

Issue, Payment and Delivery

Holders of Rights that exercise their Rights must pay the Issue Price for the New Shares subscribed for in accordance with the instructions they receive from the financial intermediary through which they hold the Rights. The financial intermediary will pay the Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to the Company after deduction of applicable fees and expenses. Payment for the New Shares must be made to the Subscription, Listing and Paying Agent no later than the Settlement Date, which is 6 December 2016. Accordingly, financial intermediaries may require payment to be provided by holders of Rights exercising such Rights prior to the Settlement Date.

Delivery of the New Shares is expected to take place on 6 December 2016. Delivery of the New Shares will take place through the book-entry system of Euroclear Nederland.

Listing and Trading of the New Shares

Application has been made for the listing and trading of the New Shares on Euronext Amsterdam. The Company expects that the New Shares will be admitted for listing and trading, and that trading in the New Shares will start, on Euronext Amsterdam at 09:00 hours CET on 6 December 2016, barring unforeseen circumstances. The outstanding Shares are listed and will remain listed on Euronext Amsterdam under the symbol "PHARM", ISIN code NL0010391025 and common code 089615275. All dealings in Rights and New Shares prior to the Settlement Date are at the sole risk of the parties concerned. Any forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund of any Rights purchased in the market. Euronext Amsterdam, the Company, the Subscription, Listing and Paying Agent, the Lead Placement Agents and the Placement Advisor do not accept any responsibility or liability to any person as a result of the withdrawal of the Offer or (the related) annulment of any transactions in Rights or New Shares on Euronext Amsterdam.

Ranking and Dividends

The New Shares will, upon issue, rank pari passu in all respects with the then-outstanding Shares. The New Shares will be eligible for any dividend payment which Pharming may declare on the Shares after the Settlement Date. See Chapter 8 “*Operating and Financial Review*” section “*Financial Income and Expenses*” under “*Dividend Policy*".

Placement Agents

Stifel Nicolaus Europe Limited is acting solely as lead European Placement Agent and Roth Capital Partners, LLC is acting solely as lead US Placement Agent. Trout Group, Inc. is acting as a Co-Placement Agent and First Berlin Securities Brokerage GmbH is acting as a Placement Advisor.

Subscription, Listing and Paying Agent

ABN AMRO is acting as the Subscription, Listing and Paying Agent in the Netherlands. The address of the Subscription, Listing and Paying Agent is: Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. The financial intermediary through which Eligible Persons hold their Rights will be responsible (except for subscriptions on Rights held by Shareholders in registered form or their transferees, which should be addressed to the Company) for collecting instructions from them and for informing the Subscription, Listing and Paying Agent of their exercise instructions

Governing Law

The Rights, their terms and conditions, and the Offer shall be governed by and construed in accordance with the laws of the Netherlands. The Rights and the New Shares will be created in accordance with Dutch law and the Articles of Association.

Costs

The costs related to the Offer are approximately €0.8 million.

Currency

The Offer will be carried out and trading in the Rights will be effected in euros. The New Shares will be denominated in euros. Distributions, if any, will be made in euros.

14. Selling Restrictions

General

Receipt of the Prospectus will not constitute an offer of the Offer Securities. The Prospectus will be sent for information purposes only and should not be copied or redistributed. If an investor receives a copy of the Prospectus, such investor may not treat the Prospectus as constituting an invitation or offer to the investor of the Offer Securities being offered. Accordingly, if an investor receives a copy of the Prospectus or any other Offer 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 the Prospectus or any other Offer 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 Rights and/or 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 Directive 2010/73/EU (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 Offer Securities 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 Offer Securities may be made to the public in that Relevant Member State at any time:

- To 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 Offer Securities shall result in a requirement for the publication of a prospectus pursuant to Article 3 Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU, the Prospectus Directive) or any measure implementing the 2010 PD Amending Directive in a Relevant Member State and each person who initially acquires any Offer Securities 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 Prospectus 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 Offer Securities to the public" in relation to any Offer Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer of any Offer Securities so as to enable an investor to decide to purchase any Offer Securities, 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 Offer Securities 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 Offer Securities 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 Offer Securities 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 Offer Securities.

United States of America

Except as set forth below, the Prospectus is not to be sent or given to any person within the United States. The Offer Securities are not being, and will not be, registered under the Securities Act.

Accordingly, the Prospectus 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 Offer Securities 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 Offer Securities 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 Offer Securities 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 whom the Rights and/or the New Shares are distributed, offered or sold outside the United States will be deemed by its commitment to acquire, subscribe for or purchase the Rights and/or the New Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is acquiring, subscribing or purchasing the Rights and/or the New Shares, as the case may be, that:

(i) It is not a US Person (as such term is defined in Regulation S), is not located within the United States and is not acquiring Rights and/or New Shares for the account or benefit of a US person;

(ii) It is acquiring the New Shares from the Company in an "offshore transaction" as defined in Regulation S under the Securities Act; and

(iii) The Rights and/or 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 Rights and/or 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 Rights and/or 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.

Notwithstanding the foregoing, Offer Securities may be offered to and acquired by a limited number of persons located or with registered addresses in the United States who are reasonably believed to be QIBs pursuant to an available exemption from, or in a transaction not subject to, registration under the Securities Act. Any persons in the United States to whom Rights and/or New Shares are offered and by whom Rights

and/or New Shares are acquired will be required to make certain representations, warranties, covenants and acknowledgements in the subscription agreement (or such other document as the Company may require) in order to participate in the issue of the Rights and/or the New Shares. Such warranties will include, among others, warranties as to the fact that the purchaser (a) is a QIB and (b) is acquiring the Rights and/or the New Shares as principal for its own account and not with a view to or for distributing or reselling such Rights and/or 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 Rights and/or New Shares in compliance with applicable federal securities laws and the applicable securities laws of any state or other jurisdiction of the United States.

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

Each such investor acknowledges that it will not offer or resell the Rights and/or the New Shares absent registration or pursuant to an available exemption from, or in a transaction not subject to, registration under the Securities Act.

Additional Rights and Rights Offer Selling and Transfer Restrictions on US Shareholders

Rights will be provisionally granted to all Shareholders as at the Record Date, including Shareholders with registered addresses in, or who are located in, the United States (US Shareholders). However, US Shareholders will not be permitted to exercise such Rights, except where the Company, in its sole and absolute discretion, is satisfied that the offer, sale and exercise of such Rights by a US Shareholder, is exempt from, or the transaction in question is not subject to, the registration requirements of the Securities Act or the applicable securities laws of any state or other jurisdiction of the United States.

United Kingdom

In the United Kingdom, this electronic transmission and the Prospectus are each being distributed only to, and are directed only at, (i) investment professionals (within the meaning of the Order, (ii) high net worth companies (within the meaning of Article 49(2) of the Order) and (iii) persons to whom it may otherwise lawfully be distributed (all such persons being referred to as relevant persons). This electronic transmission and the Prospectus must not be acted on or relied on (a) in the United Kingdom, by persons who are not relevant persons and (b) in any Relevant Member State other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the Prospectus relates is available only to relevant persons in the United Kingdom and Qualified Investors in any Relevant Member State other than the United Kingdom and will be engaged in only with such persons. The Prospectus 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 the Prospectus 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.

15. Taxation

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of the Offer Securities and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the Offer to a particular holder of the Offer Securities will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the Offer to him, including the applicability and effect of Dutch tax laws.

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 summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that Pharming is organised, and that its business will be conducted, in the manner outlined in the Prospectus. 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 the Prospectus. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch taxation paragraph does not address the Dutch tax consequences for a holder of the Offer Securities who:

(i) Is a person who may be deemed an owner of the Offer Securities for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;

(ii) Is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from the Offer Securities;

(iii) Is an investment institution as defined in the Dutch Corporation Tax Act 1969;

(iv) Owns the Offer Securities in connection with a membership of the Management Board or Supervisory Board, an employment relationship, a deemed employment relationship or management role; or

(v) Has a substantial interest in Pharming or a deemed substantial interest in Pharming for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person – either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes – owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of Pharming, or rights to acquire, directly or indirectly, such an interest in the shares of Pharming or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of Pharming, or (b) such person's shares, rights to acquire shares or profit participating certificates in Pharming are held by him following the application of a non-recognition provision.

Taxes on Income and Capital Gains

Resident Holders of the Offer Securities

Holders of the Offer Securities who are residents or deemed to be residents in the Netherlands for Dutch tax purposes are fully subject to Dutch income tax if they are an individual or fully subject to Dutch corporation tax if it is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, as described in the summary below.

Individuals deriving profits or deemed to be deriving profits from an enterprise
Any benefits derived or deemed to be derived from or in connection with the Offer Securities that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur 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 up to 52%.

Individuals deriving benefits from miscellaneous activities
Any benefits derived or deemed to be derived from or in connection with the Offer Securities that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 52%.

An individual may, inter alia, derive, or be deemed to derive, benefits from or in connection with the Offer Securities that are taxable as benefits from miscellaneous activities if his investment activities go beyond regular active portfolio management.

Other individuals

If a holder of the Offer Securities is an individual whose situation has not been discussed before in this section "Dutch taxation - Taxes on income and capital gains – Resident holders of the Offer Securities", the value of his Offer Securities forms part of the yield basis for purposes of tax on benefits from savings and investments. A deemed benefit of 4% per annum of this yield basis is taxed at the rate of 30%. Actual benefits derived from or in connection with the Offer Securities are not subject to Dutch income tax.

Corporate entities

Any benefits derived or deemed to be derived from or in connection with the Offer Securities that are held by a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax.

General

A holder of the Offer Securities will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of the Offer Securities or the performance by Pharming of its obligations under such documents or under the Offer Securities.

Non-resident Holders of the Offer Securities

Individuals

If a holder of the Offer Securities is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with the Offer Securities, except if:

(i) He derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a Shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and the Offer Securities are attributable to such permanent establishment or permanent representative; or
(ii) He derives benefits or is deemed to derive benefits from or in connection with the Offer Securities that are taxable as benefits from miscellaneous activities performed in the Netherlands.

Corporate entities

If a holder of the Offer Securities is a corporate entity, or an entity including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident, nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with the Offer Securities, except if:

(i) It derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and to which permanent establishment or permanent representative the Offer Securities are attributable; or
(ii) It derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise the Offer Securities are attributable.

General

If a holder of the Offer Securities is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of the Offer Securities or the performance by Pharming of its obligations under such documents or under the Offer Securities.

Dividend Withholding Tax

General

Pharming is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by Pharming, subject to possible relief under Dutch domestic law, the Treaty on the Functioning of the EU or an applicable Dutch income tax treaty depending on a particular holder of the Offer Securities' individual circumstances.

The concept "dividends distributed by Pharming" as used in this Dutch taxation paragraph 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 the Offer Securities in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- The par value of the Offer Securities issued by Pharming to a holder of the Offer Securities or an increase of the par value of the Offer Securities, 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, unless (a) the general meeting of shareholders has resolved in advance to make such repayment and (b) the par value of the Offer Securities concerned has been reduced by an equal amount by way of an amendment to Pharming's articles of association.

Gift and Inheritance Taxes

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of the Offer Securities by way of gift by, or upon the death of, a holder of the Offer Securities who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of the Offer Securities becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of the Offer Securities made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

Registration 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 in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of the Offer Securities, the performance by Pharming of its obligations under such documents, or the transfer of the Offer Securities.

16. General Information

Available Information

Pharming publishes its annual accounts, accompanied by a Management Board report and an auditor's report, within four months after the end of each financial year and its half-yearly figures within three 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, a Management Board report and an auditor's report) and the half-yearly reports and quarterly reports upon their publication can be inspected by the Shareholders without charge at its head office in Leiden, during regular business hours.

Copies of the annual reports for the years ended 31 December 2014 and 2015, its (unaudited) report for the nine month period ended 30 September 2016, the Articles of Association and the Prospectus may be obtained free of charge for the life of the Prospectus 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 Prospectus.

The Prospectus will also be available to investors on the website of the AFM at www.afm.nl.

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 Dutch Chamber of Commerce 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

On 21 November 2016, the Management Board, with the approval of the Supervisory Board, which was given on 21 November 2016, resolved to issue the New Shares (see Chapter 12 "*Description of Share Capital and Corporate Governance*" section "*Issue of Shares and Rights to Subscribe for Shares*") and to exclude the related pre-emptive rights of the existing holders of Shares in respect of the New 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: NL0010391025
Common Code: 089615275
Euronext Amsterdam Symbol: PHARM

The Rights to subscribe for the New Shares are traded under the following characteristics:
ISIN Code: NL0012081459
Euronext Amsterdam Symbol: PHAOR

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

Organisational Structure

Pharming is a holding company of the following directly held operating companies:

Name	Percentage	Country of Incorporation
Broekman Instituut B.V.	100%	The Netherlands
Pharming B.V.	100%	The Netherlands
Pharming Healthcare, Inc	100%	USA
Pharming Intellectual Property B.V.	100%	The Netherlands
Pharming Technologies B.V.	100%	The Netherlands
Pharming Americas B.V.	100%	The Netherlands
ProBio, Inc	100%	USA (in administration)

Independent Auditors

The consolidated financial statements of Pharming for the years ended 31 December 2014 and 2015 have been audited by PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, which initially has been appointed as the Company's auditors at the General Meeting of Shareholders held on 15 April 2009. The responsible partner of PricewaterhouseCoopers Accountants N.V. is a member of the Royal Netherlands Institute of Chartered Accountants (Koninklijk Nederlands Instituut voor Registeraccountants).

Legal Proceedings

There are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which Pharming is aware, during a period covering at least the past 12 months which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

Material Agreements

Save for the finance agreements (described in Chapter 8 "*Operating and Financial Review*" section "*Liquidity and Capital Resources*") and the agreement with Valeant (described in Chapter 10 "*Transaction with Valeant*"), there are no contracts (not being entered into in the ordinary course of business) which are, or may be, material and which (i) have been entered into by Pharming or any of its subsidiaries during the two years immediately preceding the date of the Prospectus or (ii) which contain a provision under which Pharming or any of its subsidiaries has any obligation or entitlement which is material to the Group as at the date of the Prospectus.

Related Party Transactions

Save as disclosed in Chapter 11 "*Management, Supervision and Remuneration*" section "*Remuneration Policy – Option Plans and – Employment Agreements*", no related party transactions between Pharming (including its subsidiaries) were entered into between 30 September 2016 and the date of the Prospectus.

17. Glossary of Selected Terms

Alpha-galactosidase (GLA): This is a lysosomal enzyme which is functions to break down specific complex sugar-lipid molecules called glycolipids, specifically, globotriaosylceramide (GL-3 or Gb3), lyso-GL-3/Gb3 and related glycolipids, by removing the terminal galactose sugar from the end of these glycolipid molecules, especially in cells within nerves or the central nervous system.

Alpha-glucosidase (GAA): This is a lysosomal enzyme which is required to breakdown (metabolise) the complex carbohydrate glycogen and convert it into the simple sugar glucose within cells, especially muscle cells. Glycogen is a thick, sticky substance and failure to properly break it down results in massive accumulation of lysosomal glycogen in cells, particularly in cardiac, smooth, and skeletal muscle cells.

AGM: Annual General Meeting of Shareholders.

AMR: Antibody-Mediated Rejection occurs when a transplant because of suboptimal histo-compatibility, is perceived by the recipient as a foreign body. The immune system is activated and the foreign body is attacked, which can lead to organ failure and immunological rejection of the organ.

Biobetter: The term biobetter refers to a recombinant protein drug that is in the same class as an existing biopharmaceutical but is not identical; it is improved over the original in terms of efficacy or safety profile. Biobetters build on the success of existing, approved biologics but are considered less of a commercial risk than developing a brand new class of biologic. Biobetters are not entirely new drugs nor generic versions of drugs: while many consider biosimilars to be generic versions of biotech drugs, it isn't possible to create a generic biologic drug, because biopharmaceuticals are produced in living organisms - such as animals or bacteria - and cannot be copied exactly.

Biosimilar: Biosimilars, sometimes referred to as biogenerics, are highly similar versions of biologics, medicines made from living microorganisms found in plant or animal cells. The term “generic” refers only to traditional, or small molecule, drugs that are bioequivalent to an already approved small molecule drug, according to the U.S. Food and Drug Administration (FDA). Most biologics are very large, complex molecules or mixtures of molecules. A biosimilar is a biologic that is intended to be as close as possible (i.e. bioequivalent) to a biologic drug that already exists and is approved in a regulatory jurisdiction.

BLA: In the USA, pharmaceuticals are approved for marketing under the provisions of the Public Health Service (PHS) Act. The Act requires a firm which manufactures a pharmaceutical for sale in interstate commerce to hold a license for the product. To commercialise a new biological product in the USA, the FDA needs to approve a Biologics License Application (BLA). A BLA is a submission that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of the biologic product. If the information provided meets FDA requirements, the application is approved and a license is issued allowing the company to market the pharmaceutical. Biological products include amongst others monoclonal antibodies, growth factors, blood products and proteins intended for therapeutic use. The concerning FDA centre is the Center for Biologics Evaluation and Research (CBER).

C1INH: C1 esterase inhibitor or C1INH is a serine protease inhibitor protein present in human blood serum. C1INH is involved in the regulation of the first protein in the complement system (C1), which is part of the immune system. Insufficient C1 inhibitor action or amounts can cause inflammation and HAE attacks.

CHMP: The Committee for Medicinal Products for Human Use (CHMP) plays a vital role in the marketing procedures for medicines in the European Union. Amongst others, the CHMP is responsible for preparing the EMA’s opinions on all questions concerning medicinal products for human use, in accordance with Regulation (EC) No 726/2004.

CMO: A Contract Manufacturing Organisation (CMO) is an organisation that provides clients from the pharmaceutical industry with comprehensive services from drug development through manufacture.

DGF: DGF or Delayed Graft Function is a common complication affecting all solid organs in the post-transplant period. DGF results in significant morbidity and mortality from early graft dysfunction and from decreased long-term graft survival. The condition also prolongs hospitalisation and requires substitute therapies for these patients, such as dialysis or ventilatory support. DGF remains a critical unmet medical need despite improvements in immunosuppression, organ preservation, and surgical technique. C1 inhibitor has been shown in numerous models of organ transplantation to improve early graft function. In the USA alone, over 25,000 solid organs are transplanted annually, including kidney, liver, lung and heart transplants.

DNA: DNA or deoxyribonucleic acid is a large organic molecule which contains the genetic information for the development and functioning of living organisms. The DNA holds so-called genes, each of them carrying the instructions to generally construct one specific protein. All genes together are called the genome or 'blueprint'. The proteins made from this blueprint are responsible for the biochemical activity of the cell.

Downstream manufacturing: Downstream manufacturing are all activities related to the purification of the C1 inhibitor protein from the milk, the fill and finish of the vials and the packaging and labelling of the vials.

EGM: Extraordinary General Meeting (of Shareholders).

EMA: The European Medicines Agency (EMA) is the regulatory office for pharmaceuticals in the European Union and is responsible for approving new drugs prior to marketing of the product ensuring their safety and efficacy.

FDA: The US Food and Drug Administration (FDA) is the regulatory office responsible for drug approval in the USA.

G&A: General & Administrative activities.

GMP: GMP status or Good Manufacturing Practice is a term that is recognised worldwide for the control and management of manufacturing and quality control testing of foods and pharmaceutical products.

HAE: HAE or Hereditary Angioedema is a human genetic disorder caused by insufficient activity of the C1 inhibitor protein. HAE patients suffer from recurrent unpredictable acute attacks of painful and in some cases fatal swelling of soft tissues (edema), including regions of the skin, abdomen and the mouth and throat. Attacks can last up to five days when untreated. In the Western world, between 1 in 10,000 and 1 in 50,000 individuals suffers from HAE, having an average of 7 to 8 acute attacks per year.

Hemophilia-A: Hemophilia A, also called factor VIII (FVIII) deficiency or classic hemophilia, is a genetic disorder caused by missing or defective factor VIII, a clotting protein, which results in that person's inability to clot when blood leaks or escapes from the vascular system through damage or rupture. Although it is passed down from parents to children, about 1/3 of cases are caused by a spontaneous mutation, a change in a gene. According to the US Centers for Disease Control and Prevention, hemophilia occurs in approximately 1 in 5,000 live births. There are about 20,000 people with hemophilia in the US. All races and ethnic groups are affected. Hemophilia-A is four times as common as Hemophilia-B while more than half of patients with Hemophilia-A have the severe form of hemophilia.

IFRS: International Financial Reporting Standards (IFRS) along with International Accounting Standards (IAS) are a set of accounting standards issued by the International Accounting Standards Board (IASB).

IND: An Investigational New Drug Application (IND) is the vehicle through which a sponsor advances to the next stage of drug development known as clinical trials (human trials).

IRI: Ischaemia Reperfusion Injury (IRI) is a complication arising from lack of oxygen due to an interruption of the blood supply (ischaemia) resulting in tissue damage. This can occur in a transplanted organ, in the brain in case of stroke, and in the heart in case of myocardial infarction ('heart attack').

LTIP: Long Term Incentive Plan.

MAA: A Marketing Authorisation Application (MAA) is a request for market approval in the EU.

NDA: In the USA, pharmaceuticals are approved for marketing under the provisions of the Public Health Service (PHS) Act. The Act requires a firm which manufactures a pharmaceutical for sale in interstate commerce to hold a license for the product. To commercialise a new pharmaceutical drug product in the USA, the FDA needs to approve a New Drug Application (NDA). An NDA is a submission that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of the pharmaceutical drug product. If the information provided meets FDA requirements, the application is approved and a license is issued allowing the company to market the pharmaceutical. The concerning FDA center is the Center for Drug Evaluation and Research (CDER).

Orphan Drug: A drug being developed to treat a rare disease (affecting less than 200,000 individuals in the USA) can receive Orphan Drug designation from the FDA. This status is granted under the US Orphan Drug Act of 1983, which was established to encourage, support and protect the development of treatment for rare, but serious diseases. Orphan Drug status provides several advantages including market exclusivity for seven years, various financial incentives and a well-defined regulatory approval path. The EMA can grant a similar status to products being developed to treat rare diseases (affecting not more than five in ten thousand persons in Europe), namely Orphan Medicinal Product. This status is granted under European Parliament and Council Regulation (EC) No 141/2000 of 16 December 1999, on Orphan Medicinal Products, which introduces incentives for Orphan Medicinal Products research, development and marketing, in particular by granting exclusive marketing rights for a ten-year period.

POC: A Proof of Concept (POC) is a study to verify that a concept or theory has the potential of being used.

Protein: Proteins are large organic molecules, like C1 inhibitor, and form the basis to all living organism. They are composed of one or more chains of amino acids joined together by peptide bonds. The sequence of these amino acids is defined by genes, which are present in the DNA.

Recombinant: Recombinant refers to the combination of genetic material (DNA) from different biological sources. Pharming, like all biotechnology firms, uses recombinant technology to produce proteins such as recombinant human C1 inhibitor.

R&D: Research and Development activities.

rhC1INH: Recombinant human C1 esterase inhibitor (rhC1INH) is the active component of RUCONEST®. Natural C1 inhibitor DNA from a human source is used in Pharming's protein production technology to ensure expression of the C1 inhibitor protein. This product might be useful for certain indications, such as the prevention of complications that sometimes arise after organ transplantation.

RUCONEST®: RUCONEST® is the global trade mark for Pharming's recombinant human C1 inhibitor for the treatment of patients with acute HAE attacks. Human C1 inhibitor is a protein involved in the regulation of the first protein in the complement system (C1), which is part of the immune system. Insufficient C1 inhibitor action or amounts can cause inflammation and HAE attacks.

SPA: The Special Protocol Assessment (SPA) process is a procedure by which the FDA provides official evaluation and written guidance on the design of proposed protocols that are intended to form the basis for a BLA or NDA. Final marketing approval depends on the results of efficacy, the adverse event profile and an evaluation of the benefit/risk of treatment demonstrated in all the data contained in the BLA or NDA submission.

Sunshine Act: the US Physician Payments Sunshine Act (Sunshine Act) is designed to increase transparency around the financial relationships between physicians, teaching hospitals and manufacturers of drugs, medical devices and biologics. Manufacturers must submit annual data on payments and transfers of value made to physicians or teaching hospitals.

Transgenic: An organism is called transgenic when its cells carry genetic material from another species in addition to its own genetic material. Pharming produces specific human products in the milk of transgenic rabbits and cows carrying the human recombinant gene responsible for expressing that product.

Upstream manufacturing: Upstream manufacturing are all activities related to the production of milk.

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