Pharming®

Serving the unserved rare disease patient

Annual Report 2023

Contents






About this report

ESEF filing

This copy of the Pharming Group N.V. Annual Report 2023 is not in the ESEF format as specified by the European Commission in the Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The Annual Report 2023 ESEF filing is available in the financial documents section on our corporate website (www.pharming.com).

Forward-looking statements

This 2023 Annual Report of Pharming Group N.V. and its subsidiaries ("Pharming", the "Company" or the "Group") may contain forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements. These forward-looking statements are identified by their use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "milestones", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases. Examples of forward-looking statements may include statements with respect to timing and progress of Pharming's preclinical studies and clinical trials of its product candidates, Pharming's clinical and commercial prospects, and Pharming's expectations regarding its projected working capital requirements and cash resources, which statements are subject to a number of risks, uncertainties and assumptions, including, but not limited to the scope, progress and expansion of Pharming's clinical trials and ramifications for the cost thereof; and clinical, scientific, regulatory and technical developments. In light of these risks and uncertainties, and other risks and uncertainties that are described in Pharming's 2023 Annual Report and the Annual Report on Form 20-F for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission, the events and circumstances discussed in such forward-looking statements may not occur, and Pharming's actual results could differ materially and adversely from those anticipated or implied thereby. All forward-looking statements contained in this press release are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Any forward-looking statements speak only as of the date of this press release and are based on information available to Pharming as of the date of this release. Pharming does not undertake any obligation to publicly update or revise any.

Directors report 2023 within the meaning of section 2:391 of the Dutch Civil Code

The following sections of this Annual Report form the director's report within the meaning of section 2:391 of the Dutch Civil Code: At a Glance, Strategy and Execution, Financial Performance, Risk Management and Governance.

At a Glance

Chief Executive Officer’s statement

Transformation into a multi-product rare disease company

We are pleased to have delivered an excellent year in which we transformed Pharming into a multi-product, commercial rare disease biopharmaceutical company.

We grew RUCONEST® revenues by 10% in 2023. This demonstrates the continued need for, and importance of, RUCONEST® as a trusted cornerstone of treatment in the competitive HAE market.

We launched Joenja® (leniolisib) for APDS in the U.S. in April 2023, shortly after FDA approval, and saw meaningful initial uptake for what is the first and only FDA approved treatment for APDS. We have identified and confirmed over 840 APDS patients in global markets, including now well over 200 in the U.S and we have started family genetic testing initiatives, important since the majority of APDS patients will have family members also afflicted with the disease. In addition, we have commenced studies to determine which of more than 1,100 patients in the U.S., with inconclusive genetic testing results showing a variant of uncertain significance (VUS), have genetic variants that cause hyperactivity in the PI3Kδ pathway. Classifying such variants as APDS disease causing allows for an important APDS diagnosis for these patients, who could potentially be eligible for and offered treatment with Joenja®.

We also made strong progress preparing for the commercialization of leniolisib in key global markets. We have been receiving requests for individual treatment on a named patient basis, in markets outside of the U.S., and provided the first patients with leniolisib around year-end 2023. Numerous regulatory reviews are ongoing and we are preparing for commercialization in key global markets including Europe, the U.K., Japan, Asia Pacific, Middle East, and Canada.

These results reflect Pharming’s dedication to developing and delivering therapies to unserved rare disease patients. Looking to 2024, we remain focused on our goals of developing leniolisib for unserved rare disease patients globally and further developing our rare disease pipeline and footprint. Regarding leniolisib, these goals include identifying additional APDS patients, continuing the momentum for Joenja® revenue in the U.S., obtaining regulatory approvals and bringing leniolisib to APDS patients in additional global markets. We are also seeking to significantly expand the leniolisib market opportunity and our revenue growth by pursuing development of leniolisib for additional primary immunodeficiencies (PIDs) beyond APDS, and have advanced plans to start a Phase II proof of concept clinical trial in PIDs with immune dysregulation linked to PI3Kδ signaling.

Achieving our goals would not have been possible without the tireless work and collaboration of our employees and the support of our shareholders. I offer my sincere appreciation as they enable us to make progress towards our vision to become the leading global rare disease company of choice and to achieve our mission to bring unserved rare disease patients the solutions they need.

Sijmen de Vries

> “We are focused on developing leniolisib for unserved rare disease patients globally and further developing our rare disease pipeline and footprint.”

Dr. Sijmen de Vries, Executive Director and Chief Executive Officer

Profile

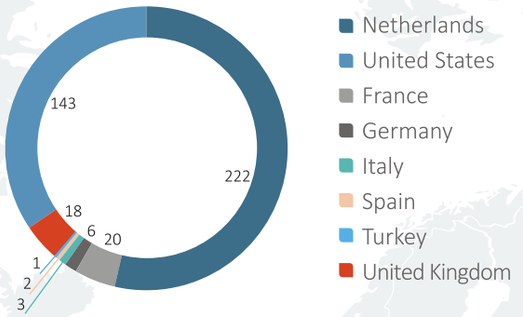
Founded in 1988, Pharming Group is a global biopharmaceutical company dedicated to transforming the lives of patients with rare, debilitating, and life-threatening diseases. Pharming is commercializing and developing an innovative portfolio of protein replacement therapies and precision medicines to serve the unserved rare disease patient.

Our commitment to the rare disease community requires Pharming to be a sustainable partner for all stakeholder groups including but not limited to patients, employees, healthcare professionals, third-party suppliers and partners, our shareholders, and the wider society.

Pharming is headquartered in Leiden, the Netherlands with its U.S. headquarters located in Warren, New Jersey. Pharming is dually listed on the Euronext Amsterdam (PHARM) and Nasdaq (PHAR) exchanges.

415 employees in 8 countries

Headquartered in Leiden, the Netherlands and Warren, New Jersey, U.S.



Commercial Products

RUCONEST® - HAE

2023 Revenues
(in US$ Millions)

227.1

2022: **205.6** ▲10%

Joenja® (leniolisib) - APDS

2023 Revenues
(in US$ Millions)

18.2

2022: —

Leniolisib Development

Leniolisib for APDS:
Global regulatory filings, Japan and Pediatric trials

Leniolisib for PIDs with immune dysregulation

Pharming® 35 years

Our business

Pharming's aim is to bring innovative medicines to unserved rare disease patients globally.

Commercial products

RUCONEST® (C1 esterase inhibitor [recombinant])

Marketed for the treatment of acute HAE attacks

Pharming's first commercialized product, RUCONEST®, is the first and only recombinant C1 esterase inhibitor (rhC1INH) protein replacement therapy approved for the treatment of acute attacks in adult and adolescent patients with hereditary angioedema (HAE).

RUCONEST® is commercialized in the United States, the European Economic Area, and the United Kingdom through our own sales and marketing organization, and in the rest of the world through our distribution network.

The United States is the largest market for RUCONEST®, representing 97% of the product's 2023 revenues.

Joenja® (leniolisib)

The first and only approved disease modifying treatment for APDS

Pharming's second commercialized product, Joenja® (leniolisib), is a small molecule kinase inhibitor that received US FDA approval on March 24, 2023, for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in patients 12 years of age and older.

Joenja® is commercialized in the United States through our own sales and marketing organization.

Pipeline Development

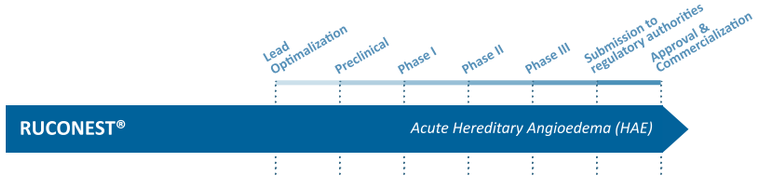
Leniolisib

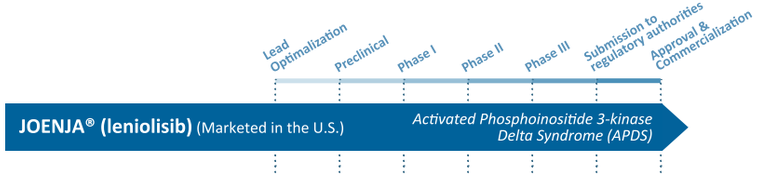
Pharming has regulatory and clinical development efforts ongoing to make leniolisib available to APDS patients of all ages globally. Pharming is also developing leniolisib for primary immunodeficiencies (PIDs) with immune dysregulation linked to PI3Kδ signaling, representing a significantly larger market opportunity than APDS.

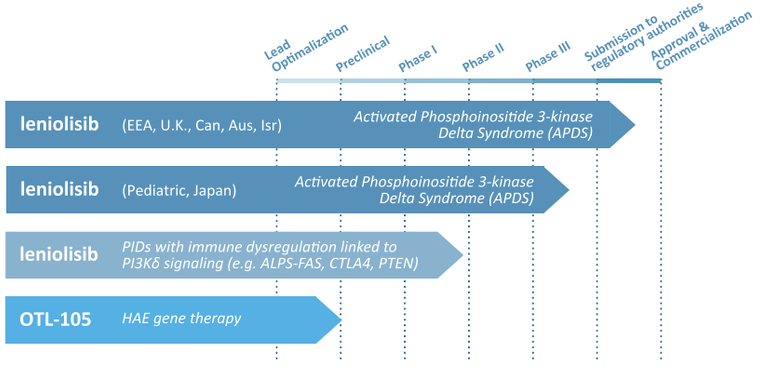
Pre-clinical and business development

OTL-105, an investigational gene therapy for the treatment of HAE, is in preclinical development.

To further build out our rare disease portfolio, Pharming continues to pursue a strategy focused on in-licensing or the acquisition of clinical stage assets.







Commercial products

RUCONEST®

Pharming's first commercialized product, RUCONEST®, is the first and only recombinant C1 esterase inhibitor (rhC1INH) protein replacement therapy approved for the treatment of acute attacks in adult and adolescent patients with hereditary angioedema (HAE).

RUCONEST® - a large molecule produced using the milk of transgenic rabbits - is delivered intravenously and is immediately and completely bioavailable to stop the progression of an HAE attack. RUCONEST® has been shown to normalize C1INH activity levels and to be clinically relevant in HAE attack treatment.[1,2]

With over 9 years on the key U.S. market, RUCONEST® has a legacy of trust with over 720 prescribing U.S. physicians. RUCONEST® has been prescribed to more than 2,000 patients with HAE worldwide.

Read more

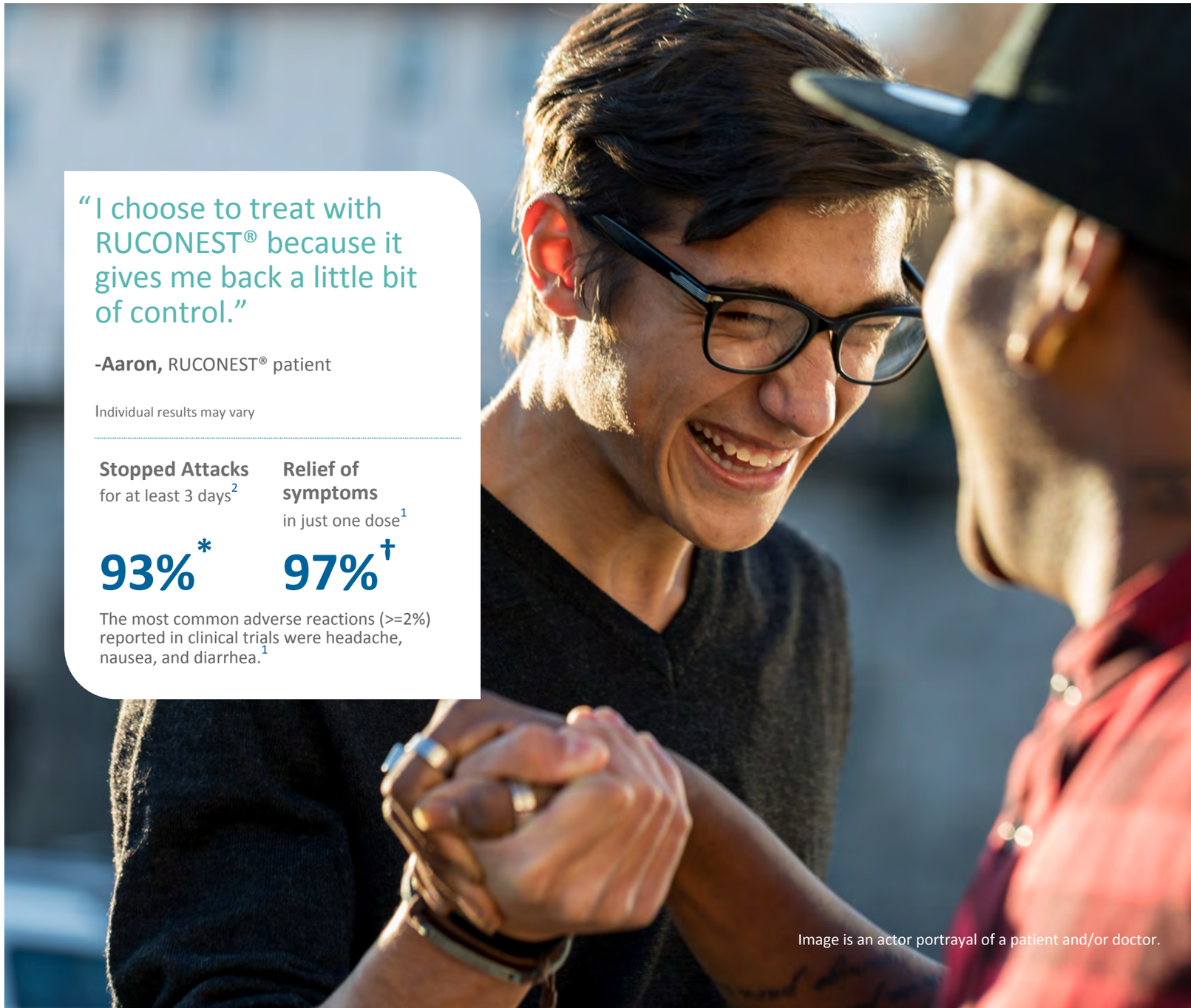


Image is an actor portrayal of a patient and/or doctor.

* Based on a post hoc analysis of pooled data from the randomized controlled study and open-label extension phases of 2 studies involving 127 patients aged ≥13 years who were treated with RUCONEST 50 U/kg (max 4200 U) for acute attacks of HAE. Data for 72 hours were available for 68 of 127 patients.

† 9 of 10 patients achieved symptom relief with just one dose of RUCONEST at 50 U/kg (n=44) in the primary clinical study. In the primary clinical study, patients saw symptom relief in 90 minutes vs 152 minutes with placebo. In the extension study, symptom relief began in 75 minutes. 50 U/kg (max 4200 U) in clinical studies (open-label extension phase, n=44 [170 attacks].

Joenja® (leniolisib)

Pharming's second commercialized product, Joenja®, is a small molecule kinase inhibitor for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS).

Joenja® received US FDA approval on March 24, 2023, for patients 12 years of age and older, and is the first and only treatment approved for APDS, a rare primary immunodeficiency first characterized in 2013.[3] As an immune modulator, Joenja® targets the root cause of APDS, facilitating a balanced PI3Kδ pathway to correct the underlying immune defect in APDS.[4,5]

First commercial shipments of Joenja® to patients in the U.S. took place in April 2023. As of December 31, 2023, 92 APDS patients were enrolled on Joenja® in the U.S., of which 81 patients were on commercial paid therapy.

Based on available literature, Pharming estimates APDS prevalence to be 1.5 patients per million.[3,6] As of December 31, 2023, Pharming has identified over 840 diagnosed APDS patients of all ages in global markets, including over 200 patients in the United States. Pharming estimates total prevalence of ~2000 APDS patients in our key markets.

Pharming advanced several initiatives during 2023 to assist in the diagnosis of APDS patients, including a sponsored genetic testing program in the U.S. and Canada, partnerships with several genetic testing companies who undertake their own testing efforts, family testing programs and validation studies to confirm which genetic variants of uncertain significance (VUS) should be classified as APDS.

*Change in index lesions size was measured using log 10-transformed SPD of the largest lymphnodes (maximum of 6) identified as per Cheson criteria on CT/MRI.

†In patients with <48% of naive B cells at baseline, the adjusted mean difference between Joenja (n=8) and placebo (n=5) in the percentage of naive B cells out of total B cells was 37.30 (95% CI: 24.06, 50.54), p= 0.0002. The analysis excluded 2 patients from each treatment group due to protocol violations, 5 Joenja patients and 3 placebo patients with >=48% naive B cells at baseline, 5 Joenja patients with no day 85 measure, and 1 Joenja patient with no baseline measurement.

"The FDA approval of Joenja® is an exciting moment for the APDS community and offers to transform the treatment pathway for patients and families affected by this rare disease."

Dr. Eveline Wu, MD, MSCR

Division Chief, Pediatric Rheumatology & Associate Professor of Pediatric Rheumatology and Allergy/Immunology at The University of North Carolina School of Medicine

Reduction in lymphadenopathy at 12 week[5,7]

46%*

Increase in naive B cells at 12 weeks[7]

37%†

The most common adverse reactions (incidence >10%) were headache, sinusitis, and atopic dermatitis.

Read more

Image is an actor portrayal of a patient and/or doctor.

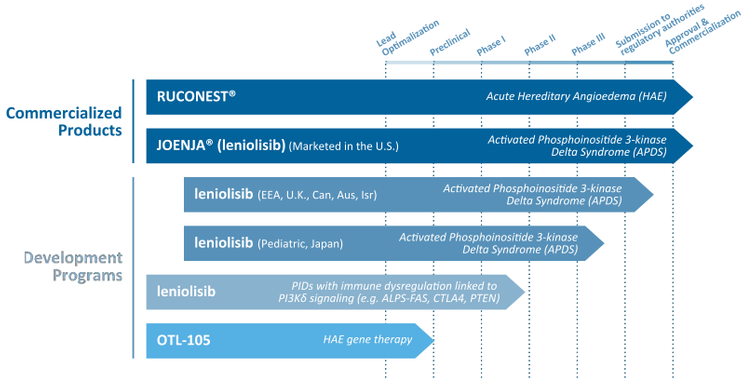
Pipeline development

Pharming seeks to significantly expand the leniolisib market opportunity.

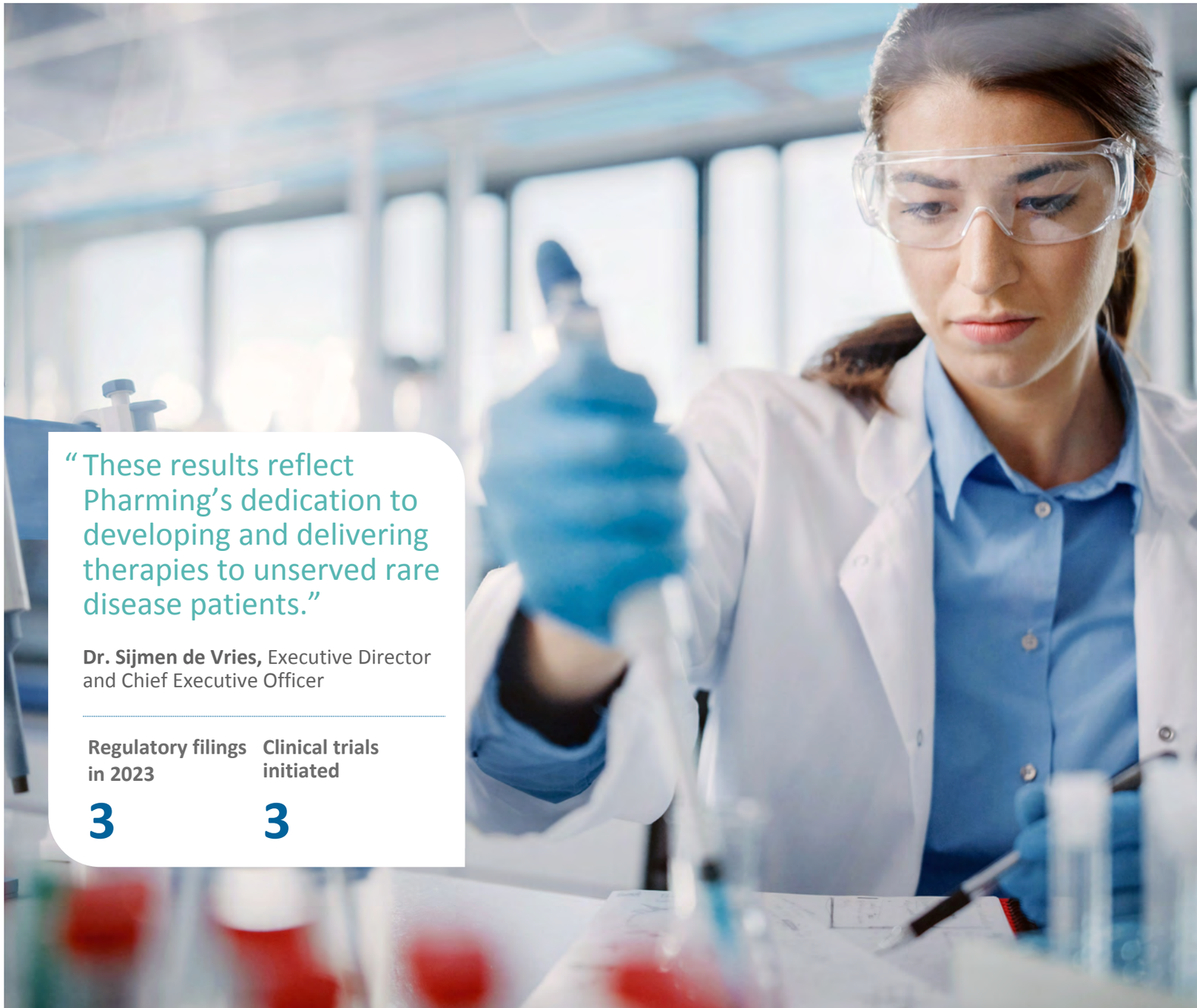
Pharming has filed for regulatory approval of leniolisib for APDS in additional key markets and has ongoing clinical trials to support regulatory filings for approval in Japan and for pediatric label expansion. We are also developing leniolisib for primary immunodeficiencies (PIDs) with immune dysregulation, linked to PI3Kδ signaling in lymphocytes, with similar clinical phenotypes to ADPS and significantly greater prevalence.

OTL-105 is an investigational gene therapy, for the treatment of hereditary angioedema (HAE), currently in preclinical development.

To further build out our rare disease portfolio, Pharming also continues to pursue a strategy focused on in-licensing or the acquisition of clinical stage assets.



Read more



"These results reflect Pharming's dedication to developing and delivering therapies to unserved rare disease patients."

Dr. Sijmen de Vries, Executive Director and Chief Executive Officer

Regulatory filings in 2023

3

Clinical trials initiated

3

Leniolisib global regulatory filings - APDS

The current status of global regulatory submissions for leniolisib for the treatment of APDS is as follows:

European Economic Area (EEA)
Pharming's Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) for leniolisib as a treatment for APDS in adults and adolescents 12 years or older is under review. Pharming is working closely with the EMA's Committee for Medicinal Products for Human Use (CHMP) to address the remaining outstanding issues and we are now awaiting CHMP's opinion on the leniolisib MAA.

The United Kingdom
Pharming submitted a leniolisib MAA for APDS patients ages 12 and older with the U.K. Medicines and Healthcare products Regulatory Agency (MHRA) on March 12, 2024, through the International Recognition Procedure (IRP) on the basis of the US FDA approval.

Additional markets
Pharming filed regulatory submissions for APDS patients ages 12 and older in Canada and Australia in the third quarter 2023, and Israel in the second quarter. These submissions are progressing as expected and we anticipate regulatory action in 2024 for Canada, Australia, and Israel.

Read more

Leniolisib clinical trials - APDS

Clinical trials are ongoing to support APDS marketing approval for leniolisib in Japan and pediatric label expansion:

Japan
A Phase III clinical trial evaluating leniolisib for the treatment of APDS in adult and pediatric patients 12 years of age and older is ongoing in Japan. Patient enrollment in this study is now complete. Pharming plans to file an application for the approval of leniolisib with Japan's Pharmaceuticals and Medical Devices Agency (PMDA), following completion of the appropriate clinical trials.

The single-arm, open-label clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in three patients 12 years of age and older who have a confirmed APDS diagnosis.

Pediatric use
In 2023, Pharming initiated two pediatric clinical trials, for children ages 4 to 11 and ages 1 to 6 years old, at sites in the U.S., Japan, and the EU. The single-arm, open-label, multinational clinical trials will evaluate the safety, tolerability, and efficacy of leniolisib in 15 children, per clinical trial, who have a confirmed APDS diagnosis. The primary efficacy endpoints and secondary endpoints of the studies mirror those used to evaluate the clinical outcomes in the previous leniolisib Phase II/III APDS trials for patients aged 12 and older.

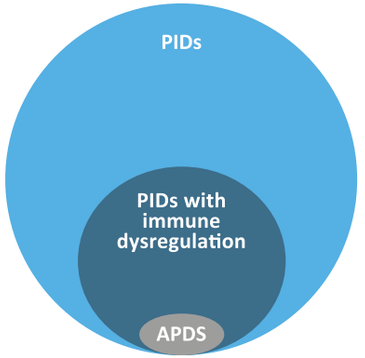
Pharming is nearing completion of enrollment in the clinical trial for children ages 4 to 11 years old. The first patient was dosed in the clinical trial for children ages 1 to 6 years old in November 2023 and enrollment in the study is continuing as planned.

Read more

Leniolisib for additional indications (PI3Kδ platform) - Primary immunodeficiencies (PIDs) beyond APDS

We have commenced work to identify and prioritize other indications where leniolisib has the potential to deliver value for patients. PI3Kδ has been identified as an important player in a variety of disease states, and leniolisib has demonstrated an attractive, long-term efficacy, safety and tolerability profile in clinical trials conducted in both healthy volunteers and APDS patients. This provides a solid basis for our plans for the investigation and investment in further leniolisib indications. Leniolisib, by reducing PI3Kδ activity, could help rebalance immune dysregulation in PIDs, positively impacting clinical manifestations including lymphoproliferation and autoimmunity.

Pharming has engaged with and received feedback from the US FDA on its plans to develop leniolisib for PID disorders with immune dysregulation. Pharming is now in the final stages of preparation for the start of an initial Phase II, proof of concept, clinical trial in targeted PID genetic disorders with immune dysregulation linked to PI3Kδ signaling in lymphocytes, with similar clinical phenotypes and unmet medical need to APDS.



Not to scale with population sizes

These PID disorders include ALPS-FAS, CTLA4 haploinsufficiency and PTEN deficiency. The epidemiology of these targeted PID genetic disorders suggests a prevalence of approximately five patients per million, significantly greater than APDS.

The Phase II clinical trial is a single arm, open-label, dose range-finding study to be conducted in approximately 12 patients. The objectives for the trial will be to assess safety and tolerability, pharmacokinetics, pharmacodynamics, and explore clinical efficacy of leniolisib in this new PID population. The trial has been designed to inform a subsequent Phase III program.

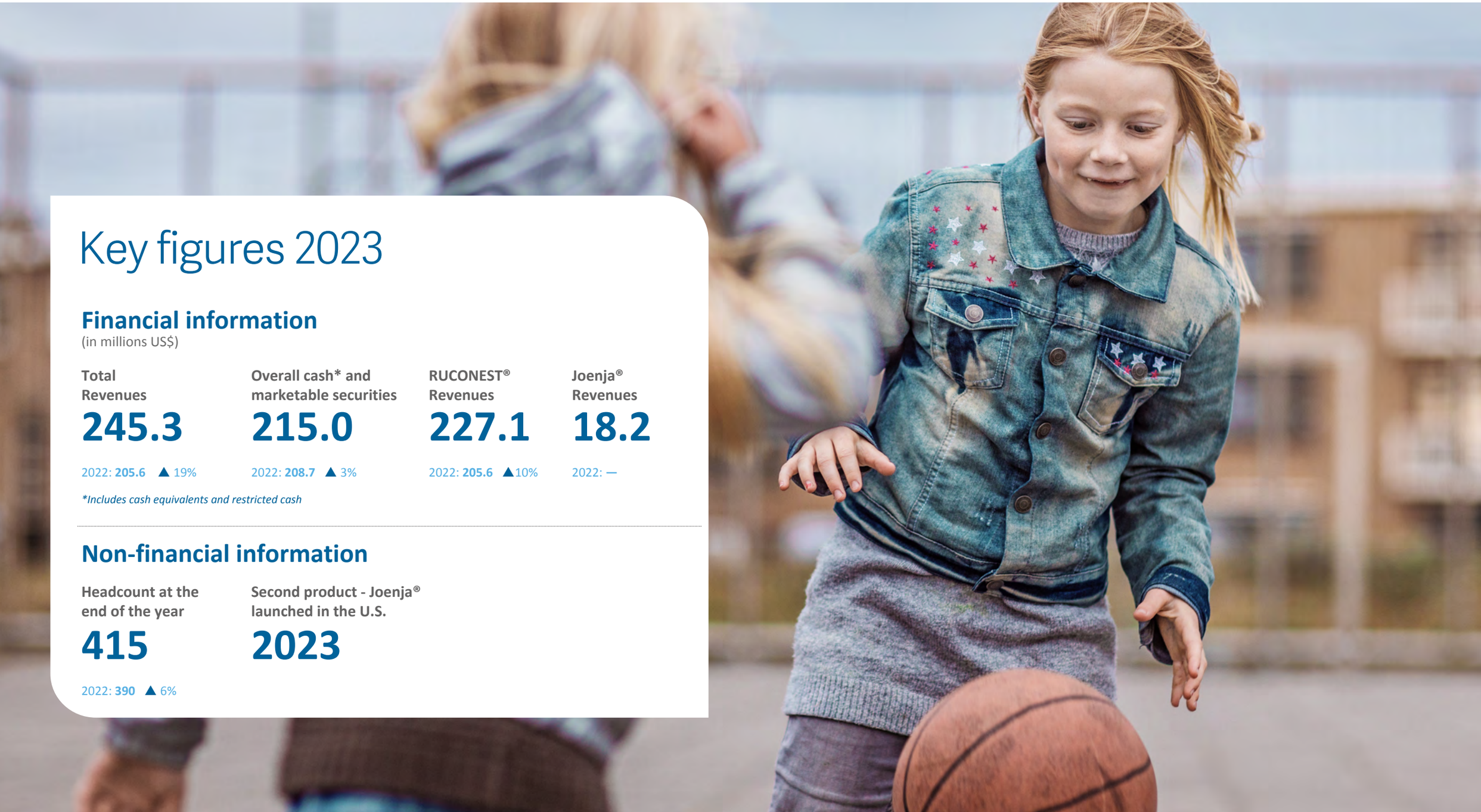
Read more

Pre-clinical pipeline: OTL-105

Pharming has an ongoing collaboration with Orchard Therapeutics to research, develop, manufacture and commercialize OTL-105, an investigational gene therapy for the treatment of hereditary angioedema (HAE) due to a deficiency of C1 esterase inhibitor (C1INH).

Work is continuing on testing in preclinical HAE disease models.

Read more



Key figures 2023

Financial information

(in millions US$)

Total Revenues

245.3

2022: **205.6** ▲ 19%

Overall cash* and marketable securities

215.0

2022: **208.7** ▲ 3%

RUCONEST® Revenues

227.1

2022: **205.6** ▲10%

Joenja® Revenues

18.2

2022: —

**Includes cash equivalents and restricted cash*

Non-financial information

Headcount at the end of the year

415

2022: **390** ▲ 6%

Second product - Joenja® launched in the U.S.

2023

Highlights 2023

February

- February 16: Pharming provides updates on EMA regulatory review of leniolisib for APDS in Europe
- February 21: First patient enrolled in pediatric clinical trial for ages 4 to 11 for the treatment of APDS.

March

- March 24: US FDA approval of Joenja® (leniolisib) for patients 12 years of age and older for the treatment of APDS. With the approval of Joenja®, as a treatment for a rare pediatric disease, the FDA granted Pharming a priority review voucher (PRV).

April

- April 11: First commercial shipments of Joenja® (leniolisib), for the treatment of APDS, to patients in the United States. The corresponding first commercial sale of Joenja® triggered a $10 million milestone payment by Pharming to Novartis.

May

- May 11: Discontinuation of Pompe asset announced.
- May 17: Pharming AGM held. All proposals were approved.

June

- June 1: Announces the sale of its Priority Review Voucher (PRV) to Novartis for US$21 million.
- June 20: Pharming CEO Dr. Sijmen de Vries wins Chief Executive of the Year award at the 2023 European Mediscience Awards.

August

- August 9: First patient enrolled in Phase III clinical trial of leniolisib in Japan for patients 12 years of age and older.

September

- September 1: Pharming welcomes Chief Business Officer, Dr. Alexander Breidenbach.
- September 25: Dr. Richard Peters approved as Chairperson of the Board of Directors at the EGM.

November

- November 7: Announces 14 poster presentations by the Company or its collaborators regarding leniolisib and RUCONEST® at the International Primary Immunodeficiencies Congress (IPIC) and the American College of Allergy, Asthma & Immunology (ACAAI) Annual Scientific Meeting.
- November 10: Pharming provides updates on EMA regulatory review of leniolisib MAA and plans to file for UK regulatory approval.
- November 21: First patient dosed in pediatric clinical trial for leniolisib for the treatment of APDS in children 1 to 6 years old.

December

- December 13: Announces development plans for leniolisib for additional primary immunodeficiencies (PIDs), with initial development in PIDs with immune dysregulation linked to PI3Kδ signaling, including ALPS-FAS, CTLA4 haploinsufficiency and PTEN deficiency.

Read more

Strategy and Execution

“ We have made further progress on our strategy to evolve from one product in one geography. Our ambition is to build a high value pipeline and bring more products to patients in need in multiple geographies.”

Dr. Alexander Breidenbach, Chief Business Officer

Our strategy

Pharming's vision is to become the leading global rare disease company of choice for patients and partners with a specific focus on transformative medicines in rare diseases. Our mission is to bring unserved rare disease patients the solutions they need through our fully integrated and ongoing clinical development and commercialization expertise. Our core values enable our mission and create a clear pathway forward to meet our strategic goals and objectives.

Pharming creates sustainable long-term value by leveraging its core strengths in clinical development and rare-disease drug commercialization. To sustain longer-term growth, we continue to build a risk-balanced portfolio while taking on more development activities, including life cycle management of leniolisib. This portfolio could include a broad range of acquired and in-licensed clinical stage assets that further build upon our strategy.

Moreover, we have made progress on our strategy to move from revenue dependency on one product in one geography, to a company with multiple commercialized products in multiple geographies generating revenues across key markets.

For leniolisib, our strategy is to make the drug available in key markets including the United States, Europe, the U.K., Japan, Asia Pacific, Middle East, and Canada.

Pharming creates sustainable long-term value by leveraging its core strengths in clinical development and rare-disease drug commercialization.

Read more

Our Company Culture

As a leading biopharmaceutical company, we focus on serving the unserved rare disease patient and bringing them the solutions they need.

Together, we can achieve great things. By collaborating, encouraging each other to go the extra mile and listen, assist and support even when things get tough. Combining each others' expertise leads to our continued growth, not only in size but also in the impact we have on patients.

We are working together to create our future. It inspires us to go above and beyond for our patients. It is important that employees feel connected and engaged. Our Core Values and Behaviors are therefore an essential part of our company strategy.

Our Core Values

We care	We collaborate	We walk the talk
Everything we do is in the interest of our patients	**Working together to achieve our goals**	**We do what we say and say what we do**
We build strong relationships	We are committed to the team	We are aware of our impact
We innovate in the interest of patients	We pro-actively share information	We have a sense of urgency
We are dedicated to helping each other being successful	We keep our entrepreneurial spirit alive	We let integrity guide us

Our Behaviors

Self development	Teamwork	Leading people	Results orientation

Execution of our strategy

Outlook 2023

In 2023, the Company anticipated:

- Continued low single digit growth in annual revenues from RUCONEST®. Quarterly fluctuations are expected.
- Following FDA approval, we plan to commercialize Joenja® in the U.S. in early April 2023.
- We anticipate a positive CHMP opinion for leniolisib in 2H 2023. Marketing authorisation in Europe expected ~2 months later, followed by commercial launches in individual EU countries.
- Following an anticipated positive CHMP opinion in 2H 2023, we intend to submit an ECDRP filing for leniolisib in the U.K. MHRA for leniolisib shortly thereafter. Approval expected several months later.
- Pharming will continue to allocate resources to accelerate future growth. Investments in launch preparations, commercialization, and focused clinical developments for leniolisib, including to support pediatric and Japan approvals and for the development of leniolisib in additional indications, will continue to impact profit throughout 2023. Our current cash flow from RUCONEST® are expected to be sufficient to fund these investments.
- Further details on our plans to develop leniolisib in additional indications to be provided in 2H 2023.
- Investment and continued focus on potential acquisitions and in-licensing of late-stage opportunities in rare diseases. Financing, if required, would come via a combination of our strong balance sheet and access to capital markets.

In addition, the Company set up an ESG steering committee with the goal of creating a proactive program to establish ESG goals and a plan to continue building a sustainable business.

Execution 2023

In 2023, we executed on our strategic objective of building a sustainable rare disease business by growing RUCONEST® sales, obtaining FDA approval and successfully launching Joenja® (leniolisib) in the U.S., and the continued development and management of our pipeline.

Pharming made strong progress during 2023 on pipeline development, including regulatory filings to bring leniolisib to APDS patients outside of the U.S., clinical trials to support APDS marketing approval for leniolisib in Japan and pediatric label expansion, and finalization of plans to develop leniolisib for PID disorders with immune dysregulation representing a significantly enlarged market opportunity beyond APDS.

RUCONEST® sales

RUCONEST® continued to provide a strong source of cash flow for the business, including funding leniolisib and pipeline development and management. RUCONEST® revenues for the full year 2023 were US$227.1 million, a 10% increase compared to 2022, significantly exceeding our outlook for low single digit percentage growth. RUCONEST® ended the year on a strong note, achieving record revenues of US$73.3 million in the fourth quarter of 2023, a 34% increase compared to the fourth quarter of 2022.

The RUCONEST® revenue acceleration in the second half of 2023 can be attributed to strong performance in leading key revenue indicators in the U.S. including new physicians prescribing RUCONEST®, new patient enrollments including high frequency attack patients, and the total number of patients. We achieved over 70 new patient enrollments for four quarters in a row. Total enrollments in 2023 were up 25% vs. 2022 and were a significant driver of the strong RUCONEST® revenue growth. We also increased the RUCONEST® physician prescriber base by 13% during the year, in many cases adding previously unknown HAE prescribers.

Launch and commercialization of Joenja® (leniolisib) for APDS

Joenja® (leniolisib) received FDA approval in March 2023 for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in patients 12 years of age and older, and first commercial shipments to patients took place in April 2023. During the nine months following launch, the Company made strong and rapid progress transitioning a significant percentage of the known eligible APDS patients in the U.S. onto commercial therapy.

As of December 31, 2023, we had 92 APDS patients enrolled in Joenja® in the U.S., of which 81 patients were on paid therapy. Revenues were US$18.2 million for the full year 2023.

Our U.S. and global APDS patient finding efforts also progressed during the year. As of December 31, 2023, Pharming had identified over 840 diagnosed APDS patients of all ages in global markets, including over 200 patients in the United States.

Pharming advanced several initiatives during 2023 to assist in the diagnosis of additional APDS patients, including a sponsored genetic testing program in the U.S., partnerships with several genetic testing companies who undertake their own testing efforts, and family testing programs.

As of December 31, 2023, Pharming had identified more than 1,100 patients in the U.S. with a number of variants of uncertain significance (VUS) in the *PIK3CD* or *PIK3R1* genes and was setting up validation studies with various laboratories to confirm which should be classified as benign or pathogenic for APDS. As results become available, patients with validated variants could be diagnosed with APDS and, therefore, potentially be eligible for Joenja® treatment.

Pharming also made progress in 2023 developing our global capabilities to support future Joenja® commercialization following receipt of the requisite regulatory approvals. These efforts are focused on key markets in Europe, the U.K., Japan, Asia Pacific, Middle East, and Canada.

Leniolisib global regulatory filings for APDS

In the EEA, Pharming made significant progress during 2023 to advance the Marketing Authorization Application (MAA) to EMA for leniolisib as a treatment for APDS in adult and adolescent patients 12 years or older. The CHMP shifted its assessment of the MAA to a standard review timetable. Progress by Pharming included responding to the CHMP's Day 120 list of questions and Day 180 lists of outstanding issues, a CHMP Ad-Hoc Expert Group meeting held at the end of November, and continued CHMP interactions to seek to address the remaining outstanding issues.

In the U.K., Pharming announced in November 2023 that it intended to file a leniolisib MAA for APDS patients ages 12 and older with the U.K. Medicines and Healthcare products Regulatory Agency (MHRA), through the International Recognition Procedure (IRP). Pharming submitted this MAA with the MHRA through the IRP, on the basis of the US FDA approval, on March 12, 2024.

Pharming filed regulatory submissions for APDS patients ages 12 and older in Canada and Australia in the third quarter of 2023, and Israel in the second quarter.

Leniolisib clinical trials for APDS

In May 2023, leniolisib was granted orphan drug designation (ODD) by the Ministry of Health, Labour and Welfare of Japan (MHLW) for the treatment of APDS. In August 2023, the first patient was enrolled in a Phase III clinical trial in Japan evaluating leniolisib for the treatment of APDS in adult and pediatric patients 12 years of age and older. Patient enrollment in this study is now complete.

Pharming initiated two global clinical trials in pediatric patients with APDS aged 4 to 11 years old and aged 1 to 6 years old in 2023 to support regulatory filings worldwide for pediatric label expansion. The first patient was enrolled in the 4 to 11 year olds trial in February 2023 and Pharming is nearing completion of enrollment in that clinical trial. The first patient was dosed in November 2023 in the 1 to 6 year olds trial and enrollment is continuing as planned.

Leniolisib development for additional indications beyond APDS

In December 2023, Pharming announced the expansion of its rare disease pipeline with plans to develop leniolisib for additional primary immunodeficiencies (PIDs). Pharming has engaged with and received feedback from the US FDA on its plans to develop leniolisib for PID disorders with immune dysregulation. Pharming is now in the final stages of preparation for the start of an initial Phase II, proof of concept, clinical trial in targeted PID genetic disorders with immune dysregulation linked to PI3Kδ signaling in lymphocytes, with similar clinical phenotypes and unmet medical need to APDS.

Pipeline development and management of additional rare disease assets

In the ongoing collaboration with Orchard Therapeutics, preclinical development of OTL-105 continued during 2023 including work towards the preparation of preclinical proof of concept studies.

Pharming announced in May 2023 that we would discontinue the development of the Pompe disease program.

Additional information regarding these programs can be found in the Commercial Products and Pipeline Development sections of this Annual Report.

Dr. Alexander Breidenbach, MBA, was appointed Chief Business Officer (effective September 1, 2023), responsible for driving and monitoring the development and execution of Pharming's growth strategy and future plans. Pharming’s business development and licensing group seeks partners whose mission and core values align with Pharming’s commitment to serve rare disease patients.

Our team searches for clinical and commercial stage assets in immunology, hematology, respiratory, gastroenterology and beyond.

ESG

We decided to center our ESG journey around the EU Corporate Sustainability Reporting Directive (CSRD). Pharming made significant progress during 2023 to embed ESG more explicitly in our strategy, planning processes and internal reward systems to build a sustainable business. We performed a double materiality assessment, according to the CSRD. With the help of consultants, we performed a technical gap assessment and organizational readiness analysis. Pharming is on track for the first mandatory ESG reporting over the financial year 2025 and therefore to be compliant with the CSRD requirements. Additional information regarding the ESG program can be found in the section of this report titled 'Our ESG journey'.

Objectives 2024

Our objectives for 2024 are to continue to execute on the commercial growth of RUCONEST® globally and Joenja® (leniolisib) for APDS in the U.S. We are focused on finding additional APDS patients in the U.S., supported by family testing and VUS validation efforts. We are also continuing to prepare for the commercialization of leniolisib for APDS in additional geographies in Europe, U.K., Japan, Asia Pacific, Middle East, and Canada, and seek to increase ex-U.S. revenues either from commercial availability or through funded early access programs.

We expect progress towards regulatory approvals for leniolisib in the EEA, the U.K., Canada, Australia and Israel, and to complete ongoing clinical trials to support regulatory filings for APDS in Japan and for pediatric label expansion. Expected revenue for Joenja® (leniolisib), if approved in markets outside of the U.S. and for pediatric patients, will contribute to future revenue growth.

The Company will make significant investments in the next indication for leniolisib with plans to initiate and advance a Phase II proof of concept clinical trial in targeted PID genetic disorders with immune dysregulation linked to PI3Kδ signaling. This indication represents a significantly larger market opportunity than APDS, based on patient prevalence.

In addition, the Company will continue to invest in the franchise, further evaluating the lifecycle management options of leniolisib for any additional new indications.

As in 2023, the Company's business development and licensing group will continue to search for clinical stage opportunities to build a deeper pipeline. Our focus areas are rare disease assets in immunology, hematology, respiratory, gastroenterology and beyond.

Should the Company find a suitable asset, the deal would be financed through a combination of positive cash flow from the RUCONEST® and Joenja® business and available cash from our strong balance sheet. If required, Pharming may access additional funding from the capital markets both in Europe (Euronext Amsterdam) and the U.S. (Nasdaq).

Last-but-not-least, Pharming will continue to take the next steps in preparing for the first mandatory reporting over the financial year 2025 regarding its environmental, social and governance (ESG) impact. Pharming is following a CSRD-centered approach to ESG with the roadmap to ensure CSRD compliance. The Company is well on track for that and will build on the progress made during 2023, embedding ESG in its strategy, planning processes and internal reward systems to build a sustainable business. More details can be found in the section "Our ESG journey".

> "Looking to 2024, we remain focused on our goals of developing leniolisib for unserved rare disease patients globally and further developing our rare disease pipeline and footprint."
>
> **Dr. Sijmen de Vries,** Executive Director and Chief Executive Officer

Our ESG journey

During 2023, we made significant progress in our ESG journey.

We made significant progress with our ESG Program, led by our ESG program manager and the task force assembled from all departments across the Company. The internal ESG steering committee, of which three of the four presiding members are part of the Executive Committee, provides support, guidance and oversight.

Pharming took several important steps during 2023 to embed ESG in its strategy, planning processes and systems to build a sustainable business. A robust ESG strategy will support the Company's sustainable development, have a positive impact on the environment and society, improve the workplace and the health and well-being of employees, enhance our corporate reputation, strengthen stakeholder engagement, help ensure accountability and transparency, and manage risks and opportunities.

Structuring sustainability within Pharming

As the field is very broad, our ESG journey is centered around the EU Corporate Sustainability Reporting Directive (CSRD) as expected to be transposed into Dutch law by July 2024.
The CSRD is an excellent opportunity to accelerate the execution and transparency of our sustainable strategy. The CSRD also provides excellent tools and guidance to focus on the relevant ESG topics, the governance of our ESG program, impact and risk/opportunities management and high-quality disclosures and more.

Pharming took several important steps during 2023 to embed ESG in its strategy, planning processes and systems to build a sustainable business

Among the steps taken in 2023, are the double materiality assessment, in accordance with the CSRD. We also performed a technical gap assessment and an organizational readiness analysis.

We will start collecting the required data points in 2024 and start addressing the disclosure gaps. CSRD will be applicable for Pharming Group NV as of 2025 and we are now developing a deployable ESG roadmap in order to ensure compliance with the reporting requirements under the European Sustainability Reporting Standards (ESRS).

ESG roadmap 2022-2026

The major steps taken within the context of our ESG Journey, in accordance with CSRD requirements, are listed below.

2022	2023	2024 – 2025	2026
Initiation	**Definition**	**Integration**	**Business as usual**
• ESG Program-Manager appointed • ESG Steering Committee installed (three of the four presiding members are members of the Executive Committee) • Task force assembled • Peer analysis performed	• Defining high level plan: CSRD-centered ESG journey* • Stakeholder analysis completed • Double Materiality Assessment material topics Pharming completed • Technical gap assessment and organizational readiness analysis completed • Implementation phased learning approach with prioritization	• Final deployable ESG Roadmap, start implementation • Advance integration ESG, corporate values and strategic planning • Target-setting for Material Topics with metrices (including Board approval) • Implement and document all ESG processes and internal controls for solid ESG reporting • Upskill people • Review sustainability governance	• High quality deliveries for material topics in Annual Report 2025 • Futureproof CSRD Integrated reporting • Mandatory assurance on reported information

* EU CSRD: as per FY2025 for Pharming

Stakeholders and Materiality

Our stakeholders

We recognized five main stakeholders that Pharming should engage with closely:

Patients
Patients are the most important stakeholders for Pharming receiving our healthcare services, reflecting Pharming's purpose to serve the unserved rare disease patients.

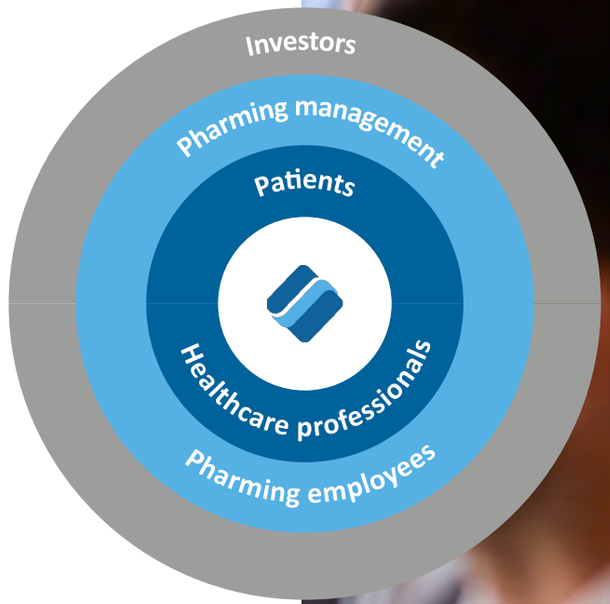
Healthcare professionals
Healthcare professionals are also key stakeholders for Pharming achieving optimal healthcare and building trust.

Investors
Investors are essential for maintaining financial stability, driving growth, and creating sustainable long-term value for all stakeholders.

Pharming employees
Recognizing employees as key stakeholder for any organization is essential for building and further shaping a sustainable organization.

Pharming management
Pharming management is an important stakeholder because of their decision-making authority and their role in driving innovation and adaptation within Pharming. Their involvement and support are critical for Pharming's success and sustainability.

These stakeholders have a significant impact on Pharming, and Pharming has a significant impact on these stakeholders.



Materiality

During 2023, a double materiality analysis was conducted, in accordance with CSRD requirements, to identify and prioritize environmental, social, and governance matters that are most relevant for Pharming. The outcome of the double materiality assessment reflects (i) Pharming's most significant impacts on people and the environment, and (ii) the most significant sustainability-related risks and opportunities affecting Pharming.

The process, supported by external consultants, was led by the ESG Program Manager and supervised by the internal ESG Steering Committee.

We started by creating an overview of the business and activities to understand the business characteristics that are relevant for the materiality assessment and identifying the individuals and groups of stakeholders who are central to the materiality assessment.

In the next steps, sustainability matters were identified based on analyses of internal documentation and external sources and internal topic experts defined and assessed impacts, risks and opportunities for relevant sustainability matters.

Outcomes and thresholds were discussed in a validation workshop followed by subsequent one-on-one interviews with key internal experts. Attendants of the workshop were the ESG program manager, the internal ESG Steering Committee and internal experts related to the identified topics and representatives of key stakeholders. Results were validated with the Executive Committee and the Board of Directors.

ESG Theme	Material Topics	Linked ESRS*
Environmental	Climate change	E1: Climate change
Social	Patient safety and product quality	S4: Consumers and end-users
	Access to products and services	S4: Consumers and end-users
	Diversity and inclusion	S1: Own Workforce
	Employee well-being	S1: Own Workforce
	Employee training and skills development	S1: Own Workforce
	Employee Engagement	S1: Own Workforce
	Human rights	S2: Workers in the value chain
Governance	Business ethics	G1: Business Conduct
	Animal welfare	G1: Business Conduct

*European Sustainability Reporting Standards (ESRS)

Environmental

Climate change

Climate Change is a material ESG topic for Pharming. It also has a clear link to Pharming's mission and values: we always do the right thing and we care.

Pharming acknowledges the importance to commit to minimize global warming in line with the Paris Agreement.

During 2023, we developed a good understanding of our baseline greenhouse gas emissions for scope 1, 2 and 3 of the Greenhouse Gas Protocol (GHG Protocol) based on data from 2022. We will repeat this exercise in 2024 based on 2023 data, and formalize the process in a manual so it can be repeated in the years thereafter in a structured way. This will also enable us to set realistic targets for 2025 and beyond. In the meantime, we continued our efforts to increase our use of renewable energy, e.g. our owned rabbit milk production facility purchased electricity from 100% renewable energy sources.

In accordance with the European Sustainability Reporting Standard (ESRS) we also have evaluated various facets of our operations against ESRS E2 to E5. This assessment has determined that certain topics, namely environmental matters pertaining to pollution, water and marine resources, biodiversity and ecosystems, as well as resource use and circular economy initiatives, do not significantly impact our material operations.

While acknowledging the importance of these areas in the broader context of sustainability, our assessment indicates that environmental matters do not currently pose material risks or opportunities to our business activities. However, this does not diminish our commitment to continuous improvement in these areas. We remain dedicated to upholding the highest standards of environmental stewardship and sustainability across all facets of our operations.

> Pharming acknowledges the importance to commit to minimize global warming

Social

Pharming identified several ESG topics in the social pillar. For each of these ESG topics, we have, or are in the process of, developing policies, targets and metrics.

Patient safety and product quality

Our highest priority is patient safety and product quality. By consistently reviewing and improving our processes, we work to improve the quality of our products and the treatment our patients receive. Our pharmaceutical products are produced at the highest of regulatory standards to ensure safety and quality. In addition, our in-house Quality Assurance (QA) department conducts internal and external audits of manufacturing facilities, testing laboratories, suppliers of materials and service providers on a regular basis. These procedures have been implemented to monitor, control, improve and guarantee the quality of our products continuously.

Access to products and services

Pharming can positively impact the life of patients by serving the unserved rare disease patients treatment options through our protein replacement therapies and precision medicines. The current gap in the pharmaceutical market for such medicines is also an ever-present opportunity for Pharming.

Diversity and inclusion

A workforce diverse in age, race, gender expression, nationality, sexual orientation, physical ability, and background enriches our work environments and helps to ensure long-term success of Pharming. With operations and stakeholders all over the world, we see cultural diversity as a strength and ensuring equal opportunities for all is a key principle.

On November 23, 2020, the Board of Directors adopted a Diversity Policy, which confirms and supports Pharming's aspiration to foster a diverse and inclusive culture where all of Pharming's stakeholders feel respected and valued; from our employees and shareholders to our customers and partners. We continually look for new ways to improve our inclusive culture.

Diversity of the Board of Directors and Executive Committee

To further increase the range of viewpoints, perspectives, talents and experience within the Board and the Executive Committee, we strive for a mix of ages in the composition of those bodies, but we do not set a specific target in this respect.

We believe that it is important for the Board of Directors and the Executive Committee to represent diverse perspectives of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints. We seek to combine the skills and experience of long-standing members of the Board of Directors and the Executive Committee with the fresh perspectives, insights, skills and experiences of new members.

Throughout 2023, Pharming met the statutory minimum percentage of at least one third representation of both men and women in the Board of Directors by having three female and four male Non-Executive Directors (out of in total seven Non-Executive Directors, i.e., 42%/58%). The Diversity Act also requires listed companies to set targets to improve gender diversity at management board and sub-board level.

Pharming has only one statutory Executive Director (and Board member). Therefore, no diversity target can be adopted. In case at any time in the future an additional Executive Director would be nominated for appointment, the Board will strive for equal gender diversity for both statutory Executive Directors while satisfying the requirements for the relevant position(s).

> Our highest priority is patient safety and product quality

For Pharming, the (non-statutory) Executive Committee would meet the criterion for "sub-board level". The Executive Committee does not meet a percentage of at least one third men and women as one member is female and four are male (out of five members, excluding the Executive Director (male)). At the level below the Executive Committee, over 50% of the employees are female.

In accordance with the requirements of the Dutch Diversity Act, the Board of Directors adopted objectives to maintain compliance with the quota according to the Diversity Act for future nominations of new Non-Executive Directors. The Board of Directors also adopted targets to strive for equal gender diversity at Executive Committee level in case of the departure of existing members, while the internal succession planning program for Executive Committee positions will be structured to promote equal gender diversity.

This underlines our commitment to promote and maintain broad diversity in the composition of the Board of Directors and the Executive Committee and will consider these attributes when evaluating new candidates in the best interests of our Company and its stakeholders.

In addition, the Board of Directors has set targets for 2024 for the Executive Director on diversity and inclusion that also underline the Board's aspiration to build and maintain a diverse workforce across Pharming and a diverse composition of the Executive Committee. These targets have already been aligned with ESRS S1. Reference is made to the scorecard for the short-term incentive plan for 2024 as included in part IV of the Remuneration Report.

Employee well-being

Pharming recognizes the opportunities employee well-being offers, including talent attraction and retention that support business growth, innovation, and more effective leadership. Employee well-being is important because it contributes to a positive work culture, higher levels of productivity, a stronger company reputation and more.

Employee training and skills development

Pharming has a material impact on employees by ensuring equal treatment and growth opportunities through facilitating continuous professional growth and developing employees' skills. To do this, Pharming offers training, mentorship, and other skills development-related activities to all employees. Amongst other, a leadership program was launched in 2023.

Employee engagement

Pharming recognizes the importance of offering competitive labor conditions. These include appropriate employment terms such as adequate wages, freedom of association, work councils and information, consultation and participation rights of workers and more.

Human rights

Workers in the value chain are identified as an important topic for Pharming and peers in the industry as part of their commitment to human rights and supply chain engagement. Pharming recognizes that any potential impact on workers in the supply chain (including contractors and suppliers) and their exposure to forced labor and child labor should be vigorously addressed. Integrating human rights into the supply chain is not only morally imperative but also essential for business success, resilience, and sustainability in today's global marketplace.

Our people

Our employees play a vital role in the continuing success of Pharming. We are dedicated to attracting, motivating and retaining the most talented employees in our field by actively promoting a high-performance environment where people from different backgrounds and careers are eager to learn from all stakeholders. We also recognize that to remain competitive in the highly competitive biotech industry we must continuously develop the expertise and competencies of our people.

In the drive to continuously develop our expertise and to formalize the importance of employee feedback and insights, we established a Works Council in the Netherlands on January 1, 2023. Elections were held in December 2022, which resulted in the election and appointment of nine members, representing all Pharming departments and locations in the Netherlands.

Regular feedback is an important aspect of Pharming's culture. Pharming conducted a global employee survey in November 2023. Results of the survey are being used to identify and implement workplace improvements.

Employee statistics

The Company hired 82 new employees in 2023 (121 in 2022), of which 28 nationalities are represented (28 in 2022). In 2023, 57 employees left the Company (55 in 2022). As of December 31, 2023, 415 people were employed by Pharming Group compared to 390 in 2022.

In 2023, our headcount grew by 6.41% to further strengthen our organization across all disciplines in line with the business strategy. The growth is expected to continue in 2024 with the anticipated approval and commercialization of leniolisib in additional key markets.

Health and safety

We care about the health and safety of our employees. We find it important to enable a positive culture to prevent injuries, illnesses and incidences by providing a healthy and safe working environment for every employee, contractor and visitor.

We have a policy in place for reporting incidents and we strive for zero incidents in the workplace. In this respect we are working towards implementing a systematic approach (Plan-Do-Check-Act, Deming Circle) to provide a robust and comprehensive safety framework to become better every day. The framework consists of a formal health and safety policy commitment, containing a managerial responsibility for health and safety issues. We started by creating awareness, implementing a communication platform and education and safety training programs, with the goal that everyone within the company is able to identify and reduce safety risks and feels accountable for their own health and safety and that of others.

Part of the framework will be to determine targets to reduce health and safety incidents in line with our goal for zero incidents in the workplace. Our dedication to health and safety is to ensure "every day is a safe day".

Performance management and development

Our Performance management philosophy is built around the belief that to perform at our best and to reach our goals, we must work well together, role model the right behaviors, and use our knowledge and skills to get the desired results.

Competency framework

In 2023, we continued working with the Pharming Competency Framework, which holds 16 competencies and helps us to drive the performance of the organization. By linking goal setting to competencies, we ensure that individuals or teams focus on developing the skills and abilities necessary to achieve their objectives effectively.

By aligning goals with competencies, setting SMART goals, creating action plans, providing feedback and support, and evaluating competency development, we foster continuous improvement and growth of our employees.

This Competency Framework, and the subsequent priority competencies, are the backbone of our people strategy and programs, and are being integrated into our performance management process and into the new Pharming Academy for Learning & Development.

In February 2023, we launched the Leadership Academy for People managers. Pharming prioritizes personal and professional growth. In programs like the Leadership Foundation and Accelerated Leadership, we combine our values with essential leadership skills. They're designed to create meaningful learning experiences to shape our leaders, using insights from across the company.

We have invested in a learning and development approach and system that supports this philosophy and is based on the following principles:

- **Learning opportunities are everywhere**
  Continuous learning and improvement from anyone and anywhere
- **We help each other grow**
  We empower employees: feedback, guidance, self-development
- **We have a consistent learning environment with one language**
  Consistency across business units using our Blueprint framework and Development Council
- **Learning is a personal journey**
  The expert was once a beginner
- **We create learning memories**
  We learn from the best, with in-house experts across the organization and excellent external partners/providers

Performance review cycle

Reviewing the talent of our people happens throughout the year. While there are three, formal appraisal meetings per year, we encourage performance conversations and feedback on an ongoing basis helping to stimulate self-development and keep Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) goals on track.

Succession planning in key roles

To ensure business continuity, Pharming has a proactive approach to retention to develop the capabilities we need for challenges ahead, including succession planning. Key roles have been identified and individuals have been selected to develop future successors for key positions in the organization.

Remuneration

Pharming believes that competitive remuneration plays a vital role in attracting and retaining the most talented employees within our industry.

A consistent and competitive remuneration structure, which applies across the workforce, is another core principle to promote a culture of shared purpose and performance, focusing all staff members to deliver on Pharming's mission, vision and strategy and creating long-term stakeholder value.

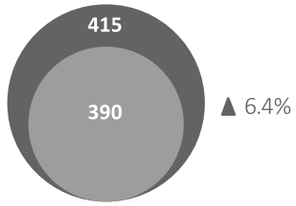
Education

We continuously invest in the education of our people to increase their knowledge in innovative and sustainable technologies. We work together with industry and educational institutions to search for new treatments and technologies, as well as to be a training ground for their students.

Social performance

Our People
28 nationalities

Employees
415 (2022: 390)



▲ 6.4%

Headcount at the end of the year

	2023	2022	2021
The Netherlands	222	227	217
France	20	22	17
Germany	6	3	0
Italy	3	2	0
Spain	2	1	0
Turkey	1	0	0
United Kingdom	18	11	7
United States	143	124	80
Total	**415**	**390**	**321**

	2023	2022	2021
Research and development	139	156	192
General and administrative	124	83	70
Marketing and sales	103	93	59
Production	49	58	0
Total	**415**	**390**	**321**

Governance

Pharming identified two material ESG topics in the Governance pillar. For each of these ESG topics, we have, or are in the process of, developing policies, targets and metrics as we move forward.

Pharming has a comprehensive Code of Conduct that emphasizes our commitment to treat animals respectfully, refining procedures and reducing discomfort and stress as much as possible.

Business Ethics

Pharming has a material positive impact on society, employees, customers, shareholders, and suppliers through behaviors that support transparent and sustainable business practices to the benefit of all stakeholders, taking into account (effectiveness of) whistleblowing protection, policies, training and other initiatives that promote ethical business conduct.

Moreover, potential negative impact on society, employees, customers, shareholders, and suppliers in the event of corruption, bribery or anti-competitive behavior that is linked to Pharming or its business partners, non-compliance with Pharming's Code of Conduct, Business Principles and other policies, including conflicts of interest, economic extortion, misappropriation of monetary assets, manipulation of information, and misstatement of (non-)financial information would have a very material effect on Pharming.

Animal Welfare

Our proprietary transgenic manufacturing technology platform is the foundation upon which we have built our Company. We have developed a unique, scalable, reproducible, current Good Manufacturing Practices, or cGMP, validated methodology for the production of high-quality recombinant human proteins. Our manufacturing process utilizes transgenic animals to produce human recombinant proteins in their milk.

This process enables the production of the protein in the milk of the animals without the animals suffering or being altered in other aspects of their biology.

Once the rabbit lines are produced, we raise them at specialized facilities with high standards of animal husbandry, welfare and security. These facilities further incorporate protections against contamination from the outside environment. Special attention is given to strict identification and segregation of transgenic and non-transgenic materials and animals. Moreover, the Company also follows strict pharmaceutical procedures to prevent the prohibited release of transgenic animals, their semen or any other reproductive transgenic material into nature.

In these facilities, the consistent and regulated handling of animals is carefully monitored. The resulting milk goes through several stages of cGMP processes.

Furthermore, Pharming has a comprehensive Code of Conduct which not only enforces the strict regulatory control over the Company's transgenic biological materials and animals, with regard to the environment and particularly the continuous well-being of our animals, but also emphasizes our commitment to treat animals respectfully, refining procedures and reducing discomfort and stress as much as possible.

Experience and expertise of the Board of Directors and Executive Committee

In terms of experience and expertise, we require the Board of Directors and the Executive Committee to be composed of individuals who are knowledgeable in one or more of the following areas to drive and support the successful execution of our sustainable long-term strategy:

- the industry and markets in which the Company operates;
- general management;
- finance, administration and accounting;
- risk management and controls;
- strategy;
- governance;
- marketing and sales;
- manufacturing, production and supply;
- innovation, research and development;
- safety, environment and sustainability;
- human resources, personnel and organization;
- stakeholder management;
- information technology; and
- legal and regulatory affairs.

The Board of Directors recently conducted a self-evaluation to map the knowledge of the individual Non-Executive Members. That self-evaluation confirmed that the members, as a group, have the knowledge and skills available to adequately fulfil the tasks and responsibilities assigned to them.

During 2023, the Executive Committee expanded and broadened its scope of knowledge within the committee by adding a new member. Dr. Alexander Breidenbach, MBA, was appointed Chief Business Officer (effective September 1, 2023), responsible for driving and monitoring the development and execution of Pharming's growth strategy and future plans. In addition, the search is ongoing for the appointment of a Chief People Officer, to lead the development, execution and monitoring of Pharming's people strategy, including the oversight and management of all other human capital-related aspects across the global Pharming organization.

R&D, pipeline and innovation

To bolster long-term growth, it is our objective to transform our business from dependency on one product and one technology platform, into a rare-disease company with multiple products commercialized in multiple geographies. We plan to develop additional indications for leniolisib, as well as to acquire rights to late-stage products and technologies.

Sustainable economic performance

Economic sustainability is one of our top priorities after the safety of our patients, of our animals and our people. In order to provide a sustainable return on investment to our shareholders, we aim to innovate, continuously explore opportunities to further increase efficiency and the value-add in of every department.

Our policy is to provide all stakeholders with the timely and fair disclosure of material information regarding news that may have an influence on our share price, in accordance with prevailing laws and regulations applicable to Pharming as a listed company.

GDPR

We take privacy and data protection seriously. Compliance with the General Data Protection Regulation (“GDPR”) and other privacy regulations was a priority during 2023. The Privacy Program, as introduced in 2022, was further embedded and is being continuously improved in order to adapt and adhere to a fast-evolving international data privacy landscape.

During the 2023 annual assessment to determine the level of compliance and possible risks in compliance with the GDPR and other applicable data privacy legislation, risks in compliance were addressed and mitigated. The assessment report showed that Pharming is continuously working on integrating privacy into its daily operations, showing a growing interest in aligning with data protection regulations as an enabler of business activities and procedures.

The risks and mitigating measures have been integrated in an action plan for the remainder of 2023 and as priorities for 2024 with a strong focus on the development and training of employees and contractors, a multi-level E-Learning program on Data Privacy was implemented for the education of different target groups within Pharming.

Given the growing global importance of privacy and data protection and Pharming’s geographic expansion plan, the Privacy Program will continue to be a priority and will be embedded in all locations where Pharming is active. This model will assure employees, patients and other stakeholders that their privacy is being protected at the highest level.

Ethical conduct

At Pharming, we have made it our mission to develop innovative products for the safe, effective treatment of rare diseases, serving the unserved rare disease patients. We are committed to going further and transforming the future for our patients so that even more people living with rare diseases can believe in a better tomorrow.

To be successful at delivering on this commitment and to be considered as trusted partners by our patients and stakeholders, there is only one way forward: holding ourselves to the highest ethical standards across our entire business - going beyond legal requirements - based on our values of integrity, quality and respect. This is because our ethical reputation, together with our scientific excellence, is the key to deliver this ambitious commitment to patients and stakeholders.

Ethical and regulatory expectations and scrutiny are increasingly growing in our sector, raising the level of complexity. Within this context, the Company always places business integrity at the core of our culture and as an essential part of the way we work. We firmly believe that any good business is unreservedly an ethical business, and we demonstrate this and understand that a robust reputation is essential for any strong successful business today.

We have the trust of our patients and stakeholders because we conduct our business with integrity, transparency, quality and respect, collectively and as individual employees.

We always stand accountable as individual employees, showing patients, healthcare professionals, the authorities and society at large that they can trust our actions as well as our words and that we own business integrity, choosing to do the right thing even when it is hard, even when no one is watching.

Based on our solid long-term strategy and business integrity framework, to equip Pharming with a world-class compliance program, we have introduced new or enhanced policies, accompanied by more operational procedures, covering a variety of related matters. The introduction of these policies and procedures has been accompanied by a robust training program, composed of both live and e-Learning modules, targeted at audiences selected according to a risk-based approach.

Code of Conduct

We expect all Pharming management, employees, officers and contractors to act in line with our Code of Conduct by conducting any business related to Pharming according to our principles and ethical standards. The Code of Conduct includes:

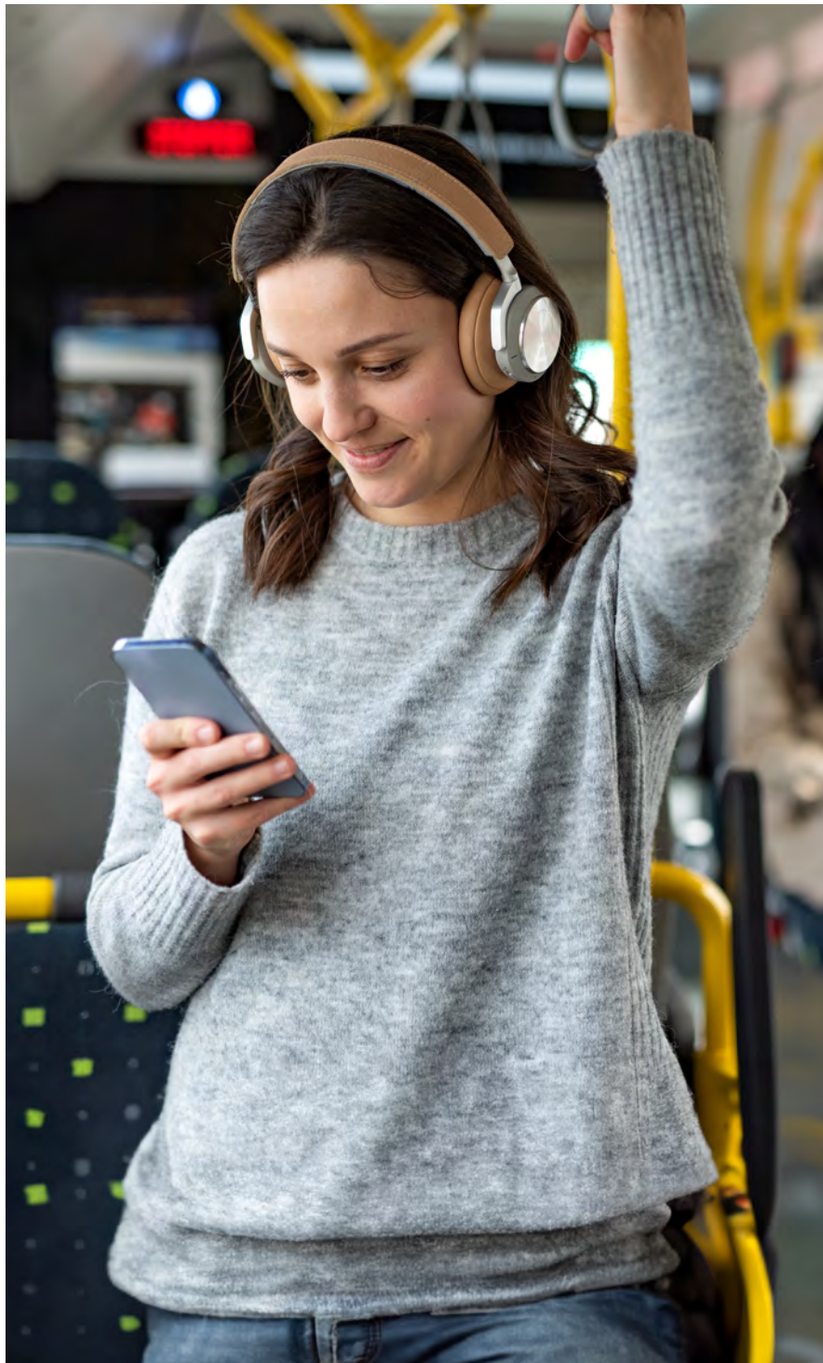
- We reject corruption;
- We value our third parties;
- We act with financial integrity;
- We embrace fair competition;
- We embody diversity;
- We promote a safe work environment;
- We avoid conflicts of interests;
- We reject insider trading;
- We value our health stakeholders;
- We promote responsibility;
- We respect privacy;
- We uphold quality;
- We communicate responsibly;
- We respect confidentiality;
- We protect the environment; and
- We report concerns.

The Code of Conduct can be found in the Corporate Governance section of Pharming's corporate website.

Alert Reporting and Investigation Procedure

Pharming's whistleblower policy, referred to as Alert Reporting and Investigation Procedure, can be found in the Corporate Governance section of the Company's website. This procedure describes the internal reporting and investigation procedures for suspected irregularities pertaining to the general, operational and/or financial activities in the Company. The Alert Reporting and Investigation Procedure applies to all Pharming entities in all countries. Pharming will not discharge, demote, suspend, threaten or harass any employee or consultant in the process of any lawful actions by the employee or consultant regarding good faith reporting of complaints or issues nor as a result of their participation in any related investigation.

Pharming reviewed and updated the Alert Reporting and Investigation Procedure, that was first published in 2022. In January 2023, the EU Dutch Law regarding the "Whistleblower Protection Act" was amended to implement the EU Whistleblower Directive. The policy has been updated and approved by the Board of Directors on March 20, 2024, to reflect and ensure compliance with the prevailing regulations.



Financial Performance

“ We are pleased to have delivered an excellent year in which we transformed Pharming into a multi-product, commercial rare disease biopharmaceutical company.”

Dr. Sijmen de Vries, Executive Director and Chief Executive Officer

Financial review 2023

RUCONEST®'s importance continued to be felt throughout 2023 as the Company increased the number of physicians prescribing RUCONEST®, as well as the number of patients. RUCONEST® revenues in 2023 increased by 10% to US$227.1 million, driven by revenue growth in the U.S.

Joenja® (leniolisib) received FDA approval in March 2023 for the treatment of APDS in patients 12 years of age and older, and first commercial shipments to patients took place in April 2023. During the nine months following the launch, the Company made strong and rapid progress transitioning known patients onto commercial therapy. Revenues were US$18.2 million for the full year 2023. The launch of Joenja® was supported by additional expenses in research and development, marketing and sales and payroll. Research and clinical development activities related to leniolisib were further focused on pediatric and Japan clinical trials for APDS and research on the use of leniolisib for additional primary immunodeficiencies (PIDs) beyond APDS.

The Company further intensified its business development activities for licensing or acquisition of additional clinical stage assets in rare or ultra-rare diseases, but no transaction materialized.

We made significant progress with our ESG Program. Among the steps taken in 2023 are the double materiality assessment according to the CSRD, a technical gap assessment and an organizational readiness analysis. We are now in the process of defining our ESG roadmap, in preparation for our first mandatory ESG reporting over the financial year 2025 to ensure compliance with the CSRD requirements.

The key objectives for 2023 were:

- **to grow our commercialization to fully capitalize on the robust sales of RUCONEST® globally.**
- **to prepare for and execute the launch of leniolisib in the U.S. market and to continue to augment and advance our pipeline.**
  As we approach the launch of leniolisib we will continue to make significant investments in (pre-) launch activities. The Company expects that this will have a negative effect on profit in the year 2023. Expected revenue for leniolisib, if approved in markets outside of the US, will contribute to further revenue growth. In addition, the Company will evaluate the lifecycle management of leniolisib for new indications and will invest in development when appropriate.
- **to search for viable in-licensing or acquisition opportunities to bolster its pipeline both near- and long-term.**
  These potential acquisitions and in-licensing will be financed through a combination of positive cash flow from the RUCONEST® business, anticipated future leniolisib business, as well as available cash from our strong balance sheet. If required, Pharming will access additional funding from the capital markets.
- Lastly, the Company believes it has a responsibility to its employees and its stakeholders to report on its environmental, social and governance (ESG) impact. The Company has created a program to establish ESG goals and plans to continue building a sustainable business. This program will include a plan to report on ambitions and progress of its ESG strategy in 2023.

Financial review

Amounts in US$ million except per share data	2023	2022	% Change
Consolidated Income Statement			
Revenues	245.3	205.6	19 %
Gross profit	220.1	188.1	17 %
Operating profit (loss)	(5.4)	18.2	(130)%
Profit (loss) for the year	(10.5)	13.7	(177)%
Consolidated Balance Sheet			
Overall cash & marketable securities	215.0	208.7	3 %
Share Information			
Basic earnings per share (US$)	(0.016)	0.021	(176)%
Fully-diluted earnings per share (US$)	(0.016)	0.019	(184)%

In 2023, Pharming revenues increased by 19% to US$245.3 million. However, operating profit declined to a loss of US$5.4 million, compared to a profit of US$18.2 million in 2022. Similarly, net profit decreased to a loss of US$10.5 million, down from a profit of US$13.7 million in 2022.

This section will further elaborate on Pharming's financial performance in 2023.

Income statement

Revenues and Gross Profit

The 19% increase in revenues was a result of higher unit sales volumes, supported by a price increase below CPI, of RUCONEST® in the U.S. market (US$221.2 million in 2023 compared to US$200.1 million in 2022) and the initial sales of Joenja® (US$18.2 million in 2023) following the launch in April 2023. Revenues in Europe and the rest of the world increased by 12% to US$6.2 million in 2023.

Cost of sales increased by 44% from US$17.6 million in 2022 to US$25.2 million in 2023. Cost of sales related to product sales in 2023 amounted to US$21.4 million compared to US$17.4 million in 2022. In addition to the higher unit sales volume, the rise was primarily attributed to rising production costs for RUCONEST® and royalty payments to Novartis on Joenja® sales. The remainder of cost of sales in 2023 (US$1.7 million) stem from impairment charges on inventory (2022: US$0.2 million).

Gross profit increased by US$32.0 million, or 17%, to US$220.1 million for the year 2023. The main reasons for this increase were higher sales of RUCONEST® and the launch of Joenja®.

Operating Profit (loss) and Other Operating Costs

For 2023, operating profit (loss) decreased by US$23.6 million to US$(5.4) million compared with US$18.2 million for the prior year. This decrease was driven by increased operating costs (US$64.5 million) and offset by increased gross profit (US$32.0 million) as mentioned above and increased other income (US$8.8 million).

Of the US$64.5 million increase in operating costs, US$10.4 million is attributed to milestone payments for Joenja® following its first commercial sale in the second quarter of 2023. An additional US$25.7 million in expenses is directly related to research and development expenses for leniolisib and marketing and sales expenses for Joenja®. Pharming's expansion efforts, driven by preparations for the launch and further commercialization of Joenja®, led to a US$24.2 million increase in payroll expenses. Finally, Pharming incurred additional impairment expenses related to our DSP facility at Pivot Park in Oss, the Netherlands, amounting to US$4.7 million in 2023 compared to US$3.9 million in 2022.

In 2023, other income increased by US$8.8 million to US$23.3 million as a result of the definitive agreement to sell the Rare Pediatric Disease Priority Review Voucher (PRV) to Novartis for a pre-agreed, one-time payment of US$21.3 million. Pharming was granted the PRV by the FDA in March 2023 in connection with the approval of Joenja®. The amount differs from the previously disclosed US$21.1 million in the press release of the second quarter of 2023 due to currency fluctuations throughout the year. In 2022, Pharming reduced its minority stake in BioConnection from 43.85% to 22.98%. As a result of this one-off transaction, Pharming had recognized a gain of US$12.2 million in 2022.

Finance income and expenses

Other finance income decreased by US$0.8 million, to US$3.7 million in 2023. This decrease was caused by fluctuations in the exchange rate between the U.S. Dollar and the Euro during 2022 and 2023, which primarily impacts our net cash position. In 2022, the U.S. Dollar strengthened against the Euro, resulting in other finance income of US$4.4 million. However, in 2023, the U.S. Dollar weakened relative to the Euro, leading to other finance expenses of US$3.0 million. This decrease in other finance income was for largely offset by increased interest income from US$0.1 million in 2022 to US$3.7 million in 2023.

This was driven by general interest rate hikes as well as investments in short-term readily convertible S&P AAA-rated government treasury certificates using excess cash.

Other finance expenses increased by US$3.6 million, from US$5.5 million in, 2022 to US$9.1 million in 2023, mainly caused by foreign currency fluctuations as mentioned earlier.

The fair value loss on revaluation (US$0.9 million) relates to fair value adjustments in the BioConnection preference share. This share is included in Pharming's balance sheet as an investment in debt instruments designated at the fair value through the statement of profit and loss (FVTPL).

Income tax credit (expense)

Income tax credit (expense) shifted from a US$1.3 million expense for the year ending December 31, 2022, to a US$1.5 million credit for the year ending December 31, 2023. This change occurred due to incurring a net loss before tax in 2023, as opposed to a net profit before tax in 2022.

Profit (loss) for the year

The total net loss in 2023 amounted to US$10.5 million, compared to a total net profit of US$13.7 million in 2022. This decrease was primarily caused by higher operating costs, due to Pharming's growth trajectory and investments in its product pipeline. In addition, fluctuations in foreign exchange rates adversely impacted the foreign currency results in the statement of income. These increased costs were partially offset by an increase in gross profit and other income.

Balance sheet

Intangible assets

In 2023, intangible assets decreased by US$3.8 million, from US$75.1 million in 2022 to US$71.3 million in 2023. This decrease primarily resulted from regular amortization (amounting to US$5.9 million), partially offset by foreign currency effects (equivalent to US$2.2 million).

The amortization relates to regular amortization of software and the existing re-acquired rights related to the acquisition of all North American commercialization rights from Bausch Health in 2016 and the acquisition of all European commercialization and distribution rights from Swedish Orphan International AB ("Sobi") in 2020. In addition to the aforementioned, the amortization of the Joenja® license commenced, following the FDA approval per March 24, 2023. Amortization is charged based on the economic lifetime of the intangible asset. The economic lifetime of the North American commercialization rights from Bausch Health is 20 years, where the economic lifetime of the European commercialization and distribution rights from Swedish Orphan International AB is 12 years. These estimates did not change compared to the previous year. The economic lifetime of the Joenja® license is established at 14 years.

Property, plant and equipment

The value of property, plant and equipment decreased from US$10.4 million in 2022 to US$9.7 million in 2023. This decline was primarily driven by regular depreciation (amounting to US$2.4 million), partially offset by capital expenditures (totaling US$1.4 million), which were mainly associated with acquiring new machinery and equipment for Pharming's production process.

Right-of-use assets

The right-of-use assets decreased from US$28.8 million in 2022 to US$23.8 million in 2023. This decline was primarily driven by regular depreciation (amounting to US$4.2 million) and an additional impairment related to the DSP facility at Pivot Park in Oss, the Netherlands (totaling US$4.7 million). Pharming remains exploring alternative utilization possibilities for this asset.

The decrease in the right-to-use assets is partially offset by investments in buildings (US$— million) and cars (US$1.4 million). The 2023 building investments were related to adjustments in the existing right-of-use assets to account for inflation-related higher lease payments.

Investments

Investments increased by US$0.7 million, reaching US$10.4 million as of December 31, 2023. This growth was primarily driven by a US$1.6 million increase in the equity investment in Orchard, which is designated at fair value through the statement of other comprehensive income (FVTOCI). The rise in value was primarily triggered by the announcement that Orchard had entered into a definitive agreement with Japanese company Kyowa Kirin Co. LTD for the acquisition of Orchard at a premium over the prevailing share price. This transaction was successfully completed on January 24, 2024. Additionally, the overall investments saw a US$0.3 million increase due to favorable currency exchange movements.

The increase in investments was partially offset by Pharming's share of US$0.3 million in the net loss of BioConnection, which is accounted for using the equity method. Furthermore, the investments were impacted by a fair value decrease of US$0.9 million in the preference share in BioConnection, carried at fair value through the statement of profit and loss (FVTPL).

Inventories

Inventories increased from US$42.3 million for the year ended December 31, 2022 to US$56.8 million for the year ended December 31, 2023. This was largely due to an increase in finished goods and work in progress inventory.

Cash and cash equivalents and marketable securities

Cash and cash equivalents alone decreased by US$145.6 million to US$61.7 million, as of December 31, 2023. This decline was primarily driven by negative cash flows from operating activities (totaling US$17.3 million) and net-purchases of marketable securities (amounting to US$149.2 million). This decrease was largely offset by the aforementioned PRV sale of US$21.3 million.

In 2023, the Company invested in euro-denominated readily convertible S&P AAA-rated government treasury certificates with a maturity of six months or less from the date of acquisition. As of year-end 2023, these marketable securities amount to US$151.7 million.

The combined total of cash and cash equivalents, together with restricted cash and marketable securities increased from US$208.7 million at year-end 2022 to US$215.0 million at year-end 2023. In addition to the movements mentioned earlier, this increase is partially attributable to favorable currency exchange fluctuations.

Equity

The equity position increased by US$14.1 million from US$204.6 million for the year ended December 31, 2022 to US$218.8 million for the year ended December 31, 2023. This increase was primarily driven by transactions recognized directly in equity relating to share based compensation and exercised options (totaling US$17.4 million) as well as other comprehensive income relating to the currency translation reserve (amounting to US$5.9 million) and fair value changes on investments designated as fair value through the statement of other comprehensive income (contributing US$1.2 million). This increase was partially offset by a net loss of US$10.5 million for the year.

Convertible bond

The convertible bond has increased by US$5.0 million to US$138.4 million at year-end 2023, moving from US$133.4 million as of December 31, 2022. This increase was mainly driven by foreign currency effects. During 2023, a total of US$4.0 million of interest was paid on the bond.

Lease liabilities

Lease liabilities decreased by US$0.2 million, moving from US$33.3 million as of December 31, 2022 to US$33.1 million as of December 31, 2023. This decrease was primarily driven by monthly or quarterly lease payments of US$5.1 million. However, it was partially offset by new leases (amounting to US$1.3 million), regularly accrued interest expenses (equivalent to US$1.2 million) and foreign exchange effects (totaling US$0.8 million).

Going concern

Pharming's 2023 financial statements have been drawn up on the basis of a going concern assumption.

The 2023 year-end combined total of cash and cash equivalents, together with restricted cash and marketable securities of US$215.0 million is expected to fund the Company for more than twelve months from the date of this report.

The Board of Directors anticipates further investments in the preparations of the launch of leniolisib outside the U.S., expected in 2024. These investments will continue to have a negative effect on our profits. Consequently, the combined total of cash and cash equivalents, together with restricted cash and marketable securities may reduce during 2024 as the company invests in its future. Revenue for Joenja® is expected to continue to increase significantly from 2024 onwards. The company remains confident in the robustness of RUCONEST® sales, in the expansion of its pipeline, and the addition of Joenja® for the treatment of APDS.

Presently, however, no further assurance can be given on either the timing or size of future profits. In addition, in the event that the Company needs to raise capital by issuing additional shares, shareholders' equity interests may be diluted as to voting power, and their interests as to value will depend on the price at which such issues are made. The Company sees no further need to raise additional capital to support its current operations, but may take an opportunity to do so in either equity issue or through an expansion of the current convertible debt or to raise debt, or through a combination of such instruments, to support an acquisition or in-licensing of additional assets, if appropriate terms can be obtained that are in the best interests of shareholders.

Outlook 2024

For 2024, the Company anticipates:

- Total revenues between US$280 million and US$295 million (14% to 20% growth), with quarterly fluctuations expected.
- Continued progress finding additional APDS patients in the U.S., supported by family testing and VUS validation efforts, and subsequently converting patients to paid Joenja® (leniolisib) therapy.
- Increasing ex-U.S. revenues for leniolisib - from commercial availability or through our named patient program and other funded early access programs in key global markets.
- Completion of leniolisib clinical trials to support regulatory filings for approval in Japan and pediatric label expansion in key global markets.
- Progress towards regulatory approvals for leniolisib in the EEA, the U.K., Canada, Australia and Israel.
- Initiate and advance a Phase II clinical trial for leniolisib in PIDs with immune dysregulation linked to PI3Kδ signaling to significantly expand the long-term commercial potential of leniolisib.
- Continued operating cost investments to accelerate future revenue growth. Our current cash on hand and the continued cash flow from product revenues are expected to be sufficient to fund these investments. No material cash burn is expected prior to the impact of potential acquisition or in-licensing transactions.
- Continued focus on potential acquisitions and in-licensing of clinical stage opportunities in rare diseases. Financing, if required, would come via a combination of our strong balance sheet and access to capital markets.

No further specific financial guidance for 2024 is provided.

Information for investors and shareholders

Share information

Pharming Group N.V. is listed on both Euronext Amsterdam (symbol: PHARM) and on Nasdaq through a level-2 ADR program where ADSs are tradeable (symbol: PHAR).

Pharming Group N.V.'s shares have been listed on Euronext Amsterdam (symbol: PHARM) since 1999.

The shares (ISIN Code: NL0010391025) are only traded through the book-entry facilities of Euroclear Nederland. The address of Euroclear Nederland is: Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. 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, 1082 PP Amsterdam, the Netherlands.

Pharming Group N.V.'s ADSs have also been tradable on Nasdaq's Global Market (symbol: PHAR) since December 23, 2020. Each ADS (ISIN Code: NL0010391025) represents 10 of the Company's ordinary shares of €0.01 nominal value ("Ordinary Shares"). Level II listing is sponsored by J.P. Morgan Chase Bank N.A. JP Morgan Chase Bank, N.A. (located at 383 Madison Avenue, Floor 11, New York, NY 10179) acts as the depositary and registrar for the ADSs representing our ordinary shares. For further information please go to:

https://www.adr.com/drprofile/71716E105

Financial calendar 2024

May 08	Publication of financial results for the first quarter of 2024
May 21	Annual General Meeting of Shareholders
August 01	Publication of financial results for the second quarter and first half of 2024
October 24	Publication of financial results for the third quarter of 2024

Risk Management

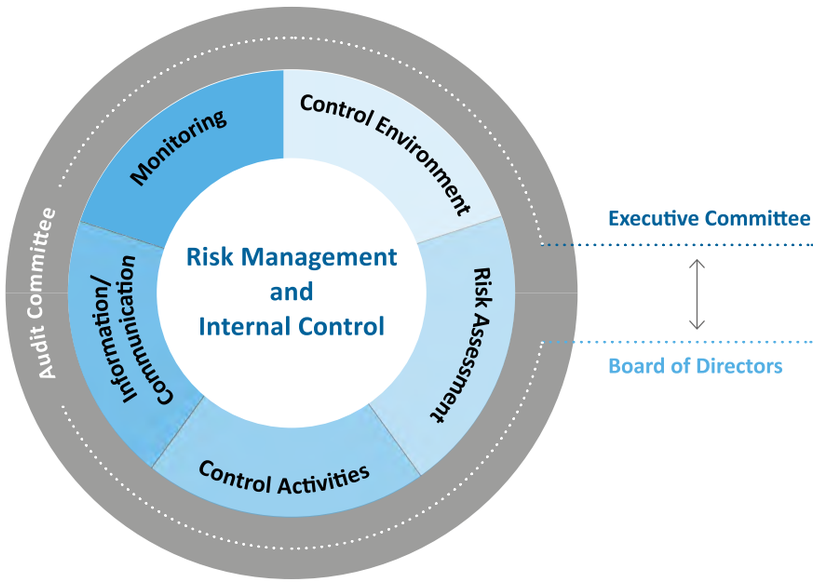
“ While everyone’s experience is different, I would just say that Joenja® was a big part of giving me a life to live.”

- Tyler, APDS patient

Image is an actor portrayal of a patient and/or doctor.

Risk management and internal control

Risk management is integral to Pharming's strategy and to the achievement of Pharming's long-term goals. Pharming's Executive Committee is responsible for designing, implementing, and operating the Company's internal risk management and control systems. The Executive Committee is aware of the importance of a comprehensive approach to risk management and has developed an internal risk management and internal control framework, incorporating Pharming's strategy and the Five Components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



Our internal risk management and control systems make use of various measures including:

- **Annual evaluation** by the Board of Directors on the objectives reached;
- **Periodical updates to the Board of Directors** reviewing developments relating to operations, finance, commercial development, research and development, business development, clinical development, compliance matter, and investor relations;
- **Quarterly reporting and review** of the financial position and projections by the Executive Committee to the Board of Directors;
- **Periodic review meetings** by the Executive Committee with relevant managers;
- **Annual, quarterly and monthly meetings and control testing,** incorporating financial and operational objectives, cash flow forecasts and evaluation of progress objectives;
- According to the **Company's whistleblower policy,** each employee and any Third Party may file a complaint regarding actual or alleged irregularities of a general, operational, fraud, ethical and financial nature in relation to the Company and its subsidiaries, including deviations from the Code of Conduct. Pharming has issued a revised Code of Conduct that addresses the key risks related to potential breaches of ethical standards, which has been communicated and trained to all employees and published on the Company's website; and
- **Regular meetings** to discuss the financial results, controls and procedures between the Audit Committee, the Board of Directors and the Independent Auditor.

The Company maintains records and procedures designed to:

- **Accurately and fairly** reflect the transactions and disposition of the assets of the Company;
- **Provide reasonable assurance** that transactions, receipts, and expenditures are recorded and made by authorized employees in accordance with IFRS accounting principles; and
- **Provide reasonable assurance** of the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The framework is tailored to the COSO risk factors that are relevant to the Company's size and complexity. We have identified material weaknesses in our internal controls over financial reporting across each component of the COSO framework, and accordingly, across the business and IT processes of the Company. We are in the process of remediating the material weaknesses identified including through the further development of and implementation of formal policies, processes, internal controls and documentation relating to our financial reporting. We have developed a risk assessment framework and scoping, which outlines our key processes and outlines which key controls we have designed to be implemented.

Plan to become SOX compliant

Management is aware of the importance of becoming Sarbanes-Oxley Act (SOX) compliant and is following the roadmap which was established in 2021.

During 2023, Management established a control implementation plan and have been actively working on implementing key controls which will be finalized in the first quarter of 2024. Management has taken steps in laying the foundation for the internal control environment by means of the implementation of SAP, establishing Enterprise Risk Management, risk governance, and risk awareness at senior management and Board levels. Improvements were realized by completing the second round of Control Self-Assessments over control design effectiveness as well as working on implementation efforts of key controls.

Management has taken further steps in strengthening the Finance and Internal Control teams through hiring internal employees in those departments and the involvement of an external party in testing the operating effectiveness of internal controls.

Furthermore, the first round of operational effectiveness testing started in second half of 2023 to assess if our key controls are effective to mitigate key financial, compliance, operational, and fraud related risks.

In 2024 Pharming plans to undergo multiple rounds of operational effectiveness testing with support of third party and work on remediating any issues - resulting from this testing - to ensure we can demonstrate the full SOX compliancy in the near future. The Company is also focusing on process improvements and further utilization of our Enterprise Resource Planning (ERP) system to make processes more efficient and globalized and should better enable us to reach key performance indicators as related to our strategy objectives in operational excellence and scalability. The company will focus on improving key processes such as; a monitoring of the segregation of duties conflicts, receipt and payment of invoices and funds; multiple layers of authorization for any payments out of the Company, bank interfaces, as well as approvals of all invoices coming in to the Company; reconciliation of key balances with creditors, debtors and bank balances; regular review and updates of accounting policies and their application; internal analytical review and external audit. In addition, the Company uses specific accounting advice and external tax advice from a variety of highly reputable external consultants; including major multi-national accountancy and tax firms, and payroll services providers. As a large company under Title 9 of the Dutch Civil Code, the Company provides additional information in this Management Report to enable users of the report to assess the Company, the risks it faces and the external factors acting upon it.

An Anti-Fraud Framework was established in 2022 which encompasses a fraud assessment. The quarterly fraud disclosure questionnaire which must be completed by managers and process owners, has the purpose of identifying changes in controls and possible (indications of) fraud. Additionally, an Anti-Fraud Policy and Alert Reporting Investigation Procedure were developed in 2022 and updated in 2023, fraud awareness trainings were given again in 2023. The Business Integrity Transformation Strategy Plan has continued to be rolled out. Management also re-assessed the Internal Delegation of Authority for 2023 and implemented a Governance Risk & Compliance (GRC) tool to manage segregation of duties. Pharming has started to develop a cyber risk program aimed at identifying critical assets, risks and implementing security measures accordingly based on risk classification. We continue to keep policies, procedures and trainings updated with new and evolving risks. Additional trainings have been initiated during the year and further implementation – mainly over business process controls – have been scheduled for 2024.

The internal risk and control framework of the Company is undertaken by the Audit Committee and regularly discussed between the Executive Committee and the Board of Directors. These Committees regularly review significant risks and decisions that could have a material impact on Pharming. These reviews consider the level of risk that Pharming is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure.

Our risk management and internal control framework may not provide assurance that Pharming will achieve its objectives and we may not be successful in deploying some or all of our mitigating actions. If the circumstances in these risks occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected. Risks and uncertainties could also cause actual results that vary from those described, which may include forward looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.
For financial reporting risks please also refer to note 26. Financial risk management. A summary of the risks that could prevent Pharming from achieving its objectives are included in the section Risk factors of this report.

Risk factors

In 2021, Management started the Enterprise Risk Management implementation with formal annual assessments. We ensured that the risk owners and the leadership team understood the importance of timely risk identification, thorough assessment, and effective management, through risk awareness trainings.

In 2023, we continued to improve our Enterprise Risk Management assessment processes, as risk landscapes evolve. We have built on the foundations obtained through the engagement of external advisors in 2022, and held interview sessions with various Executive Committee members and their teams to further identify, define, and assess Pharming's risk landscape. The updated risks were communicated and agreed with the Board of Directors. The following risk factors have been identified by the Executive Committee and agreed with the Board of Directors as the main risk areas challenging Pharming's ability to achieve its objectives. Included here are the risk-mitigating actions we have taken.

To determine if a risk is acceptable, the Board of Directors, as well as the Executive Committee, conducts a risk assessment to identify the nature of the various risks to the business and the level of risks the Company deems acceptable, with or without mitigation activity. The risk assessments are based on our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets in which we operate.

Our risk appetite and approach to risk management differs by risk type. As part of the risk assessment, inherent risk is calculated which is a risk posed by an event before a company addresses it (i.e., the risk to the company in the absence of any internal business processes, controls, or other actions it might take to either reduce the likelihood of the event or mitigate the severity of its impact on enterprise value). The table below depicts the residual risk after inherent risks have been reduced or eliminated by risk controls.

Risk Type	Strategic risks	Operational risks	Compliance and reputational risks	Financial and fraud risks
	We aim to deliver on our strategic ambitions and priorities and are willing to accept reasonable risks to achieve these.	We face operational challenges that may require management attention. Our objective is to avoid risks that could negatively impact our goal in achieving operational efficiency, while ensuring our quality standards are unaffected.	We strive to be fully compliant with our Code of Conduct as well as national and international laws and regulations of the countries in which we operate.	Our financial strategy is focused on a strong financial position and creating long-term value for our shareholders.
	The following risks are assessed in more detail in this Report:	The following risks are assessed in more detail in this Report:	The following risks are assessed in more detail in this Report:	The following risks are assessed in more detail in this Report:
Risks	• Limited product diversification • Changes in pricing regulations • Limited or no approval by regulatory authorities • Inadequate coverage and reimbursement • Inaccurate product development planning data and sales forecast • Lack of aligned sourcing and requirement setting process	• Inability to recruit or retain the right talent • Inadequate IT portfolio, IT recovery, and information security • Disruption in the end-to-end supply chain and/or product demand • Product quality issues • Inadequate performance by third-party R&D vendors	• Non-compliance with national and international laws and regulations • Non-compliance with pharmaceutical industry rules and regulations • Non-compliance with Sox Regulations • Non-compliance with ESG standards	• Enterprise value not recognized by investors • Inaccurate or fraudulent financial reporting • Insufficient liquidity • Fluctuations in FX rates
Residual Risk	●●●●●	●●●●●	●●●●●	●●●●●

Strategic risks

Executive Committee members, as part of the Enterprise Risk Management process, performed risk assessments over strategic risks and highlighted the most critical risks in this report.

Limited product diversification

The development and commercialization of pharmaceuticals is highly competitive. In particular, RUCONEST® - the first and only recombinant C1 inhibitor protein replacement therapy that is approved for the treatment of acute hereditary angioedema (HAE) attacks - faces competition from other products used to treat HAE. With the increase in prophylactic therapies from these competitors, including the pending launches of both acute and prophylactic oral treatments, RUCONEST® could experience challenges to its market share.

In addition, Pharming might not be able to develop or obtain other successful and profitable products due to increased competition or challenges in the patient insurance market environment. The latter may result in financial losses or an adverse impact on business continuity. Other than Joenja® (leniolisib), approved for APDS patients 12 years of age and older in the U.S and under regulatory review in the European Economic Area (EEA), Australia, Canada, Israel, and soon, the U.K., the remainder of our pipeline is at earlier stages of development including: leniolisib pediatric clinical trials for children 4 to 11 years of age and children 1 to 6 years of age, the development plans of leniolisib for primary immunodeficiencies, and OTL-105 for HAE.

Our spending on current and future research and development programs may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaborations, licensing, or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. If any of these events occur, we may be forced to abandon our development efforts with respect to a particular product candidate or fail to develop a potentially successful product candidate.

What are we doing to manage the risk?

A set of activities to expand the pipeline are ongoing and include:

- Procedures to add product candidates through strategic acquisitions have been implemented and have, for example, yielded Joenja®.
- We continually assess opportunities to license and utilize new technologies to develop new products or refine and expand the indications of our existing product portfolio.
- Our business development, as well as our research and development plans utilize methodologies that help us focus on high potential product candidates.
- Ongoing efforts are being made to expand our products geographically, as we currently seek approvals from various medical regulatory authorities.

A professional project management structure has been developed so that projects are properly monitored.

Changes in pricing regulations

Pharming's ability to achieve acceptable levels of coverage and reimbursement might be hindered by the introduction of new and unfavorable pricing regulations. This could be due to political developments at both a local or national level, or sentiment changes in the healthcare industry which could result in a material adverse effect on business and financial performance.

The laws and regulations that govern marketing approvals, pricing, coverage, and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs, cause delays in obtaining approvals or lead to unfavorable pricing and reimbursement. All European countries carry out a highly sensitive and detailed reimbursement assessment of all manufacturers' technologies before finally agreeing a sale price before it can be marketed, and this generally begins after marketing or product licensing approval is granted and, in some markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. The passing of the Inflation Reduction Act in the U.S. market is a recent example of legislative impact on pricing restraints in the Medicare segment due to added rebate exposure, price protection and potential for future direct negotiations with the Centers for Medicare and Medicaid Services (CMS).

What are we doing to manage the risk?

Pharming continues to work directly with government and private insurers to facilitate patient access to RUCONEST®, Joenja® and future product offerings at prices that are fair and that allow Pharming to meet its financial obligations.

Limited or no approval by product regulatory authorities

Regulatory authorities might limit the scope or not grant approval of a product candidate or indication introduction due to a number of reasons such as; clinical trial data and/or results which do not adequately support safety and effectiveness. These measures by authorities could result in financial losses and/or lost opportunities for Pharming.

Our business is subject to extensive regulation by numerous state and federal government authorities in the United States, including the U.S. Food and Drug Administration (FDA), and by other regulatory authorities, including the European Medicines Agency (EMA). We are required in the United States and other countries in which we operate - or our partners and affiliates sell - to obtain the necessary regulatory agency approval before we manufacture, market, and sell our products. Once our products are approved, the FDA and other U.S. and ex-U.S. regulatory agencies have substantial authority to require additional testing and reporting, perform inspections at our manufacturing sites, change product labeling, or mandate withdrawals of our products. Failure to comply with applicable regulatory requirements may subject us to administrative and/or judicially imposed sanctions or monetary penalties as well as reputational damage and other harms.

Furthermore, the development of novel approaches for the treatment of diseases - including development efforts in new and innovative modalities - present additional challenges and risks, including obtaining regulatory approvals from agencies that have limited experience assessing the development of such therapies.

Clinical trial data and the results are subject to differing interpretations by regulatory authorities. The organization can view data as sufficient to support the safety, effectiveness and/or approval of an investigational therapy, and regulatory authorities may disagree and may require additional data, may limit the scope of the approval, or may deny approval altogether. These interpretations may also vary across regulatory authorities in different markets. There can be difficulty in predicting the time and cost of product development of novel approaches for the treatment of diseases across regulatory approval authorities.

What are we doing to manage the risk?

The risk described is multi-faceted and the following steps are being taken:

- From a strategic perspective, we work with key stakeholders including doctors, patients, health authorities, and payers when designing our clinical development program to ensure our work can serve the needs of these different stakeholders.
- Our clinical studies are managed by and experienced Project team that follow Good Clinical Practices (GCP) and procedures per industry standards.
- Pharming works closely with regulatory authorities in the United States (FDA) and other countries and regions, including the EEA, the U.K., Canada, Australia, Israel, and Japan to identify key elements of new products, as well as their indications, to establish safety and efficacy, while providing relevant supporting data and addressing queries from the regulators in a timely manner.
- We continue to refine and improve our formal processes for Project Management.
- We continue to enhance our contract with research organizations to ensure we have clear conditions, firm timelines and the ability to obtain precise data that can be independently reviewed and confirmed.

Inadequate coverage and reimbursement

Pharming might be faced with inadequate reimbursement for new therapeutic products or in some cases no coverage may be provided by governmental authorities, private health insurers and other organizations due to governmental authorities, private health insurers and other organizations tasked to reduce healthcare costs, resulting in financial losses and lost opportunities.

Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers and other organizations fundamentally impacts the potential success of RUCONEST®, Joenja® and any future product candidates. This is a challenge across all segments in the industry. Assuming we obtain coverage for our product candidates by third-party payers, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find high and unaffordable. We cannot be sure that coverage and reimbursement in the United States, the European Economic Area (EEA), or elsewhere will be available for the product candidates or any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future. There is a historic and ongoing drive of health insurers to reduce healthcare costs by limiting both the coverage and the level of reimbursement for new therapeutic products, and in some cases by refusing to provide coverage altogether.

What are we doing to manage the risk?

- Pharming continues to proactively work with various government and private insurers, to help ensure that patients get access to the treatments that they need and that our products are sufficiently covered and reimbursed.
- Our company continues to strive for clinical data that shows the medical and economic benefits we bring to patients with unmet medical illnesses.

Inaccurate product development planning data and sales forecast

Pharming might not be able to meet the projected margins or revenue of management for a product candidate or newly launched products due to the insurers refusal to pay or restrictions in reimbursement resulting in limited or no market access. This may be due to the inability to diagnose and/or identify current or future patients therefore creating a short fall in initial patient number estimates.

New product development and indication expansions of existing products is expensive and involves a high degree of uncertainty and risk, including estimated sales forecasts. As is common within the industry, only a small number of research and development programs result in the commercialization of a new product. Solid clinical development plans are essential.

Success in preclinical work or early-stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. The results of clinical trials may indicate that our product candidates lack efficacy, have harmful or unexpected adverse events or side effects or raise other concerns that may significantly reduce the likelihood of regulatory approval. This may result in terminated programs, significant restrictions on use and safety warnings in an approved label, adverse placement within the treatment paradigm or significant reduction in the commercial potential of the product candidate.

Even if we could successfully develop new products or indications, we may make a strategic decision to discontinue development of a product candidate or indication if, for example, we believe commercialization will be difficult relative to the standard of care or other opportunities in our pipeline.

What are we doing to manage the risk?

To mitigate this risk structurally, we work to implement the following processes:

- Deviations from the budget are flagged with the Executive Committee and proposals for protocol changes with significant budget impact require Executive Committee approval.
- Development of formal processes for Project Management.
- Development of formal processes for Budgeting and Forecasting.

Pharming negotiates research organization contracts with clear conditions and limited capacity for budget expansions. Alongside the strong evidential position, all project plans are evaluated by the Executive Committee, and the planning and implementation of any clinical study is subject to approval from the Board of Directors.

Development programs at Pharming may be partnered and sometimes co-funded, and therefore may be subject to the review processes of the funding partner or entity.

The Medical Access and Marketing teams are developing evidence and campaigns that will be used to maximize the value story with medical insurers, while optimizing the price and patient access to all of Pharming's product offerings.

Lack of aligned sourcing and requirement setting

If a vendor is selected and Pharming changes the assumptions or requirements, the vendor may not be able to deliver part of the requirements as originally agreed. As such, Pharming might be unable to deliver the market access strategy or meet the needs of our patients. Other impacts could be increased costs, product delivery delays and possible reputational damage. If a supplier fails to comply to external regulations or our internal standards, but we have already engaged the supplier, we could face reputational damage and product delivery issues.

What are we doing to manage the risk?

Our Sourcing procedures are established in accordance with local laws and regulations to define the requirement for and the process of competitive bidding and supplier selection. These procedures set the framework for establishing self-explanatory, vendor neutral specifications and requirements, identifying appropriate vendors who will be invited to tender and the definition of a final selection criteria. It also describes criteria for which a supplier due diligence is necessary. Management adequately communicates the procedures to the appropriate personnel to ensure that goods and services are obtained only from properly authorized and best fit suppliers.

Operational risks

Operational (operating risk) in this case refers to third party risks. These include production and manufacturing risks, information security risk, and personnel risk. Management, as part of the Enterprise Risk Management process, performed a risk assessment of operational risks and highlighted the most critical risks in this report.

Inability to recruit or retain the right talent

In the current global market conditions, it may be more difficult for Pharming to recruit and/or retain the right talent, or expertise, or skills due to high demand and competition in the biopharmaceutical and biotechnology industry. This could be due to a lack of experienced employees, lack of compensation and recognition structure, training and development systems, succession plans, which could result in an adverse effect on the business, results of operations and future employee prospects.

Experienced employees in the biopharmaceutical and biotechnology industries are in high demand and competition for their skills can be competitive in nature. The inability to recruit desirable candidates or find adequate third parties to perform such services on reasonable terms and on a timely basis, could hinder Pharming's capacity to hire the right people.

We have entered into employment agreements with all employees and key Executive Officers, but any employee may terminate his or her employment at any time or may be unable to continue in his or her role. The regrettable loss of any Executive or key employee to perform such services could have a material adverse effect on our business, financial condition, results of operations and prospects. There is a risk we may have high turnover and can no longer market, produce or sustain our product effectively. Employees could also be unsure about their career path within the company and whether the growth strategy provides them with suitable job opportunities in the near future.

What are we doing to manage the risk?

Pharming expanded its Talent Acquisition team to further strengthen the capacity available for recruitment activities. Additionally, Pharming has engaged specialized recruitment coverage for all areas.

Launched in 2022, Pharming continues to offer and expand its learning platform, Pharming Academy, which offers all of Pharming's employees a wide range of trainings and further education to meet their learning needs. This will help us to continue adding value to present and future employees.

We are focusing on the right support to further help us identify needed capabilities for Pharming's future, while also providing both HR and the department heads good insights into current staffing (headcount), the risk of them leaving, as well as the difficulties of backfilling specific roles. This information will also be a solid baseline for a "Build, Buy or Borrow" discussion on the needed capabilities and for identifying our high potentials. Our Learning Capability will play an important role in the development of our high potentials and building a strong learning capability will have a positive effect on the employee retention.

And finally, Succession Planning was launched in 2022, with identifying our key and most vulnerable positions, starting with the Executive Committee.

Inadequate IT portfolio, IT recovery and information security

There is a risk that the IT portfolio and IT infrastructure may not be able to support Pharming's growth strategy. In addition, we may not be able to respond timely to or recover from IT incidents, which may compromise the confidentiality, integrity, and availability of sensitive data, including the personal data of employees, contractors, patients and other stakeholders.

What are we doing to manage the risk?

Pharming's IT governance has been strengthened with the IT Board and sound IT Strategy, including a comprehensive IT/Cybersecurity Roadmap 2024-25. IT is professionalizing to become a business partner and to become compliant with NIS2 directive and SOX. Implementation of the full Information Technology Infrastructure Library (ITIL) process will help to ensure that incidents are identified, formally documented, evaluated and that all follow-up actions are defined and executed on a timely basis.

Disruptions in the end-to-end supply chain and/or product demand

Disruptions in the end-to-end supply chain or a change in product demand might lead to overproduction or underproduction and disrupt timely delivery of products to patients in existing and new markets/countries.

What are we doing to manage the risk?

To be able to act on (potential) disruptions in demand, internal alignment between all relevant stakeholders and oversight during execution of the plans is critical.

For products currently early in development stage, a new process has been developed and will be executed. For products which are in a launch strategy phase, including a proper shelf-life extension strategy, a commercial process is being developed.

As part of the commercialization process and plans the right level of safety stock should be assessed considering regulatory requirements and financial value. Pharming continues to maintain an adequate safety stock based on our projections and estimates. Furthermore, our Enterprise Resource Planning (ERP) system helps us improve inventory planning.

Stocks of materials are monitored closely by us as well as by the Contract Manufacturing Organizations (CMOs) we work with. Safety stocks of intermediate and finished products are being built/maintained to bridge a potential gap in the manufacturing and release process. Execution of the plans is monitored as part of the S&OP process which is continuously being reviewed for improvement opportunities.

For newly developed and approved products, such as Joenja®, the Operations team starts a timely search for qualified CMOs who can handle with agility changes in the demand forecast. The latter allows us to build up a network of preferred CMOs, while carefully evaluating global supply chains as we develop and bring new products to market. As part of our continuous improvement process, alternative sources of materials are being evaluated as part of product development and manufacturing. This may include a second supplier for drug substance, filters, disposable bags, or moving from disposable materials to stainless steel.

Product quality issues

The quality of a product is determined by systems (quality and IT related), people and the manufacturing process. Inadequate performance and deviations in one or more of these areas can lead to product quality issues and yield products that are not approved by the regulatory authorities.

What are we doing to manage the risk?

The following procedures are in place at Pharming to ensure the proper production and delivery of quality products:

- The QA systems and processes internally as well as externally are audited on a regular basis and we use qualified CXOs.
- Our GXP critical IT systems and manufacturing processes are qualified and validated.
- Our materials are sourced from qualified suppliers.
- Our clinical and commercial are tested according to specification.
- Qualified people are being hired and people are continuously trained.
- Standardized procedures are being used.
- Development of formal processes for Budgeting and Forecasting.

The improvement areas that have been identified are GAP assessments, monitoring of critical suppliers/CXOs using KPIs, and having a better understanding of local requirement (e.g., Japan, Brazil).

Inadequate performance by third-party R&D vendors

Inadequate performance by third-party R&D vendors might impair the regulatory approval and commercialization of Pharming's product candidates. As such, Pharming's product candidates could be delayed, terminated, or the R&D programs could be materially and irreversibly harmed, due to mismanagement of the R&D process or by not having access to qualified and cost-effective third-party R&D vendors.

Before a product may be sold, we must conduct clinical trials to demonstrate that our product candidates are safe and effective for human use. The results of those clinical trials are used as the basis to obtain approval from regulatory authorities, such as the FDA. We are required to conduct clinical trials using an appropriate number of trial sites and patients to support efficacy and safety. The timing, number of trial sites and number of patients required for clinical trials vary substantially between regulatory bodies. As such, Pharming may spend several years and incur substantial expense in completing certain clinical trials. In addition, due to the rarity of the diseases we treat, we may have difficulty finding appropriate clinical trial sites and enough patients to participate in our clinical trials, particularly if competitors are conducting clinical trials in similar patient populations.

Pharming relies on third-party R&D vendors to conduct significant aspects of our clinical trials, and we intend to rely on them in the future. Although Pharming designs clinical trials for product candidates, we depend on third-party R&D vendors to perform the clinical trials. Our reliance on third-party R&D vendors reduces our direct control over the clinical trial activities but does not relieve us of our regulatory or contractual duties.

Outsourcing activities to a third-party is costly, potentially less efficient, and in general, more difficult to claim priority. The third-party R&D vendors we rely on may fail to successfully carry out their contractual duties or meet expected deadlines, which may cause delays in our preclinical and clinical studies. Furthermore, if the Clinical Laboratory Organizations (CLOs) or Contract Research Organizations (CROs) do not perform preclinical studies and clinical trials in a satisfactory manner, breach their obligations or fail to comply with regulatory requirements and other compliance obligations, then the development, regulatory approval and commercialization of our product candidates may be delayed, may not obtain regulatory approval and

commercialize our product candidates, or our development programs may be materially and irreversibly harmed. If we are unable to rely on preclinical and clinical data collected by our CLOs or CROs, we could be required to repeat, extend the duration of, or increase the size of any clinical trials we conduct, and this could significantly delay commercialization and require significantly greater expenditures.

What are we doing to manage the risk?

Pharming's Legal, Regulatory, Research and Development, CMC, and Clinical departments focus on initiating and maintaining good relationships with competent third-party R&D vendors to help execute our drug development process. Importance is placed on the past performance and the reputation of the R&D vendors.

Additionally, Pharming has structured Procurement and External Partnership Management activities to oversee and manage the quality and flexibility of outsourced commitments, while maintaining good relationships. In addition to maintaining control and managing the outsourced processes, we hold periodic meetings with the CLOs, CROs and CMOs.

Pharming maintains good relationships with these parties, with a focus on the timeliness of services supplied. Contract progress and work quality are closely monitored, protocols and reports are duly reviewed for completeness and accuracy, and penalties for contractual defaults are carefully considered. The project management function maintains a risk mitigation log with adequate contingency planning.

Compliance and reputational risks

Management, as part of the Enterprise Risk Management process, performed risk assessments over compliance and reputational risks and highlighted the most critical risks in this report.

However, other risks are also continuously being managed and monitored by the business, these include breaches of ethical standards; data privacy; bribery and corruption; contractual obligations; and negative public opinion and increased regulatory scrutiny. Pharming has issued a revised Code of Conduct that addresses key risks related to potential breaches of ethical standards. In 2021, Pharming created a Disclosure Committee, made up of disparate departments within the business, who actively monitor the disclosure of Inside Information. Pharming has also created an Antitrust policy and a Promotional Compliance Policy, for which a comprehensive compliance training program is made available across the Company.

Non-compliance with national and international laws and regulations

There is a risk of non-compliance with national and international rules and regulations in the jurisdictions that Pharming operates or with internal company policies or procedures, which can lead to penalties or even the closure of our business in jurisdictions in which Pharming operates.

Corporate Governance and Dutch US/listing requirements

The Board of Directors and the Executive Committee of Pharming must comply with a variety of legal requirements, laws, regulations and Corporate Governance codes and best practices in the execution of their tasks and responsibilities, considering the dual listing in the Netherlands (Euronext Amsterdam) and the United States (Nasdaq). Non-compliance with corporate governance codes (AFM/SEC) and best practices may expose Pharming to criticism from investors and therefore reputation risks and a potential impact on the stock price. Pharming must comply with Dutch and U.S. reporting and filing/notification obligations and rules & regulations of the AFM, Euronext Amsterdam, NASDAQ and SEC. Non-compliance can lead to penalties, fines or even a forced de-listing. It can also lead to adverse claims from investors/shareholders.

Fair Trade and Anti-Competitive behavior

Pharming executes several activities that may have the potential of restricting competition on the markets in which it operates. These include interactions with competitors (e.g., inappropriate strategy alignment or exchange of sensitive information), customers (e.g., excessive, predatory pricing or loyalty-inducing practices), distributors or suppliers (e.g., fixing resale prices). Depending on the market context and the nature of the arrangements. These activities generate a potential risk of breaching fair trade standards.

Inside information

In addition, Pharming may, consciously or unconsciously, engage in unlawful disclosure of Inside Information and engage in market manipulation. Furthermore, Pharming may enter into non-disclosure agreements and other agreements with third-parties whereby confidential information may arise. As such, financial losses, regulatory fines, claims or reputational damage may occur.

Non-compliance with internal policies or procedures

Material changes in the applicable laws and regulations not timely reflected in our (internal) policies or procedures or lack of awareness on applicable (internal) policies and procedures, which could lead to penalties or reputational damage.

What are we doing to manage the risk?

Pharming works with various second line of defense teams (a.o., quality, legal, business integrity/compliance, corporate secretary and internal control) to monitor compliance with applicable laws and regulations and compliance with the Dutch and SEC corporate governance codes and filing obligations.

Pharming is enhancing its policies, processes, internal controls, and documentation related to key processes. We have a global Business Integrity program and a roadmap towards SOX compliance. The resource model for Business Integrity and Compliance has been strengthened. An annual review of the Enterprise Risk Management (ERM) top 20 risks has been held with the Executive Committee and risk mitigations plans and mitigation actions have been agreed and are in process.

We have an "Insider Trading Code" in place that complies with the Market Abuse Regulation (MAR) and other prevailing laws and regulations and maintains a "Restricted Persons" register.

Our Disclosure Committee actively monitors the timely disclosure of Inside Information and compliance with the disclosure requirements applicable to Pharming. Lastly, Pharming is developing a Business Integrity Guide, outlining a key framework for Compliance and a compliance network to assist in local compliance of local rules and regulations.

Non-compliance with pharmaceutical industry rules and regulations

Off-label and Disguised Promotion

Pharming generates and duly communicates its products' data, including data which is outside existing approved indications for those products. These activities generate a potential risk of "off label promotion" if used to push for the sale of such products outside the approved indications. Furthermore, Pharming communicates on non-promotional scientific or corporate information, for example in the context of disease awareness, media relations or during service-related activities such as advisory board meetings. These activities could generate a potential risk of accusations of "disguised promotion" if such data and scientific information is used outside of the intended purpose to inform and educate in a non-promotional way, but instead is used for the purpose of promoting the sales of Pharming's products.

What are we doing to manage the risk?

Policies, processes, and experienced subject matter expert personnel provide the controls and oversight to help mitigate the risk of off-label and disguised promotions. The personnel utilize the policies and processes to review, evaluate and reject or approve these forms of communications. We have control documents such as our Code of Conduct, Advisory Board Policy, Promotional Compliance Policy, U.S. Field Manual, Non-Promotional Satellite Symposia Policy, Promotional Review Policy and process, Medical Review procedure, and others to establish requirements in compliance with applicable laws, regulations, and codes.

Training is conducted for individuals responsible for these activities to re-enforce the requirements, standards and educate on the compliance requirements. Targeted monitoring and auditing are conducted to evaluate compliance with established requirements.

Pharmacovigilance

Pharming conducts a comprehensive pharmacovigilance (PV) program. Yet, the PV laws and requirements are very strict and a finding of non-compliance could cause Pharming to suffer reputational damage, incur monetary fines, and force us to stop/halt business activities. Pharming may be required to perform studies of additional indications/dosing strengths in case of frequent off-label usage. The handling of off-label cases incurs additional costs. Despite its efforts, Pharming may not meet its requirement to adequately train employees to properly identify and report PV incidents.

What are we doing to manage the risk?

The following actions are in place to help prevent a possible non-compliance with pharmacovigilance requirements:

- We actively monitor key performance indicators related to expedited and periodic reporting.
- Pharmacovigilance audits are performed by our internal Quality Assurance team and independent auditors and may include reviews of our business partners, such as specialty pharmacies, license partners and vendors. Action plans are implemented based on the outcome of the audits.
- There are regular reviews and updates of the pharmacovigilance process and procedures and continuous training of the related staff.

Non-compliance with SOX regulations

In connection with the audits of our financial statements, we have identified weaknesses in our internal control in financial reporting across the principles for each component of the COSO framework at the entity level, and accordingly, across the business and IT processes of the Company. Although the Company does have oversight and compliance processes currently in place, these processes are not sufficiently formalized as controls to identify and address the risks of material misstatements and risks arising from IT processes. In addition, where control activities are dependent upon information that control performers use to execute the control (IUC), the Company does not perform or document controls to determine the completeness and accuracy of such information. If we are unable to remediate these weaknesses, or if we identify additional weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely impact our business and stock price.

What are we doing to manage the risk?

We are in the process of remediating the weaknesses identified, including the further development and implementation of formal policies, processes, internal controls, and documentation relating to our financial reporting.

Non-compliance to ESG standards

The risk that Pharming is unable to comply with ESG reporting requirements (e.g., EU Taxonomy, CSRD, Climate-related disclosures from the SEC) due to other priorities and lack of expertise and guidance, which could lead to an adverse effect on Pharming's credibility with investors and shareholders and the Company's reputation, resulting in potential future regulatory fines.

Our business and operations may be negatively impacted by the failure, or perceived failure, of achieving our environmental, social and governance objectives. We continue to work towards operating our business in an environmentally responsible and socially inclusive manner. Stakeholders, including our investors and our employees, have increasingly focused on our ESG practices. If our ESG practices fail to meet these stakeholders' expectations and standards, there could be a material adverse effect on our reputation, business and, ultimately, our stock price.

Achieving our ESG goals requires long-term investments and broad, coordinated collaboration which may require Pharming to incur additional costs or allocate additional resources towards monitoring, reporting, and implementing our ESG practices. Furthermore, we may fail to accurately assess our stakeholders' ESG priorities, as such priorities have evolved and will continue to evolve. Any failure or perceived failure to meet our ESG program priorities could result in a material adverse effect on our reputation, business, and stock price.

What are we doing to manage this risk?

Pharming does not view ESG purely as an obligation, where the key is to be able to deliver the mandatory information. Instead, Pharming wishes to embed ESG more explicitly in our strategy, planning processes and internal reward systems to build a sustainable business. Integration of ESG into the overall strategy and practices is of utmost importance to guide and build a solid foundation to help improve our long-term performance. It can support sustainable development, have a positive impact on the environment and society, enhance the corporate reputation, strengthen stakeholder engagement, improve the workplace and the health and well-being of employees, help ensure accountability and transparency, and manage risks and opportunities. Pharming established an ESG steering committee with the aim of integrating ESG principals into Pharming's strategy. Please refer to Section "Our ESG journey" of this Annual Report for detailed information on Pharming' ESG activities.

Financial and fraud risks

Management, as part of the Enterprise Risk Management process, performed a risk assessment over financial and fraud risks and highlighted the most critical risks in this report.

Enterprise value not recognized by investors

If our investors do not properly recognize our equity (or enterprise) value, Pharming may be at an increased risk of an unsolicited take-over approach. A clear internal view is needed on what our valuation should be and how we expect investors to react to news and company updates. It is also critical to properly inform shareholders so they can assess our commercial and development progress and value our shares appropriately.

What are we doing to manage the risk?

We have commenced work on a Response Strategy Manual, which is nearing completion. In 2023, we have also started to work on an internal valuation model with related projections to support our Investor Relations and Corporate Communications strategy and decision making by Pharming Management and the Board of Directors.

Inaccurate or fraudulent financial reporting

The risk that Pharming's financial statements contain a material misstatement and/or that the company is not SOX compliant or not adhering to other AFM/SEC financial reporting requirements or timelines, due to lack of awareness of GAAP, IFRS, AFM, SEC rules, internal policies, processes and procedures, or intentional misbehavior (fraud) caused by internal or external pressures, resulting in a loss of confidence in the accounts by key external stakeholders and internal users, reputational damage and personal liability exposure for Directors.

Fraud risk can be unexpected financial, material, or reputational loss as the result of fraudulent action(s) of persons internal or external to the organization. The risk of inaccurate financial reporting includes poor operational decisions, reputational damage, economic loss, penalties, fines, legal action, claims from shareholders, and even bankruptcy. Pharming can ensure accurate financial reporting by employing a network of internal controls, fortified by financial software which helps prevent and detect errors.

What are we doing to manage the risk?

Anti-Fraud Framework was established encompassing fraud assessments. A quarterly fraud disclosure questionnaire must be completed by managers and process owners with the purpose of identifying changes in controls, which could allude to possible (indications of) fraud. In addition, an Anti-Fraud Policy and Alert Reporting Investigation Procedure were developed, and fraud awareness trainings were given and/or made available to all employees. The Company has implemented controls to establish a fraud governance process, to create a sound anti-fraud culture, to implement and maintain clear preventive and detective fraud controls. Pharming continues to develop sound internal controls and formalize best practices processes, to prevent balance sheet and P&L risks by periodically reviewing balance sheet and P&L accounts and as well as reviewing financial transaction for completeness and accuracy.

Insufficient liquidity

The risk that Pharming has insufficient cash to fund its operations and meet its financial obligations, due to adverse capital, credit market conditions and/or an inability to generate sufficient cash, resulting in a lower credit rating, or a weaker financial position could have an adverse impact on business continuity.

Adverse capital and credit market conditions may significantly affect the ability to meet liquidity needs, cause limitations in accessing capital or face an in cost of capital. The same concern is valid for access to our restricted cash, which could be held at banks that experience financial difficulties. Prolonged exposure to liquidity risk or inability to generate enough income for the projects in scope, could lead to the inability to meet financial obligations, which could increase the risk of insolvency.

What are we doing to manage the risk?

Pharming is working on improving cash flow forecasting models to provide a more accurate view of liquidity. A Company financial forecasting model has been made, which forms the basis for this information for the medium- and long-term horizon (15 years forward). Any new business development project needs to be included in this model to understand the impact on cash flow and liquidity. Funding (both equity and debt) will be adjusted to the liquidity needs of the Company. In addition, we have recently hired a head of Treasury to further assist us in our liquidity forecasting endeavors. Pharming diversifies its cash holdings across several banks and across short term investment instruments including bank deposits, government treasury certificates and money market funds to reduce counterparty risk.

Fluctuations in Foreign Exchange market rates

Due to the international scope of our operations, fluctuations in exchange rates, particularly between the Euro and the U.S. dollar, may create an adverse impact. While the Company is headquartered in the Netherlands, we source materials, products,

and services from several countries outside the EU which are paid in local currencies.

In addition to the U.S. commercialization of RUCONEST® and Joenja®, the projected commercialization of Joenja® in the European Union, as well as the commercialization of Joenja® in additional geographies, we expect to receive payments and generate costs in U.S. dollars, euro, the British pound, as well as additional currencies. Fluctuations in foreign exchange rates between the euro and the U.S. dollar, as well as other currencies may impact our result. As the intercompany balance payable by Pharming Healthcare Inc. to Pharming Technologies B.V. is in euros and the books of Pharming Healthcare Inc. are in U.S. dollars (functional currency Pharming Healthcare Inc. is U.S. dollars) a rate fluctuation may impact the balance payable of Pharming Healthcare Inc. to Pharming Technologies B.V. and is reflected in the income statement. Since the majority of Pharming's sales are invoiced and paid in U.S. dollars, and most of its costs and liabilities are valued in euros, any change in the relevant exchange rate means a corresponding change in the euro value of sales and a corresponding change in the loan balance in euros.

What are we doing to manage the risk?

Foreign exchange results can partly be remediated by having Pharming Healthcare Inc. repaying its net payable balance to Pharming Technologies B.V., Pharming Group N.V. or Pharming Americas B.V. promptly using its cash balances. Going forward we aim to book and pay all intercompany charges and intercompany invoices on receipt of invoice as soon as possible, thereby reducing the intercompany balances. Pharming entities manage foreign exchange result risk on their cash by holding the cash balances in its own functional currency.

Governance

"Achieving our goals would not have been possible without the tireless work and collaboration of our employees and the support of our shareholders"

Dr. Sijmen de Vries, Executive Director and Chief Executive Officer

Board of Directors

Dr. Sijmen de Vries, MD MBA (1959)

Title
Executive Director and Chief Executive Officer (CEO)

Nationality
Dutch

Date of initial appointment
October 13, 2008

Dr. de Vries has been our Chief Executive Officer (CEO) since 2008. Dr. de Vries was reappointed by the General Meeting of Shareholders held on May 19, 2021, for another four-year term, ending at the Annual General Meeting in 2025. Dr. de Vries is responsible for the daily management of the Company and the execution of its strategy.

Other functions
Member of the Supervisory Board of BioConnection Investments B.V. and Non-Executive Director of Midatech Pharma plc.

Read more about Dr. Sijmen de Vries here

Dr. Richard Peters (1962)

Title
Chairperson of the Board of Directors,
Member of the Corporate Governance Committee
and Member of the Transaction Committee

Nationality
Belgian national, US citizen

Date of initial appointment
September 25, 2023

Dr. Peters was appointed the Chairperson of the Board of Directors as per September 25, 2023. Dr. Peters has over 30 years of experience in the healthcare industry and academia.

Other functions
Non-Executive Director for Kineta and Aprea Therapeutics, and is the founder and Executive Chairperson of TellBio. He is also a corporate advisor to Aura Biosciences.

Read more about Dr. Richard Peters here

Deborah Jorn, MBA (1958)

Title
Vice-Chair of the Board of Directors,
Member of the Remuneration Committee
and Member of the Audit Committee

Nationality
American

Date of initial appointment
May 22, 2019

Ms. Jorn has served as a Non-Executive Director since 2019. Ms. Jorn was reappointed by the General Meeting of Shareholders held on May 17, 2023, for a term of two years, ending at the Annual General Meeting in 2025.

Other functions
Ms. Jorn is Director & Founder of Jorn Consulting LLC. Ms. Jorn served as a member of the Board of Directors of Orexigen Therapeutics, Inc. from May 2016 until July 2018, Diurnal Group in 2021 and 2022 and ViveveMedical, Inc from May 2016 until March 2023.

Read more about Deborah Jorn here

Leonard Kruimer (1958)

Title
Non-Executive Director, Chairperson of the Audit Committee and Member of the Transaction Committee

Nationality
Dutch

Date of initial appointment
May 19, 2021

Mr. Kruimer has served as a Non-Executive Director since 2021.

Other functions
Mr. Kruimer is currently Chairperson of the Board at Swedish BioInvent International AB. In addition, he is a Board Member of both Zealand Pharma A/S in Copenhagen and of Basiliea Pharmaceutica in Basel.

He is Director of AI Global Investments (Netherlands) PCC Ltd.

Read more about Leonard Kruimer here

Jabine van der Meijs (1966)

Title
Non-Executive Director, Chairperson of the Corporate Governance Committee, Member of the Audit Committee and Member of the Remuneration Committee

Nationality
Dutch

Date of initial appointment
May 19, 2021

Ms. van der Meijs has served as a Non-Executive Director since 2021.

Other functions
Ms. van der Meijs is also a Non-Executive Director at V.Group Ltd and VFS Global AG.

Ms. van der Meijs is a Member of the Supervisory Board of Koole Terminals Holding B.V. and a Member of the Board of Directors of Grundfos Holding A/S.

Read more about Jabine van der Meijs here

Barbara Yanni (1954)

Title
Non-Executive Director, Chairperson of the Transaction Committee, Member of the Audit Committee and Member of the Corporate Governance Committee

Nationality
American

Date of initial appointment
December 11, 2020

Ms. Yanni has served as a Non-Executive Director since 2020.

Other functions
Ms. Yanni currently serves on the Board of Directors of three other public biotechnology companies: Oncorus, Inc., Trevena, Inc. and Vaccinex, Inc.

Ms. Yanni is also a Member of the Board of Directors of Mesentech, Inc., a private Canadian biotechnology company.

Read more about Barbara Yanni here

Dr. Mark Pykett, VMD, PhD (1964)

Title
Non-Executive Director, Member of the Remuneration Committee and Member of the Transaction Committee

Nationality
American

Date of initial appointment
December 11, 2020

Dr. Pykett has served as a Non-Executive Director since 2020.

Other functions
Dr. Pykett is currently President and Chief Executive Officer of the Biotechnology company Myrtelle, Inc. Dr. Pykett currently serves on the Board of Directors of the private companies Myrtelle, InFlectis BioSciences and Exubrion Therapeutics.

Read more about Dr. Mark Pykett here

Steven Baert (1974)

Title
Non-Executive Director, Chairperson of the Remuneration Committee and Member of the Corporate Governance Committee

Nationality
Belgian, Swiss citizen until March 31, 2023, US citizen since April 1, 2023

Date of initial appointment
May 19, 2021

Mr. Baert has served as a Non-Executive Director since 2021.

Other functions
Mr. Baert currently serves as the Chief People Officer and member of the Executive Committee of GE Vernova, the combined power and energy businesses of GE that are scheduled for a spin off and public listing in the second quarter of 2024. He also serves on the Board of the WeSeeHope USA, a charity that focuses on empowering children isolated by poverty in Africa.

Read more about Steven Baert here

Corporate Governance

The following paragraphs set out our shareholder structure, the Company's compliance to the Dutch Corporate Governance Code and the management structure of the Company.

Articles of Association

The prevailing Articles of Association of the Company are posted on the Company's website and are available in English and Dutch. The Articles of Association of the Company were most recently amended on May 23, 2023.

Shareholder structure

All ordinary shares issued by the Company are traded on Euronext Amsterdam under the symbol "PHARM". In addition, American Depository Receipts (ADRs) are traded on the NASDAQ Global Market Composite under the symbol "PHAR".

JP Morgan Chase Bank, N.A. (located at 383 Madison Avenue, Floor 11, New York, NY 10179) acts as the depositary and registrar for the American depositary share (ADS) representing our ordinary shares.

Each ADS will represent an ownership interest in a designated number of ordinary shares in our capital which will be deposited from time to time with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary (JP Morgan Chase Bank, N.A.), and the holders of American Depositary Receipts evidencing ADSs ("ADRs"), or other beneficial owners of an interest in ADSs from time to time.

The rights of the holders of ADRs, or of other beneficial owners of the ADSs, derive from the terms of the deposit agreement as described above and, in the case of the beneficial owners, from the arrangements between the relevant beneficial owner and the holder of the corresponding ADRs. The obligations of the depositary and its agents are also set out in the aforesaid deposit agreement.

For information on the ADSs and ADRs, you should read the prospectus (hereafter referred to the "ADS Prospectus") that is included in the Registration Statement on Form F-1 (333-250984), as filed with the SEC on December 17, 2020, and as further supplemented by the 2023 Annual Report on Form-20 F document, as filed with the SEC on April 4, 2024.

As a foreign private issuer traded on Euronext Amsterdam, the Company is permitted to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements. The rights of holders of ordinary shares and, therefore, certain of the rights of holders of the ADSs, are governed by Dutch law, including the provisions of the Dutch Corporate Governance Code, and by our Articles of Association. Reference is made to the subsequent sections for a summary of the main governance practices applied by Pharming.

More details on the Company's authorized share capital and issued shares and the number of listed ADSs can be found in the "Financial Review" chapter of this Report and note 18 "Shareholders' Equity".

On January 14, 2020, the Company entered into a Subscription agreement under which the Company issued €125 million of convertible bonds due 2025 (the "Bonds") to investors in the EU. For more details, reference is made to Note 19 in this report.

Group structure

The following table lists the (wholly-owned) subsidiaries of the Company and therefore, together with the Company, sets out the Pharming Group structure as per December 31, 2023:

Entity	Registered office	Investment
Pharming B.V.	The Netherlands	100%
Pharming Americas B.V.	The Netherlands	100%
Pharming Intellectual Property B.V.	The Netherlands	100%
Pharming Technologies B.V.	The Netherlands	100%
↳ Pharming Research & Development B.V.	The Netherlands	100%
Broekman Instituut B.V.	The Netherlands	100%
Pharming Healthcare, Inc.	The United States	100%
ProBio, Inc.	The United States	100%

The Company also holds a 22.98% minority stake in BioConnection Investments B.V. (BioConnection). BioConnection is a Dutch contract manufacturing organization that manufactures the sterile sealed vials of Pharming's product RUCONEST® from the purified drug substance. The investment has been treated as an associate company of the Group. More details can be found in Note 13.

Since July 1, 2021, Pharming Group entered into a strategic collaboration with Orchard Therapeutics (Orchard), a global gene therapy leader, to research, develop, manufacture, and commercialize OTL-105. During 2023, the Company held 1.0 percent of Orchard's ordinary share capital. On October 5, 2023, Orchard announced it had entered into a definitive agreement under which Japanese, Kyowa Kirin Co. LTD planned to acquire Orchard. The transaction was completed on January 24, 2024. More details can be found in Note 13.3.

No anti-takeover measures in place

The Board of Directors believes that Pharming shareholders are the best persons to judge whether a takeover bid for the Company is fair for them at the time of offer, and after receiving an informed opinion from the Board of Directors regarding the advantages and disadvantages of such bid.

Therefore, there are no anti-takeover measures in place that would restrict the Company's shareholders from receiving information about, or from accepting or rejecting a bid for their shares.

However, we have adopted several provisions which may have an impact on a takeover of our Company, including:

- a provision in our Articles of Association that Directors may only be removed at the general meeting of shareholders by a resolution adopted with a majority of the votes cast, representing at least one third of the issued share capital; if the majority of the votes cast are cast in favor of the removal, but such majority does not represent at least one third of the issued share capital, a new meeting may be convened in which the removal may be resolved upon with a majority of the votes cast, irrespective of the percentage of the issued share capital represented at the meeting;
- members of the Board of Directors being appointed on the basis of a binding nomination by the Board of Directors, which can only be overruled by the general meeting of shareholders by a resolution adopted with the majority of the votes cast, provided such majority represents at least one third of the issued share capital; if the nomination is rejected by the majority of the votes cast, but such majority does not represent at least one third of the issued share capital, a new meeting may be convened in which the nomination may be rejected with a majority of the votes cast, irrespective of the percentage of the issued share capital represented at the meeting; in that event, the Board of Directors shall make a new nomination; and
- requirements that certain matters, including an amendment of our Articles of Association or dissolution of the Company, may only be brought to our shareholders for a vote upon a proposal by the Board of Directors.

It is also noted that the share-based incentive plans for our staff members, including share option plans and Long-term Incentive Plan (LTIP) schemes, will vest automatically and unconditionally in the event of a change of control of the Company, in accordance with the terms thereof. The automatic vesting in the event of a change of control does not apply for the share-based incentive plans for our Executive Director/CEO and the members of the Executive Committee, respectively. The Non-Executive Directors have not participated in any share-based incentive plan since 2020 and have no outstanding entitlements under any former incentive plan.

According to the aforementioned share-based incentive plans for the Executive Director/CEO and the Executive Committee members, the Executive Director and Executive Officers will be entitled to pro-rata vesting of outstanding but unallocated shares in the case of a change of control that has been approved by the General Meeting of Shareholders. However, this right may only be exercised for the performance period that has lapsed at that moment, subject to the pro-rata achievement of the applicable performance measures and targets. The remaining shares will vest in accordance with the predetermined times (i.e., no accelerated vesting) which is subject to the achievement of the applicable performance measures and targets. Moreover, in case of an unsolicited change of control becoming unconditional, the aforementioned share-based incentive plans do not vest automatically as result of the change of control becoming unconditional.

In case of an event resulting in a change of control or in case of the announcement of a proposed formal public offer for the shares in the Company, the Board of Directors - without the participation of the Executive Director - can decide to settle the allocated shares in cash.

Moreover, on January 14, 2020, the Company entered into a Subscription agreement under which the Company issued €125 million of convertible bonds due 2025 (the "Bonds") to investors in the EU. Under this agreement, the conditions of the Bonds specify that in the event of a change of control of the Company, the conversion price of the Bonds which may be converted into Pharming shares, may change. This will be dependent upon the time elapsed between initiation of the Bonds and the date of the change of control relative to the normal repayment date of the Bonds in 2025. Such a provision is standard for bond instruments of this kind.

Finally, it is noted that for the execution of each, new share-based incentive plans for our staff members requires a resolution by the CEO and the Executive Committee. Such execution is not controlled by the staff members but is governed by the detailed terms and conditions applicable to these plans.

Board structure

Introduction

The Company has a one-tier board structure, with a single Board of Directors composed of Executive and Non-Executive Directors. The Executive Directors manage the day-to-day business and operations of the Company and implement the Company's strategy, supported by a (non-statutory) Executive Committee

chaired by the Chief Executive Officer. The Non-Executive Directors focus on the supervision of the policies and the functioning of the performance of the duties by the Executive Director(s) and the Company's general state of affairs.
Our one-tier board structure allows the Company to integrate and leverage the knowledge, experience and wide range of backgrounds, education and expertise among the Executive and Non-Executive Directors into one single corporate body. We believe that the one-tier board structure accordingly warrants the quality and adequacy of our internal governance processes and decision-making.

While the majority of Dutch companies traditionally apply a two-tier board structure, the DCGC endorses and facilitates one-tier board structures and includes specific principles and best practice provisions for the composition and functioning of one-tier boards. The Company complies with these principles and provisions.

Role and responsibilities
The statutory Board of Directors as a collective has shared responsibility for the management of the Company and the general course of affairs of the Company. Accordingly, the Board of Directors is, inter alia, jointly responsible for the following:

- the continuity of the Company;
- maintaining a culture focused on sustainable long-term value creation for the Company;
- the achievement of the Company's objectives;
- the long-term strategy;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process;
- compliance with primary and secondary regulations;
- the Company-shareholder relationship and stakeholder dialogues/management; and
- corporate social responsibility (ESG) aspects that are relevant to the Company.

The Board of Directors is assisted by the Corporate Governance Committee to determine and monitor the corporate governance structure of the Company and Group and to ensure compliance by the Company with the DCGC and other applicable rules and regulations governing corporate governance-related matters for Pharming. Supported by the Audit Committee, the Board of Directors supervises the financial and non-financial reporting process.

Assisted by the Remuneration Committee, the Board of Directors determines the remuneration of the individual members of the Board of Directors (within the remuneration policy adopted by the Annual General Meeting of Shareholders) and the members of the Executive Committee. Finally, supported by the Transaction Committee, the Board of Directors reviews and decides on M&A or other business development transactions. The reports of the respective committees are presented separately in this section.

We believe that we have sufficiently ensured the independent supervision by our Non-Executive Directors via the following safeguards, each time in accordance with the DCGC:

- The majority of our Board of Directors comprise of Non-Executive Directors. Our Board of Directors is currently seated by seven Non-Executive Directors and one Executive Director.
- All Non-Executive Directors are independent within the meaning of the DCGC and applicable U.S. rules and regulations, as evaluated annually.
- The Non-Executive Directors supervise the way in which the Executive Director/CEO, supported by the non-statutory Executive Committee, implements the Company's strategy and sustainable long-term value creation.
- The Chairperson of our Board of Directors is a Non-Executive Director. Hence, our Board of Directors is not chaired by an Executive Director.
- The Board of Directors' committees, (the Audit Committee, Remuneration Committee, Corporate Governance Committee and the Transaction Committee), exclusively comprise of Non-Executive Directors. None of these committees is chaired by the Chairperson of the Board of Directors.

The Board of Directors has adopted Board Rules that govern the procedures and decision making of the Board of Directors. The Board Rules describe in more detail the matters, including the related decision-making powers, which have been delegated to the Executive Director/CEO. The Board of Directors has also adopted charters to govern the procedures and decision-making of the committees established by the Board of Directors.
The Board Rules and charters have been drafted to ensure compliance by the Company with both Dutch Corporate law, the DCGC and applicable US rules and regulations. The Board Rules and charters are published on the Company's website.
The Board Rules and the committee charters are evaluated bi-annually.

Appointment Directors

All members of our Board of Directors are statutory directors of the Company and appointed by the General Meeting of Shareholders upon a binding nomination of the Board of Directors. Upon the appointment of a member of the Board of Directors, the General Meeting shall also be proposed to determine whether that person is appointed as Executive Director or as Non-Executive Director.

The Articles of Association of the Company contain an indemnification arrangement for current and former directors and other officers or employees, consistent with market practice and including customary carve-outs. The Company entered into indemnification agreements with the individual (Executive and Non-Executive) Directors and the Executive Officers or included indemnification provisions in their employment or management services agreements, that are fully aligned with the indemnification arrangement in the articles of association.

Board of Directors: composition 2023

In 2023, the Board of Directors comprised one Executive Director (also the Chief Executive Officer/CEO) and seven Non-Executive Directors.

The year 2023 marked the end of the mandate of Paul Sekhri as Chair of the Board and Non-Executive Director. Mr. Paul Sekhri was first appointed to the former Board of Supervisory Directors on April 30, 2015, and served as the Chair of the Board of Supervisory Directors since May 25, 2016. Mr. Paul Sekhri was also appointed as the Chair of the Board of Directors that replaced the former Board of Supervisory Directors in December 2020. Mr. Sekhri was not eligible for re-appointment for a full term of four years due to the maximum term of office for Non-Executive Directors according to the Dutch Corporate Governance Code.

Following an extensive search process, with support of a leading global search firm, the Board of Directors nominated Dr. Richard Peters to the General Meeting of Shareholders for the appointment as new Chair and Non-Executive Director of the Board of Directors. An Extraordinary General Meeting of Shareholders was convened on September 25, 2023, for the appointment of Dr. Peters. During this Extraordinary General Meeting of Shareholders Dr. Richard Peters was appointed as new member and Chairperson of the Board of Directors. As per this appointment, Mr. Paul Sekhri resigned from the Board of Directors.

The first term of Ms. Deborah Jorn expired on the occasion of the Annual General Meeting of Shareholders on May 17, 2023. Ms. Jorn was reappointed by the Annual General Meeting of Shareholders on May 17, 2023 for a term of two years (expiring at the closing of the Annual General Meeting of Shareholders to be held in the year 2025), in line with Ms. Jorn's availability for personal reasons for that period only.

Details on the composition of the Board of Directors in 2023 are included in the following table:

Board composition 2023

Name	Position	(Re) appointments	Current Term
Mr. Paul Sekhri	Chairperson	2015, 2019, 2023	Expired September 25, 2023
Dr. Richard Peters	Chairperson	2023	Up to September 25, 2027
Dr. Sijmen de Vries	Chief Executive Officer, Executive Director	2008, 2013, 2017, 2021	Up to AGM in 2025
Ms. Deborah Jorn	Vice Chairperson	2019, 2023	Up to AGM in 2025
Ms. Barbara Yanni	Non-Executive Director	2020	Up to AGM in 2024
Dr. Mark Pykett	Non-Executive Director	2020	Up to AGM in 2024
Mr. Leonard Kruimer	Non-Executive Director	2021	Up to AGM in 2025
Ms. Jabine van der Meijs	Non-Executive Director	2021	Up to AGM in 2025
Mr. Steven Baert	Non-Executive Director	2021	Up to AGM in 2025

The composition of the Board of Directors reflects the Company's growth ambitions and long-term strategy. In accordance with the Act on gender diversity in boards of Dutch companies that entered into force on January 1, 2022, Pharming continued to meet throughout the financial year 2023 the statutory minimum percentage of at least one third men and one third women representation in the Board of Directors by having three female and four male Non-Executive Directors (out of in total seven Non-Executive Directors, i.e., 42%/58%). The Board of Directors will maintain compliance with this percentage for future nominations of new Non-Executive Directors. Also, diversity in background, expertise and professional experience, will remain an important selection criterion in case of a search for a new member of the Board of Directors.

Executive Committee

The non-statutory Executive Committee supports the CEO with the execution of his tasks and responsibilities as Executive Director. Accordingly, the CEO is supported by the Executive Committee members in managing Pharming's day-to-day operations, ensuring sufficient oversight, and the execution of the strategy and all other goals and objectives across the organization.

The Board of Directors adopted a charter for the Executive Committee that governs the procedures and the tasks and responsibilities of the Executive Committee, in accordance with the Board Rules. The Executive Committee Charter is compliant with Dutch Corporate law and the DCGC, as well as applicable US rules. The Executive Committee Charter, which is evaluated biennially, has been published on the Company's website.

The members of the Executive Committee report to the CEO. The CEO also chairs the meetings of the Executive Committee. The Board of Directors regularly receives business updates from the Executive Committee that are discussed during the scheduled meetings of the Board of Directors. In 2023 two additional meetings were scheduled to discuss the business updates. The members of the Executive Committee also attend, as guests, the meetings of the Board of Directors held to discuss the quarterly and full year results, the Annual Report, the annual goals and objectives and the annual budget. Finally, the Board Rules specify those matters that require a decision by the full Board of Directors.

Dr. Alexander Breidenbach, MBA, was appointed Chief Business Officer effective September 1, 2023. In this newly created position, Dr. Breidenbach is responsible for driving and monitoring the development and execution of Pharming's growth strategy and future plans.

The following table sets forth information regarding the current members of the Executive Committee, who are referred to as Executive Officers, including their respective positions:

Executive Committee

Name	Position	First appointed in managerial capacity
Executive Director/Chair		
Dr. Sijmen de Vries	Chief Executive Officer and Executive Director	October 13, 2008
Executive Officers		
Dr. Anurag Relan	Chief Medical Officer	June 1, 2021
Mr. Jeroen Wakkerman	Chief Financial Officer	November 16, 2020
Ms. Mireille Sanders	Chief Operations Officer	August 1, 2019
Mr. Stephen Toor	Chief Commercial Officer	January 1, 2017
Mr. Ruud van Outersterp	Chief Ethics & Compliance Officer	May 1, 2021
Dr. Alexander Breidenbach	Chief Business Officer	September 1, 2023

More details regarding the current members of the Board of Directors and the Executive Committee can be found on the Pharming website.

The Executive Committee decided in 2023 to appoint a Chief People Officer to lead the development, execution and monitoring of Pharming's people strategy, including the oversight and management of all other human capital-related aspects across the global Pharming organization. The search is ongoing.

Works Council (Netherlands)

A Works Council was established in the Netherlands as of January 1, 2023. The Works Council comprises nine members, representing all Pharming departments and locations in the Netherlands.

The Works Council is an internal body that promotes and protects the interests of our employees in the Company. The Works Council under Dutch law has (among other things) the right to prior consultation for decisions or measures that will have a major impact on employees, including restructurings and large-scale recruitment. It also has the right of consent for decisions regarding (changes to) terms of employment of staff members (e.g., working hours), job and salary systems/structures and staff data processing. The Works Council also serves as a sounding board for the Board of Directors and Executive Committee, adding the employee perspective to decisions that may affect our organization and future.

Executive Committee

Dr. Sijmen de Vries, MD MBA (1959)

Title
Executive Director and Chief Executive Officer (CEO)

Nationality
Dutch

Date of initial appointment
October 13, 2008

Dr. de Vries has been our Chief Executive Officer (CEO) since 2008. Dr. de Vries is responsible for the daily management of the Company and the execution of its strategy.

Other functions
Member of the Supervisory Board of BioConnection Investments B.V. and Non-Executive Director of Midatech Pharma plc.

Read more about Dr. Sijmen de Vries here

Jeroen Wakkerman (1969)

Title
Chief Financial Officer

Nationality
Dutch

Date of initial appointment
November 16, 2020

Mr. Wakkerman was appointed Chief Financial Officer (CFO) in 2020. From 2015 to 2020, Mr. Wakkerman served as Chief Financial Officer of Nutreco N.V., a global leader in animal nutrition and aqua feed.

Read more about Jeroen Wakkerman here

Dr. Anurag Relan, MD (1972)

Title
Chief Medical Officer

Nationality
American

Date of initial appointment
June 1, 2021

Dr. Relan was appointed Chief Medical Officer (CMO) in 2021. Prior to holding the CMO role, Dr. Relan served as Vice President Clinical Research and Medical Affairs at Pharming. Over the last 18 years at Pharming, Dr. Relan has held several leadership roles within the Company.

Read more about Dr. Anurag Relan here

Stephen Toor (1971)

Title
Chief Commercial Officer

Nationality
American

Date of initial appointment
January 1, 2017

Mr. Toor was appointed Chief Commercial Officer (CCO) in 2020. He oversees Pharming's US and ex-US operations and the company's expansion to key markets and regions globally. Prior to that, Mr. Toor served as President and General Manager of Pharming Healthcare, Inc., our US subsidiary, and also oversaw the broader Americas region.

Read more about Stephen Toor here

Mireille Sanders, MSc (1968)

Title
Chief Operations Officer

Nationality
Dutch

Date of Initial appointment
August 1, 2019

Ms. Sanders was appointed Chief Operations Officer (COO) in 2020. Between 2019 and 2020, Ms. Sanders served as our Senior Vice President, Operations.

Read more about Mireille Sanders here

Ruud van Outersterp (1964)

Title
Chief Ethics & Compliance Officer

Nationality
Dutch

Date of initial appointment
May 1, 2021

Mr. van Outersterp was appointed Chief Ethics & Compliance Officer (CECO) in 2021. He also served as Company Secretary from April 2020 to April 2022. Mr. van Outersterp is also a Member of the Supervisory Board of a healthcare institution and is a teacher at the Governance Academy in Leusden, the Netherlands.

Read more about Ruud van Outersterp here

Dr. Alexander Breidenbach, MBA (1963)

Title
Chief Business Officer

Nationality
German

Date of initial appointment
September 1, 2023

Dr. Breidenbach was appointed Chief Business Officer (CBO) as of September 1, 2023. Dr. Breidenbach has more than 20 years of partnering, R&D and management experience in bioscience. In this newly created position, Dr. Breidenbach is responsible for the development and execution of our growth strategy and our future plans.

Read more about Dr. Alexander Breidenbach here

Dutch Corporate Governance Code

The Dutch Corporate Governance Code (DCGC) contains both principles and best practice provisions for Boards of Directors, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance, and enforcement standards. A copy of the DCGC can be found on www.mccg.nl.

As a Dutch listed company, the Company is subject to the DCGC and therefore required to disclose in its Annual Board Report to what extent it complied with the principles and best practice provisions of the updated DCGC. Where we do not comply (for example, because of a conflicting NASDAQ requirement or otherwise), the Company shall state in its Annual Report why, and to what extent the Company deviated from it.

Our most substantial deviations from the DCGC throughout the year 2023 are summarized below:

- Article 1.1.5 of the DCGC (Dialogue with stakeholders) recommends companies to draw up a policy to facilitate dialogues with relevant stakeholders of the company on sustainability aspects of the long-term strategy. While the stakeholder analysis is already covered by the ESG Program, the policy is being drafted within the framework of that Program, building on the existing investor dialogue policy. The policy is expected to be published on the website in the course of 2024.
- Article 3.3.2 of the DCGC (Remuneration of supervisory board members) recommends against providing equity awards as part of the compensation of a Non-Executive Director. However, we deviate from this recommendation and grant equity awards to our Non-Executive Directors, consistent with U.S. market practice and in accordance with the Remuneration Policy for the Board of Directors, as adopted by the General Meeting of Shareholders on December 11, 2020. To safeguard the independence of the Non-Executive Directors, consistent with the intentions of the DCGC, the number of shares awarded has been fixed and the grant has not been linked to the performance of Pharming Group.
- Article 4.2.3 of the DCGC (Meetings and presentations) recommends that all analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences can be followed in real time, by means of webcasting, telephone or otherwise. 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 presentation materials used in such meetings or presentations are posted on the website in a timely fashion. Some meetings (such as the Annual General Meeting of Shareholders) are accessible in real time at least in audio format. The Company also holds both pre-recorded and live webinars at which key events such as quarterly financial statements or large corporate actions can be discussed. Meetings discussing financial results and other significant news are announced and conducted in accordance with this provision.

We note that Best practice provisions 1.3.1 - 1.3.5 of the DCGC recommend the appointment of an internal auditor. However, Best practice provision 1.3.6 of the DCGC also acknowledges that companies may not have appointed an internal audit function. In that event, the Board needs to assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee, and will consider whether it is necessary to establish an internal audit department. The main conclusions should be shared in the Annual Report.

During 2023 the Audit Committee assessed the establishment of an Internal Audit function to strengthen the internal controls, taking into account the growing size of the Company. During the October 25, 2023 meeting, the Audit Committee supported the general internal audit plan and agreed implementation thereof. The Audit Committee concluded that the start of internal audits would need to wait until the organization and systems implementation would be in order.

On March 12, 2024 the Board of Directors endorsed the recommendation by the Audit Committee to establish the Internal Audit Function. The Internal Audit responsibilities will be managed internally, however, to remain independent, the individual audit engagements will be either co-sourced or fully outsourced.

Report of the Board of Directors

Composition, diversity and independence

The (changes in the) composition of the Board of Directors for the financial year 2023 can be found in the section Corporate Governance.

In the opinion of the Board of Directors, all Non-Executive Directors meet the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive of the DCGC as of December 31, 2023.

Throughout 2023, the Board of Directors also met the statutory minimum percentage of at least one third men and one third women representation in the Board of Directors, by having three female and four male Non-Executive Directors (out of in total seven Non-Executive Directors, i.e., 42%/58%).

The Board Rules require each Director to promptly report any actual or potential conflict of interest. Directors are also required to disclose any other board positions. An up-to-date overview of other board positions held by the current members of the Board of Directors can be found on our website.

Details on the remuneration paid to the members of the Board of Directors, including a summary of the prevailing Remuneration Policy for the Board of Directors, as adopted by the General Meeting of Shareholders on December 11, 2020, can be found in the section Remuneration Report 2023 in this Annual Report. To the extent required, the Remuneration Report is incorporated herein by reference.

Name:	Sijmen de Vries	Richard Peters	Deborah Jorn	Leonard Kruimer	Jabine van der Meijs	Barbara Yanni	Mark Pykett	Steven Baert
Year of birth	1959	1962	1958	1958	1966	1954	1964	1974
Gender	Male	Male	Female	Male	Female	Female	Male	Male
Nationality	Dutch	Belgian (US citizen)	American	Dutch	Dutch	American	American	Belgian (US resident)

Activities

Frequency of meetings

The Board of Directors met twelve times in 2023 (2022: thirteen times). Two meetings (in March and October) were held in the U.S., and one meeting (May 16, 2023) in Leiden, the Netherlands. Committee meetings were also held on each of these occasions (please refer to the subsequent subsections on the Committees). The other meetings were held using virtual meeting facilities.

The frequency of the twelve meetings does not include two additional meetings that were held to discuss the monthly reports submitted by the Executive Committee on files and projects. All members of the Board of Directors (except one) attended these additional meetings.

All members of the Board of Directors attended the Annual General Meeting of Shareholders held on May 17, 2023. All members of the Board of Directors also attended the Extraordinary General Meeting of Shareholders for the appointment of Dr. Peters as held on September 25, 2023 (either in person or online), except for Mr. Paul Sekhri.

As part of his induction program as nominated Chairperson, Dr. Peters attended two scheduled meetings and one of the additional meetings as observer prior to this appointment on September 25, 2023.

The Executive Director also attended each of these meetings, except for when the composition, performance and the remuneration of the Executive Director were discussed, and related voting took place. The members of the Executive Committee also attended the scheduled quarterly meetings of the Board of Directors for business updates, the quarterly results, the 2022 Annual Report and the 2024 annual budget.

The individual presence (P) or absence (A) of the Non-Executive Directors during the scheduled meetings is reflected in the following schedule:

Date	January 17	March 14	March 15	April 3	May 9	May 16	June 28	August 1	August 2	October 24	October 25	December 8	% Present during 2023
Mr. Sekhri*	P	P	P	P	A	P	A[1]	P	P				78%
Dr. Peters**								P***	P***	P	P	P	100%
Ms. Jorn	P	P	P	A	P	P	P	P	P	P	P	P	92%
Ms. Yanni	P	P	P	P	P	P	P	P	P	P	P	P	100%
Dr. Pykett	P	P	P	A	P	P	P	P	P	P	P	P	92%
Ms. van der Meijs	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. Kruimer	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. Baert	P	P	P	A	P	P	P	P	P	P	P	P	92%

* date of resignation: September 25, 2023.
** date of appointment: September 25, 2023.
*** as observer

[1] As the search for the new Chair was the main agenda item, Mr. Paul Sekhri did not join this meeting to avoid the appearance of any possible conflict of interest.

Summary of specific activities

The Board of Directors regularly discussed the Company's long-term strategy and the accompanying risks.

Building on these updates and discussions, the Board of Directors, during the meeting on March 14, 2023, discussed and approved the annual goals and objectives for 2023 as proposed by the Executive Director - together with the Executive Committee - to support the execution of the Company's long-term strategy.

In the course of the year, the Board of Directors was also regularly engaged in the evaluation of the long-term strategy by the Executive Director and the members of the Executive Committee, in view of the Company's efforts to strive for sustainable long-term value creation for the Company, the enterprise and its stakeholders. The Executive Committee engaged an external international strategy consultancy firm that assisted with a deep market analysis and defining potential scenarios to accelerate Pharming's long-term strategy, in particular in the area of business development. The outcome and the related recommendations were presented to the Board during the meeting on October 24, 2023. The Board of Directors endorsed these recommendations. Reference is made to the section "Our Strategy" in this Annual Report for more details.

In this respect, the Board of Directors also welcomed the appointment of the Chief Business Officer, who was appointed as per September 1, 2023, and will drive and monitor the execution of the long-term strategy within the Executive Committee. The CBO already attended the meeting of the Board of Directors on August 2, 2023, as an observer.

Throughout the year, the Board of Directors, supported by its Transaction Committee, reviewed certain business development opportunities presented by the Executive Committee. For reasons of confidentiality, taking into consideration Pharming's status of listed company, no further details are provided.

An important strategic topic that was frequently discussed by the Board of Directors, was the expected launch of leniolisib for APDS (subject to regulatory approval). The US Food and Drug Administration (FDA) approved Joenja® (leniolisib) on March 24, 2023, and the product was launched in the U.S. early April 2023, which marked an important milestone for the Company and its strategy to create sustainable long-term value for its stakeholders. The Board of Directors was regularly updated by the Executive Director and the Executive Committee on the status of the regulatory approval process, including the EMA review, and the preparations for the expected launch outside the U.S.

The Board of Directors was also updated regularly on the international launch plans for leniolisib and approved in that context, amongst others, the establishment of a legal entity in Australia.

Although due to its size, the Company is not required to report on ESG in this year's Annual Report, the Board of Directors was also regularly updated on the group's ESG Program, as endorsed by the Board on October 25, 2022. Reference is made to the separate section "ESG" in this Annual Report. The Board of Directors acknowledged that good progress has been realized in the ESG Program on completion of the various milestones and that Pharming is on track to be compliant with CSRD requirements. The ESG goals, based upon the outcome of the double materiality assessment of the material topics defined for the Company, will be presented to the Board of Directors for final endorsement in 2024.

The Board of Directors was also regularly updated by the Executive Director and the Executive Committee, during the scheduled quarterly meetings and monthly business updates, on the progress made in the further execution of the Company's strategy. Recurring topics discussed at these updates included commercial performance (sales results, forecasts and other developments with regards to RUCONEST®, in the U.S., Europe and the rest of the world), the group's financial performance and ongoing clinical studies and product development programs. A tracker report, summarizing the performance on the specific Company's annual goals and objectives, was part of the quarterly updates.

Throughout 2023, the Board of Directors regularly received written management reports prepared by the Executive Committee that also enabled the members to monitor performance. Separate meetings were scheduled to enable the Non-Executive Directors to raise questions and to discuss specific matters if deemed appropriate.

Among the other important topics covered by the Board in 2023 during its scheduled quarterly meetings were the review, discussion and, if applicable, endorsement and approval of:

- the Annual Report for the financial year 2022;
- the filing of the 2022 Annual Report on Form 20-F with the SEC;
- the quarterly and full year financial and operational results, including related press releases;
- the proposed grant of share-based compensation to staff members;
- the annual budget for 2024, including the launch-critical expenditures for the US launch of leniolisib and the expected launch outside the U.S. (subject to regulatory approval); and
- the Company's long-term goals and objectives, including the goals and objectives for 2024.

The Board of Directors, supported by the Audit Committee, discussed at least quarterly with the CEO and the members of the Executive Committee the enterprise, operational, compliance, financial and other risks to which the Company is exposed and the functioning of the Company's internal risk control framework and enterprise risk framework. Reference is made to the section Risk Management and Internal Control in this Annual Report. Supported by the Audit Committee, the Board of Directors also reviewed and discussed the management letter, the audit report

and the audit plan, respectively, as submitted by the external auditor, and the outcome of the annual evaluation of the performance by the external auditor.

A Transaction Committee was established as of January 1, 2023, to assist the Board of Directors with the review and decision-making process on M&A or other business development transactions. Reference is made to the section Transaction Committee in this Annual Report.

The Board of Directors discussed on March 14, 2023, the performance by the Executive Director/CEO during the year 2022. This discussion was based on an evaluation by the Corporate Governance Committee and the Remuneration Committee of the Executive Director/CEO's performance on the goals and objectives that had been agreed upon. That same process was followed in the first quarter of 2024 for the evaluation of the Executive Director/CEO's performance on the goals and objectives agreed upon for 2023. During their meetings on March 12, 2024, and March 20, 2024, the Board of Directors endorsed the recommendations by the committees on performance scores and the resulting pay-out for 2023 under the incentive plans as approved by our shareholders in December 2020. Reference is made to the section Remuneration Report 2023.

During 2023 the Board of Directors assessed the establishment of an Internal Audit function to strengthen the internal controls, taking into account the growing size of the Company. During the October 25, 2023 meeting, the Board of Directors concluded that the start of internal audits would need to wait until the organization and systems implementation would be in order. On March 12, 2024 the Board of Directors endorsed to establish the Internal Audit Function and approved the Internal Audit Charter. The Internal Audit Function is designed to provide an independent, objective assurance and related consulting activity intended to add value and improve the organization's operations. It will help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of our processes. Reference is made to the separate report of the Audit Committee, as included in this Annual Report. The Board of Directors took into consideration, amongst other items, the ongoing implementation of the Internal Control Framework (ICF) and Enterprise Risk Management (ERM) framework, as further described in the section Risk Management and Internal Control in this Annual Report.

To preserve good governance, both the Board of Directors and the respective committees, installed by the Board of Directors, conduct a self-evaluation annually. In accordance with the DCGC, these evaluations generally cover the work and functioning of the Board of Directors, and include the activities in relation to the key objectives and long-term strategy of the Company, the interaction among the members and in relation to the Executive Committee, lessons learned, and finally, the structure and composition of the Board of Directors to ensure that the members bring the correct skill sets and background knowledge for the benefit of the Company. The self-evaluation for the committees also extends to the activities and functioning (including decision-making processes) of the committees. Finally, the self-evaluation covers the effectiveness of the Board Rules and the charters that govern the activities and decision-making processes by the Board of Directors and each of the committees, respectively.

The self-evaluation for the year 2023 was held in the fourth quarter of 2023 by way of a comprehensive review of the effectiveness of the Board and its committees. The self-evaluation process included an online survey which was completed by the members of the Board of Directors. The main findings were presented to the Board of Directors on December 8, 2023. The findings and agreed follow up actions were also discussed by the Corporate Governance Committee during their meeting on January 26, 2024 and March 20, 2024 and by the full Board of Directors on March 20, 2024. In summary positive feedback was received on the board dynamics and discussions, the size, diverse composition and expertise of the Board of Directors as well as the Board's strong ability to consider the interest of all relevant stakeholders. Actions were agreed to further strengthen the knowledge of the Board in certain areas and to further streamline governance processes at board level.

Finally, the Board of Directors discussed the Diversity Act on gender diversity in boards of Dutch companies. Mandatory female quota provisions apply to Supervisory Boards and Non-Executive Directors of Dutch companies listed on Euronext Amsterdam. Throughout 2023, Pharming met the statutory minimum percentage of at least one third representation of both men and women in the Board of Directors by having three female and four male Non-Executive Directors (out of in total seven Non-Executive Directors, i.e., 42%/58%). The Diversity Act also requires listed companies to set targets to improve gender diversity at management board and sub-board level.

For Pharming, the (non-statutory) Executive Committee would satisfy the criterion for "sub-board level". The Board of Directors acknowledged that the Executive Committee does not meet the quota of at least one third representation of both men and women as one member is female and four are male (out of five members, excluding the Executive Director (male)). At the level below the Executive Committee, however, over 50% of the employees are female.

In accordance with the recommendations of the Corporate Governance Committee, the Board of Directors endorsed the proposal to maintain compliance with the quota according to the Diversity Act for future nominations of new Non-Executive Directors. The Board of Directors also adopted targets to strive for equal gender diversity at Executive Committee level in case of the departure of existing members while satisfying the requirements for the relevant position(s). The internal succession planning program for Executive Committee positions will also be structured to promote equal gender diversity.

Committee activities in 2023

Audit Committee

The Audit Committee supports the Board of Directors in monitoring and ensuring the integrity of the Company's financial reporting. The committee related tasks and responsibilities include, without limitation:

- the supervision and monitoring of the financial accounting process;
- the monitoring of the effectiveness of the Company's internal management system, internal audit system, and internal risk management and control systems;
- the review of intended material financial disclosures by the Company (including the Annual Report, the Annual Report on Form 20-F, quarterly results and the related draft press releases);
- the review of disclosures in applicable filings as required by the U.S. Securities Act, the Exchange Act and their related rules;
- the nomination for (re)appointment or dismissal of the external auditor, the monitoring of the external auditor's independence and the annual evaluation of the external auditor's performance;
- the review of the external auditor's audit plan, management letter and audit report, respectively; and
- the monitoring of the Company's funding, application of information and communication technology by the Company, including risks relating to cybersecurity, and the Company's tax policy.

The Audit Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable NASDAQ rules. The charter was last updated on March 12, 2024, following an evaluation by the Audit Committee of the charter previously approved in December 2020.

During the financial year 2023, the Audit Committee consisted of Mr. Kruimer (Chairperson), Ms. Jorn, Ms. Yanni and Ms. van der Meijs. The composition of our Audit Committee is consistent with the best practice provisions of the DCGC and with applicable SEC and Nasdaq regulations.

The Audit Committee met six times in 2023 (2022: six times), either virtually or in person (in the USA on March 14, 2023, and October 25, 2023). The external auditor, Deloitte Accountants B.V. (Deloitte) attended each meeting of the Audit Committee. The CEO and/or the CFO attended all meetings of the Audit Committee as guests.

The individual presence (P) or absence (A) of the members of the Audit Committee is reflected in the following schedule:

Date	March 14	April 3	May 8	August 2	October 25	December 4	% Present during 2023
Mr. Kruimer	P	P	P	P	P	P	100%
Ms. Jorn	P	A	P	P	P	P	84%
Ms. Yanni	P	P	P	P	P	A	84%
Ms. van der Meijs	P	P	P	P	P	P	100%

During the Audit Committee meetings held in 2023, the following recurring items were reviewed and discussed: the quarterly and full year financial statements, the Annual Report 2022 and the Annual Report 2022 on Form 20-F, each time leading to a recommendation to the Board of Directors for approval and publication. The Audit Committee, during its review, monitored the financial statements, the sales revenues and underlying trends, the financing costs, cost control measures, the supply inventories, developments in the company's cash position and cash flow, and the impact of currency exchange risks on presented company results.

During the meeting held on December 4, 2023, the Audit Committee discussed the proposed annual budget for 2024. The Audit Committee recommended the Board of Directors to endorse and approve the proposed annual budget.

The Audit Committee reviewed and discussed the external auditor's 2023 audit plan (including proposed fees) and the management letter submitted by the external auditor. The Audit Committee approved the 2023 audit plan at the meeting held on August 2, 2023. The 2023 Audit Plan and the draft management letters were also shared and discussed with the full Board of Directors.

The Audit Committee was updated by the CFO during each of its scheduled meetings. Updates included discussion on the design and the status of the implementation of the enhanced internal control framework and enterprise risk management for compliance by the Company with the U.S. Sarbanes-Oxley Act, Public Company Accounting Oversight Board (PCAOB) and other applicable accounting standards. During the meeting held on December 4, 2023, the Company's updated Anti Fraud Policy and Enterprise Risk Management Policy were presented and discussed. More details can be found in the section Risk Management and Internal Control. The Audit Committee updated the Board of Directors during its scheduled meetings.

The Audit Committee also conducted an annual review of the Related Person Transactions within the meaning of the Company's Related Person Policy. The Audit Committee concluded on October 25, 2023, based on the information gathered, that (i) each of these transactions was entered into in the ordinary course of business, and (ii) without the involvement of the relevant related persons. Accordingly, the Audit Committee ratified these transactions in accordance with the prevailing policy. Reference is made to Note 23 and 15 for the relevant transactions as per December 31, 2023.

Deloitte was appointed by the General Meeting of Shareholders held on May 17, 2023, as external auditor for the financial years 2023 and 2024. During its meeting on April 3, 2023, the Audit Committee discussed and confirmed the independence of the external auditor. The Audit Committee discussed during its meeting on March 12, 2024, the outcome of the evaluation and the performance of Deloitte and its duties as external auditor for the financial year 2023. The evaluation resulted in an overall positive outcome.

During 2023 the Audit Committee assessed the establishment of an Internal Audit function to strengthen the internal controls, taking into account the growing size of the Company. During the October 25, 2023 meeting, the Audit Committee supported the general internal audit plan and agreed implementation thereof. The Audit Committee concluded that the start of internal audits would need to wait until the organization and systems implementation would be in order.

On March 12, 2024 the Audit Committee recommended to establish the Internal Audit Function and the Internal Audit Charter, which recommendation was endorsed by the Board on March 12, 2024. The Internal Audit responsibilities will be managed internally, however, to remain independent, the individual audit engagements will be either co-sourced or fully outsourced. The Internal Audit Function will be managed and led by the Director Audit & Risk, who, in the role of Head of the Audit Function, reports administratively to the CEO and functionally to the Chairperson of the Audit Committee. The Director Audit & Risk communicates and interacts directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

The Internal Audit Function is designed to provide an independent, objective assurance and related consulting activity intended to add value and improve the organization's operations. It will help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of our processes. At least once every two years with annual update, the Director Audit & Risk shall draw up an internal audit plan for review by the Audit Committee, the External Auditor and Executive Committee. The internal audit plan requires approval of the Audit Committee and the Board. of Directors The Director Audit & Risk will communicate the impact of resource limitations and significant interim changes to the Executive Committee and the Audit Committee.

Remuneration Committee

The tasks performed by the Remuneration Committee includes, amongst many items, the preparation and proposals, for the compensation of individual members of our Board of Directors, in accordance with the remuneration policy as adopted by our shareholders, as well as preparing our Remuneration Report to be included in our Annual Report.

The composition of our Remuneration Committee is consistent with the best practice provisions of the DCGC, SEC and Nasdaq requirements. During the financial year 2023, the Remuneration Committee consisted of Mr. Baert (Chairperson), Ms. Jorn and Dr. Pykett. Ms. van der Meijs was appointed as member of the Remuneration Committee as per March 15, 2023.

The Remuneration Committee met five times in 2023 (2022: six times). The meeting on March 15, 2023, and the meeting on October 25, 2023, was held in the USA. The other meetings were held virtually.

The individual presence (P) or absence (A) of the members of the Remuneration Committee is reflected in the following schedule:

Date	February 23	March 15	August 1	October 25	December 11	% Present during 2023
Mr. Baert	P	P	P	P	P	100%
Ms. Jorn	P	P	P	P	P	100%
Dr. Pykett	P	P	P	P	P	100%
Ms. van der Meijs*			P	P	A	67%

* appointed per May 17, 2023

The Remuneration Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable NASDAQ rules. This charter was evaluated in 2023 and the updated charter was approved on March 20, 2024.

During the meeting held on February 23, 2023, the Remuneration Committee discussed, and decided to recommend to the Board to adopt, the new Compensation and Benefits job and salary architecture for staff members.

During the meetings held on February 23, 2023, and March 15, 2023, the Remuneration Committee also discussed the company-wide goals and objectives as proposed by the Executive Director and the Executive Committee for 2023, including the applicable incentive plans. Related recommendations were submitted to the Board of Directors.

During the meeting on February 23, 2023, the Remuneration Committee also discussed the incentive arrangements for the Executive Director/CEO and the members of the Executive Committee, including the determination for 2022 of the cash bonus and the vesting percentage for the already granted restricted performance shares and the conditional grant of performance shares for 2023-2025.

The Chair of the Remuneration Committee attended the meeting of the Corporate Governance Committee on February 16, 2023, where the performance by the CEO in 2023 was discussed. The findings were shared with the Remuneration Committee.

The meeting resulted in recommendations on each of the agenda items that were submitted to the Board of Directors, in accordance with the applicable incentive plans.

As announced in the Remuneration Report on the financial year 2022, the Remuneration Committee engaged AON Radford, as international compensation expert, for a new market review of the compensation of the members of the Board of Directors, including the fees of the chairs and members of the committees. The Remuneration Committee also approved the peer group to be used for the market review, ensuring that the composition adequately reflected the Company's profile and market presence, taking into consideration the global performance of the business while recognizing the high importance of the U.S. market both for current sales and future growth. Reference is made to the Remuneration Report on the year 2023 as included in this Annual Report or our website.

Regarding the compensation of the Non-Executive Directors, the Board, based on a recommendation by the Remuneration Committee, concluded that the fees payable to the Chair of the Board of Directors needed to be increased in anticipation of the appointment of Dr. Richard Peters as new Chair of the Board of Directors. The increase was deemed appropriate to attract an experienced candidate in view of the Company’s growth, its significant and still growing presence in the US market, which today accounts for more than 97% of sales generated, the Company’s growth strategy and ambitions and the enhanced tasks and responsibilities associated with the position of Chair of a one-tier board.

Taking into account the benchmark report of AON Radford to ensure alignment with the market, it was concluded that the cash retainer payable by Pharming to the Chair of the Board of Directors should be increased by €25,000 to €90,000 per annum to ensure that the resulting combination of cash retainer and (unchanged) equity grants equals the 50th percentile of the European and trails the 50th percentile of the US peers. Our shareholders approved the proposed increase with a 99,1% majority vote at the extraordinary general meeting of shareholders held on September 25, 2023.

The Remuneration Committee recommended the Board of Directors to propose to the Annual General Meeting of Shareholders on May 17, 2023, to approve the grant of an annual fee of (i) €6,000 to the Chair and (ii) €3,000 to the members of the new Transaction Committee with retrospective effect from January 1, 2023. The Board followed the recommendation and our shareholders approved the grant on May 17, 2023.

Regarding the compensation of the other Non-Executive Directors, recognized that the committee fees have not changed since 2020 and that the frequency of committee meetings and the workload has in the meantime increased significantly, taking into consideration Pharming's growth (including the launch of the second indication in the US in 2023), its significant and still growing presence in the US market, the long-term strategy and ambitions, and the enhanced tasks and responsibilities associated with the membership of the committees. Therefore, the Remuneration Committee concluded that the fees paid to the chairs and members of the respective Board committees need to be increased as follows with retrospective effect from January 1, 2024:

- Chair of the Audit Committee: €15,000;
- Chairs of the other Committees: €12,500; and
- Membership fees: 50% of the chair fee: €7,500 for Audit Committee membership and €6,250 for the membership of other committees.

The proposed increase will also ensure that the fees remain aligned with the European market benchmark for the fees of the committee members. Related proposals will be submitted to the Annual General Meeting of Shareholders scheduled for May 21, 2024.

The Remuneration Committee concluded that no changes will be proposed to be made to the base fee and equity fee of the non-executive directors, as members of the Board of Directors, as these fees were found to be in line with the European and US 50th percentile market benchmarks. Accordingly, these fees have remained unchanged since 2020 and will also remain unchanged from 2024 onwards.

In light of the benchmark data provided by AON Radford, the Remuneration Committee decided to recommend to the Board of Directors to increase the fixed salary of the Executive Director (€603,000 in 2022) by 3.5.% to €624,000 (US$658,000) for 2023. This salary increase takes into consideration the outcome of the compensation merit increases for our wider workforce and the performance by the Executive Director in 2022. The average 2023 increase for Pharming employees employed in Europe was 4.9%, as such the CEO received an increase that stays below the average of the employees. The Board of Directors has adopted the Remuneration Committee's recommendation.

The Remuneration Committee engaged an independent reward consultancy firm for a review of the Remuneration Policy for the Board of Directors that was adopted by our shareholders on December 11, 2020. The review of the Remuneration Policy was initiated in anticipation of the scheduled submission of a new draft Remuneration Policy for adoption by the Annual General Meeting of Shareholders scheduled for May 21, 2024, in accordance with Dutch statutory provisions requiring remuneration policies for board members to be submitted for adoption (at least) every four years. The review was aimed to ensure continued alignment of the new policy with market practice and applicable rules, regulations and disclosures, taking into due consideration the guidelines issued by proxy advisors (including ISS and Glass Lewis) and expectations from external stakeholders.

Accordingly, the Remuneration Committee engaged with several parties, including proxy advisors, to obtain their feedback on the new draft remuneration policy. Following these engagements, several changes were implemented and this resulted in the revised remuneration policy that will be submitted to the Annual General Meeting of Shareholders on May 21, 2024. The new policy will be proposed to become effective January 1, 2024, subject to the approval of our shareholders.

The Remuneration Committee also engaged the independent reward consultancy firm for a review of the Remuneration Report template to ensure continued alignment of the report with market practice and applicable rules and regulations. Based on this review, the Remuneration Committee decided on several changes, in addition to those already included in the report on the year 2022. Reference is made to the Remuneration Report for 2023 as included in this Annual Report for more details.

The Remuneration Committee reviewed the proposed Compensation Clawback policy, which provides for the recoupment of Incentive-Based Compensation in the event of an Accounting Restatement and the recoupment and/or adjustment of a Bonus from Directors and Executive Officers under certain circumstances, defined by Dutch law. The committee recommended the Board to approve the policy. The main elements have been included in the updated Remuneration Policy for the Board of Directors that will be submitted for adoption to the Annual General Meeting of Shareholders on May 21, 2024.

More details on the activities of the Remuneration Committee can be found in the Remuneration Report for 2023 as included in this Annual Report.

Corporate Governance Committee

During the financial year 2023, the Corporate Governance Committee consisted of Ms. van der Meijs (Chairperson), Mr. Peters (per September 25, 2023), Mr. Sekhri (until September 25, 2023), Ms. Yanni and Mr. Baert. The composition of our Corporate Governance Committee is consistent with the best practice provisions of the DCGC, SEC and NASDAQ requirements.

The main tasks performed by the Corporate Governance Committee includes monitoring compliance by Pharming with the DCGC and corporate governance-related laws and regulations, compliance by Pharming with the Code of Conduct, monitoring and evaluating the functioning of the Board of the Directors, its committees and individual members and the recruitment and selection for nomination of new Directors. The committee also prepares recommendations to the Board of Directors regarding the intended appointment of new members of the Executive Committee. The Corporate Governance Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable NASDAQ rules. The charter was evaluated and the updated charter was approved on March 20, 2024. The Corporate Governance Committee met three times in 2023 (2022: four times), The meeting on October 24, 2023, was held in the USA. The other meetings were held virtually.

The individual presence (P) or absence (A) of the members of the Corporate Governance Committee is reflected in the following schedule:

Date	February 16	June 26	October 24	% Present during 2023
Ms. van der Meijs	P	P	P	100%
Mr. Sekhri	P	P		100%
Ms. Yanni	P	P	P	100%
Mr. Baert	P	P	P	100%
Mr. Peters			P	100%

Activities in 2023

The Corporate Governance Committee initiated the process for the search of a new Non-Executive Director to be appointed as the new Chair of the Board, as successor to Mr. Paul Sekhri. The committee engaged a leading global search firm and led and coordinated the search process that resulted in the appointment of Dr. Peters as the new Chair following his appointment as new Non-Executive Director by the Extraordinary General Meeting of Shareholders held on September 25, 2023 (EGM). The committee was kept updated during each meeting. The Chair of the committee also chaired the EGM. Prior to that, the committee had also prepared the nomination to the Annual General Meeting of Shareholders on May 17, 2023, for the reappointment of Ms. Deb Jorn and Mr. Paul Sekhri. Mr. Sekhri resigned as per the moment that Dr. Peters was appointed as his successor.
The Corporate Governance Committee also initiated and coordinated the annual self-evaluation by the Board of Directors and the respective committees. The self-evaluation held in the fourth quarter of 2022 was supported by an external consultant and the results were presented to the Board of Director during a meeting held on March 14, 2023. The committee also prepared the resulting action plan and has been monitoring the follow-up.

The self-evaluation for the year 2023 was held in the fourth quarter of 2023 by way of a comprehensive review of the effectiveness of the Board and its committees, using an online survey. The main findings were presented to the Board of Directors on December 8, 2023, and an action plan was developed. The committee will coordinate and monitor the follow-up on these actions.

During the meeting held on February 16, 2023, the Corporate Governance Committee reviewed the functioning of the Executive Director in 2022. The main conclusions and recommendations were submitted to the Board of Directors and also shared with the Remuneration Committee for the assessment of the impact on the vesting of applicable incentive plans. Reference is also made to the report of the Remuneration Committee. During a combined meeting with the Remuneration Committee, held on January 26, 2024, the Corporate Governance Committee initiated a similar review of the functioning of the Executive Director in 2023 during a combined meeting with the Remuneration Committee.

During the meeting on February 16, 2023, the Corporate Governance Committee also reviewed and discussed the draft Corporate Governance Chapter of the 2022 Annual Report, including the described deviations from the Dutch Corporate Governance Code. Finally, the committee discussed the revised composition of the committees of the Board of Directors and recommended to the Board to approve the proposed changes. The Board followed the recommendation and approved the new composition during its meeting on March 15, 2023.

During the meeting on June 26, 2023, the Corporate Governance Committee discussed the changes proposed by the Internal Control department to the internal 'delegation of authority'-matrix, defining the internal approval and consultation processes for a broad range of topics. The changes were aimed to streamline processes globally. The Board was be asked to review and approve the proposed changes.

During each scheduled meeting, including the meeting held on October 25, 2023, the Corporate Governance Committee was updated by the Business Integrity department on the Company's performance under the Code of Conduct. In 2023, six alerts were received for EU/RoW and one alert was received in the U.S. Initiation assessment was conducted by the Business Integrity department and some alerts were further investigated via support from external partners.

The Corporate Governance Committee also reviewed and updated the Alert Reporting and Investigation Procedure, that was first published in 2022. In January 2023, the EU Dutch Law regarding the “Whistleblower Protection Act” was amended to implement the EU Whistleblower Directive. The policy has been updated and approved by the Board on March 20, 2024, to reflect and ensure compliance with the prevailing regulations.

Additionally, Pharming expanded EthicsPoint, a hotline and incident management software to EU/RoW. This hotline and software have been used in the US and have proven successful in providing ease of access to employees to raise their concerns while creating a culture of trust and addressing their concerns in a more standardized manner (24/7h call center with language support, a web intake form, as well as a QR code to our mobile site).

Last-but-not-least, the Corporate Governance Committee discussed the act on gender diversity in boards of Dutch companies that entered into force on January 1, 2022 (the Diversity Act). Mandatory female quota provisions apply to Supervisory Boards and Non-Executive Directors of Dutch companies listed on Euronext Amsterdam.

Throughout 2023, Pharming met the statutory minimum percentage of at least one third representation of both men and women in the Board of Directors by having three female and four male Non-Executive Directors (out of in total seven Non-Executive Directors, i.e., 42%/58%). The Diversity Act also requires listed companies to set targets to improve gender diversity at management board and sub-board level.

Pharming has only one statutory Executive Director (and Board member). Therefore, no diversity target can be adopted. In case at any time in the future an additional Executive Director would be nominated for appointment, the Board will strive for equal gender diversity for both statutory Executive Directors while satisfying the requirements for the relevant position(s).

For Pharming, the (non-statutory) Executive Committee would meet the criterion for "sub-board level". The Executive Committee does not meet a percentage of at least one third men and women as one member is female and four are male (out of five members, excluding the Executive Director (male)). At the level below the Executive Committee, over 50% of the employees are female.

The Corporate Governance Committee recommended the Board of Directors to endorse the proposal to maintain compliance with the female quota according to the Diversity Act for future nominations of new Non-Executive Directors. In accordance with the recommendations of the Corporate Governance Committee, the Corporate Governance Committee also recommended the Board of Directors to adopt targets to strive for equal gender diversity at Executive Committee level in case of the departure of existing members while satisfying the requirements for the relevant position(s). The internal succession planning program for Executive Committee positions was also recommended to be structured to promote equal gender diversity.

Transaction Committee

During the financial year 2023, the newly formed Transaction Committee consisting of Ms. Yanni (Chairperson), Dr. Peters (per September 25, 2023), Mr. Sekhri (until September 25, 2023), Mr. Pykett and Mr. Kruimer, discussed various business opportunities during a virtual meeting held on August 29, 2023. This meeting was attended by the members of the Transaction Committee (except for Mr. Kruimer, who was excused). The Executive Director attended this meeting as observer.

The main tasks of the Transaction Committee include the review and assessment of business cases, including the valuation and analysis of any potential business development transaction, assessing the fit of that potential transaction with the Company’s strategy and the main risks and mitigating actions, based on a recommendation and with reference to relevant documents as submitted by the Executive Director.

The Transaction Committee is entrusted with the review of potential structures for transactions, assessing inter alia the main risks for the Company and the mitigating actions, as proposed by the Executive Director, The Transaction Committee shall review and (if appropriate) approve a draft non-binding Letter of Intent or Memorandum of Understanding, or any similar draft document of a non-binding nature, to start the due diligence process for exploring a potential transaction, including approval of the issuance of that document to the relevant target company; and review and assess the outcome of the due diligence process for any Transaction to identify the main risks for the Company.

The Transaction Committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable NASDAQ rules. The charter was last updated on March 20, 2024, following an evaluation by the Transaction Committee of the charter previously approved in December 2022.

Authorization of the financial statements

The financial statements of Pharming Group N.V. for 2023, as presented by the Board of Directors, have been audited by Deloitte Accountants N.V. Their report is included in this Annual Report in section 'Auditors Report'.

The financial statements were unanimously approved by the Board of Directors and the members of the Board of Directors have signed these Statements on behalf of the Company.

In accordance with best practice 1.4.3 of the Dutch Corporate Governance Code and Article 5:25c of the Financial Markets Supervision Act, taking into due consideration the explanation provided in the preceding paragraph and in the various other sections of this Annual Report, the Board of Directors states that, to the best of their knowledge:

- This report provides sufficient insight into the nature of the Company's risk management and control systems and confirms that the control systems functioned properly in the year under review;
- The report also provides sufficient insights into any weaknesses or failings in the effectiveness of the internal risk management and control systems;
- The control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of the Company, it is considered appropriate that the financial reporting is prepared on a going concern basis; and
- The report identifies those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of at least twelve months after the preparation of the report.

Accordingly, the Board of Directors declares that, to the best of its knowledge and in accordance with applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

For a detailed description of the risk factors, we refer to the 'Risk Management and Control' chapter in this report.

In accordance with the foregoing, the Board of Directors recommends the Annual General Meeting of shareholders to adopt the 2023 Financial statements and to discharge, and therefore to release from liability, the members of the Board of Directors for the exercise of their duties during the financial year 2023.

Leiden, April 3, 2024

Richard Peters
Sijmen de Vries
Deborah Jorn
Barbara Yanni
Mark Pykett
Leonard Kruimer
Jabine van der Meijs
Steven Baert

Collectively the Board of Directors of Pharming Group N.V.

Remuneration Report 2023

Letter from the Remuneration Committee Chair

Dear Shareholder,
On behalf of the Remuneration Committee, I am pleased to present to you the Remuneration Report of Pharming for the financial year 2023.

The remuneration policy for the Board of Directors was approved by the Extraordinary General Meeting of Shareholders held on December 11, 2020, and reflects our long-standing remuneration principles to support the execution of Pharming's long-term business strategy. In this Remuneration Report, the Remuneration Committee reports on how the remuneration policy has been put into practice for our Executive and Non-Executive Directors during 2023. A new draft Remuneration policy will be submitted for adoption to the Annual General Meeting of Shareholders scheduled for May 21, 2024, in accordance with Dutch statutory provisions requiring remuneration policies for board members to be submitted for adoption (at least) every four years. Please refer to the paragraph "Looking forward to the year ahead" for more details.

The Remuneration Report on the financial year 2022 was supported by a positive advisory vote at the Annual General Meeting of Shareholders held on May 17, 2023, as 95.05% of the votes were cast in favor of the presented report. The 2022 Remuneration Report reflected several important changes, compared to the 2021 Remuneration Report, including the retrospective disclosure of targets set for the short-term incentive plan for our CEO and the prospective disclosure of all non-financial targets for the CEO's Executive LTI Plan for the performance period 2023-2025.

This Remuneration Report on the financial year 2023 is based on the same template and includes the same disclosures for the performance periods 2023 and 2024-2026, respectively.

The Remuneration Committee continues to monitor the need for appropriate changes to our remuneration design and disclosures, to ensure continued consistency with prevailing best practices. In that regard, the Remuneration Committee engaged in 2023 Georgeson, as international strategic consultant, for a review of both the 2022 Remuneration Report and this 2023 Remuneration Report, consulted several investors and had meetings with proxy advisors and Dutch shareholder associations to ask feedback and input based on the 2022 Remuneration Report.

All this resulted, amongst others, in the following main changes compared to the 2022 Remuneration Report:

- Explanation of changes made to the peer group;
- Vesting schedule applied for the short-term and long-term incentive plans to determine payout/ vesting percentage for each of the quantifiable targets, including a threshold (80%) for each quantifiable target and a maximum vesting percentage of 200% for each individual target;
- Clarification of the reasons for the increase of base salary Executive Director;
- Undertaking by the Board of Directors to ensure that dilution limits for Pharming due to the equity plans for staff and the Executive Director will be prudently applied and that in any event grants of equity or equity rights under these equity plans will not result in Pharming exceeding 10% of all issued and outstanding shares of Pharming on a diluted basis;
- From 2024 STI onwards (as confirmed in this report): full retrospective disclosure of all targets; and
- 50% weighting applied for financial targets.

Looking back on 2023

Activities and developments Remuneration Committee

Throughout the year 2023, the Remuneration Committee consisted of Ms. Deborah Jorn, Mr. Mark Pykett and myself as Chair. Ms. Jabine van der Meijs was appointed to the committee as new member effective March 15, 2023.

The Remuneration Committee met five times in 2023, to discuss the proposals and prepare related recommendations to the Board of Directors regarding both the compensation of the Executive Director/CEO, in accordance with the remuneration policy and incentive programs as adopted and approved by our shareholders, and the compensation of the members of the Executive Committee and consulted proxy advisors in the Fall of 2023.

Benchmark remuneration Board of Directors

As announced in last year's Remuneration Report, the Remuneration Committee engaged AON Radford, as international compensation expert, for a new market review of the compensation of the members of the Board of Directors, including the fees of the chairs and members of the committees. The peer group used for the market review is included in Part II of this Remuneration Report.

The Remuneration Committee also engaged AON Radford for a new market review of the compensation of the members of the Executive Committee.

Regarding the compensation of the Executive Director, I refer to the below paragraph "Looking forward to the year ahead".

Regarding the compensation of the Non-Executive Directors, the Board, based on a recommendation by the Remuneration Committee, concluded that the fees payable to the Chair of the Board of Directors needed to be increased in anticipation of the appointment of Dr. Richard Peters as new Chair of the Board of Directors. The increase was deemed appropriate to attract an experienced candidate in view of the Company's growth, its significant and still growing presence in the US market, which today accounts for more than 97% of sales generated, the Company's growth strategy and ambitions and the enhanced tasks and responsibilities associated with the position of Chair of a one-tier board.

Taking into account the benchmark report of AON Radford to ensure alignment with the market, it was concluded that the cash retainer payable by Pharming to the Chair of the Board of Directors should be increased by €25,000 to €90,000 per annum to ensure that the resulting combination of cash retainer and (unchanged) equity grants equals the 50th percentile of the European and trails the 50th percentile of the US peers. Our shareholders approved the proposed increase with a 99.1% majority vote at the extraordinary general meeting of shareholders held on September 25, 2023.

The Annual General Meeting of Shareholders held on May 17, 2023, had already approved the grant of an annual fee of (i) €6,000 (US$6,474) to the Chair and (ii) €3,000 (US$3,237) to the members of the new Transaction Committee with retrospective effect from January 1, 2023.

As announced in last year's remuneration report, regarding the compensation of the other Non-Executive Directors, the Remuneration Committee recognized that the committee fees have not changed since 2020 and that the frequency of committee meetings and the workload has in the meantime increased significantly, taking into consideration Pharming's growth (including the launch of the second indication in the US in 2023), its significant and still growing presence in the US market, the long-term strategy and ambitions, and the enhanced tasks and responsibilities associated with the membership of the committees. Therefore, the Remuneration Committee concluded that the fees paid to the chairs and members of the respective Board committees need to be increased as follows with retrospective effect from January 1, 2024:

- Chair of the Audit Committee: €15,000 (US$16,503);
- Chairs of the other Committees: €12,500 (US$13,753); and
- Membership fees: 50% of the chair fee: €7,500 (US$8,252) for Audit Committee membership and €6,250 (US$6,876) for the membership of other committees.

The proposed increase will also ensure that the fees remain aligned with the European market benchmark for the fees of the committee members. Related proposals will be submitted to the Annual General Meeting of Shareholders scheduled for May 21, 2024.

The Remuneration Committee concluded that no changes will be proposed to be made to the base fee and equity fee of the non-executive directors, as members of the Board of Directors, as these fees were found to be in line with the European and US 50th percentile market benchmarks. Accordingly, these fees have remained unchanged since 2020 and will also remain unchanged from 2024 onwards.

Review Remuneration Policy

As mentioned in my introduction, the Remuneration Committee engaged Georgeson for a review of both the 2022 and 2023 Remuneration Reports. Georgeson was also engaged for a review of the Remuneration Policy for the Board of Directors that was adopted by our shareholders on December 11, 2020. The review of the Remuneration Policy was initiated in anticipation of the scheduled submission of a new draft Remuneration Policy for adoption by the Annual General Meeting of Shareholders scheduled for May 21, 2024, in accordance with Dutch statutory provisions requiring remuneration policies for board members to be submitted for adoption (at least) every four years. The review is aimed to ensure continued alignment of the new policy with market practice and applicable rules, regulations and disclosures, taking into due consideration the guidelines issued by proxy advisors (including ISS and Glass Lewis) and expectations from external stakeholders. Accordingly, the Remuneration Committee engaged with several parties, including proxy advisors, to obtain their feedback on the new draft remuneration policy. Following these engagements, several changes were implemented and this resulted in the revised remuneration policy that will be submitted to the Annual General Meeting of Shareholders on May 21,2024. The new policy will be proposed to become effective with retrospective effect from January 1, 2024, subject to the approval of our shareholders.

The following provisions, covering the Executive Director, will be proposed to be added to the current Remuneration Policy:

- Derogations of the policy: shall only be permitted in case of exceptional circumstances if necessary to serve the long-term prospects and sustainability of the Company. Deviations shall also be aligned with the main objectives of the policy to ensure a consistent approach.
- Peer group – guiding principle added: Pharming shall align itself with European best practices in the field of remuneration, while remaining competitive in the US labor market to support the successful execution of its strategy. In 2023, the US market accounted for more than 97% of sales generated by Pharming (source: 2023 Financial Statements). The remuneration of the Executive Director is reviewed according to the benchmark of the region (EU or US) in which they reside.
- Increase base salary Executive Director: any increase is required to be substantiated by outcome of the Director's annual performance review, the Company's performance, changes in roles and responsibilities, changes in pay and conditions across the Company and (two-yearly) market benchmarks. The salary is determined based on the country of residence.
- Short-Term and Long-Term Incentive plans:
  - extended outline governance process for target setting included (including link to strategy and measuring), confirmation of retrospective disclosure of all targets, weighting financial targets STI at least 50%, and detailed vesting schedule for all quantifiable targets (including an 80% threshold for each target and a maximum vesting level of 200% for each individual target).
  - undertaking by the Board of Directors included to ensure that dilution limits for Pharming due to the equity plans for staff and the Executive Director will be prudently applied and that in any event related grants will not result in Pharming exceeding 10% of all issued and outstanding shares of Pharming on a diluted basis.
- Clawback provisions incentive plans: extended in line with SEC requirements, Dutch law and Dutch Corporate Governance Code, whereby the Board of Directors, in accordance with a recommendation by the Remuneration Committee, shall be required to reduce or recover variable remuneration if certain circumstances apply.

The following main amendments will be proposed to be made in the updated Remuneration Policy regarding the remuneration of the Non-Executive Directors, effective January 1, 2024, subject to the approval of our shareholders during the meeting on May 21, 2024:

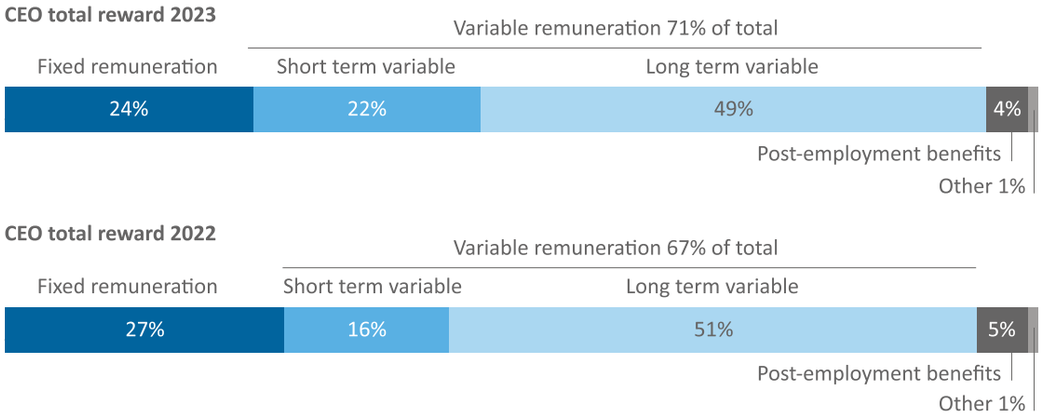
- Change fees committees: please refer to my earlier explanation under the heading "Activities and developments Remuneration Committee".
- Deletion following sentence: "In accordance with the Dutch Corporate Governance, all shares in the Company held by the Non-Executive Board Members shall be a long-term investment." This change is proposed to be made to avoid that the shares awarded to the Non-Executive Directors, as part of their fixed annual remuneration, are deemed linked to the performance of Pharming and, therefore, to safeguard their independence.

The Remuneration Report for the year 2024 will provide a summary of the updated Remuneration Policy and also report on its implementation in the year 2024.

I kindly refer to the other sections of this Remuneration Report and the section "Remuneration Committee" in Pharming's 2023 Annual Report for more details regarding the activities of the Remuneration Committee in the past year.

Remuneration Executive Director in 2023

The total remuneration package of the Executive Director decreased from €2,604,000 (US$2,809,000) gross in 2022 to €2,273,000 (US$2,396,000) gross in 2023, as further explained in the following paragraphs.



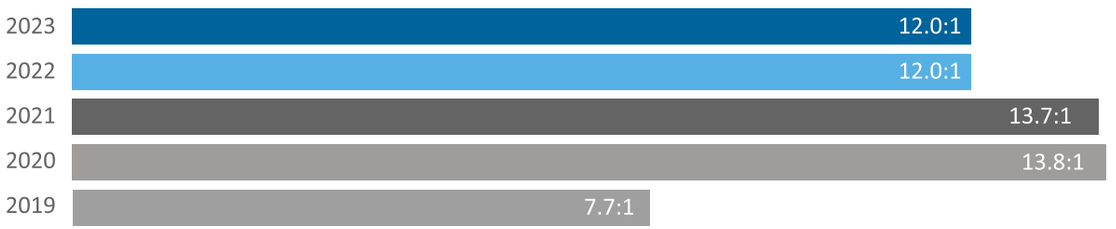
Annual % change	2023 vs 2022
Company performance - increase/(decrease) (US$ comparison)	
Revenues	19 %
Gross Profit	17 %
Operating Result	(130)%
Net Result	(177)%
Employees (full time equivalent)	15 %
Average remuneration of employees on a full-time basis	
Employees of the Group	18 %

Base salary

As explained in the 2022 Remuneration Report, the fixed salary of the Executive Director increased by 3.5% from €603,000 (US$636,000) gross in 2022 to €624,000 (US$673,000) gross in 2023. This salary increase took into consideration the outcome of the review of the annual performance by the Executive Director in 2022, the performance results by the Company and the outcome of the compensation merit increases for our wider workforce. The average 2022 increase for Pharming employees employed in Europe was 4.9%, as such the CEO received an increase that stayed below the average of the employees. The pay ratio between the compensation of the CEO and the mean compensation of employees (excluding the CEO) was 12.0:1 in 2022. It was also considered that the benchmark conducted by AON Radford in 2022 had indicated that the compensation level for the Executive Director is positioned in the upper 75% of the EU benchmark group and in the upper 25% of the U.S. benchmark group. The benchmark data that were presented indicated that Pharming was positioned between 50% and 75% of the EU benchmark group with regards to revenues. For the U.S. benchmark, Pharming was positioned just below the top 50% of the benchmark group regarding revenues.

For 2023, the pay ratio between the compensation of the CEO and the mean compensation of employees (excluding the CEO) was 12.0:1 (2022: 12.0:1; 2021: 13.7:1; 2020: 13.8:1; 2019: 7.7:1). Reference is made to Part III of this Remuneration Report for more details.

Pay ratio



Incentive plans performance

In general, Pharming had a positive year in 2023 with solid full year financial results, including significant growth in RUCONEST® revenues and the launch of Joenja® (leniolisib) for APDS in the U.S. in April 2023, shortly after the FDA approval on March 24, 2023.

As explained in more detail in the other Parts of this Remuneration Report, the Remuneration Committee, taking into consideration Pharming's financial results as submitted by management and the performance evaluation by the Corporate Governance Committee, reached the following conclusions with regard to the achievements by the Executive Director/CEO in 2023 and the related outcome under the applicable incentive programs and submitted related recommendations for endorsement to the Board of Directors.

2023 performance and STI outcome (annual bonus in cash)

In 2023, the group performed as summarized below on the financial targets set for the pay-out to the CEO under the Short-term Incentive Plan (STI):

Performance Measure	Target	Weighting	Actual
Revenue growth (USD)	On target: 15-20% growth annual revenues compared to 2022 results Above target: >20%	20%	19% growth
Operating Profit (USD)	On target: loss not exceeding USD 25M Above target: loss less than USD 25M	10%	Loss USD 5.4M
Net cash balance (USD)	On target: USD 50M Above target: >USD 50M	10%	USD 76.5M

The Remuneration Committee calculated a total vesting percentage of 130.5% on all one-year financial and non-financial targets that had been set for the STI 2023, in accordance with the applicable vesting schedule for quantifiable targets (i.e., each +/-1% score compared to target resulting in +/- 3% vesting, subject to a 80% threshold).

A detailed CEO balanced scorecard on the financial and non-financial targets, including the calculation of the respective vesting results for each quantifiable target based on the applicable vesting schedule, can be found in Part III of this Remuneration Report.

The total weighted vesting result of 130.5% on all KPIs was multiplied by the 70% 'on target'-score to calculate the total pay-out on the STI 2023. The Remuneration Committee concluded that this resulted in a cash payment to the Executive Director equal to 91.35% of the fixed annual salary for 2023, i.e., €570,000 (US$615,000) gross.

2021-2023 Executive LTI performance

The first set of 1,337,888 conditional shares awarded to the CEO for the performance years 2021-2023 (equal to 300% of the CEO's gross annual salary) under the Executive LTI program, as approved by our shareholders on December 11, 2020, vested in the first quarter of 2024. Vesting of the shares granted under the Executive LTI program is subject to the performance by the CEO on the applicable long-term targets, which are a combination of Total Shareholder Return (40% weighting) and strategic corporate objectives (60% weighting), during the performance period.

The share-price performance by Pharming shares over the performance period 2021-2023 (comparing the 20-day VWP as per January 1, 2021 versus the 20-day VWP as per January 1, 2024 (in accordance with the provisions of the Remuneration Policy) was -18%, while the ASCX index increased by 16% and the IBB ETF decreased by 15% over the full aforementioned period. This result places Pharming -34% against the ASCX and -3% against the Nasdaq Biotechnology Index peer group. Accordingly, the score on Total Shareholder Return was 0% according to the applicable table. The Remuneration Committee determined the total score for the performance by the Executive Director on the corporate strategic objectives at 99.5%. For further details on the achievements versus targets, please consult Part III in this report.

Accordingly, the total results and vesting level for the shares granted under the Executive LTI program for the performance period 2021-2023 are summarized below:

Metric	Achievement	Weighting	Vesting level
TSR	— %	40 %	— %
Strategic Objectives	99.5 %	60 %	59.7 %
Total vesting level: 59.7%			

The vesting level of 59.7% resulted in a total number of 798,719 shares (gross)that vested for the CEO in the first quarter of 2024. These shares are subject to a retention period of five years as of grant in 2021.

New conditional shares were awarded to the CEO in 2022 and 2023 for the performance periods 2022-2024 and 2023-2025, respectively. These shares will not vest until the first quarter of 2025 and the first quarter of 2026, respectively. The CEO is currently on track to meet the targets set for these performance periods. A retrospective disclosure will be included in the Remuneration Reports following the end of the relevant performance periods.

Looking forward to the year ahead

The Remuneration Committee discussed the compensation of the Executive Director in Q1 2024, including the determination of the cash bonus for 2023 under the short-term incentive program (STI), the vesting percentage for the shares awarded under the Executive LTI plan for 2021-2023 and the conditional grant of new performance shares for the performance period 2024-2026.

The Remuneration Committee also discussed the (company-wide) goals and objectives as proposed by the Executive Director and the Executive Committee in connection with the applicable STI plan for 2024 and the Executive LTI plan for the performance period 2024-2026. Part IV of this Remuneration Report includes a summary of these goals and objectives.

Ambitious targets, with clear, specific, more quantitative and auditable metrics, have been set for the Executive Director/CEO to support the execution of our sustainable long-term strategy in the best interest of our company, our shareholders and all other stakeholders. However, the Remuneration Committee also recognized that the ongoing market volatility is likely to persist, and we will continue to monitor business performance and internal and external conditions throughout the year, together with the other Non-Executive Directors.

The Remuneration Committee reviewed and discussed the fixed base salary of the Executive Director and decided to recommend to the Board of Directors to set the fixed salary of the Executive Director (€624,000 in 2023) at €642,720 for 2024 (+3%).

This new salary amount takes into consideration the performance by the Executive Director in 2023, performance results by the Company, the pay ratio and outcome of the compensation merit increases for our wider workforce (at average +3% for our employees in Europe) and the results of the compensation review by AON Radford.

The Board of Directors has adopted the Remuneration Committee's recommendations.

I look forward to presenting this Remuneration report at the Annual General Meeting of Shareholders on May 21, 2024. On behalf of the Remuneration Committee and the Non-Executive Directors, I would like to thank you for your continued support of Pharming.

Steven Baert
Chair of the Remuneration Committee

Structure of the Remuneration Report

In compliance with article 2:135b of the Dutch Civil Code, the European Shareholder Rights Directive (SRD II) and the Dutch Corporate Governance Code, this report is split into the following sections:

Part I
Brief summary of the Executive Director's remuneration elements.

Part II
Summary of Executive Director remuneration policy.

Part III
Implementation of the Executive Director remuneration policy in 2023.

Part IV
Executive Director Pay: Looking forward to 2024.

Part V
Implementation of the Non-Executive Director remuneration policy 2023 and looking forward to 2024.

Part I: Brief summary of the Executive Director remuneration elements

The Executive Board remuneration policy is simple and transparent in design, and consists of the following key elements:

Remuneration element	Purpose	Design and link to strategy	Value
Base salary	• Involves fixed cash compensation. • To provide a fair and competitive basis for the total pay level to attract high caliber leaders. • In-depth benchmark annually.	• Facilitates attraction and is the basis for competitive pay. • Rewards performance of day-to-day activities.	• Base salaries at Pharming target the median of the labor market peer group with possible exceptions based on experience. • Paid monthly in cash. • Any remuneration increases are in line with the wider workforce and typically effective from the 1st of January each year.
Pension	• Defined Contribution Pension Plan.	• Provides for employee welfare and retirement needs. • Designed to be competitive in the relevant market. • The CEO and Executive Committee receive a pension plan that is the same as all eligible Pharming employees. No additional executive pension benefits are awarded.	• Pension contributions for the CEO, in accordance with the plan that also applies for the other employees based in the Netherlands, equals 27.83% of base salary. • For Dutch employees, including the CEO, the pensionable income is capped at €128,810 for 2023; this is the fiscal maximum. • A Net Employee Pension Scheme is offered to all employees who have a pensionable income more than the specified maximum.
Benefits	• Provides a range of benefits, including, but not limited to holiday allowance and a lease car scheme. • In line with local market practice.	• Provides market competitive benefits to aid retention. • The CEO and Executive Committee receive the same benefits as eligible Pharming employees. No additional executive benefits are being granted.	• Holiday allowance: 8,33% of the base salary.
Short-term variable remuneration	• Based on achieving annual measured, financial and to non-financials goals. • Aims, at target level, for the median of the labor market peer group. • Is paid 100% in cash.	• Drives and rewards sound business decisions for the short-term prospects of Pharming. • Aligns Executive Directors and shareholder interests. • From the financial year 2024 onwards, at least 50% of the bonus opportunity is linked to financial performance. • Strategic goals and sustainability goals are set. • 20% is related to team and ESG-related measures. • The committee undertakes a thorough assessment to ensure that targets are rigorous and sufficiently stretched.	• On-target performance: 70% for the CEO / 50% of annual base salary for other Executive Board Members. • Maximum opportunity for CEO capped at 140% of base salary. • Threshold: 80% for each quantifiable target separately. • From the STI for 2024 onwards, a maximum of 200% applies for each individual target. • Below threshold: no STI pay-out on targets below threshold level. • STI pay-out is made in cash. • The remuneration committee may apply judgement with discretion to make appropriate adjustments to the annual bonus.

Remuneration element	Purpose	Design and link to strategy	Value
Long-term variable remuneration	• Is based on achieved of three-year TSR and strategic targets. • Aims, at target level, for the median of the peer group. • Is awarded through the vesting of shares, net of taxes. • Vested shares are blocked for another two years, with a five-year holding restriction since the date of the conditional performance grant.	• Drives and rewards sound business decision for the long-term prospects of Pharming. • Aligns Executive Director's and shareholder interests. • Supports Executive Board retention.	• On-target performance: 300% of annual base salary for the CEO. • Maximum opportunity for CEO capped at 450% of base salary. • Threshold (as from the LTI for 2023-2025 onwards): 80% for each quantifiable target separately. • From the LTI for 2024-2026 onwards, a maximum of 200% applies for each individual target. • Below threshold: no vesting on targets below threshold level. • LTI pay-out is made in shares.
Mandatory share ownership and holding requirement	• To further align the interests of executives to shareholders.		• The minimum shareholding requirement is 400% of annual base compensation for the CEO. The CEO may decide to accrue the required minimum shareholding over time by the vesting of after-tax performance shares from the Executive LTI program, without the requirement for own purchases.
Severance pay	• Ensure upfront clarity on pay in case of early departure.	• Payments related to the early termination of a contract reflect performance achieved over time and shall not reward failure.	• Maximum severance pay is 100% of the fixed annual remuneration. Not awarded in case of early termination at the CEO's initiative (unless due to culpable conduct or neglect by the (Company) and/or the CEO's culpable conduct or gross negligence.

Part II: Summary of Executive Director Remuneration Policy

The Remuneration Policy for the Board of Directors (the Policy), that applied throughout the year 2023, was adopted by the General Meeting of Shareholders on December 11, 2020 (99.28% of votes in favor) and became effective with retrospective effect as per January 1, 2020. A summary of the Policy can be found below.

The full Remuneration Policy can be found on the Company's website (www.pharming.com/about-us/corporate-governance) and will remain leading for its interpretation.

Remuneration Principles

- The total remuneration packages of the Executive Board Members will enable the Company to attract and retain top talent in a competitive and global environment and to focus management and staff on creation of sustainable growth and added value.
- A consistent and competitive remuneration structure is applied across the workforce to promote a culture of shared purpose and performance, focusing the Executive Directors and all other executives and staff members on delivering on Pharming's mission, vision and strategy and creating long-term value for the Company and its stakeholders.
- All (short-term and long-term) variable remuneration is performance-based, never guaranteed and not rewarding failure. The total amount of remuneration is each time based on a combination of the assessment of the performance of the individual and the overall results of the Company and when assessing individual performance, quantitative (financial) criteria and qualitative (non-financial) criteria are taken into account.
- The Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.
- The assignment or payment of variable remuneration should not adversely affect the financial situation of the Company (in terms of solvability, liquidity, profitability) in a material manner.

Benchmark Peer Group

The Policy is based on the overarching principle that the average level of total remuneration of both the Executive Directors and Non-Executive Directors is consistent with the position of the Company relative to the benchmark group relevant to the Company. The peer group of the Company for comparison of remuneration levels will each time consist of a group of European and U.S., integrated and commercial stage listed companies in Life Sciences. This is in view of Pharming's important presence of the Company's geographic operating areas and the markets most relevant in relation to the recruitment and retention of top management. This peer group composed of European and U.S. listed companies also reflects the listing of our shares on Euronext Amsterdam and of our ADS on Nasdaq. Additionally, Pharming must remain attractive for top leaders from the industry and beyond to continue to have a strong Executive leadership.

The Executive Directors remuneration levels are benchmarked every two years by an independent consultant. In 2023, the Remuneration Committee engaged AON Radford, as international compensation expert, for a new market review of the compensation of all members of the Board of Directors. The Remuneration Committee updated the peer group in preparation for the compensation review to continue to facilitate a solid comparison of remuneration levels.

For 2023, the peer group consisted of the following companies:

European peers		U.S. peers	
ADC Therapeutics, Epalinges	Galapagos, Mechelen	Anika Therapeutics	Karyopharm Therapeutics
Alliance Pharma, Chippenham	Innate Pharma, Marseille	BioCryst PharmaCeuticals	Ligand Pharmaceuticals
Autolus Therapeutics, London	Merus, Utrecht	Coherus BioSciences	MannKind
Basilea Pharmaceutica, Basel	MorphoSys, Planegg	Collegium Pharmaceutical	Mirum Pharmaceuticals
Bavarian Nordic, Hellerup	Oxford Biomedica, Oxford	Enanta Pharmaceuticals	Rigel Pharmaceuticals
BioGaia, Stockholm	uniQure, Amsterdam	Heron Therapeutics	Supernus Pharmaceuticals
Biotest, Dreieich	Valneva, Saint-Herblain	ImmunoGen	Travere Therapeutics
Camurus, Lund	Zealand Pharma, Copenhagen	Intercept Pharmaceuticals	Vanda Pharmaceuticals
Cosmo Pharmaceuticals, Dublin		Ironwood Pharmaceuticals	

Compared to the previous peer group that was used in 2022, the following changes were made:

Removed:	Added:
Allergy Therapeutics (EU): market value significantly reduced	ADC Therapeutics (EU)
Mithra Pharmaceuticals (EU): market value and revenues significantly reduced	Galapagos (EU)
	MorphoSys (EU)
Myovant Sciences (EU): acquired by other party	BioCryst Pharmaceuticals (US)
Arie Pharmaceuticals (US): acquired by other party	ImmunoGen (US)
Clovis Oncology (US): market value significantly reduced	Mirum Pharmaceuticals (US)
Radius Health (US): acquired by other party	

The new peers have been added based on a market review to identify companies that are a “best fit” in terms of financial, market and business profile, sector and business/product focus while taking into consideration Pharming’s positioning among the group.

Fixed (base salary)

Pharming aims to provide its Executive Director(s) a base salary that is consistent with the policies and procedures for internal pay levels and aligned with the median of the peer group for Pharming as identified above with the possibility to exceed based on the experience and skills of the Executive Director. Base salary levels of the Executive Director(s) are reviewed annually, taking into consideration the outcome of the review of the annual performance by the Executive Director(s), performance results by the Company, changes in roles and responsibilities of the relevant Executive Directors, changes in pay and conditions across the Company and market benchmarks. Any increases of base salary are expected to be in line with merit salary increases applied for the general workforce.

The remuneration levels are benchmarked (at least) every two years by an independent consultant and based on the continent where the Executive Director is employed. The Company has established a significant and still growing presence in the US, as the US market accounted for more than 97% of sales generated by Pharming according to the 2023 Financial Statements, and therefore competes mostly in the US market. Therefore, a further compensation competitiveness check against US compensation is taken into consideration.

Short-term variable

For each of the Executive Director/CEO's performance measures, a, target and maximum performance level is set with the following STI pay-out, as a percentage of target pay-out:

	Target performance (on target)	Maximum performance
Chief Executive Officer	70% of gross annual salary pay-out (cash)	140% of gross annual salary pay-out (cash)
Other statutory Executive Board Members (if appointed)	50% of gross annual salary pay-out (cash)	140% of gross annual salary pay-out (cash)

The vesting results for each of the individual quantitative targets (KPIs), based on actual performance, are calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	— %
On target	100 %
Each 1% exceeding target	+3%
Each 1% below target	(3)%

From the STI 2024 onwards, a maximum vesting result of 200% applies for each individual target.

The total vesting result on all targets, applying the respective designated weightings, is multiplied by the 'on target'-score (70% for the CEO, 50% for other Executive Board Members) to calculate the total pay-out on the STI up to the maximum of 140% of the base salary.

The applicable targets and weightings for the STI that were set for the financial year 2023 by the Board of Directors, upon recommendation of the Remuneration Committee, are summarized as follows, as described in more detail in Part III below:

Theme	Definition	Relevance to Strategy	How to measure performance	Weight
People	Drive organizational effectiveness and (high) performance of the organization.	To attract and retain A-players, preserving diversity and inclusion.	• Quantitative diversity & inclusion targets for staff. • Launch leadership programs (progress on milestone planning); assessment by the Board based on performance updates.	10%
Execution	Ensuring flawless execution sustainable long-term strategy and long-term value creation.	RUCONEST®: serving the needs of HAE patients, continuing to drive sales. Launch and grow leniolisib in key global markets. Build a portfolio that delivers a stream of approved products.	Quantitative targets; based on assessment by the Board.	40%
Financial	Implementation financial strategy to ensure long-term value creation.	Deliver sustainable, profitable growth, long-term value creation.	Quantitative targets, performance based on financial statements.	40%
Impact/Purpose (ESG)	Pharming's performance on Environmental, Social and Governance themes is incorporated in our core business.	Pharming's performance on ESG themes to be an integrated part of the long-term strategy ("Always do the right thing") to ensure long-term value creation.	Progress versus baseline on Pharming ESG goals and KPIs (to be adopted by the Board in 2023. ESG goals to be communicated in Annual Report 2023.	10%

The Remuneration Committee acknowledged for the applied weightings, amongst others, the strategic focus of the Company on the preparations during the year 2023 for the launch of leniolisib and the continued efforts required for building a portfolio that will deliver a stream of approved products.

Long-term variable

The long-term incentive program for the Executive Director, as approved by our shareholders in December 2020 (hereafter: the Executive LTI plan), is performance-related only. The on-target value of the conditional shares to be awarded to the CEO under the Executive LTI plan annually is set at 300% of the fixed base salary, and maximum performance value of shares is set at 450% of the fixed base salary. The Board of Directors undertakes to ensure equity plans for staff and the Executive Director will be prudently applied and that in any event grants of equity or equity rights under these equity plans will not result in Pharming exceeding 10% of all issued and outstanding shares of Pharming on a diluted basis.

The shares will vest three years after the grant date, subject to the achievement of targets set by the Board of Directors, which are a combination of Total Shareholder Return (40% weighting) and performance on strategic corporate objectives (60% weighting), as further described in the Remuneration Policy and the Executive LTI plan as published on our website (www.pharming.com/about-us-corporate-governance).

The thresholds and pay-out for the TSR component are provided in the below table. It is determined for each of the ASCX and IBB indices separately (each weighting as 50% of the TSR element).

Metric	Targets							
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%

The corporate strategic targets (60% weighting) for a specific three year-performance period, including the link of the targets to the strategy, are outlined in a scorecard to be included upfront in the Remuneration Report published in the first year of that performance period. The scorecard will specify prospectively the target scores for each of the corporate strategic objectives (applying a 80% threshold for each quantitative performance measure as identified in the vesting schedule set out below), except for the financial and highly commercial targets that will be disclosed retrospectively after vesting of the relevant shares.

The vesting results for each of the individual quantitative targets (KPIs) as part of the corporate strategic objectives are calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	— %
On target	100 %
Each 1% exceeding target	+3%
Each 1% below target	(3)%

From the 2024-2026 performance period onwards, a maximum vesting result of 200% applies for each individual target.

As a 60% weighting applies to an “on target” score on the strategic objectives, the total vesting result on all targets, applying the respective designated weightings, is multiplied by 60% to calculate the total vesting percentage for the strategic objectives.

All vested shares will be subject to a retention period of five years from the date of grant (i.e., a holding period two years after vesting) in accordance with best practice provisions provided by the Dutch Corporate Governance Code.

The first tranche of 1,337,888 conditional shares awarded to the CEO for the performance years 2021-2023 under the new Executive LTI plan vested in the first quarter of 2024. A retrospective summary of these targets is included below. A detailed scorecard can be found in Part III of this Remuneration Report.

Performance measure	Weighting	How is performance measure defined and assessed?
Grow the commercial infrastructure and prepare for the launch of leniolisib for APDS, by expanding commercialization of RUCONEST® for HAE in all major global markets.	25%	Quantitative revenue target RUCONEST®: single/low single digit growth per annum growth over period 2021-2023.
	12.5%	Expansion of C1 inhibitor franchise.
	15%	APDS patients identified in market of (future) commercialization: target potential identified patients at least 600.
	20%	Preparation and execution of Joenja® launch.
Expand product portfolio by lifecycle management of existing products and externally sourced new products.	12.5%	Quality and quantity of proposed projects assessed by the Board; # of projects proceeding to NBO/due diligence phase.
	15%	Selection and development of second indication for leniolisib.

The restricted (but unvested) shares currently outstanding for the CEO under the Executive LTI plan for respective performance periods of 3 years each are summarized in the following table:

Name	Number of restricted LTI shares granted in 2022 (vesting Q1 2025)	Number of restricted LTI shares granted in 2023 (vesting Q1 2026)	Number of restricted LTI shares granted in 2024 (vesting Q1 2027)
Sijmen de Vries	2,363,455	1,681,570	1,824,602

Part III: Executive Director Pay: Implementation of the Remuneration Policy in 2023

Executive Director Remuneration at a Glance: total Remuneration package paid to the CEO

The below shows a single figure table of the annual remuneration and the implementation of the remuneration policy in 2023 for the Executive Director/CEO and compares to what was received for 2022.

in EUR '000	Year	Base Salary	STI	LTI one-off transition no. of units vesting	LTI Value of units vesting	Pension cost	Other emoluments	Total
Sijmen de Vries, CEO	2023	€624	€570	798,719	€823	€107	€32	€2,156
	2022	€603	€374	1,400,000	€1,512	€106	€32	€2,627

All amounts have been paid in Euro. All amounts have been rounded.

The following table reflecting the amount in USD. This table has been included to ensure consistency with the 2023 Annual Report, applying a FX rate of 1.0790 (average 2023) for the amounts paid in 2023. The amounts paid in 2022 have been calculated using a FX rate of 1,0543 (average 2022).

in US$ '000	Year	Base Salary	STI	LTI one-off transition no. of units vesting	LTI Value of units vesting	Pension cost	Other emoluments	Total
Sijmen de Vries, CEO	2023	$673	$615	798,719	$888	$115	$35	$2,326
	2022	$636	$394	1,400,000	$1,594	$112	$34	$2,770

All remuneration was paid in accordance with the Remuneration Policy and the incentive plans as approved by our shareholders on December 11, 2020.

Proportion of fixed and variable remuneration, including fair value costs for Pharming

The following table reflects the amounts of fixed and variable remuneration paid to the CEO/Executive Director in 2023 and in the past years, together with the fair value share-based payment costs incurred by Pharming.

The amount of share-based compensation as reflected in the table includes the (pro-rata) fair value of the granted but unvested restricted shares that have been granted in 2020. 2021 and 2022 to the CEO pursuant to the new Executive LTI Program.

The amounts for 2020, 2021 and 2022 also includes the shares that were granted to the CEO under the LTI One-Off Transition Arrangement, that was approved by our shareholders on December 11, 2020. These shares have all vested in 2021, 2022 and 2023 and no shares are still outstanding.

The fair value of the Executive LTI plan shares granted in 2023 amounts U.S.$1.5 million (2022: U.S.$1.1 million). The Executive LTI shares granted in 2022 and 2023, respectively, have not vested in 2023.

in EUR '000		Fixed remuneration		Short term variable: annual bonus (cash)		Share-based compensation		Post-employment benefits		Other		Total
Sijmen de Vries, CEO and Executive Director	2023	€624	24 %	€570	22 %	€1,271	49 %	€107	4 %	€32	1 %	€2,604
	2022	€603	27 %	€374	16 %	€1,158	51 %	€106	5 %	€32	1 %	€2,273
	2021	€574	24 %	€301	13 %	€1,344	57 %	€101	4 %	€32	1 %	€2,352
	2020	€538	21 %	€377	15 %	€1,522	59 %	€94	4 %	€32	1 %	€2,563
	2019	€507	36 %	€310	22 %	€487	35 %	€72	5 %	€32	2 %	€1,408

The following table reflecting the amounts in USD has been included to ensure consistency with the 2023 Annual Report, applying a FX rate of 1.0790 (average 2023) for the amounts paid in 2023.

in US$ '000		Fixed remuneration		Short term variable: annual bonus (cash)		Share-based compensation		Post-employment benefits		Other		Total
Sijmen de Vries, CEO and Executive Director	2023	$673	24 %	$615	22 %	$1,371	49 %	$115	4 %	$35	1 %	$2,809
	2022	$636	27 %	$394	16 %	$1,221	51 %	$112	5 %	$34	1 %	$2,396
	2021	$681	24 %	$357	13 %	$1,594	57 %	$120	4 %	$38	1 %	$2,790
	2020	$614	21 %	$431	15 %	$1,739	59 %	$107	4 %	$37	1 %	$2,927
	2019	$568	36 %	$310	22 %	$546	35 %	$81	5 %	$36	2 %	$1,578

The following table includes the amounts of fixed and variable remuneration paid to Mr. Robin Wright and Mr. Bruno Giannetti, as members of the former Board of Management who retired from the Board in 2020, and the fair value share-based payment costs for Pharming.

This table has been included, for a comprehensive overview of the remuneration packages at statutory executive management level in the past five years.

in EUR '000		Fixed remuneration		Short term variable: annual bonus (cash)		Share-based compensation		Post-employment benefits		Other		Total
Bruno Giannetti, former CMO (former member of the Board of Management)	2023	-	-	-	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-	-	-	-
	2020	€352	28 %	€176	14 %	€620	50 %	€74	6 %	€24	2 %	€1,246
	2019	€331	38 %	€170	20 %	€289	33 %	€70	8 %	€8	1 %	€868
Robin Wright, former CFO (former member of the Board of Management)	2023	-	-	-	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-	-	-	-
	2020	€136	24 %	€12	2 %	€94	17 %	€13	2 %	€306	55 %	€561
	2019	€317	53 %	€149	25 %	€114	18 %	€23	4 %	€0	— %	€603

The following table reflecting the amounts in USD has been included to ensure consistency with the 2023 Annual Report.

in US$ '000		Fixed remuneration		Short term variable: annual bonus (cash)		Share-based compensation		Post-employment benefits		Other		Total
Bruno Giannetti, former CMO (former member of the Board of Management)	2023	-	-	-	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-	-	-	-
	2020	$402	28 %	$201	14 %	$708	50 %	$85	6 %	$27	2 %	$1,424
	2019	$371	38 %	$190	20 %	$324	33 %	$78	8 %	$9	1 %	$973
Robin Wright, former CFO (former member of the Board of Management)	2023	-	-	-	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-	-	-	-
	2020	$155	24 %	$14	2 %	$107	17 %	$15	2 %	$350	55 %	$641
	2019	$355	53 %	$167	25 %	$128	18 %	$26	4 %	-	-	$676

Fixed Remuneration

Base salary

The following table reflects the gross annual base salary (fixed remuneration) of the Executive Director/CEO paid in the financial year 2023:

	Fixed Remuneration in '000 in 2023	Fixed Remuneration in '000 in 2022
Sijmen de Vries, Chief Executive Officer	€624 (US$673)	€603 (US$ 636)

All amounts have been paid to the Executive Director in Euro. The amounts in US$ have been included to ensure consistency with the 2023 Annual Report, applying a FX rate of 1.0790 (average 2023) for the amounts paid in 2023. The amounts paid in 2022 have been calculated using a FX rate of 1.0543 (average 2022).

Benefits

The Executive Director/CEO is entitled to fringe benefits, such as holiday allowance and a lease car scheme, as further described in Part I of this Remuneration Report. These benefits are in line with other eligible Pharming employees.

In the Netherlands, salaries are paid in 12 monthly installments and one additional monthly installment, entitled 'holiday allowance' which is paid typically in May/June. The allowance is equal to 8.33% of the base salary and included in the gross annual salary of staff and Executive Board Members.

Pension

The Executive Director/CEO pension arrangements are based on defined contribution. Pharming provides an annual contribution 27.83% of base salary, minus the franchise to the schemes of the Executive Director/CEO, in accordance with the Remuneration Policy and the contributions to other employees. For Dutch employees, the pensionable income is capped at €128,810 for 2023; this is the fiscal maximum. A Net Employee Pension Scheme is offered to all employees who have a pensionable income more than the specified maximum.

Variable Remuneration

The Remuneration Committee reviewed the performance of the Executive Director/CEO. During 2023, remuneration was paid in accordance with the Remuneration Policy and the incentive plans as approved by our shareholders in 2020.

We note that there were no deviations from the Remuneration Policy, nor from the governance process in the execution of the policy, except that the Board of Directors, upon the recommendation of the Remuneration Committee, decided to apply an increased weighting of 40% for the targets regarding the execution of the strategy and to set the weighting of the financial targets also at 40%, in acknowledgement of the importance of the launch of leniolisib (that meanwhile received FDA approval on March 24, 2023) and long-term product portfolio rejuvenation, while ensuring solid financial performance by Pharming, to create sustained long-term shareholder value for our Company, our shareholders and all other relevant stakeholders. These weightings were already disclosed in the Remuneration Report for the year 2022.

The applied weightings are specified in the below table, outlining the performance by the Executive Director, as the only statutory executive board member, on the targets set for 2023 under the applicable incentive plans, respectively.

A. Short-Term variable remuneration (STI): cash

Theme	Definition	Link to strategy	Weighting	How to measure performance	KPI	Actual
Financial	Implementation financial strategy to ensure long-term value creation.	Deliver sustainable, profitable growth, long-term value creation.	20%	Quantitative target on total revenue growth (USD) based on 2023 Financial Statements.	On target: 15-20% growth annual revenues compared to 2022 results. Above target: >20%.	19% growth
			10%	Operating profit – quantitative target (USD) based on 2023 Financial Statements.	On target: loss not exceeding USD 25M. Above target: loss less than USD 25M.	Loss USD 5.4M
			10%	Cash quantitative target (USD) based on 2023 Financial Statements.	On target: net cash balance USD 50M. Above target: >USD 50M.	USD 76.5M
People	Drive organizational effectiveness and (high) performance of the organization.	Attract and retain the required resources, preserving diversity and inclusion.	5%	Launch leadership programs (milestone planning); assessment by the Board based on performance updates.	Launch leadership programs before end of 1Q 2023.	Achieved
			5%	Quantitative diversity & inclusion targets for staff; retrospective report in Annual Report 2023.	Staff composition ExCo-1 by YE: >40% female.	53% female
					Staff composition nationalities by YE: >22 nationalities.	28 nationalities
Execution	Ensuring flawless execution sustainable long-term strategy and long-term value creation.	RUCONEST®: serving the needs of HAE patients, continuing to drive sales.	8%	Targets on (i) number of physicians prescribing RUCONEST in the year and (ii) number of active patients, as assessed by the Board based on performance tracker (not to be disclosed due to highly sensitive nature).	(i) Not to be disclosed for 2023.	(i) 108%
					(ii) Not to be disclosed for 2023.	(ii) 91%
		Launch and grow leniolisib in key global markets.	8%	Targets on number of identified potential patients in funnel as assessed by the Board based on performance tracker.	On target: at least 600 potential patients identified (funnel) by YE. Above target: >600 patients identified.	843
			8%	Target on enrollment studies as assessed by the Board based on performance tracker (rates not to be disclosed due to highly sensitive nature).	Studies LE-3301 (ped FCT) and LE-3302 (ped OG) on track.	LE-3301: 87%
					Not to be disclosed: inclusion rate.	LE-3302: <80%
			8%	Target on drug development process leniolisib LCM (to be assessed by the Board based on performance tracker; details not to be disclosed due to highly sensitive nature).	Drug development process implemented for leniolisib LCM and new compounds; progress according to approved plan as assessed by the Board.	Achieved
		Build a portfolio that delivers a stream of approved products.	8%	Target on addition of new clinical program and/or Business Development opportunity to launch pipeline in 2025-2028.	On target: at least 1 new clinical program or Business Development opportunity added to pipeline before YE 2023. Above target: at least 2 new clinical programs and/or Business Development opportunities.	Not achieved
ESG (Impact/ Purpose)	Pharming's performance on Environmental, Social and Governance themes incorporated in our core business.	Pharming's performance on ESG themes to be an integrated part of the sustainable long-term strategy ("Always do the right thing") to ensure sustainable long-term value creation.	10%	Progress versus baseline on Pharming ESG goals and KPIs (to be adopted by the Board in 2023 in preparation for mandatory reporting as from Annual Report 2025). ESG goals to be communicated in Annual Report 2023 (at the latest).	Pharming long-term ESG Goals and KPIs approved by the Board.	Not achieved
Total			**100%**			

With regard to the target on ESG, the Board of Directors acknowledged that good progress has been made on the various milestones set in the ESG Program for Pharming throughout the year 2023. The Board concluded, however, that the agreed KPI for 2023 was not met because the ESG goals have not yet been formally approved by the Board of Directors. The Board of Directors recognized that Pharming is still on track to report on the ESG targets as of the Annual Report 2025 and therefore to ensure compliance with the applicable CSRD requirements. Reference is made to the section ESG in the 2023 Annual Report for more details on the ESG Program for Pharming.

As announced in the 2022 Remuneration Report, the vesting results for each of the individual (quantitative) KPIs for the 2023 STI are to be calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	— %
On target	100 %
Each 1% exceeding target	+3%
Each 1% below target	(3)%

Accordingly, the vesting results on the targets for the 2023 STI are summarized in the below table:

Theme	Weighting	KPI/target	Actual	Actual vs target (+/-%)	Impact vesting (+/- 3%)	Vesting % (weighted)
Financial	20%	Total revenue growth (USD): On target: 15-20% growth annual revenues compared to 2022 results. Above target: >20%.	19% growth	100%	—%	20.0%
	10%	Operating profit: On target: loss not exceeding USD 25M. Above target: loss less than USD 25M.	Loss USD 5.4M	178%	+235%	33.5%
	10%	Net cash balance: On target: USD 50M. Above target: >USD 50M.	USD 76.5M	153%	+159%	25.9%
People	5%	Launch leadership programs before end of Q1 2023.	Achieved	100%	N/A	5.0%
	5%	Diversity & inclusion: - Staff composition ExCo-1 by YE:>40% female. - Staff composition nationalities by YE: >22 nationalities.	53%	132%	+95%	4.8%
			28	127%	+81%	4.5%
Execution	8%	Targets on (i) number of physicians prescribing RUCONEST in the year and (ii) number of active patients, as assessed by the Board based on performance tracker (KPI not to be disclosed due to highly sensitive nature, as announced in 2022 Remuneration Report).	(i) Not disclosed	(i) 108%	+24%	5.0%
			(ii) Not disclosed	(ii) 97%	-9%	3.7%
	8%	Leniolisib: On target: at least 600 potential patients identified (funnel) by YE. Above target: >600 patients identified.	843	141%	+122%	17.7%
	8%	Leniolisib: Studies LE-3301 (ped FCT) and LE-3302 (ped OG) on track: Sufficient inclusion rate • LE-3301 enrollment • LE-3302 enrollment.	Not disclosed	LE-3301: 87%	-39%	2.4%
				LE-3302: <80%	—%	—%
	8%	Drug development process implemented for leniolisib LCM and new compounds.	Achieved	100%	N/A	8.0%
	8%	Business Development: On target: at least 1 new clinical program or Business Development opportunity added to pipeline before YE 2023. Above target: at least 2 new clinical programs and/or Business Development opportunities.	None added	—%	—%	—%
ESG (Impact/ Purpose)	10%	Progress versus baseline on Pharming ESG goals and KPIs (to be adopted by the Board in 2023 in preparation for mandatory reporting as from Annual Report 2025). ESG goals to be communicated in Annual Report 2023. Pharming long-term ESG Goals and KPIs approved by the Board.	Achievements: • definition key themes & KPIs/value drivers • stakeholders' analysis completed • double-materiality assessment • Greenhouse Gas footprint assessment KPIs/targets not yet submitted for approval to the Board. Therefore, 0% score. However, Pharming is still on track to report on the ESG targets as of the Annual report 2025.	—%	N/A	—%
Total						**130.5%**

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, a 70% pay-out level (calculated against the annual base salary) applies for an 'on target'-score of the Executive Board Member/CEO, with a maximum pay-out of 140%. Accordingly, the total weighted vesting result of 130.5% on all KPIs is multiplied by the 70% 'on target'-score to calculate the total pay-out for 2023.

The Remuneration Committee concluded that the total weighted vesting result of 130.5% on all KPIs results in a cash payment to the Executive Board Member/CEO equal to 91.35% of the fixed annual salary for 2023, i.e., €570,000 gross.

Pay-out of STI variable remuneration takes place only after verification by the external auditor of the Company's financial statements, including the financial KPIs on which the financial STI targets are based.

B. Long-term variable remuneration (LTI): shares

As explained in Part II of this Remuneration Report, the first tranche of shares awarded to the CEO for the performance years 2021-2023 under the new Executive LTI program, as approved by our shareholders on December 11, 2020, vested in the first quarter of 2024, applying the targets set at the start of the three-year performance period in 2021.

The following tables summarizes the tranches of shares for performance periods of three years each that have been awarded to the CEO but have not yet vested:

Name	Number of restricted LTI shares granted in 2022 (vesting Q1 2025)	Number of restricted LTI shares granted in 2023 (vesting Q1 2026)	Number of restricted LTI shares granted in 2024 (vesting Q1 2027)
Sijmen de Vries	2,363,455.00	1,681,570.00	1,824,602.00

The CEO is on track to meet the targets set for the respective performance periods. A retrospective disclosure will be included in the Remuneration Report following the end of the relevant performance periods.

Reference is made to Part IV of this Remuneration Report for a summary of the corporate objectives that will be applied for the restricted shares as granted in March 2024 under the Executive LTI program for the performance years 2024 – 2026 (vesting in the first quarter of 2027).

Vesting Executive LTI 2021-2023

The vesting results for the Executive Plan for the performance years 2021-2023 are explained below. In accordance with the applicable terms and conditions, as approved by our shareholders on December 11, 2020, the vesting of the shares is determined based on the performance by the CEO on the applicable long-term targets, which were a combination of Total Shareholder Return and the performance on the strategic corporate objectives during the respective calendar years 2021-2023. The strategic objectives targets were linked to the flawless execution of the 'Three Pillars growth strategy', i.e., the in-licensing/acquisition of a (late-stage) asset, broadening the revenue base and leveraging the commercialization infrastructure and the indication expansion of C1 esterase inhibitor and PI3K delta.

Total Shareholder Return Metrics and Targets (40% of LTI award)

Set out below is a summary of Pharming's TSR performance relative to its peers as part of the TSR element of the Executive LTI program.

Metric	Targets								Actual			
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index	Position Relative to ASCX Index	(37)%	Position Relative to IBB ETF Index	(3)%
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%	Pay-Out	—%	Pay-Out	—%

The share-price performance by Pharming shares over the performance period 2021-2023 (comparing the 20-day VWP as per January 1, 2021, versus the 20-day VWP as per January 1, 2024 (in accordance with the provisions of the Remuneration Policy) was -18%, while the ASCX index increased by 16% and the IBB ETF decreased by 15% over the aforementioned period. This result places Pharming -34% against the ASCX and -3% against the Nasdaq Biotechnology Index peer group. Accordingly, the score on Total Shareholder Return was set at 0% according to the applicable table).

Strategic Objectives Outcomes (60% of award)

Set out below is a summary of the CEO's performance on the strategic objectives for the years 2021-2023, i.e., the flawless execution of the "Three Pillars growth strategy":

Performance measure	Weighting	How is performance measure defined and assessed?	Achievement against performance targets	Achievement %	Vesting %
Grow the commercial infrastructure and prepare for the launch of leniolisib for APDS, by expanding commercialization of RUCONEST® for HAE in all major global markets.	25%	Quantitative revenue target RUCONEST®: single/ low single digit growth per annum growth over period 2021-2023.	Growth 2021-2023: 7% (compared to FY 2020 results).	100%	25%
	12.5%	Expansion of C1 inhibitor franchise.	Following 2021 pipeline strategic review, C1 inhibitor expansion plan terminated in favor of leniolisib development plans to ensure efficiency and reduce costs.	50%	6%
	15%	APDS patients identified in market of (future) commercialization: target potential identified patients at least 600.	Exceeded: 843 patients (end 2023).	140%	21%
	20%	Preparation and execution of Joenja® launch.	Exceeded: FDA approval ahead of PDUFA date. EMA approval awaited. Revenues target 2023 achieved. Time to product in market (< 1 week: day 3) and reimbursed (first commercial reimbursed patient on day 5); well exceeded market expectations/industry standards and internal planning (2-4 weeks) by >100%.	100%	20%
Expand product portfolio by lifecycle management of existing products and externally sourced new products	12.5%	Quality and quantity of proposed projects assessed by the Board; # of projects proceeding to NBO/due diligence phase.	Partially achieved. No further details disclosed to market due to highly sensitive nature and Pharming's status of listed company.	40%	5%
	15%	Selection and development of second indication for leniolisib.	Exceeded. Development plan already supported by FDA.	150%	22.5%
Total	**100%**				**99.5%**

The vesting results on the targets for the Executive LTI 2021-2023 are summarized in the below table:

Overall Vesting of the Executive LTI program 2021-2023

Metric	Achievement	Weighting	Vesting level
TSR	—%	40%	—%
Strategic Objectives	99.5%	60%	59.7%
Total vesting level: 59.7%			

The vesting level of 59.7% resulted in a total number of 798,719 shares (gross) that vested for the CEO for the performance years 2021-2023. These shares are subject to a retention period of five years as of grant in 2021.

Pay-out of variable remuneration takes place only after verification by the external auditor of the relevant Company's financial statements, including the financial KPIs on which the financial targets were based.

Pay Ratio

The Remuneration Committee considered the pay ratios within the Company and compared the pay-out of remuneration in 2023 to the Executive Director in an internal reference group, in accordance with the requirements set by the Dutch Corporate Governance Code. Pharming applies a methodology to calculate the internal pay ratio that is IFRS-driven.

For 2023, the pay ratio between the compensation of the CEO and the mean compensation of employees (excluding the CEO) was 12.0:1 (2022: 12.0:1; 2021: 13.7:1; 2020: 13.8:1 2019: 7.7:1). Compensation in each case comprises all salary, bonus, share-based compensation in cash or in kind and pension contributions. The amount of compensation of the CEO, however, includes both the actual pay-out to the CEO and the (pro-rata) fair value of the restricted shares that have been granted to the CEO pursuant to the new Executive LTI Program and the LTI One-Off Transition Arrangement, respectively.

The decreased pay ratio in 2022 resulted from the lower costs of share-based compensation.
The pay-ratio for 2023 has not changed. The aforementioned pay ratio is deemed consistent with levels which are appropriate for Pharming, given its size and complexity.

Details of the staff costs can be found in note 7 of the consolidated financial statements.

The following table sets out the remuneration and company performance over the period 2019-2023 for the CEO and also visualizes the average employee salaries over the same period in Euro and USD:

Annual % change	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018
Director's remuneration					
Sijmen de Vries, CEO and Executive Director (Euro comparison)	15%	(3%)	(8%)	82%	4%
Sijmen de Vries, CEO and Executive Director (USD comparison)	17%	(14%)	(5%)	85%	(2%)
Bruno Giannetti, former CMO / BOM member (USD comparison)	—%	—%	—%	44%	3%
Robin Wright, former CFO / BOM member (USD comparison)	—%	—%	—%	(7%)	(8%)
Company performance - increase/(decrease) (USD comparison)					
Revenues	19%	3%	(6)%	10%	25%
Gross Profit	17%	6%	(6)%	12%	31%
Operating Result	(130%)	34%	(82)%	10%	60%
Net Result	(177%)	(15)%	(58)%	(10)%	45%
Employees (full time equivalent)	15%	16 %	24%	21%	21%
Average remuneration of employees on a full-time basis					
Employees of the Group	18%	(3%)	(5)%	4%	(2)%

The annual % changes as reflected in the above USD information, reflect, amongst others, the change in FX rates. In addition, the change of the CEO's remuneration also reflects the changes in the costs of share-based compensation.

Statement of compliance

Derogation
There were no deviations from the executive and non-executive directors' remuneration policy in 2023 that are not disclosed in this Remuneration Report.

Termination payments
The contractual severance arrangements as agreed with the Executive Director (maximum severance pay is 100% of the fixed annual remuneration) are compliant with the Dutch Corporate Governance Code and will not be paid in case of a termination at the CEO's initiative (unless due to culpable conduct or neglect by the Company) and/or the CEO's culpable conduct or gross negligence. No termination payments were made to executive and non-executive directors on termination of employment or office in 2023.

Malus and clawbacks
In line with Dutch Law, the Dutch Corporate Governance Code and SEC requirements, malus and clawback provisions apply to the STI and LTI awarded to executive directors and the directs of the CEO whereby variable remuneration may be reduced or (partly) recovered if certain circumstances apply. In 2023, no malus or clawback was applied to any remuneration of the executive directors and the directors of the CEO.

Loans and Advances
No loans or advances were granted to the CEO in the course of 2023.

Share Ownership
The Remuneration Policy requires the Executive Director to acquire and hold shares in the Company with a value of at least 400% of his annual base salary. The minimum shareholding can be built up over five years (effective date share ownership as part of the remuneration policy that was adopted in 2020). This minimum shareholding requirement aims to ensure a sustainable link to the performance of the company. The guidelines require that all after-tax shares be retained until the required level is met.

In addition, the Executive Director shall comply with holding requirements under the Dutch Corporate Governance Code. This means that the Executive Director shall hold all after-tax shares received under the long-term incentive plan for a period of at least five years from the date of grant.

As of December 31, 2023, the Executive Director held 8,141,383 unrestricted ordinary shares, representing a value of €8,393,766 (US$9,056,873). This is based on the Pharming close share price on December 29, 2023: €1.031 (US$1.112). Therefore, as reflected in the below table, the Executive Director well exceeds the minimum share ownership level.

Pharming Shares held by Executive Director/CEO in shares

	2023 base salary in '000	Share Ownership (#) and value in '000 as of Dec. 31, 2023	Value as % of annual base salary 2023	2022 base salary in '000	Share Ownership (#) and value in '000 as of Dec. 31, 2022	Value as % of annual base salary 2022
Sijmen de Vries, Chief Executive Officer	€624	8,141,383	1345%	€603	7,434,383	1336%
	$673	(€8,394/ US$9,057)		636	(€8,059/ US$8,596)	

Once the requirements under the Pharming share ownership guidelines and under the Dutch Corporate Governance Code are met, shares may be sold by the Executive Director, subject to the Pharming Insider Code.

Outstanding rights under Share Option and LTIP plans (audited)
Following the approval of the new Remuneration Policy and the new Executive LTI plan by our shareholders on December 11, 2020, the Executive Director was granted a first tranche of new conditional shares under the new Executive LTI plan. These shares vested in the first quarter of 2024. An Executive LTI One-Off Transition Arrangement was agreed with the Executive Director in 2020 and approved by our shareholders on December 11, 2020, subject to a waiver by the Executive Director of all (contractual and other) rights and entitlements under the existing Share Option and LTIP plans as of 2020. The last tranche of the shares granted to the CEO pursuant to the Executive LTI One-Off Transition Arrangement vested in 2022 and no rights or other entitlements are still outstanding.

The Executive Director has no rights outstanding under any of the LTIP plans as granted until 2019. The below table outlines the only outstanding share option rights that were granted to the Executive Director, with the approval of our shareholders, in 2019 for the period 2019-2024.

	As of January 1, 2022	Granted 2022	Exercised 2022	Forfeited / expired 2022	As of December 31, 2022	Exercise price	Expiration date
Sijmen de Vries	2,800,000	-	-	-	2,800,000	€0.805 (US$0.859)	May 22, 2024

Part IV: Executive Director Pay: Looking forward to 2024

The Remuneration Committee discussed the compensation of the Executive Director in Q1 2024, including the conditional grant of new performance shares for the performance period 2024-2026. The Remuneration Committee also discussed the proposed short-term and long-term goals and objectives in connection with the applicable incentive plans. Related recommendations were submitted to the Board of Directors.

The Remuneration Committee also reviewed and discussed the fixed base salary of the Executive Director and decided to recommend to the Board of Directors to set the fixed salary of the Executive Director (€624,000 in 2023) at €642,720 for 2024 (+3%).

This new salary amount takes into consideration the performance by the Executive Director in 2023, the strong performance results by the Company, the current pay ratio and the outcome of the compensation merit increases for our wider workforce (at average 3% for our employees in Europe) and the results of the compensation review by AON Radford.

The Board of Directors has adopted the Remuneration Committee's recommendation. Accordingly, the pay to the Executive Director in 2024 is specified in the below table:

2024 STI goals

We believe that the details of the STI financial and non-financial targets contain information that is highly commercially sensitive and it would therefore not in the best interests of our company and shareholders to disclose these targets upfront. In response to shareholder requests for greater transparency, we have disclosed STI targets for the year 2023 retrospectively in this report (see Part III of this Remuneration Report).

All financial, strategic, operational and ESG goals for 2024 will be measurable and validated. In addition, all goals and objectives for 2024 specify the on-target and above target scores as will be disclosed retrospectively after vesting of the relevant shares.

We provide below an outline of the 2024 STI scorecard for the Executive Director, including their applicable weightings. From the financial year 2024 onwards, the financial targets will each time have a weighting of 50%.

All 2024 targets/KPIs will be disclosed retrospectively in the 2024 Annual Report.

The Remuneration Committee has undertaken a thorough assessment to ensure that targets are sufficiently stretched in the context of potential remuneration delivered.

2024 single-figure table

in '000	Base Salary	STI[1]	Executive LTI plan No. of performance shares vesting	Executive LTI plan Value of performance shares vesting[2]	Pension cost	Other emoluments[3]	Total
CEO 2024 Pay	€643	€450	2,363,455	€2,437	€108	€32	€3,670
	$707	$495	2,363,455	$2,681	$119	$35	$4,038

[1] This is the at-target STI (70% to base salary).
[2] For calculating the indicative value, a share price of € 1.031 (USD 1.134) was used, which represents the closing share price at December 29, 2023
[3] Benefits as summarized in Part II of this Remuneration Report.

The following targets have been set to determine the pay-out of the cash bonus for the financial year 2024 under the short-term incentive plan. The vesting results for each of the individual (quantitative) KPIs for the 2024 STI as identified above are calculated in accordance with the following table:

Theme	Definition	Link to strategy	Total Weighting	Weighting individual measures	How to measure performance
Financial	Implementation financial strategy to ensure long-term value creation.	Deliver sustainable, profitable growth, long-term value creation.	50%	20%	Total revenue growth – quantitative target (USD) based on 2024 Financial Statements.
				10%	Operating profit - quantitative target (USD) based on 2024 Financial Statements.
				10%	Cash - quantitative target (USD) based on 2024 Financial Statements.
				10%	Sarbanes-Oxley Act (NASDAQ listing)– compliance assessment by the Board of Directors.
People & Organization	Drive organizational effectiveness and (high) performance of the organization.	Attract and retain the required resources, preserving diversity and inclusion.	15%	15%	Enhance workforce composition: • Staff composition (diversity & inclusion) based on 2024 Annual Report; • Turnover rate (company-wide); • Employee engagement score (global; to be assessed by the Board of Directors).
Execution: Portfolio & Pipeline	Ensuring flawless execution long-term strategy and sustainable long-term value creation.	Leniolisib: grow and launch Joenja® in key global markets, develop new indications beyond APDS.	25%	15%	Leniolisib: • US: grow number of patients on therapy, securing reimbursement; • EMA MAA approval; • Clinical development: progress pediatric & Japan studies; • Life cycle: progress development of new leniolisib indication beyond APDS.
		Build a pipeline that delivers a stream of approved products.		10%	Business Development BD: 1 clinical-stage asset or other BD opportunity added to pipeline.
ESG	Pharming's performance on ESG themes incorporated in our core business.	Pharming's performance on ESG themes to be an integrated part of the long-term strategy ("Always do the right thing") to ensure long-term value creation.	10%	10%	ESG: progress in the ESG program to ensure first mandatory reporting as of financial year 2025.
Total			**100%**		

Actual score compared to target	Vesting result
<80%	0%
On target	100%
Each 1% exceeding target	+3%
Each 1% below target	(3)%

A maximum vesting result of 200% applies for each individual target.

Pursuant to the remuneration policy as adopted by our shareholders on December 11, 2020, a 70% pay-out level applies for the total 'on target'-score, with a maximum pay-out of 140%.

Executive LTI plan: goals performance years 2024-2026

Given the commercially sensitive information, we will disclose the financial targets for our Executive LTI Plan retrospectively after vesting of the relevant shares. In efforts of transparency, a qualitative summary of these targets, in addition to the full upfront disclosure of all other targets set for the performance years 2024-2026, is provided below.

The on-target value of the conditional shares to be awarded to the CEO under the Executive LTI plan annually is set at 300% of the fixed base salary, and maximum performance value of shares is set at 450% of the fixed base salary (each time through a combination of the score on the TSR (40% weighting) and the corporate objectives (60% weighting).

Total Shareholder Return (40%)

We plan to make no further adjustments to the TSR metric.

Metric	Targets							
TSR relative to ASCX and IBB ETF Index	Below Index	Equal To Index	10% above Index	20% Above Index	40% Above Index	60% above Index	80% above Index	100% above index
Pay-Out	0	80%	90%	100%	110%	120%	130%	150%

Strategic Objectives (60%)

We outline the targets for the strategic objectives element of the Executive LTI plan 2024-2026, below. All goals and objectives specify the on-target and above target scores. The financial and highly commercially sensitive targets will be disclosed retrospectively in the 2026 Remuneration Report after vesting of the relevant shares.

Strategic objectives as part of the Executive LTI plan 2024-2026 (40% TSR; 60% strategic objectives)

Strategic Action	Weighting	How performance measure is assessed	KPI
RUCONEST®: serving the needs of HAE patients, continuing to drive sales.	10%	Quantitative target for 3-year period on revenue growth RUCONEST®.	To be disclosed in 2026 Annual Report.
Launch and grow leniolisib in key global markets.	10%	Quantifiable target for 3-year period on number of countries where leniolisib for APDS is distributed.	Leniolisib launched in 30 countries by YE 2026.
	10%	Quantifiable target for 3-year period related to life cycle management for leniolisib (new indications).	to be disclosed in 2026 Annual Report.
Build a portfolio that delivers a stream of approved products.	20%	Target to fill the pipeline in 2025-2028.	Two new clinical programs and/or Business Development opportunities added to pipeline before YE 2026.
ESG goals: implementation milestones according to action plan; first (mandatory) ESG reporting included in Annual Report 2025.	5%	Progress versus baseline on ESG KPIs (KPIs to be disclosed in 2024).	Progress versus baseline on ESG KPIs (KPIs to be disclosed in 2024).
	5%	ESG report included in Annual Report 2025.	ESG report included in Annual Report 2025.
TOTAL	**60%**		

Note: These performance metrics are reflective of Pharming's updated long-term strategy. Reference is made to the section "Our Strategy" in the Annual Report.

The vesting results for each of the individual (quantitative) KPIs for the 2024-2026 Executive LTI plan, as identified above, are calculated in accordance with the following table:

Actual score compared to target	Vesting result
<80%	0%
On target	100%
Each 1% exceeding target	+3%
Each 1% below target	(3)%

A maximum vesting result of 200% applies for each individual target.

Part V: Non-Executive Directors: Implementation of the Remuneration Policy in 2023

Remuneration Principles

- The annual remuneration is based on the position an individual has in the Board of Directors, the Audit Committee, the Remuneration Committee, the Corporate Governance Committee and the Transaction Committee;
- The remuneration package, including the shares to be granted, is fixed and not linked to the performance of the Company, to ensure the independence of the Non-Executive Directors in the discharge of their supervisory tasks and responsibilities. Non-executive directors do not receive any short- or long-term incentives or share-based compensation, other than the unconditional, unrestricted shares that are granted as part of the fixed annual remuneration in accordance with the applicable remuneration policy as adopted by our shareholders in 2020. The ordinary shares in Pharming to be awarded to the non-executive directors, as part of their annual remuneration, equal a fixed amount, are unrestricted and their grant is not linked to the performance of Pharming;
- The remuneration policy in effect until 2020 permitted the participation by the members of the former Non-Executive Directors in the Company's LTIP. The members, however, have no longer participated in the LTIP as from the financial year 2020; and
- All shares acquired and/or held by the Non-Executive Directors shall be a long-term investment only.

The Company's Remuneration Policy for the Board of Directors was adopted by our shareholders in 2020 and continued to apply to our Non-Executive Directors unchanged throughout 2023.

2023 Remuneration Board of Non-Executive Directors

In accordance with the Remuneration Policy adopted by our shareholders on December 11, 2020, the following annual compensation structure applied in 2023 to the Non-Executive Directors. The fee structure remained unchanged compared to the fees paid in 2022, except for the following changes agreed by our shareholders in 2023:

- The Annual General Meeting of Shareholders held on May 17, 2023, approved the grant of an annual fee of (i) €6,000 to the Chair and (ii) €3,000 to the members of the Transaction Committee with retrospective effect from January 1, 2023; and
- The Extraordinary General Meeting of Shareholders held on September 25, 2023, approved the increase of the annual fee payable to Dr. Richard Peters, as new Chair of the Board of Directors, to €90,000 in cash and €40,000 in shares with effect from September 25, 2023.

Roles and responsibilities	2023 Annual fee in cash (in EUR)	2023 Annual fee in shares (in EUR)	2022 Annual fee in cash (in EUR)	2022 Annual fee in shares (in EUR)
Board				
Basic Non-Executive Director Fee	€45,000	€30,000	€45,000	€30,000
Chair	€90,000[1]	€40,000	€65,000	€40,000
Committees				
Member of Audit Committee	€3,000	n/a	€3,000	n/a
Member of Remuneration Committee	€3,000	n/a	€3,000	n/a
Member of Corporate Governance Committee	€3,000	n/a	€3,000	n/a
Member of Transaction Committee	€3,000	n/a	n/a	n/a
Chair of Audit Committee	€9,000	n/a	€9,000	n/a
Chair of Remuneration Committee	€6,000	n/a	€6,000	n/a
Chair of Corporate Governance Committee	€6,000	n/a	€6,000	n/a
Chair of Transaction Committee	€6,000	n/a	n/a	n/a

[1] Effective September 25, 2023. Until September 25, 2023: €65,000
Note: Non-Executive Directors may be additionally paid €1,000 per day, in case of extraordinary activities.

All amounts have been paid in Euro. All amounts have been rounded. All shares are valued at the 20 Day VWAP preceding the Annual General Meeting of Shareholders in the relevant year.

The following table specifies the amounts in US$ to ensure consistency with the 2023 Annual Report, applying a FX rate of 1,0790 (average 2023) for the amounts paid in 2023. The amounts paid in 2022 have been calculated using a FX rate of 1,0543 (average 2022).

Roles and responsibilities	2023 Annual fee in cash (in US$)	2023 Annual fee in shares (in US$)	2022 Annual fee in cash (in US$)	2022 Annual fee in shares (in US$)
Board				
Basic Non-Executive Director Fee	$48,555	$32,370	$47,444	$31,629
Chair	$97,110[2]	$43,160	$68,530	$42,172
Committees				
Member of Audit Committee	$3,237	n/a	$3,163	n/a
Member of Remuneration Committee	$3,237	n/a	$3,163	n/a
Member of Corporate Governance Committee	$3,237	n/a	$3,163	n/a
Member of Transaction Committee	$3,237	n/a	n/a	n/a
Chair of Audit Committee	$9,711	n/a	$9,489	n/a
Chair of Remuneration Committee	$6,474	n/a	$6,326	n/a
Chair of Corporate Governance Committee	$6,474	n/a	$6,326	n/a
Chair of Transaction Committee	$6,474	n/a	n/a	n/a

[2] Effective September 25, 2023. Until September 25, 2023: US$70,135
Note: Non-Executive Directors may be additionally paid UD$1,079 per day, in case of extraordinary activities.

The total annual remuneration paid is based on the position an individual has in the Board of Directors and, if applicable, the committees. All reasonable travel and other expenses incurred by Non-Executive Directors in the course of performing their duties are considered to be business expenses and so are reimbursed.

No loans or other financial commitments (advances, guarantees, shares or options) were made to any member of the Non-Executive Directors on behalf of the Company in 2023. Additionally, Non-Executive Directors are not entitled to participate in any benefits offered to Executives and staff.

Compensation overview per Non-Executive Director in 2023

Name of Director, position	Fixed fee in cash (EUR '000)	Fixed fee in shares (EUR '000)	Committee fee (EUR '000)	Total (EUR '000)	Remarks
Dr. Richard Peters, Chair	€23	€19	€1	€43	Chair since September 25, 2023, observer since July 2023.
Paul Sekhri, Chair	€49	€30	€2	€81	Chair until September 25, 2023. Resigned from the Board.
Deborah Jorn, Non-Executive Director	€45	€30	€6	€81	
Leonard Kruimer, Non-Executive Director	€45	€30	€12	€87	
Dr. Mark Pykett, Non-Executive Director	€45	€30	€6	€81	
Steven Baert, Non-Executive Director	€45	€30	€9	€84	
Jabine van der Meijs, Non-Executive Director	€45	€30	€12	€87	
Barbara Yanni, Non-Executive Director	€45	€30	€12	€87	

All amounts have been paid in Euro. All amounts have been rounded. There are no out of ordinary expenses to be reported.

The following table specifies the amounts in US$ to ensure consistency with the 2023 Annual Report, applying a FX rate of 1.079 (average 2023) for the amounts paid in 2023. All amounts have been rounded.

Name of Director, position	Fixed fee in cash (US$ '000)	Fixed fee in shares (US$ '000)	Committee fee (US$ '000)	Total (US$ '000)	Remarks
Dr. Richard Peters, Chair	$25	$20	$1	$46	Chair since September 25, 2023, observer since July 2023.
Paul Sekhri, Chair	$53	$32	$2	$87	Chair until September 25, 2023. Resigned from the Board.
Deborah Jorn, Non-Executive Director	$49	$32	$6	$87	
Leonard Kruimer, Non-Executive Director	$49	$32	$13	$94	
Dr. Mark Pykett, Non-Executive Director	$49	$32	$6	$87	
Steven Baert, Non-Executive Director	$49	$32	$10	$90	
Jabine van der Meijs, Non-Executive Director	$49	$32	$13	$94	
Barbara Yanni, Non-Executive Director	$49	$32	$13	$94	

Compensation per Non-Executive Director and former Supervisory Directors 2019-2023

The following table reflects the amounts of compensation paid to the Non-Executive Directors in the past five years. The amounts of compensation paid to the members of former Board of Supervisory Directors, who retired in 2020 and 2021, have been added for a comprehensive overview of the compensation at non-executive level in the past five years.

It is emphasized that the former Board of Supervisory Board was replaced by the Board of Directors as per December 11, 2020, which resulted in a significant change in tasks and responsibilities of the non-executive directors compared to the former supervisory directors.

This change was reflected in the remuneration policy for the Board of Directors, as adopted by our shareholders on December 11, 2020.

in EUR '000	Year	Fixed remuneration	Share-based payments	Total
Dr. Richard Peters	2023	€24	€19	€43
	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Mr. Paul Sekhri	2023	€51	€30	€81
	2022	€68	€40	€108
	2021	€65	€46	€111
	2020	€65	€52	€117
	2019	€50	€33	€83
Ms. Deborah Jorn	2023	€51	€30	€81
	2022	€52	€30	€82
	2021	€54	€35	€89
	2020	€54	€35	€89
	2019	€26	€5	€31
Ms. Barbara Yanni	2023	€57	€30	€87
	2022	€50	€30	€80
	2021	€50	€30	€80
	2020	€31	€21	€52
	2019	-	-	-

in EUR '000	Year	Fixed remuneration	Share-based payments	Total
Dr. Mark Pykett	2023	€51	€30	€81
	2022	€47	€30	€77
	2021	€47	€30	€77
	2020	€31	€21	€52
	2019	-	-	-
Ms. Jabine van der Meijs	2023	€57	€30	€87
	2022	€54	€30	€84
	2021	€40	€20	€60
	2020	-	-	-
	2019	-	-	-
Mr. Leonard Kruimer	2023	€57	€30	€87
	2022	€54	€30	€84
	2021	€40	€20	€60
	2020	-	-	-
	2019	-	-	-
Mr. Steven Baert	2023	€54	€30	€84
	2022	€52	€30	€82
	2021	€38	€20	€58
	2020	-	-	-
	2019	-	-	-

The following table includes the amounts of fixed and variable remuneration paid to the members of the former Board of Supervisory Directors who retired from the Board in 2020 and 2021, respectively. This table has been included for a comprehensive overview of the remuneration package at statutory board level in the past five years.

in EUR '000	Year	Fixed remuneration	Share-based payments	Total
Mr. Barrie Ward (retired in 2021)	2023	-	-	-
	2022	-	-	-
	2021	€19	€17	€36
	2020	€54	€40	€94
	2019	€39	€27	€66
Mr. Juergen Ernst (retired in 2020)	2023	-	-	-
	2022	-	-	-
	2021	-	€5	€5
	2020	€50	€37	€87
	2019	€42	€26	€68
Mr. Aad de Winter (retired in 2020)	2023	-	-	-
	2022	-	-	-
	2021	€22	€18	€40
	2020	€57	€40	€97
	2019	€45	€28	€73

The following tables reflecting the amounts in US$ has been included to ensure consistency with the 2023 Annual Report:

in USD '000	Year	Fixed remuneration	Share-based payments	Total
Dr. Richard Peters	2023	$26	$20	$46
	2022	-	-	-
	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Mr. Paul Sekhri	2023	$55	$32	$87
	2022	$72	$42	$114
	2021	$77	$55	$132
	2020	$74	$59	$133
	2019	€56	€37	€93

in US$ '000	Year	Fixed remuneration	Share-based payments	Total
Ms. Deborah Jorn	2023	$55	$32	$87
	2022	$55	$32	$87
	2021	$64	$42	$106
	2020	$62	$40	$102
	2019	$29	$6	$35
Ms. Barbara Yanni	2023	$62	$32	$94
	2022	$53	$32	$85
	2021	$60	$36	$96
	2020	$35	$24	$59
	2019	-	-	-
Dr. Mark Pykett	2023	$55	$32	$87
	2022	$50	$32	$82
	2021	$57	$36	$93
	2020	$35	$24	$59
	2019	-	-	-
Ms. Jabine van der Meijs	2023	$62	$32	$94
	2022	$57	$32	$89
	2021	$47	$24	$71
	2020	-	-	-
	2019	-	-	-
Mr. Leonard Kruimer	2023	$58	$32	$90
	2022	$57	$32	$89
	2021	$47	$24	$71
	2020	-	-	-
	2019	-	-	-
Mr. Steven Baert	2023	$58	$32	$90
	2022	$55	$32	$87
	2021	$45	$24	$69
	2020	-	-	-
	2019	-	-	-

in US$ '000	Year	Fixed remuneration	Share-based payments	Total
Mr. Barrie Ward (retired in 2021)	2023	-	-	-
	2022	-	-	-
	2021	$23	$20	$43
	2020	$62	$46	$108
	2019	$44	$30	$74
Mr. Juergen Ernst (retired in 2020)	2023	-	-	-
	2022	-	-	-
	2021	-	$6	$6
	2020	$57	$42	$99
	2019	$47	$29	$76
Mr. Aad de Winter (retired in 2020)	2023	-	-	-
	2022	-	-	-
	2021	$26	$21	$47
	2020	$65	$46	$111
	2019	$50	$31	$81

Shares owned by Non-Executive Directors

Name of Director	Shares Held December 31, 2023	Shares Held December 31, 2022
Dr. Richard Peters	17,613	0
Ms. Deborah Jorn	127,714	98,778
Ms. Barbara Yanni	112,123	83,187
Dr. Mark Pykett	112,123	83,187
Ms. Jabine van der Meijs	87,285	58,349
Mr. Leonard Kruimer	87,285	58,349
Mr. Steven Baert	87,285	58,349

Looking forward to 2024

Given the global scale and complexity of the business that the group operates and in which it has interests, it is important that Pharming will continue to be able to attract and retain the best globally orientated board members. The committee conducts a regular benchmarking exercise to ascertain whether the fees for non-executive directors are competitive, fair and reasonable. The Remuneration Committee is informed by the external market when reviewing the fee structure and levels for our non-executive directors.

As announced in the 2022 Remuneration Report and explained in the preceding Parts of this Remuneration Report for 2023, the Remuneration Committee engaged AON Radford, as international compensation expert, for a new market review of the compensation of the members of the Board of Directors, including the fees of the chairs and members of the committees, in 2023. The peer group used for the market review is included in Part II of this Remuneration Report.

Regarding the compensation of the Non-Executive Directors, the Board, based on a recommendation by the Remuneration Committee, concluded that the fees payable to the Chair of the Board of Directors needed to be increased in anticipation of the appointment of Dr. Richard Peters as new Chair of the Board of Directors. The increase was deemed appropriate to attract an experienced candidate in view of the Company's growth, its significant and still growing presence in the U.S. market, which today accounts for more than 97% of sales generated, the Company's growth strategy and ambitions and the enhanced tasks and responsibilities associated with the position of Chair of a one-tier board.

Taking into account the benchmark report of AON Radford to ensure alignment with the market, it was concluded that the cash retainer payable by Pharming to the Chair of the Board of Directors should be increased by €25,000 to €90,000 per annum to ensure that the resulting combination of cash retainer and (unchanged) equity grants equals the 50th percentile of the European and trails the 50th percentile of the US peers. Our shareholders approved the proposed increase with a 99.1% majority vote at the extraordinary general meeting of shareholders held on September 25, 2023.

The Annual General Meeting of Shareholders held on May 17, 2023, had approved the grant of an annual fee of (i) €6,000 to the Chair and (ii) €3,000 to the members of the new Transaction Committee with retrospective effect from January 1, 2023.

Regarding the compensation of the other Non-Executive Directors, the Remuneration Committee recognized that the committee fees have not changed since 2020 and that the frequency of committee meetings and the workload has in the meantime increased significantly, taking into consideration Pharming's growth (including the launch of the second indication in the U.S. in 2023), its significant and still growing presence in the US market, the long-term strategy and ambitions, and the enhanced tasks and responsibilities associated with the membership of the committees. Therefore, the Remuneration Committee concluded that the fees paid to the chairs and members of the respective Board committees need to be increased as follows with retrospective effect from January 1, 2024:

- Chair of the Audit Committee: €15,000;
- Chairs of the other Committees: €12,500; and
- Membership fees: 50% of the chair fee: €7,500 for Audit Committee membership and €6,250 for the membership of other committees.

The proposed increase will also ensure that the fees remain aligned with the European market benchmark for the fees of the committee members. Related proposals will be submitted to the Annual General Meeting of Shareholders scheduled for May 21, 2024.

The Remuneration Committee concluded that no changes will be proposed to be made to the base fee and equity fee of the non-executive directors, as members of the Board of Directors, as these fees were found to be in line with the European and U.S. 50th percentile market benchmarks. Accordingly, these fees have remained unchanged since 2020 and will also remain unchanged from 2024 onwards.

As mentioned in the earlier Parts of the Remuneration Report, preparations are ongoing for the scheduled submission of a new draft Remuneration Policy for the Board of Directors for adoption by the Annual General Meeting of Shareholders scheduled for May 21, 2024, in accordance with Dutch statutory provisions requiring remuneration policies for board members to be submitted for adoption (at least) every four years. The new draft aims to ensure continued alignment with market practice and applicable rules, regulations and disclosures, taking into due consideration the guidelines issued by proxy advisors (including ISS and Glass Lewis) and expectations from external stakeholders. The proposals for the revised remuneration fees for the non-executive directors, as mentioned above, will on the same occasion be submitted to our shareholders for adoption.

Shareholder Voting at General Meeting of Shareholders

The following table sets out the voting results in respect of resolutions relating to remuneration over the past years.

Resolution		% Votes For	% Votes Against
Remuneration Chair of the Board of Directors (voted on September 25, 2023)	Binding	99.10%	0.90%
Fees chair and members Transaction Committee (voted on May 17, 2023)	Binding	98.62%	1.38%
2022 Remuneration Report (voted on May 17, 2023)	Advisory	95.05%	4.95%
2021 Remuneration Report (voted on May 18, 2022)	Advisory	76.72%	23.28%
2020 Remuneration Report (voted on May 19, 2021)	Advisory	98.16%	1.84%
2020 Remuneration Policy (voted on December 11, 2020)	Binding	99.28%	0.72%

Financial Statements

Consolidated financial statements

Consolidated statement of income

For the year ended 31 December

Amounts in US$ '000	notes	2023	2022
Revenues	5	**245,316**	**205,622**
Costs of sales	7	**(25,212)**	**(17,562)**
Gross profit		**220,104**	**188,060**
Other income	6	**23,349**	**14,523**
Research and development		(68,914)	(52,531)
General and administrative		(55,877)	(46,016)
Marketing and sales		(124,049)	(85,803)
Other Operating Costs	7	**(248,840)**	**(184,350)**
Operating profit (loss)		**(5,387)**	**18,233**
Fair value gain (loss) on revaluation	13	(930)	(1,185)
Other finance income	8	3,663	4,485
Other finance expenses	8	(9,069)	(5,463)
Finance gain (cost) net		**(6,336)**	**(2,163)**
Share of net profits (loss) in associates using the equity method	13	**(289)**	**(1,083)**
Profit (loss) before tax		**(12,012)**	**14,987**
Income tax credit (expense)	9	1,464	(1,313)
Profit (loss) for the year		**(10,548)**	**13,674**
Basic earnings per share (US$)	27	(0.016)	0.021
Diluted earnings per share (US$)	27	(0.016)	0.019

The notes are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December

Amounts in US$ '000	notes	2023	2022
Profit (loss) for the year		**(10,548)**	**13,674**
Currency translation differences	18	5,936	(10,349)
Items that may be subsequently reclassified to profit or loss		**5,936**	**(10,349)**
Fair value remeasurement investments	18, 13.3	1,167	(705)
Items that shall not be subsequently reclassified to profit or loss		**1,167**	**(705)**
Other comprehensive income (loss), net of tax		**7,103**	**(11,054)**
Total comprehensive income (loss) for the year		**(3,445)**	**2,620**

The notes are an integral part of these financial statements.

Consolidated balance sheet

as at 31 December

Amounts in US$ '000	notes	2023	2022
Non-current assets			
Intangible assets	10	71,267	75,121
Property, plant and equipment	11	9,689	10,392
Right-of-use assets	12	23,777	28,753
Long-term prepayments		92	228
Deferred tax assets	9	29,761	22,973
Investment accounted for using the equity method	13	2,285	2,501
Investment in equity instruments designated as at FVTOCI	13	2,020	403
Investment in debt instruments designated as at FVTPL	13	6,093	6,827
Restricted cash	15	1,528	1,099
Total non-current assets		**146,512**	**148,297**
Current assets			
Inventories	16	56,760	42,326
Trade and other receivables	17	46,158	27,619
Restricted cash	15	—	213
Marketable securities	14	151,683	—
Cash and cash equivalents	15	61,741	207,342
Total current assets		**316,342**	**277,500**
Total assets		**462,854**	**425,797**

Amounts in US$ '000	notes	2023	2022
Equity			
Share capital		7,669	7,509
Share premium		478,431	462,297
Other reserves		(2,057)	(8,737)
Accumulated deficit		(265,262)	(256,431)
Shareholders' equity	18	**218,781**	**204,638**
Non-current liabilities			
Convertible bonds	19	136,598	131,618
Lease liabilities	20	29,507	29,843
Total non-current liabilities		**166,105**	**161,461**
Current liabilities			
Convertible bonds	19	1,824	1,768
Trade and other payables	21	72,528	54,465
Lease liabilities	20	3,616	3,465
Total current liabilities		**77,968**	**59,698**
Total equity and liabilities		**462,854**	**425,797**

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December

Amounts in US$ '000	notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total equity
Balance at January 1, 2022		**7,429**	**455,254**	**3,400**	**(273,167)**	**192,916**
Profit (loss) for the year		—	—	—	13,674	13,674
Other comprehensive income (loss) for the year	18	—	—	(11,054)	—	(11,054)
Total comprehensive income (loss) for the year		**—**	**—**	**(11,054)**	**13,674**	**2,620**
Other reserves	18	—	—	(1,083)	1,083	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	430	430
Share-based compensation	18, 22	—	—	—	6,392	6,392
Options exercised / LTIP shares issued	18	80	7,043	—	(4,843)	2,280
Total transactions with owners, recognized directly in equity		**80**	**7,043**	**(1,083)**	**3,062**	**9,102**
Balance at December 31, 2022		**7,509**	**462,297**	**(8,737)**	**(256,431)**	**204,638**
Profit (loss) for the year		—	—	—	(10,548)	(10,548)
Other comprehensive income (loss) for the year		—	—	7,103	—	7,103
Total comprehensive income (loss) for the year		**—**	**—**	**7,103**	**(10,548)**	**(3,445)**
Other reserves	18	—	—	(423)	423	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	204	204
Share-based compensation	18, 22	—	—	—	9,251	9,251
Options exercised / LTIP shares issued	18	160	16,134	—	(8,161)	8,133
Total transactions with owners, recognized directly in equity		**160**	**16,134**	**(423)**	**1,717**	**17,588**
Balance at December 31, 2023		**7,669**	**478,431**	**(2,057)**	**(265,262)**	**218,781**

The notes are an integral part of these financial statements. Further detail on the other reserves is included in note 18. Shareholders' equity.

Consolidated statement of cash flows

For the year ended 31 December

Amounts in US$'000	notes	2023	2022
Profit (loss) before tax		**(12,012)**	**14,987**
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Depreciation, amortization, impairment of non-current assets	7, 10,11,12	15,925	13,188
Gain on disposal of investment in associate	13	—	(12,242)
Equity settled share based payments	18	9,251	6,392
Fair value gain (loss) on revaluation	13	930	1,185
Gain on disposal from PRV sale		(21,279)	—
Other finance income	8	(3,663)	(4,485)
Other finance expenses	8	9,069	5,463
Share of net profits in associates using the equity method	13	289	1,083
Other		(1,079)	(1,576)
Operating cash flows before changes in working capital		**(2,569)**	**23,995**
Changes in working capital:			
Inventories	16	(14,434)	(15,016)
Trade and other receivables	17	(18,539)	2,364
Payables and other current liabilities	21	16,228	11,992
Restricted cash	15	(216)	273
Total changes in working capital		**(16,961)**	**(387)**
Interest received	8	2,883	85
Income taxes received (paid)	9	(655)	(1,235)
Net cash flows generated from (used in) operating activities		**(17,302)**	**22,458**
Capital expenditure for property, plant and equipment	11	(1,437)	(1,376)
Proceeds on PRV sale	10	21,279	—
Investment intangible assets	10	(27)	(601)
Proceed from sale of Investment associate	13	—	7,300
Purchases of marketable securities	13	(382,014)	—
Proceeds from sale of marketable securities	10	232,811	—
Net cash flows generated from (used in) investing activities		**(129,388)**	**5,323**
Payment of lease liabilities		(5,126)	(3,311)
Interests on loans and leases	19	(4,046)	(3,952)
Settlement of share based compensation awards	18	8,133	2,281
Net cash flows generated from (used in) financing activities		**(1,039)**	**(4,982)**
Increase (decrease) of cash		**(147,729)**	**22,799**
Exchange rate effects		2,128	(7,381)
Cash and cash equivalents at January 1	15	207,342	191,924
Total cash and cash equivalents at December 31		**61,741**	**207,342**

The notes are an integral part of these financial statements.

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Pharming Group N.V. ("the Company", "Pharming" or "the Group"), Leiden for the year ended December 31, 2023, were authorized for issue in accordance with a resolution of the Board of Directors on April 3, 2024. The financial statements are subject to adoption by the Annual General Meeting of shareholders, which has been scheduled for May 21, 2024.

Pharming Group N.V. is a limited liability public company, which is listed on Euronext Amsterdam ("PHARM"). The Company's American Depositary Shares ("ADSs") are listed on the Nasdaq Global Market ("Nasdaq") under the symbol "PHAR". Each ADS represents 10 of the Company's ordinary shares of €0.01 nominal value.

In January 2020, Pharming Group N.V. issued convertible bonds, see note 19. Convertible bonds. These bonds are listed on the Frankfurt Exchange (Börse Frankfurt: PHARMING GRP 20/25 CV).

The headquarters and registered office of Pharming Group N.V. is located at:
Darwinweg 24
2333 CR Leiden
The Netherlands

Pharming Group N.V. is registered at the Chamber of Commerce in the Netherlands under number 28048592.

Pharming Group N.V. is the ultimate parent company of Pharming Group. A list of subsidiaries is provided in note 2.3 Basis of consolidation.

Pharming Group N.V. is a global biopharmaceutical company dedicated to transforming the lives of patients with rare, debilitating, and life-threatening diseases. Pharming is commercializing and developing an innovative portfolio of protein replacement therapies and precision medicines, including small molecules, biologics, and gene therapies that are in early to late-stage development. Pharming is headquartered in Leiden, Netherlands, and has employees around the globe who serve patients in over 30 markets in North America, Europe, the Middle East, Africa, and Asia-Pacific.

Date of authorization of issue

The financial statements were signed and authorized for issue by the Board of Directors on April 3, 2024. The adoption of the financial statements are reserved for the shareholders in the Annual General Meeting of Shareholders (AGM) on May 21, 2024.

2. Accounting principles and policies

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations committee (IFRS IC) interpretations applicable to companies reporting under IFRS as endorsed by the European Union and valid as of the balance sheet date. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of financial statements in conformity with IFRS and Book 2 Title 9 of the Dutch Civil Code requires the use of certain material accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.5 Material accounting judgements and estimates.

These financial statements are presented in US Dollars (US$, USD) and rounded to the nearest thousand dollar ($'000), unless stated otherwise.

2.2 New and revised IFRS standards

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after January 1, 2023, as disclosed below.

- IFRS 17: Insurance contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of accounting estimates.
- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction.
- Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

The new and amended standards and interpretations that are issued, but are not yet effective or endorsed for use in the EU, up to the date of issuance of the Group's financial statements, which the Group intends to adopt, if applicable, when they become effective, are disclosed below.

- Amendments to IFRS 7 and IAS 7: Supplier Finance Arrangements.
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between investors and its associate or joint venture.
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
- Amendments to IAS 1: Non-current Liabilities with Covenants.

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Basis of consolidation

The consolidated financial statements include Pharming Group N.V. and its controlled subsidiaries, after the elimination of all intercompany transactions and balances. Subsidiaries are consolidated from the date the acquirer obtains effective control until control ceases.

An entity is considered effectively controlled if the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The financial statements of the subsidiaries are prepared for the same reporting year as Pharming Group N.V., using the same accounting policies. Intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

The following table provides an overview of the consolidated subsidiaries at December 31, 2023:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100
Pharming Americas B.V.	The Netherlands	100
Pharming Intellectual Property B.V.	The Netherlands	100
Pharming Technologies B.V.	The Netherlands	100
↳ Pharming Research & Development B.V.	The Netherlands	100
Broekman Instituut B.V.	The Netherlands	100
Pharming Healthcare, Inc.	The United States	100
ProBio, Inc.	The United States	100

2.4 Accounting principles and policies

Foreign currency translation

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements in US Dollars, the assets and liabilities of the Group's operations having euro as functional currency are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average

exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve. The EUR/USD exchange rate applied at December 31, 2023: was 1.1002 (2022: 1.0667). The average exchange rate applied in 2023 was 1.0790 (2022: 1.0543).

Distinction between current and non-current

An item is classified as current when it is expected to be realized (settled) within 12 months after the end of the reporting year. Liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Intangible assets acquired separately

Intangible assets acquired separately are measured at historical cost. The cost of intangible assets acquired in a business combination is recognized and measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Variable considerations that are part of the purchase of an intangible asset are recognized as a liability when the considerations become due.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired and at the end of each reporting period. The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Changes in the expected useful life, according to the straight-line method, or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the relevant expense category consistent with the function of the intangible asset.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Biological Assets

Under IAS 41 "Agriculture", management is required to assess whether 'biological assets' which are contributing to production of our cash flows should be accounted for as assets. Management has assessed Pharming's biological assets and conclude that these do not qualify to be recognized under the relevant standard IAS 41 "Agriculture" due to their uniqueness and very special transgenic nature and thus all relevant costs are expensed through the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation charges and accumulated impairment charges. Generally, depreciation is calculated using a straight-line basis over the estimated useful life of the asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

All costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, will be capitalized. These costs include direct employee benefits, rent and testing costs. Capitalization will be done until the asset is capable of operating in the manner intended by management.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Company).

At initial recognition, the Company measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, the Company classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income or iii) fair value through profit or loss on basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest of on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the legal reserve fair value revaluation. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'fair value gain

(loss) on revaluation' line item (note 13. Investments). Fair value is determined in the manner described in note 13. Investments.

Impairment of assets

Assets that have an indefinite useful life and assets not yet available for use are not subject to depreciation or amortization and are tested at least annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets for which an impairment loss is recorded, are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the First in First out (FIFO) method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are recognized initially at transaction price. Subsequent measurement is at amortized cost using the effective interest method, less the expected credit loss. Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit loss. The Company assesses the expected credit loss that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments (maturity less than 3 months) readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents do not include restricted cash.

Marketable securities

Marketable securities are financial assets held for short-term purposes which are principally traded in liquid markets and are classified within current assets on the consolidated balance sheet. Marketable securities are measured as financial assets as described above. The financial impacts related to Marketable securities are recorded in 'Other finance income' in the consolidated statement of income. The cash (re)payments relating to Marketable securities are classified as investing activities. The cash flows relating to interest from Marketable securities held at amortized cost are classified as cash flows generated from operating activities.

Equity

The Company only has ordinary shares, and these are classified within equity upon issue. Shares transferred in relation to settlement of (convertible) debt are measured at fair value with fair value based on the closing price of the shares on the trading day prior to the settlement date. Equity is recognized upon the recognition of share-based payment expenses; shares issued upon exercise of such options are measured at their exercise price.

Transaction costs associated with an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs related to the issue of a compound financial instrument are allocated to the liability and equity components of the instruments in proportion to the allocation of proceeds.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (derivative financial liabilities) or financial liabilities at amortized cost (trade and other payables). All financial liabilities at amortized cost are initially recognized at the fair value of the consideration received less directly attributable transaction costs; transaction costs related to the issue of a compound financial instrument are allocated to the liability and equity components of the instruments in proportion to the allocation of proceeds. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of income when the liabilities are paid off or otherwise eliminated as well as through the amortization process. Purchases and sales of financial liabilities are recognized at settlement date.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an

exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Convertible bonds

The component parts of convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

The equity component is not remeasured after initial recognition. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible bond using the effective interest method.

In the case the Company extinguishes the convertible bond before maturity through an early redemption or repurchase the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, will be recognized in profit or loss.

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The expense relating to any provision is presented in the statement of income net of any reimbursement.

Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent measurement is at amortized cost using the effective interest method.

Revenue recognition

In order to determine when to recognize revenue and at what amount, the Company applies the following five steps, based on transfer of control over goods to the customer:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods that are distinct;
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

All of the Group's revenue from contracts with customers is derived from delivery of goods, specifically pharmaceutical products. The Group does not provide any additional services (including financing services) or equipment to its customers. In accordance with IFRS 15, revenue is recognized when the customer obtains control of the goods. For the Group's contracts the customer usually obtains control immediately after shipment of the product, which arrives at the customer within a short time frame.

The vast majority of the Group's contracts for revenue with customers are subject to chargebacks, discounts and/or rebates relating directly to customers or to ultimate reimbursement claims from

government or insurance payers. These are accounted for on an estimated net basis, with any actual discounts and rebates used to refine the estimates in due course. These variable elements are deducted from revenue in the same period as the related sales are recorded. Due to the nature of these variable elements, it is not practicable to give meaningful sensitivity estimates due to the large volume of variables that contribute to the overall discounts, rebates and chargebacks accruals.

Other income

Other income consists of gains upon sale of investments, income from government grants and gain on the sale of the Rare Pediatric Disease Priority Review Voucher (PRV).

Pharming receives certain grants which support the Company's research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in various grants. Subsidies are recognized if the Company can demonstrate it has complied with all attached conditions and it is probable that the grant amount will be received. Grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

The Company includes income from grants under other income in the statement of income in order to enable comparison of its statement of income with companies in the life sciences sector.

Pharming was granted the PRV by the Food and Drug Administration (FDA) in March 2023 in connection with the approval of Joenja®. The sale price was a contractually defined sales price pursuant to the terms of the August 2019 exclusive license agreement between Pharming and Novartis for leniolisib. Management made an assessment on the classification of this transaction, taking into account the requirements in IAS 1 and concluded that it is most appropriate to classify the transaction in Other income.

Pension plan

For all Dutch employees, 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 United States are enabled to participate in a 401k plan, which also qualifies as a defined contribution plan. To become an eligible participant, an employee must complete 6 months of service and attain the age of 18 years. The employer matches 100% of the first 3% the employee contributes to their 401k plan and 50% of any amount over 3% up to 5%. Any employee contribution over 5% is not matched. Costs of the 401k plan are expensed in the year in which the related employee services are rendered.

Share-based payment

The costs of option plans are measured by reference to the fair value of the options on the date on which the options are granted. The fair value is determined using the Black-Scholes model. The costs of these options are recognized in the income statement (share-based compensation) during the vesting period, together with a corresponding increase in equity (other reserves). Share-based payment charges do not affect liabilities or cash flows in the year of expense since all transactions are equity-settled.

Pharming's employee option plan states that an employee is entitled to exercise the vested options within five years after the date of the grant. The period in which the options become unconditional is defined as the vesting period.

Long Term Incentive Plan

For a limited number of board members and officers, performance shares are granted free of charge. A maximum number of predetermined shares vest three years after the grant date, provided that the participant to the long-term incentive plan is still in service (continued employment condition), with actual shares to be transferred based on the relative achievement of Pharming's share price compared to a peer group. The maximum number of shares immediately vests upon a change of control.

The fair value is determined using Monte Carlo simulation. The costs of the LTIP are recognized in the income statement during the vesting period. The fair value at the grant date includes the market performance condition (relative total shareholder return performance) but excludes the three-year service condition. The performance includes Total Shareholder Return (40% weighing) and achievement of long-term strategy-oriented objectives (60% weighing). The Total Shareholders Return is compared to a peer group.

The shares granted to the Executive Director under the LTIP, will vest in 3 years after the grant date, subject to the achievement of targets for a three-year performance period, their relative weightings and the pay-out limits. All shares will be subject to a retention period of 5 years from the date of grant. In order to fully become entitled to the shares vesting under the LTI conditions the participant must be a member of the Board of Directors as Executive Board Member at the vesting date.

The costs of the LTIP are recognized in the income statement during the vesting period.

Restricted Stock Unit Plan

For a limited number of board members and officers, restricted stock units are granted free of charge. A maximum number of predetermined shares vest four years after the grant date, provided that the participant to the long-term incentive plan is still in service (continued employment condition).

The fair value is determined to be the market price at the grant date. The costs of the RSU grant are recognized in the income statement during the vesting period.

Leases

The Group assesses whether a contract is or contains a lease at the inception of the contract.
The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability. The related payments are recognized as an expense in the period in which the event or condition triggers those payments occur.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. For contracts that contain lease components and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has not used this practical expedient.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to use those temporary differences and losses. The Company has assessed all its income tax amounts and provisions in the light of IFRIC 23 'Accounting for Uncertain Income Taxes', and has concluded that it is probable that its particular tax treatment will be accepted in all relevant jurisdictions and thus it has determined taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Earnings per share

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans and convertible loan agreements.

2.5 Material accounting judgements and estimates

The preparation of financial statements requires judgments and estimates that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements:

Biological Assets

Under IAS 41 "Agriculture", management is required to assess whether 'biological assets' which are contributing to production of our cash flows should be accounted for as assets. Management has assessed Pharming's biological assets and conclude that these do not qualify to be recognized under the relevant standard IAS 41 "Agriculture" due to their uniqueness and very special transgenic nature and thus all relevant costs are expensed through the income statement.

Estimates:

Revenue - U.S. Revenue Rebate Accruals

Revenue is recognized when control has been transferred to the customer. Revenue is reduced by chargebacks and rebates for government healthcare programs, discounts to specialty pharmacies and wholesalers, and product returns given or expected to be given, which vary by patient groups. Chargebacks and rebates for healthcare programs depend upon the submission of claims sometime after the initial recognition of the sale. The liability for this variable consideration is made, at the time of sale, for the estimated chargebacks and rebates, mainly US Medicaid, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of patient groups. The level of these liabilities is being reviewed and adjusted regularly in the light of contractual and legal obligations, historical charges and trends, past experience and

projected mixtures of patient groups. The Group acquires this information from both internal resources and external parties.

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

3. Going concern assessment

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. These consolidated financial statements have been prepared for the Group as a going concern.

The 2023 year-end balance of cash and cash equivalents, restricted cash and marketable securities of US$215.0 million is expected to fund the Company for more than twelve months from the date of this report.

Following the FDA approval of Joenja® (leniolisib) on March 24, 2023, the Company has increased investments in strengthening the organization and marketing and sales activities. The Board of Directors anticipates further investments in the preparations for the launch and commercialization of leniolisib in other key global launch markets in 2024. These investments will have a negative effect on the result in the year 2024. Consequently, cash and cash equivalents, restricted cash and marketable securities may reduce during the year as the company invests in its future. Revenue from Joenja® is expected to grow from 2024 onwards. The company remains confident in the robustness of RUCONEST® sales, growth and expansion of Joenja® sales and the expansion of its pipeline.

Presently, however, no further assurance can be given on either the timing or size of future profits. In addition, in the event that the Company needs to raise capital by issuing additional shares, shareholders' equity interests may be diluted as to voting power, and their interests as to value will depend on the price at which such issues are made. The Company sees no further need to raise capital to support its current operations, but may take an opportunity to do so in either equity issue or through an expansion of the current convertible debt or to raise debt, or through a combination of such instruments, to support an acquisition or in-licensing of additional assets, if appropriate terms can be obtained that are in the best interests of shareholders.

Macro-economic developments like pressure on energy supply, increased inflation and higher interest rates have an impact on Pharming and are managed by price increases on our products in line with CPI development and fixed interest on our convertible bond.

Overall, based on the outcome of this assessment, Pharming's 2023 financial statements have been drawn up on the basis of a going concern assumption. Notwithstanding their belief and confidence that Pharming will be able to continue as a going concern, the Executive Directors and Officers emphasize that the actual cash flows may potentially ultimately deviate up or down from our projections to various reasons. In the absence of an (improbable) absolute catastrophe such as banning of the product from sale in a major market, the Executive Directors and Officers believe that the Company will have more than sufficient resources to meet all obligations as they fall due.

Ukraine / Russian war

Management performed a risk assessment related to the war in Ukraine and determined that the war itself, the effect of the sanctions or the ramifications of the war will not have a material impact on the Pharming business.

4. Segment information

Operating segments are components of the Company that engage in business activities from which it may incur expenses, for which discrete financial information is available and whose operating results are evaluated regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance. The Executive Members of the Board of Directors are considered the CODM.

CODM reviews the Company's results under four operating segments based on a combination of the products that the Company has launched - RUCONEST® and Joenja®, and the main geographies where sales are consummated - focused on the US and reporting, in aggregate, Europe and Rest of the World ("RoW"). The four operating segments correspond to each of its four reportable segments for financial reporting purposes.

Joenja® was launched in 2023 and therefore Joenja® related operating segments and comparative information for 2022 is not available.

The CODM reviews revenues and gross profit to assess the performance of their operating segments. The CODM does not review financial information on a segmental basis below gross margin, and balance sheet information is not allocated to the company's reportable segments. There are no intersegment sales.

Total revenues and gross profit per each operating and reportable segment for the period ended for the years ended December 31, 2023 and 2022 are:

Amounts in US$ '000	2023			2022		
	RUCONEST®	Joenja®	Total	RUCONEST®	Joenja®	Total
Revenues:						
US	221,213	17,894	**239,107**	200,082	—	200,082
Europe and RoW	5,921	288	**6,209**	5,540	—	5,540
Total revenues	**227,134**	**18,182**	**245,316**	**205,622**	**—**	**205,622**
Gross profit:						
US	202,441	15,417	**217,858**	186,263	—	186,263
Europe and RoW	2,026	220	**2,246**	1,797	—	1,797
Total gross profit	**204,467**	**15,637**	**220,104**	**188,060**	**—**	**188,060**

Substantially all of the Company's non-current assets are located in The Netherlands.

5. Revenues

The increase in revenues was driven by higher sales of RUCONEST® in the U.S. market (US$221.2 million in 2023 compared to US$200.1 million in 2022) and the first sales of Joenja® subsequent to the FDA approval in March 2023 (US$17.9 million in 2023). Revenues of RUCONEST® in Europe and Rest of World amounted to US$5.9 million in 2023 compared to US$5.5 million in 2022.

Two U.S. customers represent approximately US$204.3 million (83%) of our net revenues in 2023, per customer US$108.4 million and US$95.9 million respectively. In 2022 these two, U.S. customers represent approximately US$173.6 million (84%) of our net revenues, per customer US$89.3 million and US$84.3 million respectively. These customers are largely specialty wholesale companies that are specialized in distribution of pharmaceuticals in our and competitors' disease area and distribute our product.

6. Other income

Other income related to the following:

Amounts in US$ '000	2023	2022
Grants	1,784	1,774
Gain on divestment in associates	—	12,242
Proceeds from PRV sale	21,279	—
Other	286	507
Total	**23,349**	**14,523**

The received grants amounted to US$1.8 million in 2023 (US$1.8 million in 2022). The grants are annual payroll-tax reimbursement granted by the Dutch and French governments for research and development activities actually conducted by the Company in those countries.

In June 2023, Pharming announced that it had entered into a definitive agreement to sell its Rare Pediatric Disease Priority Review Voucher (PRV) to Novartis for a one-time payment of US$21.3 million. Pharming was granted the PRV by the FDA in March 2023 in connection with the approval of Joenja®. The sale price was a contractually defined percentage of the PRV value pursuant to the terms of the August 2019 exclusive license agreement between Pharming and Novartis for leniolisib. The amount differs from the previously disclosed US$21.1 million in the press release of the second quarter of 2023 due to currency fluctuations throughout the year.

In 2022, Pharming reduced its minority stake in BioConnection from 43.85% to 22.98%. As a result of this one-off transaction, Pharming has recognized a gain of US$12.2 million in 2022.

7. Expenses by nature

Costs of sales

Costs of sales in 2023 and 2022 were as follows:

Amounts in US$ '000	2023	2022
Cost of inventories recognized as expenses	(21,404)	(17,398)
Royalty fees	(2,145)	—
Obsolete inventory impairments	(1,663)	(164)
Total	**(25,212)**	**(17,562)**

Pharming expensed royalty fees to Novartis on Joenja® sales, amounting to US$2.1 million in 2023 (2022: US$0.0 million). See note 25. Commitments and contingencies for further information on the royalty fees to Novartis. Obsolete inventory impairment stems from the valuation of the inventories against lower net realizable value and mainly relates to products no longer eligible for commercial sales. Impairments related to inventories designated for commercial activities amounted to a charge of US$1.7 million in 2023 (2022: US$0.2 million).

Costs of research and development

Research and development costs are specified as follows:

Amounts in US$ '000	2023	2022
Employee costs	(26,830)	(20,595)
Amortization costs intangible assets	(218)	(55)
Impairment losses intangible assets	(253)	—
Depreciation Property, plant and equipment and right of use assets	(1,636)	(1,602)
Direct Operating Expenses	(36,226)	(27,107)
Other indirect research and development costs	(3,751)	(3,172)
Total research and development costs	**(68,914)**	**(52,531)**
As percentage of net sales	*(28)%*	*(26)%*

Operating expenses for research and development activities increased to US$68.9 million in 2023 from US$52.5 million in 2022. The increase in costs mainly relates to current year's spend in research in, and approval of, leniolisib for the treatment of activated Phosphoinositide 3-kinase Delta syndrome (APDS). The cost increase also relates to clinical trials for APDS patients under 12 years old and research on the use of leniolisib for additional primary immunodeficiencies (PIDs) beyond APDS.

Primarily due to these costs, both the direct operating expenses and the employee costs have increased in 2023.

Costs of general and administrative activities

General and administrative costs are specified as follows:

Amounts in US$ '000	2023	2022
Employee costs	(21,216)	(14,868)
Amortization costs IFA	(650)	(492)
Depreciation PPE and right of use assets	(3,118)	(2,525)
Impairment losses PPE and right of use assets	(4,663)	(4,376)
Direct Operating Expenses	(11,240)	(9,038)
Other indirect general and administrative costs	(14,990)	(14,717)
Total general and administrative costs	**(55,877)**	**(46,016)**
As percentage of net sales	*(23)%*	*(22)%*

Operating expenses for general and administrative activities increased to US$55.9 million in 2023 from US$46.0 million in 2022. The increased costs are mainly related to the increased employee costs resulting from more staff employed following the growth of the organization. The increase in impairment losses is mainly related to revised recoverable amount calculations, taking into account decreased expected annual sublease prices for impaired assets such as our cancelled downstream production capacity at Pivot Park in Oss, the Netherlands.

Costs of marketing and sales activities

Marketing and sales costs are specified as follows:

Amounts in US$ '000	2023	2022
Employee costs	(44,478)	(32,858)
Amortization costs intangible assets	(4,985)	(3,765)
Depreciation PPE and right of use assets	(403)	(372)
Direct Operating Expenses	(67,366)	(42,398)
Other indirect marketing and sales costs	(6,817)	(6,410)
Total marketing and sales costs	**(124,049)**	**(85,803)**
As percentage of net sales	*(51)%*	*(42)%*

Operating expenses for marketing and sales increased in 2023 to US$124.0 million from US$85.8 million in 2022. The increased costs are mainly related to the further expansion of the commercial organization and infrastructure in the U.S., Europe and other key global launch markets, in view of the FDA approval in March 2023 and the anticipated approval by other regulatory authorities in 2024. In addition, Pharming has paid US$10.4 million in Development and Regulatory Milestone payments as a result of the first commercial sale of Joenja® in 2023, which is recorded as direct operating expenses. See note 25. Commitments and contingencies for more information on the leniolisib milestone commitments.

Employee benefits

Amounts in US$ '000	2023	2022
Salaries	(71,690)	(53,328)
Social security costs	(8,604)	(6,317)
Pension costs	(2,980)	(2,284)
Share-based compensation	(9,251)	(6,392)
Total	**(92,525)**	**(68,321)**

Salaries include holiday allowances and cash bonuses for staff.

Employee benefits are included in:

Amounts in US$ '000	2022	2022
Research and development	(26,830)	(20,595)
General and administrative	(21,216)	(14,868)
Marketing and sales	(44,479)	(32,858)
Total	**(92,525)**	**(68,321)**

The number of employees

Average full time equivalent	2023	2022
Research and development	131	138
General and administrative	104	69
Marketing and sales	100	77
Production	47	48
Total	**382**	**332**

The average number of full time equivalents (FTEs) working outside the Netherlands was 181 (2022: 133). The increase of the total number of FTEs was in line with the overall business growth across the Company. Employee benefits of production related FTEs have been included in the value of inventories. In the financial statements of 2022 the production related average FTEs were disclosed as part of research and development.

Employee benefits are charged to research and development costs, general and administrative costs, or marketing and sales costs based on the nature of the services provided by each employee.

Depreciation and amortization charges

Amounts in US$ '000	notes	2023	2022
Property, plant and equipment	11	(1,494)	(1,993)
Intangible assets	10	(5,852)	(4,312)
Right of use assets	12	(3,664)	(2,565)
Total		**(11,010)**	**(8,870)**

The increase of depreciation charges and amortization charges in 2023 as compared to 2022 mainly stems from amortization charges for our Joenja® license subsequent to the FDA approval in March 2023.

Independent auditor's fees

Both the 2023 and the 2022 audit were performed by Deloitte Accountants B.V.

Amounts in US$ '000	2023	2022
Audit Fees	(1,328)	(1,357)
Audit Related Fees	—	—
Tax advisory	—	—
Total	**(1,328)**	**(1,357)**

8. Other finance income and expenses

Amounts in US$ '000	2023	2022
Interest income	3,663	85
Foreign currency gains	—	4,400
Other finance income	**3,663**	**4,485**
Interest on convertible bonds	(4,876)	(4,736)
Interest leases	(1,088)	(622)
Other finance expenses	(134)	(105)
Foreign currency losses	(2,971)	—
Other finance expenses	**(9,069)**	**(5,463)**
Total other finance income and expenses	**(5,406)**	**(978)**

Interest income

Since 2023, the Company has used excess cash to invest in euro denominated readily convertible S&P AAA-rated government treasury certificates with a maturity of six months or less from the date of acquisition. As a result of these purchases and generally increased interest rates, the interest income has increased significantly compared to 2022.

Foreign currency results

These results primarily follow from the revaluation of bank balances which are denominated in foreign currencies, mainly U.S. dollars, and the timing of foreign currency payments against the actual exchange rate as compared to the original exchange rate applied upon the charge of fees or expenses. The losses in 2023 are mainly a result of the revaluation of monetary items in U.S. dollars, incorporated in our Dutch entities where the functional currency is euro.

Interest on convertible bonds

Interest on convertible bonds in 2023 and 2022 relate to coupons and the amortized costs on the convertible bonds as disclosed in note 19. Convertible bonds. The amortized costs are calculated at the effective rate of interest, which takes account of any equity component on recognition such as early repayment options.

9. Income tax

Income taxes on ordinary activities

The following table specifies the current and deferred tax components of income taxes in the income statement:

Amounts in US$ '000	2023	2022
Income tax credit (expense)		
Current tax		
Current tax on profit or loss for the year	(5,343)	(3,761)
Adjustments for current tax of prior periods	241	(9)
Total current tax expense	**(5,102)**	**(3,770)**
Deferred income tax		
Deferred tax on profit or loss for the year	6,639	2,581
Adjustments for deferred tax of prior periods	(73)	(124)
Total deferred tax credit (expense)	6,566	2,457
Income tax credit (expense)	**1,464**	**(1,313)**

Effective income tax rate

Pharming Group's effective rate in its consolidated income statement differed from the Netherlands' statutory tax rate of 25.8%. The following table reconciles the tax credit (expense) at the statutory rate to actual credit (expense) for the year in the consolidated income statement:

Amounts in US$ '000	**2023**	2022
Reconciliation of tax charge		
Profit, (loss) before taxation	(12,012)	14,987
Profit/(loss) multiplied by		
standard rate of tax in The Netherlands	3,099	(3,866)
Effects of:		
Tax rate in other jurisdictions	1,123	554
Non-taxable income	6	2,680
Non deductible expenses	(266)	(7)
Share based payments	(2,022)	(531)
Adjustments of prior periods	168	15
Change in statutory applicable tax rate	—	(1)
Other	(644)	(157)
Income tax credit (expense) for the year	**1,464**	**(1,313)**

Factors affecting current and future tax charges

The main difference between the nominal tax and the effective tax for the year 2023 can be explained by the effects of non-taxable income, mainly related to the other income generated from the dilution of shares of our investment accounted for using the equity method in 2022 and share-based payments, U.S. State taxes and the effect of taxable income generated and taxed in jurisdictions where tax rates differ from the statutory rate in The Netherlands.

Deferred tax

The balance of the net deferred tax assets/(liabilities) is therefore shown below:

Amounts in US$ '000	2023	2022
Total deferred tax assets	37,863	29,211
Total deferred tax liabilities	(8,102)	(6,238)
Total net deferred tax assets (liabilities)	**29,761**	**22,973**

The deferred tax assets and liabilities are offset to the extent there is a legally enforceable right to set off current tax assets against current tax liabilities and to the extent the intention exists to settle on a net basis or realize the asset and settle the liability simultaneously.

The significant components and annual movements of deferred income tax assets as of 31 December, 2023 and 31 December 2022, are as follows:

Amounts in US$ '000	2023	2022
Intangible assets	2,183	9,876
Accruals	4,151	2,026
Lease liabilities	7,063	7,042
Unrealized profit in inventory	8,453	3,176
Other	3,484	3,545
Tax losses	12,529	3,546
Total deferred tax assets	**37,863**	**29,211**

Amounts in US$ '000	Intangible assets	Lease liabilities	Accruals	Unrealized profit in inventory	Other	Tax losses	Total
At January 1, 2022	**10,493**	**3,795**	**2,289**	**—**	**2,672**	**7,776**	**27,025**
(Charged)/credited							
- to profit or loss	—	3,431	(263)	3,139	607	(3,814)	3,100
- other movement	—	—	—	—	(28)	—	(28)
- to accumulated deficit	—	—	—	—	337	—	337
- currency translation	(617)	(184)	—	37	(43)	(416)	(1,223)
At December 31, 2022	**9,876**	**7,042**	**2,026**	**3,176**	**3,545**	**3,546**	**29,211**
(Charged)/credited							
- to profit or loss	(7,806)	(177)	2,103	5,077	566	8,702	8,465
- other movement	—	(19)	22	—	(192)	—	(189)
- to accumulated deficit	—	—	—	—	(457)	—	(457)
- currency translation	113	217	—	200	22	281	833
At December 31, 2023	**2,183**	**7,063**	**4,151**	**8,453**	**3,484**	**12,529**	**37,863**

Based upon the Company's latest budget for 2024 and its long-range forecasts for the three years thereafter, it is considered probable that there will be sufficient taxable profits in the future to realize the deferred tax assets, and therefore these assets should continue to be recognized in these financial statements.

Accruals represent deferred tax assets recognized for temporary differences between the carrying amount and tax bases of accrued liabilities in the U.S.

The increase in the deferred tax for other is primarily due to recognition of the deferred tax asset for future tax reductions related to share-based payments in the U.S.

The unused tax losses were incurred by the Dutch fiscal unity and Pharming Healthcare.

The calculation of the deferred tax asset is as shown below:

Amounts in US$ '000	2023	2022
Net Operating Losses - Netherlands		
Net Operating Losses at year-end	48,490	13,556
Portion selected for deferred tax asset	48,490	13,556
Tax rates used:		
2023 and later: 25.8% (2022: 25.8%)	12,511	3,497
Total tax effect Netherlands	**12,511**	**3,497**
Net Operating Losses - U.S.		
Net Operating Losses at year-end	260	670
Portion selected for deferred tax asset	260	670
Tax rate used:		
2023 and later: 27.65% (2022: 28.26%)	19	49
Total tax effect U.S.	**19**	**49**
Tax effect Netherlands - losses deferred	12,511	3,497
Tax effect U.S. - losses deferred	18	49
Total deferred tax asset	**12,529**	**3,546**

The current part of the net deferred tax assets is US$10.5 million (2022: US$5.4 million).

The component and annual movement of deferred income tax liabilities as of 31 December, 2023 and 31 December 2022, are as follows:

Amounts in US$ '000	2023	2022
Tangible fixed assets	(4,865)	(6,238)
Other liabilities	(3,237)	—
Total deferred tax liabilities	**(8,102)**	**(6,238)**

Amounts in US$ '000	Tangible fixed assets	Other liabilities	Total
At January 1, 2022	**(4,149)**	**(1,660)**	**(5,809)**
(Charged)/credited			
- to profit or loss	(2,302)	1,660	(642)
- other movement	28	—	28
- currency translation	185	—	185
At December 31, 2022	**(6,238)**	**—**	**(6,238)**
(Charged)/credited			
- to profit or loss	1,516	(3,414)	(1,898)
- other movement	13	178	191
- currency translation	(156)	(1)	(157)
At December 31, 2023	**(4,865)**	**(3,237)**	**(8,102)**

10. Intangible assets

Amounts in US$ '000	RUCONEST® for HAE (EU)	Development costs	RUCONEST® licenses	Joenja® license	Software	Total
At cost	598	7,180	71,811	25,185	4,255	109,029
Accumulated:						
Amortization charges	(598)	—	(17,441)	—	(242)	(18,281)
Impairment charges	—	(6,914)	—	—	—	(6,914)
Carrying value at January 1, 2022	**—**	**266**	**54,370**	**25,185**	**4,013**	**83,834**
Amortization charges	—	—	(3,597)	—	(720)	(4,317)
Impairment charges	—	—	—	—	—	—
Assets acquired	—	—	—	—	601	601
Divestments - cost	—	(6,431)	—	—	—	(6,431)
Divestment - accumulated amortization	—	—	—	—	—	—
Divestment - impairment charges	—	6,431	—	—	—	6,431
Currency translation - cost	(35)	(499)	(4,228)	(1,482)	(235)	(6,479)
Currency translation - amortization	35	—	984	—	(20)	999
Currency translation - impairment	—	483	—	—	—	483
Movement 2022	**—**	**(16)**	**(6,841)**	**(1,482)**	**(374)**	**(8,713)**
At cost	563	250	67,583	23,703	4,621	96,720
Accumulated:						
Amortization charges	(563)	—	(20,054)	—	(982)	(21,599)
Impairment charges	—	—	—	—	—	—
Carrying value at December 31, 2022	**—**	**250**	**47,529**	**23,703**	**3,639**	**75,121**

Amounts in US$ '000	RUCONEST® for HAE (EU)	Development costs	RUCONEST® licenses	Joenja® license	Software	Total
At cost	563	250	67,583	23,703	4,621	96,720
Accumulated:						
Amortization charges	(563)	—	(20,054)	—	(982)	(21,599)
Impairment charges	—	—	—	—	—	—
Carrying value at January 1, 2023	**—**	**250**	**47,529**	**23,703**	**3,639**	**75,121**
Amortization charges	—	—	(3,681)	(1,300)	(884)	(5,865)
Impairment charges	—	(253)	—	—	—	(253)
Assets acquired	—	—	—	—	27	27
Divestments - cost	—	(253)	—	—	(18)	(271)
Divestment - accumulated amortization	—	—	—	—	12	12
Divestment - impairment charges	—	253	—	—	—	253
Currency translation - cost	18	3	2,126	744	142	3,033
Currency translation - amortization	(18)	—	(702)	(26)	(44)	(790)
Currency translation - impairment	—	—	—	—	—	—
Movement 2023	**—**	**(250)**	**(2,257)**	**(582)**	**(765)**	**(3,854)**
At cost	581	—	69,709	24,447	4,772	99,509
Accumulated:						
Amortization charges	(581)	—	(24,437)	(1,326)	(1,898)	(28,242)
Impairment charges	—	—	—	—	—	—
Carrying value at December 31, 2023	**—**	**—**	**45,272**	**23,121**	**2,874**	**71,267**

Category	Description	Amortization period	
		Total	Remaining
RUCONEST® for HAE (EU)	RUCONEST® for HAE (EU) development costs	10 years	Fully amortized
RUCONEST® license	RUCONEST® license for HAE (US)	20 years	13 years
RUCONEST® license	RUCONEST® license for HAE (EU)	12 years	8 years
Joenja® license	Joenja® license for APDS	14 years	13 years
Software	Software development costs	3 to 5 years	2 to 5 years

RUCONEST® for HAE (EU)

The Company has capitalized development costs in relation to RUCONEST® for HAE in the European Union. Following market launch of the product in 2010 the amortization of the asset started, and no further development costs have been capitalized in respect to this item since then. These development costs are fully amortized since the end of 2021.

Development costs

In 2018, the Company started to modify the current product RUCONEST® for more convenient forms of administration for use by the patient. This was expected to have resulted in better variants of the existing product. In 2021, the asset was fully impaired. In 2022, the assets have been disposed.

In 2014, the Company acquired assets from Transgenic Rabbit Models SASU, for a total amount of US$0.5 million, which was recognized as intangible assets related to development costs of two new product leads: alpha-glucosidase for Pompe disease and alpha-galactosidase for Fabry's disease. In 2021, the asset relating to alpha-galactosidase for Fabry's disease was fully impaired. In 2022 this asset has been disposed.

During 2023, the Company decided to discontinue the Pompe disease program and therefore impaired and disposed the remaining assets related to the development costs for alpha-glucosidase for Pompe disease.

RUCONEST® license (referred to as "Re-acquired rights and licenses" in 2022)

The RUCONEST® license relates to the RUCONEST® acquisition of all North American commercialization rights from Bausch Health in 2016 and the RUCONEST® acquisition of all European commercialization and distribution rights from Swedish Orphan International AB ("Sobi") in 2020.

Joenja® license (referred to as 'Novartis license' in 2022)

In August 2019, Pharming entered into a development collaboration and license agreement with Novartis to develop and commercialize leniolisib, a small molecule phosphoinositide 3-kinase delta (P13Kδ) inhibitor being developed by Novartis to treat patients with Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). In 2023 no additional development costs were capitalized. Following FDA approval per March 24, 2023, the amortization of the Joenja® license commenced.

Software

Amortization of software is mainly related to our ERP system SAP S/4HANA.

11. Property, plant and equipment

Amounts in US$ '000	Land	Operational facilities	Leasehold Improvement	Machinery and equipment	Other	Asset under construction	Total
At cost	31	5,200	5,706	14,840	4,158	623	30,558
Accumulated depreciation	—	(2,839)	(2,035)	(10,572)	(1,890)	—	(17,336)
Carrying value at January 1, 2022	**31**	**2,361**	**3,671**	**4,268**	**2,268**	**623**	**13,222**
Investments	—	54	15	797	504	6	1,376
Internal transfer - cost	—	—	42	380	170	(592)	—
Internal transfer - accumulated depreciation	—	—	—	—	—	—	—
Other - cost	—	—	—	—	—	—	—
Other - accumulated depreciation	—	—	—	—	—	—	—
Divestments	(29)	(214)	(107)	(6,422)	(27)	—	(6,799)
Impairment	—	(72)	(55)	(377)	(13)	—	(517)
Depreciation charges	—	(403)	(294)	(1,116)	(822)	—	(2,635)
Depreciation of disinvestment	—	214	107	6,097	27	—	6,445
Currency translation - cost	(2)	(309)	(319)	(940)	(101)	(31)	(1,702)
Currency translation - accumulated depreciation	—	162	114	676	50	—	1,002
Movement 2022	**(31)**	**(568)**	**(497)**	**(905)**	**(212)**	**(617)**	**(2,830)**
At cost	—	4,659	5,282	8,278	4,691	6	22,916
Accumulated depreciation	—	(2,866)	(2,108)	(4,915)	(2,635)	—	(12,524)
Carrying value at December 31, 2022	**—**	**1,793**	**3,174**	**3,363**	**2,056**	**6**	**10,392**

Amounts in US$ '000	Land	Operational facilities	Leasehold Improvement	Machinery and equipment	Other	Asset under construction	Total
At cost	—	4,659	5,282	8,278	4,691	6	22,916
Accumulated depreciation	—	(2,866)	(2,108)	(4,915)	(2,635)	—	(12,524)
Carrying value at January 1, 2023	**—**	**1,793**	**3,174**	**3,363**	**2,056**	**6**	**10,392**
Investments	—	32	60	682	488	175	1,437
Internal transfer - cost	—	—	—	—	6	(6)	—
Internal transfer - accumulated depreciation	—	—	—	—	—	—	—
Other - cost	—	74	60	432	—	—	566
Other - accumulated depreciation	—	(59)	(59)	(434)	—	—	(552)
Divestments	—	—	(14)	(11)	(120)	—	(145)
Impairment	—	—	—	—	—	—	—
Depreciation charges	—	(365)	(258)	(860)	(919)	—	(2,402)
Depreciation of disinvestment	—	—	8	6	120	—	134
Currency translation - cost	—	148	158	279	66	4	655
Currency translation - accumulated depreciation	—	(98)	(70)	(183)	(45)	—	(396)
Movement 2023	**—**	**(268)**	**(115)**	**(89)**	**(404)**	**173**	**(703)**
At cost	—	4,913	5,546	9,660	5,131	179	25,429
Accumulated depreciation	—	(3,388)	(2,487)	(6,386)	(3,479)	—	(15,740)
Carrying value at December 31, 2023	**—**	**1,525**	**3,059**	**3,274**	**1,652**	**179**	**9,689**

Category	Depreciation period
Land	Not depreciated
Operational facilities	10-20 years
Leasehold improvements	5-15 years
Machinery and equipment	5-10 years
Other property, plant & equipment	5-10 years

In 2023, the Company had capital expenditures of US$1.4 million (2022: US$1.4 million), mainly related to new machinery and equipment.

Depreciation charges on production related property, plant and equipment of US$0.9 million in 2023 (2022: US$1.0 million) have been included in the value of inventories and an amount of US$1.5 million of the total 2023 depreciation costs has been charged to the statement of income (2022: US$1.6 million).

The divestments during 2022 mainly relate to fully depreciated assets which were disposed.

12. Right-of-use assets

This note provides information for leases where the Group is a lessee.
The balance sheet shows the following amounts relating to leases:

Amounts in US$ '000	Buildings	Cars	Total
At cost	22,999	2,380	25,379
Accumulated depreciation	(4,296)	(1,140)	(5,436)
Carrying value at January 1, 2022	**18,703**	**1,240**	**19,943**
Additions	14,640	1,741	16,381
Remeasurement	426	—	426
Divestments	(292)	(739)	(1,031)
Depreciation charges	(2,223)	(797)	(3,020)
Depreciation of disinvestment	78	596	674
Impairment	(3,860)	—	(3,860)
Divestment of impaired asset	59	—	59
Currency translation - cost	(1,029)	(48)	(1,077)
Currency translation - accumulated depreciation	197	61	258
Movement 2022	**7,996**	**814**	**8,810**
At cost	32,884	3,334	36,218
Accumulated depreciation	(6,185)	(1,280)	(7,465)
Carrying value at December 31, 2022	**26,699**	**2,054**	**28,753**
Additions	—	1,413	1,413
Remeasurement	1,865	—	1,865
Divestments	—	(756)	(756)
Depreciation charges	(2,913)	(1,289)	(4,202)
Depreciation of disinvestment	—	700	700
Impairment	(4,663)	—	(4,663)
Divestment of impaired asset	—	—	—
Currency translation - cost	873	18	891
Currency translation - accumulated depreciation	(213)	(11)	(224)
Movement 2023	**(5,051)**	**75**	**(4,976)**
At cost	30,959	4,009	34,968
Accumulated depreciation	(9,311)	(1,880)	(11,191)
Carrying value at December 31, 2023	**21,648**	**2,129**	**23,777**

Investments in buildings in 2022 relates to the lease contract for the DSP facility at Pivot Park in Oss, the Netherlands. During 2022 the lease commenced and resulted in an investment of US$14.6 million. Pharming remains exploring alternative utilization possibilities for this asset. As a result of aforementioned, the right of use asset was impaired for an additional amount of US$4.7 million in 2023 (2022: US$3.9 million). The impairment assessment was conducted based on a value-in-use approach, utilizing the incremental borrowing rate of 4.38% (2022: 4.47%) as the applicable discount rate. The recoverable amount is reflected in the book value of the asset, which stands at US$5.5 million (2022: US$10.7 million). The decrease in the recoverable amount is primarily attributed to the reduced expected annual sublease prices.

The building remeasurement is related to adjustments in the existing right-of-use assets to account for inflation-related higher lease payments.

The Company applies for the recognition exemption for short-term leases and lease of low-value assets. The respective lease payments are recorded in the consolidated statement of income and are immaterial to the financial statements.

Amounts recognized in the statement of income

Depreciation charges on production related right-of-use assets of US$0.5 million in 2023 (2022: US$0.5 million) have been included in the value of inventories and an amount of US$3.7 million of the total 2023 depreciation costs has been charged to the statement of income (2022: US$2.6 million).

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2023	2022
Depreciation right of use buildings	(2,380)	(1,781)
Depreciation right of use cars	(1,284)	(784)
Interest expense (note 8)	(1,088)	(622)
Total expense right of use assets	**(4,752)**	**(3,187)**

Lease charges

The non-cancellable leases at 31 December 2023 have remaining terms of between one and fourteen years and generally include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The expected lease charges after the end of the reporting year have been disclosed in note 26. Financial risk management below. Allocations of the lease charges to cost of sales or general and administrative expenses have been based on the nature of the asset in use.

13. Investments

13.1 Investments accounted for using the equity method

The investment in BioConnection group (BioConnection) announced in April 2019 provides the Company with significant influence over BioConnection, and as such has been treated as an associate of the Group.

As at December 31, 2023, the asset relates to an investment in the ordinary shares of BioConnection Investments B.V. During the second quarter of 2022, Pharming entered into a share purchase agreement, following receipt of an offer for all shares in BioConnection by Gimv, a European investment company listed on Euronext Brussels. The existing shareholders (including Pharming) reached agreement with Gimv on the sale of all issued and outstanding shares to a new holding company (BioConnection Investments B.V.) incorporated by Gimv, followed by a partial re-investment by existing shareholders of the purchase price in the share capital of BioConnection Investments B.V. The re-investment relates to the purchase of ordinary shares and a preference share. The transaction diluted Pharming's stake in this investment from 43,85% in 2021 to 22,98% in 2022.

The Company made an assessment on the accounting treatment of the agreement and concluded that the sale of the BioConnection ordinary shares and purchase of the BioConnection Investments B.V. ordinary shares shall be considered as a dilution of an existing equity stake in an investment accounted for using the equity method. Hence Pharming recognized the dilution of its equity stake as a reduction of the carrying amount of the investment accounted for using the equity method. The preference share is valued as an investment in debt instruments designated as at fair value with changes through profit and loss (FVTPL). As a result of this transaction, Pharming has received net cash proceeds of US$7.3 million (€6.9 million) and recognized a gain of US$12.2 million in 2022.

		% of ownership interest			
Name of entity	**Place of business**	**2023**	**2022**	**Nature of relationship**	**Measurement method**
BioConnection Investments B.V.	Oss, NL	22.98	22.98	Associate	Equity

Amounts in US$ '000	
Carrying value at January 1, 2022	**7,201**
Share in net profit	(1,083)
Dilution of equity stake	(2,991)
Release of financial guarantee	(153)
Currency translation	(473)
Carrying value at December 31, 2022	**2,501**
Share in net profit	(289)
Release of financial guarantee	—
Dilution of equity stake	—
Currency translation	73
Carrying value at December 31, 2023	**2,285**

Financial information of BioConnection Investments B.V. per December 31, 2022, is filed at the Dutch Chamber of Commerce under number 85610658 (www.kvk.nl).

Financial information of BioConnection Investments B.V. as filed at the Dutch Chamber of Commerce, for the year 2022 is as follows (translated from euro to USD using the closing rate 2023 of 1.1002 for balance sheet positions and the average rate over 2023 of 1.0790 for the net result):

Amounts in US$ '000	**December 31, 2022**
Total assets	73,724
Total equity	60,661
Net result	(4,949)

In the Board of Director's judgement, the investment in BioConnection constitutes an investment in an associated company and is therefore not consolidated, as Pharming has significant influence but does not have control of BioConnection and is embargoed by a shareholders agreement between the shareholders of BioConnection from influencing any activity between the two parties which is in any significant way different from the relationship which existed between the two prior to the investment. In 2023, the ownership of Pharming remains unchanged. As a result, there were no movements in the carrying value other than Pharming's share in net profit and currency translation effects.

13.2 Investment in debt instruments designated as at FVTPL

The asset relates to the preference share as obtained as part of the agreement referred to above relating to BioConnection Investments B.V. Management made an assessment on the accounting treatment of the preference share obtained. Management concluded that the asset should be recognized as a financial asset (debt instrument) measured at initial recognition at fair value, subsequently measured at fair value through profit and loss. The fair value was calculated based on a commonly accepted valuation method, the option pricing model ("OPM"), which considers the share classes as call options on the total shareholders' equity value according to the rights and preferences of each class of equity. The payoff profile of the share classes was analyzed through a portfolio of call options, with the total equity value of a company as the underlying asset of the options and specific terms for each option calibrated to mirror, in aggregate, the payoff profile of the share classes. Relying on the forward-looking Black-Scholes-Merton ("BSM") financial instrument pricing framework, the OPM effectively captures the full range of potential outcomes for the share classes at exit. The OPM takes into consideration the full spectrum of risks in terms of future potential upside or downside but does not require explicit estimates of the possible future outcomes. The BSM model is commonly used to price assets on financial markets and allows to estimate the theoretical value of a call option, using six key parameters, namely the underlying equity value, strike price, time to maturity, risk free rate, expected volatility of the underlying equity and dividend yield on the underlying equity, which is a Level 3 input in terms of IFRS 13. Significant increases or decreases in equity value, volatility and time to maturity and below assumptions in isolation would result in a significantly lower or higher fair value assessment.

The following assumptions were used in the BSM model to determine the fair value of the asset:

	2023	2022
Expected time to maturity	4 years	5 years
Volatility	50%	55 %
Risk-free interest rate	1.99%	2.51 %

The carrying amount of this investment has changed as follows:

Amounts in US$ '000	2023	2022
1 January	6,827	—
Investment	—	7,933
Fair value changes	(930)	(1,185)
Currency translation	196	79
Balance at December 31	**6,093**	**6,827**

Sensitivity analysis

To illustrate the exposure of the carrying value of the investment to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared over the key drivers most affected by the current uncertainties. It is possible that there will be movements in these key inputs after December 31, 2023. While it is unlikely that these reported inputs would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual input has on the reported fair value and they do not represent management's estimate at December 31, 2023.

The main assumptions in determination of the equity value are shown in below table:

Preference share BioConnection (in million US$)

Revenue level	Fair value	Discount rate	Fair value	EBITDA margin	Fair value
-10.0%	3.0	-2.0%	6.9	-5.0%	4.3
-5.0%	4.8	-1.0%	6.5	-2.5%	5.3
Base case	6.1	Base case	6.1	Base case	6.1
+5.0%	7.1	+1.0%	5.7	+2.5%	6.8
+10.0%	7.9	+2.0%	5.4	+5.0%	7.3

The impact of the remaining variables on the BSM model are shown in below table:

Preference share BioConnection (in million US$)

Time to maturity	Fair value	Volatility	Fair value
- 2 years	6.9	-10.0%	6.8
- 1 year	6.5	-5.0%	6.4
Base case	6.1	Base Case	6.1
+ 1 year	5.8	+5.0%	5.8
+ 2 years	5.5	+10.0%	5.4

13.3 Investments in equity instruments designated as at Fair Value Through Other Comprehensive Income

The Group holds 0.54 percent of the ordinary share capital of Orchard Therapeutics Plc. (Orchard), a global gene therapy leader. The shares were acquired as of July 1, 2021, as part of strategic collaboration between Pharming and Orchard to research, develop, manufacture and commercialize OTL-105, a newly disclosed investigational ex-vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of hereditary angioedema (HAE), a life-threatening rare disorder that causes recurring swelling attacks in the face, throat, extremities and abdomen.

Under the terms of the collaboration, Pharming has been granted worldwide rights to OTL-105 and will be responsible for clinical development, regulatory filings, and commercialization of the investigational gene therapy, including associated costs. Orchard will lead the completion of IND-enabling activities and oversee manufacturing of OTL-105 during pre-clinical and clinical development, which will be funded by Pharming. In addition, both companies will explore the application of non-toxic conditioning regimen for use with OTL-105 administration. As part of the agreement, Orchard is eligible to receive up to US$189.5 million in development, regulatory and sales milestones as well as mid-single to low double-digit royalty payments on future worldwide sales.

Management does not consider that the Group is able to exercise significant influence over Orchard Therapeutics as the other 99.5 percent of the ordinary share capital is publicly traded at the Nasdaq stock exchange (Nasdaq: ORTX) per year-end 2023.

On 5 October 2023, Orchard announced it had entered into a definitive agreement with Japanese company Kyowa Kirin Co. LTD for the acquisition of Orchard for $16.00 per American Depositary Share (ADS) in cash plus an additional contingent value right (CVR) of $1.00 per ADS (a total of $17.00 per ADS). The transaction was successfully completed on 24 January 2024. Based on the offer price per ADS of $16.00, the Company has received US$2.0 million for its shares held in Orchard Therapeutics in 2024. The shares have been included in our balance sheet at fair value of US$2.0 million as of 31 December 2023, based on the quoted share price.

Name of entity	Place of business	% of ownership interest 2023	% of ownership interest 2022	Nature of relationship	Measurement method
Orchard Therapeutics Plc.	**London, UK**	**0.54 %**	**1.00 %**	**Investment**	**Fair value**

The decrease in percentage of ownership was caused by a dilution due to a share issuance by Orchard in March 2023. The fair value as at December 31, 2023, was determined on the basis of the trading price as at that date.

Amounts in US$ '000	Carrying amount
Carrying value at 1 January 2022	**1,449**
Fair value adjustments through OCI	(950)
Currency translation	(96)
Carrying value at December 31, 2022	**403**
Fair value adjustments through OCI	1,573
Currency translation	44
Carrying value at December 31, 2023	**2,020**

14. Marketable securities

Marketable securities consist of euro-denominated readily convertible S&P AAA-rated government treasury certificates with a maturity of six months or less from the date of acquisition and are classified as held-to-maturity. The Marketable securities are measured at amortized costs and amount to US$151.7 million as of 31 December, 2023 (2022: US$0.0 million). This includes accrued interest of US$0.7 million in 2023 (2022: US$0.0 million).

We have considered the expected credit loss and recognized no impairment losses, due to the AAA credit ratings. Reference is made to note 26. Financial risk management showing the difference between the carrying amount and the fair value.

15. Restricted cash, cash and cash equivalents

Amounts in US$ '000	2023	2022
Restricted cash (non-current)	1,528	1,099
Restricted cash (current)	—	213
Cash and cash equivalents	61,741	207,342
Total restricted cash, cash and cash equivalents	**63,269**	**208,654**

Cash is free at disposal of the Company, except for restricted cash, which amounts to US$1.5 million in 2023 (2022: US$1.3 million). Restricted cash (non-current) includes a deposit for rent which is considered long-term.

For purposes of the cash flow statement, restricted cash is not considered as ''cash and cash equivalents''.

16. Inventories

Inventories mainly include batches RUCONEST® and Joenja® and work in progress available for production of RUCONEST® and Joenja®.

Amounts in US$ '000	2023	2022
Finished goods	18,349	12,460
Work in progress	37,706	29,553
Raw materials	705	313
Balance at December 31	**56,760**	**42,326**

Changes in the adjustment to net realizable value:

Amounts in US$ '000	2023	2022
Balance at January 1	(1,971)	(2448)
Addition to impairment	(3,878)	(164)
Release of impairment	—	312
Usage of impairment	1,673	195
Currency translation	(100)	134
Balance at December 31	**(4,276)**	**(1,971)**

The inventory valuation at 31 December 2023 of US$56.8 million (2022: US$42.3 million) is stated net of an impairment of US$4.3 million (2022: US$2.0 million). The impairment primarily relates to products no longer eligible for commercial sales.

Inventories are available for use in commercial, preclinical and clinical activities. Estimates have been made with respect to the ultimate use or sale of product, taking into account current and expected sales as well as preclinical and clinical programs. These estimates are reflected in the additions to the impairment. The releases to the impairment relate to amendments to the estimates as a result of the fact that actual sales can differ from forecasted sales and the fact that vials allocated to preclinical and clinical programs can be returned to inventory. The costs of vials used in preclinical and clinical programs are presented under the research and development costs. Usage of impairment relates to the destruction of inventory previously impaired.

Cost of inventories included in the cost of sales in 2023 amounted US$21.4 million (2022: US$17.4 million). The main portion of inventories at 31 December 2023 have expiration dates starting beyond 2024 and are generally expected to be sold and/or used before expiration.

17. Trade and other receivables

Amounts in US$ '000	2023	2022
Trade receivables	35,408	20,964
Prepaid expenses	3,543	2,288
Value added tax	3,804	1,453
Other receivables	2,145	1,117
Taxes and social securities	1,258	1,797
Balance at December 31	**46,158**	**27,619**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30-60 days and therefore are all classified as current. The Company's outstanding trade receivables are mainly related to the sales in the U.S. The increase in trade receivables relates to the increased sales in the fourth quarter as compared to the same period in 2022 and timing of customer orders and payments around year-end.

The Company did not recognize any expected credit losses. Pharming measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Pharming has a limited number of customers with long-term relationships, without a history of shortfalls. As a result, no loss allowance for expected credit losses is recognized.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

18. Shareholders' equity

The Company's authorized share capital amounts to US$11.6 million (€10.6 million), exchange rate (EUR:US$) equals 1:1.1002) and is divided into 1,056,000,000 ordinary shares with a nominal value of €0.01 each. All 671,073,243 (€6.7 million) shares outstanding at 31 December 2023 have been fully paid-up. Other reserves include those reserves related to currency translation, fair value revaluation, participating interest and capitalized development costs. Please refer to the Consolidated statement of changes in equity and to note 27. Earnings per share and diluted shares. The Consolidated statement of changes in equity and note 27. Earnings per share and diluted shares further describes the background of the main equity movements in 2023 and 2022.

Net result and accumulated deficit

Article 21.1 of the articles of association reads as follows: 'the Board of Directors shall annually determine the amount of the distributable profit – the surplus on the profit and loss account – to be reserved.' The Board of Directors has proposed to forward the net loss for the year 2023 to the accumulated deficit. Anticipating the adoption of the financial statements by the shareholders at the Annual General Meeting of shareholders, this proposal has already been reflected in the financial statements.

Share-based compensation

Share-based compensation within equity includes those transactions with third parties, the board of directors and employees in which payment is based in shares or options, based on current or future performance. For 2023 these transactions were valued at US$9.3 million and for 2022 at US$6.4 million (see note 22. Share-based compensation).

Value conversion rights of convertible bonds

The original equity component of the convertible bond as recorded at initial recognition amounts to US$1.6 million. Reference is made to note 19. Convertible bonds.

Options exercised / LTIP shares issued

In 2023, options were exercised and LTIP shares were issued for a total of 14,725,018 shares. In 2022, options were exercised and LTIP shares were issued for a total of 7,598,943 shares.

Adjustment to share capital

On May 17, 2023, the AGM approved a 20% increase of the Company's authorized capital. As a result the share capital increased from 880,000,000 ordinary shares with a nominal value of €0.01 each to 1,056,000,000 ordinary shares with a nominal value of €0.01 each. There were no adjustments to the authorized share capital 2022.

Other reserves

Amounts in US$ '000	Legal Reserve Currency translation reserve (CTA)	Legal Reserve Capitalized development cost	Legal Reserve participating interest	Reserve Fair value revaluation	Total
Balance at January 1, 2022	**3,965**	**402**	**1,316**	**(2,283)**	**3,400**
Movements in the year	(10,349)	—	(1,083)	(705)	(12,137)
Balance at December 31, 2022	**(6,384)**	**402**	**233**	**(2,988)**	**(8,737)**
Movements in the year	6,042	(296)	(233)	1,167	6,680
Balance at December 31, 2023	**(343)**	**106**	**—**	**(1,821)**	**(2,057)**

The other reserves concern the reserve fair value revaluation, reserve participating interest, currency translation differences of foreign investments and capitalized development expenses.

Adjustments to the reserve participating interest relate to the undistributed profits of the participating interest.

Adjustments to the currency translation reserve reflect the effect of translating euro operations denominated in euro since their functional currency is different from the reporting currency.

The legal reserves for capitalized development expenses as of 31 December 2023 has decreased, as the Company discontinued the Pompe disease program and hence the related legal reserve was released. For more information, we refer to 10. Intangible assets. There were no additional internally developed capitalized costs in 2023.

The other reserve fair value revaluation (US$1.8 million) relates to the changes in fair value between the acquisition date and balance sheet date (31 December 2023) on our investment in equity instruments designated at fair value through OCI.

19. Convertible bonds

Recognition and movements of the convertible bonds were as follows:

Amounts in US$ '000	2023	2022
Balance at January 1	**133,386**	**140,886**
Interest paid (cash flow)	(4,046)	(3,952)
Amortization transaction cost	830	784
Accrued interest	4,046	3,952
Currency translation	4,206	(8,284)
Balance at December 31	**138,422**	**133,386**
- Current portion	1,824	1,768
- Non-current portion	136,598	131,618

On 21 January 2020, the Company issued €125 million aggregate principal amount of 3.00% convertible bonds due 2025. The bonds were issued at par and bear interest at a rate of 3.00% per annum payable semi-annually in arrears in equal installments. Unless previously converted, redeemed or purchased and cancelled, the bonds will mature on 21 January 2025.

The bonds are convertible into the Company's ordinary shares at an initial conversion price of €2.0028. This initial conversion price is subject to customary adjustment provisions. The number of ordinary shares initially underlying the bonds is 62,412,622. Any adjustment to the conversion price resulting in an increase in the number of conversion shares may require the Company to obtain further authorization from the Company's shareholders to issue shares, grant rights to subscribe for shares and exclude preemptive rights. The Company has the option to redeem all, but not some only, of the outstanding bonds in cash at par plus accrued interest at any time, (a) if, on or after 13 February 2023, the parity value on each of at least 20 trading days in a period of 30 consecutive trading days shall have exceeded 130% of the principal amount or (b) if, at any time, 85% or more of the aggregate principal amount of the bonds originally issued shall have been previously converted and / or repurchased and cancelled.

The convertible bonds are comprised of two components. The first component is a financial liability, which represents our contractual obligation to deliver cash or another financial asset for payment of interest and principal, if not converted. The second component is an equity instrument as it represents a written call option granting the holder the right, for a specified period of time, to convert it into a fixed number of the Company's ordinary shares.

The fair value of the consideration in respect of the liability components is measured at the fair value of a similar liability that does not have any associated equity conversion option (IFRS 9 paragraph 5.1.1). This is the liability component's carrying amount at initial recognition.

The equity component will be measured at the residual difference between the nominal value and the fair value of a similar liability that does not have any associated equity conversion option (IAS 32 paragraph 31). The original equity component as recorded at initial recognition amounts to US$1.6 million.

20. Leases

Lease liabilities can be specified as follows:

Amounts in US$ '000	2023	2022
Balance at January 1	**33,308**	**20,875**
Additions	1,295	15,822
Remeasurement	1,865	426
Interest expense accrued	1,193	718
Payments of lease liabilities	(5,126)	(3,311)
Other movements	(319)	(348)
Currency translation	907	(874)
Balance at December 31	**33,123**	**33,308**
- Current portion	3,616	3,465
- Non-current portion	29,507	29,843

Additions in 2022 primarily relate to new lease contracts for our operational facilities in the Netherlands. Additions in 2023 relate to newly leased cars and remeasurement reflects inflation-related higher lease payments on buildings.

Future minimum lease payments as at 31 December 2023 and 2022 are as follows:

Amounts in US$ '000	2023		2022	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	5,071	4,995	4,644	4,535
After one year but not more than five years	16,024	14,369	15,157	13,582
More than five years	18,996	14,104	20,890	15,191
Balance at December 31	**40,091**	**33,468**	**40,691**	**33,308**

21. Trade and other payables

Amounts in US$ '000	2023	2022
Accounts payable	16,022	8,753
Taxes and social security	6,234	2,099
Other accruals	15,634	12,809
Other payables	—	—
Accruals for employees	16,019	12,139
Accruals for rebates and discounts	11,643	10,490
Accrual for production	6,976	8,175
Balance at December 31	**72,528**	**54,465**

The increase in accounts payable is mainly due to timing of payments. The accrual for rebates and discounts has increased, mainly due to the increase of revenues and timing of settlements. Accruals for employees mainly relate to bonuses for employees, holiday allowances and non-taken vacation days and increased due to an increase in the number of employees. Finally, the other accruals relate to general expenses for which no invoice was received yet. The increase is mainly related to timing of invoicing by Pharming's suppliers.

22. Share-based compensation

The remuneration policy for the Board of Directors was adopted by our shareholders on December 11, 2020, and governs the remuneration of both the Executive and the Non-Executive Directors (hereafter referred to as the "Remuneration Policy"). In accordance with Dutch law, the policy must be submitted to our shareholders for adoption every four years.

The Policy refers to an undefined number of Executive Directors and Non-Executive Directors. Since May 19, 2021, the Board of Directors is composed of one Executive Director (i.e., the CEO) and seven Non-Executive Directors. In case of future appointments of additional Executive Directors, the Policy shall also be applicable to the remuneration packages for these additional Directors, if any, in accordance with the terms thereof. Therefore, any reference below to Executive Director in the singular also includes the plural, and vice-versa, subject to more restrictive deviations in the Policy and except for specific references to the CEO.

The remuneration packages of the individual Directors are determined by the Board of Directors, without the involvement of the Executive Director in the deliberations and decision-making concerning his own remuneration, and each time within the restrictions set by the remuneration policy.

Arrangements in the form of shares or rights to subscribe for shares will each time remain subject to the approval of the shareholders at the General Meeting, notwithstanding the adopted policy. On December 11, 2020, the shareholders approved the proposals that were submitted accordingly for the new long-term incentive program for the Executive Director, as described in the Remuneration Policy, and the one-off transition arrangement for the implementation of that new program. Our shareholders also authorized the Board of Directors, for a period of eighteen months, as the company body authorized to grant and issue the ordinary shares to the Executive Director under the new long-term incentive program and the one-off transition arrangement, respectively, and to exclude any preemptive rights of existing shareholders in connection with these issuances.

The total expense recognized in 2023 for share-based payment plans amounts to US$9.3 million (2022: US$6.4 million).

The total expenses for share-based payment plans in 2023 is specified as follows:

Share-based compensation (in U.S.$ '000)	2023	2022
Non-executive directors' remuneration	246	234
Employee options	1,654	2,156
Long term incentive plan	4,006	3,528
Restricted stock units	3,345	474
Balance at December 31	**9,251**	**6,392**

The employee options expense decreased due to a change in the employee share-based compensation plans where since 2022 RSU's have been granted instead of employee options. No material new employee option grants were applicable for 2023. Long-term incentive plan expenses increased mainly due to the addition of a member to the executive committee during 2023. The restricted stock units expense increased significantly as the program was introduced in 2022 and is now active for the full year, while in previous year, it was only active for 4Q 2022.

22.1 Models and assumptions

IFRS 2 describes a hierarchy of permitted valuation methods for share-based payment transactions. If possible, an entity should use market prices at measurement date to determine the fair value of its equity instruments. If market prices are unavailable, as is the case with Pharming's option plans and long-term incentive plan, the entity shall estimate the fair value of the equity instruments granted. A valuation technique should be used to estimate the value or price of those equity instruments as it would have been at the measurement date in an arm's length transaction between knowledgeable, willing parties.

The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments and shall incorporate all factors and assumptions that knowledgeable market participants would consider in setting the price.

Whatever pricing model is selected, it should, as a minimum, take into account the following elements:

- The exercise price of the option;
- The expected time to maturity of the option;
- The current price of the underlying shares;
- The expected volatility of the share price;
- The dividends expected on the shares; and
- The risk-free interest rate for the expected time to maturity of the option.

Models and assumptions option plans

The costs of option plans are measured by reference to the fair value of the options at the grant date of the option.

The six elements above are all incorporated in the Black-Scholes model used to determine the fair value of options. The exercise price of the option and the share price are known at grant date. Volatility is based on the historical end-of-month closing share prices over a period prior to the option grant date being equal to the expected option life, with a minimum of 3 years. It is assumed no dividend payments are expected.

The total number of shares with respect to which options may be granted pursuant to the option plans accumulated, shall be determined by Pharming, but shall not exceed 10% of all issued and outstanding shares of Pharming on a diluted basis. Shares transferred or to be transferred, upon exercise of options shall be applied to reduce the maximum number of shares reserved under the plans. Unexercised options can be re-used for granting of options under the option plans.

Pharming may grant options to a member of the Executive Committee or an employee:

- At the time of a performance review;
- Only in relation to an individual: a date within the first month of his or her employment;
- In case of an extraordinary achievement; and
- In case of a promotion to a new function within Pharming.

The option exercise price is the price of the Pharming shares on the stock exchange on the trading day prior to the date of grant. Vested 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. Each option is equal to one share unless otherwise stated. Options are not applicable for early retirement.

The following assumptions were used in the Black-Scholes model to determine the fair value of options at grant date:

	2023	2022
Expected time to maturity	1-4 years	1-4 years
Volatility	38% - 46%	36% - 50%
Risk-free interest rate	2.20% - 2.68%	(0.48%) - 2.49%

Option plan employees

Article 2.1 of the option plan for employees' states: 'Pharming may grant options to any employee. The criteria for the granting of the options up to December 11, 2020, was determined by the Board of Supervisory Directors of Pharming, at its sole discretion. Up to December 11, 2020, the Board of Management proposed (i) whether the criteria for granting an option have been met by a potential participant and (ii) the number of options to be granted. As from December 11, 2020, the execution of the Company's remuneration policy and other benefits policies and incentive programs, as approved by the Board of Directors (to the extent required), for all staff members of the Company and its subsidiaries, excluding the CEO and the other members of the Executive Committee, is delegated to the Chief Executive Officer.

Article 4.4 of the employee option plan deals with the vesting scheme of employee options and reads as follows: 'in case of the termination of the employment of a participant, except for retirement and death, Pharming at its sole discretion is entitled to decide that the options of the participant shall lapse. The following schedule shall apply for the cancellation:

- In the event of termination of employment within one year as of a date of grant, all options shall lapse;
- In the event of termination of employment after the first year as of a date of grant, all options, less 1/4 of the number of options shall be lapsed. The number of options to be cancelled decreases for each month that the employment continued for more than one year as of that date of grant by 1/48 of the number of options granted of that date of grant.

Models and assumptions Long Term Incentive Plan

For the long-term incentive plan, the following elements of Pharming and/or the peer group are included in order to determine the fair value of long-term incentive plan share awards, using Monte Carlo simulation:

- Start and end date of performance period;
- The grant date;
- The share prices;
- Exchange rates;
- Expected volatilities;
- Expected correlations;
- Expected dividend yields; and
- Risk free interest rates.

Volatilities are based on the historical end-of-month closing share prices over the 3 years.

Correlations are based on 3 years of historical correlations based on end-of-month closing quotes, taking into account exchange rates. Expected dividend yields for peers and risk-free interest rates (depending on the currency) are obtained from Bloomberg.

Under the LTIP, restricted shares are granted conditionally each year with shares vesting based on the market condition in which the total shareholder return performance of the Pharming share is compared to the total shareholder return of a peer group of other European biotech companies.

During 2023, there were no LTIP grants other than the grants for the executive directors and members of the executive committee as disclosed below.

Long Term Incentive Plan for the Executive Directors and members of the Executive committee

As part of the Remuneration Policy, the Long Term Incentive Program is applicable to Executive Directors and has been aligned with prevailing "best practices" and is performance related only. For the Executive Directors, the on-target value of the shares to be awarded under the newly designed LTI Program, as described in the remuneration policy, is set at 300% of the gross annual salary for the CEO (representing 50% below the lowest quartile of the U.S. benchmark group and just below the top quartile of the EU benchmark group for the executive directors) and 200% for the members of the Executive committee (representing between 20 and 30% below the lowest quartile of the U.S. benchmark group and just in the top quartile of the EU benchmark group for the Executive Directors).

EU and U.S. benchmark group:

Company Location	Location
Europe	
ADC Therapeutics	Epalinges, Switzerland
Alliance Pharma	Chippenham, United Kingdom
Autolus Therapeutics	London, United Kingdom
Basilea Pharmaceutica	Basel, Switzerland
Bavarian Nordic	Hellerup, Denmark
BioGaia	Stockholm, Sweden
Biotest	Dreieich, Germany
Camurus	Lund, Sweden
Cosmo Pharmaceuticals	Dublin, Ireland
Galapagos	Mechelen, Belgium
Innate Pharma	Marseille, France
Merus	Utrecht, the Netherlands
MorphoSys	Planegg, Germany
Oxford Biomedica	Oxford, United Kingdom
uniQure	Amsterdam, the Netherlands
Valneva	Saint-Herblain, France
Zealand Pharma	Copenhagen, Denmark

Company Location	Location
U.S.	
Anika Therapeutics	Bedford, MA
BioCryst Pharmaceuticals	Durham, NC
Coherus BioSciences	Redwood City, CA
Collegium Pharmaceutical	Stoughton, MA
Enanta Pharmaceuticals	Watertown, MA
Heron Therapeutics	San Diego, CA
ImmunoGen	Waltham, MA
Intercept Pharmaceuticals	Morristown, NJ
Ironwood Pharmaceuticals	Boston, MA
Karyopharm Therapeutics	Newton, MA
Ligand Pharmaceuticals	San Diego, CA
MannKind	Danbury, CT
Mirum Pharmaceuticals	Foster City, CA
Rigel Pharmaceuticals	South San Francisco, CA
Supernus Pharmaceuticals	Rockville, MD
Travere Therapeutics	San Diego, CA
Vanda Pharmaceuticals	Washington, DC

The maximum value of the shares that can vest under the LTI program is set at 450% of the gross annual salary for the CEO and 300% for other Executive Directors and Officers. Executive Directors are required to retain the shares awarded under the LTI program for a minimum of five years from the date of grant.

The shares granted to the Executive Directors under the LTI program will vest in three years after the grant date, subject to the achievement of the targets set by the Board of Directors, upon proposal of the Remuneration Committee, for the three-year performance period (i.e., double-trigger vesting), their relative weightings and the pay-out limits. All shares awarded will be subject to a retention period of five years from the date of grant (i.e., two years after vesting), in accordance with the best practice provisions of the DCGC.

The performance objectives include the Total Shareholder Return (40% weighing) and the achievement of long-term strategy-oriented objectives (60% weighing). The peer group used to determine the Total Shareholder Return is composed of the companies included in the AScX Index and the NASDAQ Biotechnology Index, represented by the IBB ETF, respectively, equally weighted, at the time of the determination.

The thresholds and payout percentages for the LTI program are given by the following table, as to be determined for each of the AScX and IBB indices separately (each weighted at 50% of pay-out):

TSR equal to index	80% pay-out
TSR 10% above index	90% pay-out
TSR 20% above index	100% pay-out
TSR 40% above index	110% pay-out
TSR 60% above index	120% pay-out
TSR 80% above index	130% pay-out
TSR 100% above index	150% pay-out
TSR below index	0% pay-out

The range of assumptions used in the Monte Carlo simulation to determine the fair value of long-term incentive plan share awards at grant date were:

	2023	2022
Volatilities	42 %	46 %
Risk-free interest rates	2.34 %	0.61 %
Dividend yields	0.00 %	0.00 %

Restricted Stock Units

Article 2.1 of the plan states: This Plan is effective as of October 26, 2022, and shall be executed in compliance with the Articles of Association and applicable law and concerns Pharming's (senior) management. The RSU plans are not applicable for the board of directors, nor the executive committee. For each participant, the RSU's granted to them will vest in four equal tranches of twelve months, provided that at the time of vesting such participant is still an employee. No performance criteria are applicable to this plan. The fair value of the grant is, in line with IFRS 2, the actual share price at date of the grant. The relating expense will be charged to Pharming's results over the vesting for the following tranches:

a. a first tranche of 25% of the RSU's granted, vesting twelve months after the Vesting Commencement Date;
b. a second tranche of 25% of the RSU's granted, vesting two years after the Vesting Commencement Date;
c. a third tranche of 25% of the RSU's granted, vesting three years after the Vesting Commencement Date; and
d. a fourth tranche of 25% of the RSU's granted, vesting four years after the Vesting Commencement Date.

One-off transition arrangement for the Chief Executive Officer

In 2020, the implementation of a new three-year vesting scheme under the LTIP had a major impact on the remuneration packages of existing Executive Directors for the period 2020-2023, as the Executive Directors' packages feature annual option and share grants. The share-based compensation under these packages and plans over this three-year period would have resulted in three option grants, with guaranteed vesting of a total of 8,400,000 options for the CEO on the basis of continued tenure over the three-year period. In addition, the CEO would have been eligible for three annual restricted share grants pursuant to the LTIP of up to 30% of the base salary.

To mitigate the described impact, the Company has agreed to a one-off transition arrangement with the CEO as approved at the General Meeting of Shareholders on December 11, 2020. This one-off transition arrangement provides for (i) the conversion of the total number of 8,400,000 options for the CEO (i.e., the total number of share options that was expected to be granted in 2021, 2022 and

2023 without the arrangement) into one grant for a total number of 4,200,000 shares for 2020, which vesting will be governed by the performance-based criteria of the new LTI program, and (ii) the vesting of the performance shares in three annual tranches in the first quarter of 2021, 2022 and 2023, subject to the performance-based criteria of the new LTI program for Executive Directors as described above in the Long Term Incentive Plan for the Executive Directors paragraph.

In addition, the grant and each of the three potential vestings of the granted shares under the Long-term Incentive One-Off Arrangement is subject to:

i. a five-year retention period for the granted shares;
ii. the annual pro-rata satisfaction upon vesting of the set long-term performance targets, as determined by the Board of Directors; and
iii. the other terms and conditions applicable to the LTI Program pursuant to the Remuneration Policy for the Board of Directors dated December 11, 2020.

Pursuant to the one-off transition arrangement, the CEO has waived all his rights for the grant of restricted shares and option rights, respectively, under the LTIP and the existing option plans for the financial year 2020. On December 22, 2020, a total number of 4,200,000 (restricted) shares was granted to the CEO in accordance with the terms of the one-off transition arrangement.

22.2 Option plans

An overview of activity in the number of options for the year 2023 is as follows (please also refer to note 27. Earnings per share and diluted shares in respect of movements since the reporting date)(note that the dollar weighted average exercise price is translated using the closing exchange rate for the respective year (2023: 1:1.1002)):

	2023		2022	
	Number	Weighted Average Exercise Price (US$)	Number	Weighted Average Exercise Price (US$)
Balance at January 1	**47,596,801**	**0.897**	**52,789,478**	**0.911**
Forfeited	(1,423,375)	0.992	(3,660,928)	0.847
Expired	(205,000)	0.847	—	—
Granted	270,000	1.349	4,801,938	0.902
Exercised	(11,756,114)	0.857	(6,333,687)	0.599
Balance at December 31	**34,482,312**	**0.952**	**47,596,801**	**0.897**
- Vested	9,284,834	0.856	8,687,584	0.844
- Unvested	25,197,478	0.987	38,909,217	0.910

Exercised options 2023

In 2023 a total of 11,756,114 options have been exercised with an average exercise price of US$0.86. In 2022 a total of 6,333,687 options have been exercised with an average exercise price of US$0.60.

All options outstanding at 31 December 2023 are exercisable with the exception of the unvested options granted to the employees still in service. The 2023 share options for the employees, vest after one year under the condition the employees are still in service at vesting date.

Exercise prices of options outstanding at 31 December 2023 and the exercise values are in the following ranges (note that the exercise value in US$ is translated using the closing exchange rate for the respective year (2023: 1:1.1002)):

	2023		2022	
Exercise prices in US$	Number	Exercise value in US$'000	Number	Exercise value in US$'000
0.28 - 0.57	—	—	—	—
0.57 – 0.85	6,739,000	4,967	26,796,675	21,847
0.85 – 2.83	27,743,312	24,862	20,800,126	20,895
Balance at December 31	**34,482,312**	**29,828**	**47,596,801**	**42,742**

Granted options

In 2023, the Company granted 270,000 options to employees with a weighted average exercise price of US$1.35; fair values for options granted in 2023 were in the range of US$0.223 - US$0.581. In 2022, the Company granted 4,801,938 options to employees with a weighted average exercise price of US$0.90; fair values for options granted in 2022 were in the range of US$0.092 - US$0.489.

22.3 Long Term Incentive Plan

An overview of the number of LTIP shares granted in 2020-2023 and in total as well as the fair value per share award is as follows (note that the fair value per share award in US$ is translated using the closing exchange rate for the respective year (2023: 1:1.1002)):

Participant category	2020	2021	2022	2023	Total
Executive Members of the Board of Directors	—	1,337,888	2,363,455	1,681,570	5,382,913
Executive Committee	105,000	6,301,400	5,816,083	4,221,870	16,444,353
Senior managers	930,000	812,500	—	—	1,742,500
Total	**1,035,000**	**8,451,788**	**8,179,538**	**5,903,440**	**23,569,766**
Fair value per share award (US$)	0.923	0.887	0.517	0.880	

The following table provides an overview of LTIP shares granted, forfeited or issued in 2020-2023 as well as the number of LTIP shares reserved at 31 December 2023:

Participant category	Granted	Issued	Forfeited / Unvested	Reserved at December 31, 2023
Executive Members of the Board of Directors	5,382,913	—	—	5,382,913
Executive Committee	16,444,353	(1,261,595)	(3,708,270)	11,474,488
Senior managers	1,742,500	(36,654)	(1,052,346)	653,500
Total	**23,569,766**	**(1,298,249)**	**(4,760,616)**	**17,510,901**

22.4 Restricted Stock Units

An overview of the granted RSU's to the Company's (senior) managers, as well as the number of RSU's reserved at 31 December 2023 is as follows:

Grant year	Granted	Issued	Forfeited / Unvested	Reserved at December 31, 2023	Weighted average fair value per share in US$
2022	4,931,000	(1,155,936)	(357,250)	3,417,814	1.067
2023	7,779,250	—	(10,000)	7,769,250	1.228
Total	**12,710,250**	**(1,155,936)**	**(367,250)**	**11,187,064**	**1.179**

22.5 Transition arrangement for the Chief Executive Officer

On December 22, 2020, a total number of 4,200,000 (restricted) shares was granted to the CEO in accordance with the terms of the one-off transition arrangement. These shares vested in three equal annual tranches in 1Q 2021, 1Q 2022 and 1Q 2023, subject to the pro-rata achievement of the long-term targets under the new LTI program.

The third year of the 3-year performance period for the 2021 share grant pursuant to the LTI one-off transition arrangement, ended on December 31, 2022. Accordingly the Board of Directors, upon a recommendation of the Remuneration Committee, determined in the first quarter of 2023 the vesting of the second annual tranche of the total number of 4,200,000 shares conditionally granted to the Chief Executive Officer (i.e., 1,400,000 shares).

The performance on both the TSR and the strategic corporate objectives, applying the respective weightings, led to the following vesting level under the One-Off Transition Arrangement for the CEO (i.e., second annual tranche of 1,4000,000 shares):

Metric definition	Achievement	Weighting	Vesting level
TSR	115 %	40 %	46 %
Strategic Objectives	90 %	60 %	54 %
Total		**100 %**	**100 %**

In accordance with the resulting 100% vesting level, a total number of 1,400,000 shares vested in 2023 for the CEO for the third annual tranche of the shares granted under the LTI One-Off Transition Arrangement. These shares are subject to a retention period of five years.

23. Board of Directors

In connection with the listing of our ADSs on Nasdaq, we converted our two-tier board structure into a one-tier board structure, with a single board of directors consisting of the executive director and non-executive directors. The new structure became effective on December 11, 2020. Since that date, the Board of Directors is jointly responsible for the management of the Company. The daily management of the Company and the execution of the strategy are entrusted to the CEO, as the only Executive Director. The CEO is supported by the non-statutory Executive Committee in the execution of his tasks and responsibilities. The Non-Executive Directors share statutory management responsibility, but shall focus on the supervision on the policy and functioning of the performance of the duties by the Executive Director and the Company's general state of affairs. The Non-Executive Directors would focus on the supervision on the policy and functioning of the performance of the duties by the Executive Directors and the Company’s general state of affairs.

Dr. S. de Vries is the Company’s sole Executive member of the Board of Directors and is continuing to be the Chief Executive Officer.

The Board of Directors has the following members:

Name	Position	
Dr. R. Peters	Chair of the Board of Directors and Non-Executive Board Member	Appointed September 25, 2023
Ms. D. Jorn	Vice Chair of the Board of Directors and Non-Executive Board Member	
Ms. B. Yanni	Non-Executive Board Member	
Dr. M. Pykett	Non-Executive Board Member	
Ms. J. van der Meijs	Non-Executive Board Member	
Mr. L. Kruimer	Non-Executive Board Member	
Mr. S. Baert	Non-Executive Board Member	
Dr. S. de Vries	Executive Board Member and Chief Executive Officer	

Non-Executive members Board of Directors

Remuneration

For 2023 the annual compensation of the non-executive members of the Board of Directors was as follows:

Responsibility	Cash in Euro's (per annum)	Ordinary shares in Euro's ** (per annum)	Cash in US Dollars (per annum)	Ordinary shares in US Dollars * (per annum)
Chair of the Board of Directors	90,000*	40,000	97,110	43,160
Non-Executive Director	45,000	30,000	48,555	32,370
Chair Audit Committee	9,000		9,711	
Member Audit Committee	3,000		3,237	
Chair Remuneration Committee	6,000		6,474	
Member Remuneration Committee	3,000		3,237	
Chair of the Transaction Committee	6,000		6,474	
Member of the Transaction Committee	3,000		3,237	
Chair Governance Committee	6,000		6,474	
Member Governance Committee	3,000		3,237	

* Effective September 25, 2023. Until September 25, 2023: €65,000 (US$70,135)
** All shares to be valued at the 20 day VWAP preceding the Annual General Meeting of Shareholders, without further restrictions or grant.

An additional compensation of EUR1,000 (US$1,100) per day in case of extraordinary activities, as determined by the Chair of the Board of Directors. Compensation of the Non-Executive members of the Board of Directors for 2023 and 2022 was as follows:

Amounts in US$ '000	Year	Cash	Share-Based Payment	Total
Dr. Richard Peters	2023	26	20	46
	2022	—	—	—
Mr. Paul Sekhri	2023	55	32	87
	2022	72	42	114
Ms. Deborah Jorn	2023	55	32	87
	2022	55	32	87
Ms. Barbara Yanni	2023	62	32	94
	2022	53	32	85
Dr. Mark Pykett	2023	55	32	87
	2022	50	32	82
Ms. Jabine van der Meijs	2023	62	32	94
	2022	57	32	89
Mr. Leonard Kruimer	2023	58	32	90
	2022	57	32	89
Mr. Steven Baert	2023	58	32	90
	2022	55	32	87
Total	**2023**	**431**	**244**	**675**
	2022	**399**	**234**	**633**

Shares

At 31 December 2023, the Non-Executive members of the Board of Directors held the following numbers of shares:

December 31, 2023	Ordinary shares
Dr. Richard Peters	17,613
Ms. Deborah Jorn	127,714
Ms. Barbara Yanni	112,123
Dr. Mark Pykett	112,123
Ms. Jabine van der Meijs	87,285
Mr. Leonard Kruimer	87,285
Mr. Steven Baert	87,285
Total	**631,428**

All shares held by the Non-Executive members of the Board of Directors are unrestricted.

Loans or guarantees

During the year 2023, the Company has not granted loans or guarantees to any member of the Non- Executive members of the Board of Directors. No loans or guarantees to Non-Executive members of the Board of Directors were outstanding at 31 December 2023.

Executive members Board of Directors

Remuneration

The Executive Board Member is entitled to the following remuneration packages:

I) Fixed remuneration: annual base salary;
II) Variable remuneration: the variable remuneration components are (a) an annual bonus in cash as a percentage of the fixed component (short-term incentive) and (b) a (share- based) long-term incentive; and
III) Others: contribution pension premiums, travel allowance and holiday allowance.

Compensation was as follows and includes the entire year 2023, up to December 31, 2023:

Amounts in US$ '000	Year	Fixed remuneration	Short term variable: annual bonus	Share-based payments	Post-employment benefits	Other	Total
Dr. Sijmen de Vries	2023	$673	$615	$1,371	$115	$35	$2,809
	2022	$636	$394	$1,221	$112	$34	$2,396

Options

The following table gives an overview of movements in number of option holdings of the individual members of the executive board of directors in 2022, the exercise prices and expiration dates up to December 31, 2023 (note that the exercise price in US$ is translated using 2023 closing exchange rate (1:1.1002)):

	January 1, 2023	Granted 2023	Exercised 2023	Forfeited /expired 2023	December 31, 2023	Exercise price (US$)	Expiration date
Dr. Sijmen de Vries	2,800,000	—	—	—	2,800,000	0.886	May 22, 2024

Shares

At December 31, 2023, the executive members of the board held the following numbers of shares:

Shares held	As at December 31, 2023
Dr. Sijmen de Vries	8,141,383

Long term Incentive Plan

	Year	Granted	Settled	Forfeited / Unvested	December 31, 2023
Dr. Sijmen de Vries	2023	1,681,570	—	—	1,681,570
	2022	2,363,455	—	—	2,363,455
	2021	1,337,888	—	—	1,337,888

Loans or guarantees

During the year 2023, no loans or guarantees have been granted to the Executive members of the Board of Directors. No loans or guarantees to the Executive member of the Board of Directors were outstanding at 31 December 2023.
The Executive member of the Board of Director is the sole statutory director.

24. Related party transactions

Related parties' disclosure relates mainly to key management compensation and to transactions with the associated company BioConnection Investments B.V. (BioConnection).

Key management includes members of the Board of Directors:

Amounts in US$ '000	2023	2022
Salaries and other short-term employee benefits	1,756	1,463
Post-employment benefits	115	112
Share-based compensation	1,615	1,455
Total	**3,486**	**3,030**

All direct transactions with members of the Board of Directors have been disclosed in notes 22. Share-based compensation and 23. Board of Directors of these financial statements.

Related party transactions with BioConnection are in the ordinary course of that company's fill & finish business and amounted to US$4.7 million in 2023 (2022: US$3.0 million). At 31 December 2023, the Company owed BioConnection US$1.7 million (2022: US$0.0 million) for fill & finish services supplied. In addition, BioConnection owed $0.5 million (2022: $0.5 million) to the Company at 31 December 2023.

25. Commitments and contingencies

Material agreements

At the end of 2023 the Company had several agreements with third parties related to the manufacturing of RUCONEST® and Joenja® and development of new products. In these agreements certain minimum volumes are committed. Total future commitments under these agreements are approximately US$58.3 million (2022: US$73.8 million), of which US$21.9 million relates to 2024 and US$36.4 million relates to 2025 and further. All expenditures relate to the cost of goods.

Leniolisib milestone commitments

In August 2019, Pharming entered into a development collaboration and license agreement with Novartis to develop and commercialize leniolisib, a small molecule phosphoinositide 3-kinase delta (P13Kδ) inhibitor being developed by Novartis to treat patients with Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). In November 2022, Pharming submitted regulatory filings to the FDA

and EMA for the purpose to commercialize leniolisib. On March 24, 2023, Pharming received FDA approval for the commercialization of leniolisib in the United States of America. Pharming is awaiting CHMP's opinion on the leniolisib regulatory filing submitted to EMA.

Pharming has agreed upon phased Development and Regulatory Milestone payments of US$20.5 million. As a result of the first commercial sale in the US, Pharming has paid US$10.4 million in Development and Regulatory Milestone payments in 2023.

Furthermore, Pharming is committed to one-off Sales Milestone payments when annual net sales exceed set thresholds for the first time. The total commitment equals US$180.0 million when yearly net sales reach US$500.0 million. The first milestone equals US$5.0 million when yearly net sales reach US$50.0 million. After a sales threshold has been reached for the first year, the milestone payment for that threshold does not recur. In 2023, the Company has not reached the first sales milestone of yearly net sales of US$50.0 million and therefore did not make any sales milestone payment.

In addition to these milestone payments, the Company has agreed to pay royalty fees to Novartis. These royalties are calculated as a fixed percentage over net sales, growing to a maximum of 18% when net sales exceed US$300.0 million. These royalty payments have a term of 10 years. The minimum royalty liability of 12% is applicable for sales up until US$150.0 million. The timing of the milestone payments and royalty payments is uncertain as these are highly dependent on the enrollment of new patients for leniolisib. In 2023, the Company has made US$2.1 million in royalty payments to Novartis.

26. Financial risk management

General

Pharming is exposed to several financial risks: market risks (being currency risk and interest rate risk), credit risks and liquidity risks. The Board of Directors and the Executive Committee are responsible for the management of currency, interest, credit and liquidity risks and as such ultimately responsible for decisions taken in this field.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. This includes a regular review of cash flow forecasts and, if deemed appropriate, subsequent raising of funds through execution of equity and/or debt transactions. In doing so, the Board of Directors' and Executive Committees' strategy is to achieve a capital structure which takes into account the best interests of all stakeholders. Pharming's capital structure includes cash and cash equivalents, marketable securities, debt and equity. Compared to last year the Company has allocated a significant portion of the cash and cash equivalents position to euro denominated readily convertible S&P AAA-rated government treasury certificates with a maturity of six months or less, to capitalize on rising interest rates.

Currency risk

This is the risk that the fair value of assets, liabilities and especially the future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Pharming's policy for the management of foreign currency risks is aimed at protecting the operating profit and positions held or recorded in foreign currencies, in particular of the United States Dollar (USD) for the Group. Certain payments and sales in the U.S. are being and will be received in USD. In 2023, repayments and interest payments of the loans were made in USD. Some direct payments of U.S. activities are carried in USD through the Dutch entities. At 31 December 2023 the Group's cash and cash equivalents, including restricted cash, and marketable securities amounted to US$215.0 million. This balance consists of cash assets denominated in euro for a total amount of US$172.2 million or €156.5 million (applying an exchange rate EUR/USD at 31 December 2023 of 1.1002) and cash assets in U.S. Dollars for a total amount of US$42.7 million. The US Dollar cash balance will mainly be used for the commercialization activities of the U.S. organization.

Cash and cash equivalents (including restricted cash), accounts receivables and inventories denominated in USD amounted in total US$84.8 million (€77.1 million), respectively US$33.7 million (€30.6 million) for the trade and other payables denominated in USD. Pharming performed a sensitivity analysis by applying an adjustment to the spot rate at year-end. As the balance of the cash and cash equivalents (including restricted cash), accounts receivables, inventories, trade and other payables, denominated in USD, at year-end is US$51.1 million, a 10% strengthening or weakening of the euro versus US dollar would have an impact of US$5.1 million on the Group's gain (weakening of the euro) or loss (strengthening of the euro).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Pharming's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the Company and thus at the same time optimizing the net interest costs. This policy translates into a certain desired profile of fixed-interest and floating interest positions, including those generated by cash and cash equivalents and marketable securities and those paid on finance lease liabilities. As the interest rate on the convertible bond is a fixed percentage, Pharming concluded that the total risk on interest is not material.

The issue of the Convertible Bonds due 2025 at a fixed interest rate of 3.00% p.a. replacing the Company's previous debt facility has rendered this concern obsolescent. The interest on the vast majority of the Company's financial instruments is now not variable with market interest rates. More information on the Convertible Bonds due 2025 can be found in note 19. Convertible bonds.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge obligations. Pharming manages credit risk exposure through the selection of financial institutions having a high credit rating, using credit rating reports issued by institutions such as Standard & Poor's and Moody's. The exposure to credit risk at 31 December 2023 is represented by the carrying amounts of cash and cash equivalents, marketable securities and trade and other receivables.

The carrying amounts of the cash and cash equivalents (including restricted cash) as at 31 December 2023 amounted to US$63.3 million and was held through financial institutions with a A- to A rating from Standard & Poor's, A3 to Aa3 ratings from Moody's and A to AA- ratings from Fitch.

Marketable securities at 31 December 2023 amounted to US$151.7 million and was held in S&P AAA-rated government treasury certificates with a maturity of six months or less from the date of acquisition. We have considered the expected credit loss and recognized no losses, due to the AAA credit ratings.

Trade and other receivables at 31 December 2023 amounted to US$46.2 million. As at the date of these financial statements, these amounts have largely been settled, including receipts in cash and receipt of goods and services in exchange of prepaid expense items. Based on the credit ratings of cash and cash equivalents (including restricted cash) as well as the positions taken with respect to marketable securities and trade and other receivables, the Company considers that this risk is adequately managed.

Liquidity risk

The liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Pharming's objective is to maintain a minimum level and certain ratio of cash and cash equivalents (including short-term deposits and readily convertible S&P AAA-rated government treasury certificates with a maturity of six months or less). The strategy of the Company is to repay its obligations through generation of cash income from operating activities such as product sales. In case such cash flows are insufficient, the Company relies on financing cash flows as provided through the issuance of shares or incurring financial liabilities. Note 3. Going concern assessment of these financial statements more extensively describes the Company's going concern assessment.

The following table presents the financial liabilities at year-end 2023, showing the remaining undiscounted contractual amounts due including nominal interest. Liabilities denominated in foreign currency have been converted at the exchange rate at 31 December 2023.

Maturity profile of financial liabilities:

Amounts in US$'000	2024	2025	2026	2027	2028 and onwards	Total	Prior year total
Trade and other payables	72,528	—	—	—	—	72,528	54,465
Lease Liabilities	5,071	4,548	4,143	3,729	22,600	40,091	40,691
Convertible Bonds	4,126	139,588	—	—	—	143,714	143,338
Total	**81,725**	**144,136**	**4,143**	**3,729**	**22,600**	**256,333**	**238,494**

Fair value estimation

The Company uses the following hierarchy for determining the fair value of financial instruments measured at fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data or which are based on the probability of future events occurring (that is, unobservable inputs).

The following table presents the assets that are measured at fair value at year-end 2023 and 2022:

	2023			2022		
Amounts in US$'000	Level 1	Level 3	Total	Level 1	Level 3	Total
Investments in equity instruments designated as at FVTOCI	2,020	—	2,020	403	—	403
Investments in debt instruments designated as at FVTPL	—	6,093	6,093	—	6,827	6,827
Balance at December 31	**2,020**	**6,093**	**8,113**	**403**	**6,827**	**7,230**

The following table includes carrying values and the estimated fair values of financial instruments:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and cash equivalents, including restricted cash	63,269	63,269	208,654	208,654
Marketable securities	151,683	151,746	—	—
Trade and other receivables	46,158	46,158	27,619	27,619
Liabilities:				
Convertible Bond	138,422	138,422	133,386	133,386
Lease Liabilities	33,123	33,123	33,308	33,308
Trade and other payables	72,528	72,528	54,465	54,465

The above other fair values of financial instruments are based on internal calculations. Cash and cash equivalents, trade and other receivables as well as trade and other payables are stated at carrying amount, which approximates the fair value in view of the short maturity of these instruments. The fair values of finance lease liabilities (both non-current and current portion) are based on arm's length transactions.

The following table sets out an analysis for each of the period presented of the net position of the convertible bond, cash and cash equivalents and marketable securities, showing the remaining undiscounted contractual amounts due including nominal interest.

Amounts in US$ '000	2023	2022
Cash and cash equivalents	61,741	207,342
Restricted cash	1,528	1,312
Marketable securities	151,683	—
Convertible bond - repayable within one year	(1,824)	(1,768)
Convertible bond - repayable after one year	(136,598)	(131,618)
Net cash (debt)	**76,530**	**75,268**
Cash and cash equivalents	61,741	207,342
Restricted cash	1,528	1,312
Marketable securities	151,683	—
Gross debt - fixed interest rates	(138,422)	(133,386)
Gross debt - variable interest rates	—	—
Net cash (debt)	**76,530**	**75,268**

Reconciliation of liabilities arising from financing activities:

	2022	Cashflows	Non - Cash changes					2023
Amounts in US$'000			Acquisition and disposal	Interest Expense Accrued	Amortized costs	Fair Value Changes	Foreign exchange effects and other	
Convertible Bond	133,386	(4,046)	—	4,046	830	—	4,206	138,422
Lease Liabilities	33,308	(5,126)	1,295	1,193	—	—	2,453	33,123
Total liabilities from financing activities	**166,694**	**(9,172)**	**1,295**	**5,239**	**830**	**—**	**6,659**	**171,545**

27. Earnings per share and diluted shares

Basic earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is normally computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans. However, as the net result represents a loss in 2023, the diluted earnings per share are equal to the basic earnings per share for 2023. For 2023 and 2022, the basic and diluted earnings per share are:

	2023	2022
Net profit (loss) attributable to equity owners of the parent (in US$'000)	(10,548)	13,674
Weighted average shares outstanding	657,020,521	648,676,119
Basic profit (loss) per share (in US$)	(0.016)	0.021
Weighted average diluted shares outstanding	725,463,948	707,141,263
Diluted profit (loss) per share (in US$)	(0.016)	0.019

The diluted net profit used in the calculation of dilutive profit per share amounts to (US$10.5) million. Difference between the weighted average shares outstanding and the weighted average diluted shares outstanding used for basic profits calculations per share relates to restricted stock units (RSU), options and LTIP. The 62,412,622 average shares related to the convertible bonds are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

Diluted shares

The composition of the number of shares and share rights outstanding as well as authorized share capital as per 31 December 2023 and the date of these financial statements is provided in the following table.

Movements of shares and other instruments between 31 December 2023 and 4 April 2024 are shown in the table below:

	December 31, 2023	Shares issued	Other	4 April 2024
Shares	671,073,243	2,365,070	—	673,438,313
RSU	11,187,064	—	25,000	11,212,064
Options	34,482,312	(1,090,876)	—	33,391,436
Convertible bonds	62,412,622	—	—	62,412,622
LTIP	17,534,261	(1,222,839)	5,365,914	21,677,336
Issued	**796,689,502**	51,355	5,390,914	**802,131,771**
Available for issue	259,310,498	(51,355)	(5,390,914.00)	253,868,229
Authorized share capital	**1,056,000,000**	—	—	**1,056,000,000**

28. Events after the reporting period

Management identified no events after the reporting period affecting the 2023 financial statements.

Company financial statements

Company statement of income

For the year ended 31 December

Amounts in US$ '000	notes	2023	2022
Revenues	3	**62,016**	**39,384**
Operating expenses	4	**(58,840)**	**(37,386)**
Operating result		**3,176**	**1,998**
Fair value gain (loss) on revaluation derivatives		—	—
Other finance income and expenses	16	2,990	(4,945)
Finance cost, net		**2,990**	**(4,945)**
Result before tax		**6,166**	**(2,947)**
Income tax credit (expense)	7	147	(4,021)
Result before share in result of investments		**6,313**	**(6,968)**
Share in result of investments	12	(16,861)	20,642
Profit for the year	11	**(10,548)**	**13,674**

The notes are an integral part of these financial statements.

Company balance sheet

As at 31 December

(after proposed appropriation of net profit)

Amounts in US$ '000	notes	2023	2022
Non-current assets			
Intangible assets	5	28,628	29,983
Property, plant and equipment	6	881	1,079
Right-of-use assets	6	3,606	3,893
Long-term prepayments		92	228
Deferred tax asset	7	15,559	15,581
Financial assets	12	202,136	213,242
Restricted Cash	9	488	177
Total non-current assets		**251,390**	**264,183**
Current assets			
Trade and other receivables	8	4,011	2,254
Restricted cash	10	—	213
Marketable securities	9	151,683	—
Cash and cash equivalents	10	3,893	114,970
Total current assets		**159,587**	**117,437**
Total assets		**410,977**	**381,620**

Amounts in US$ '000	notes	2023	2022
Equity			
Share capital		7,669	7,509
Share premium		478,431	462,297
Legal reserves		(2,057)	(8,737)
Accumulated deficit		(265,262)	(256,431)
Shareholders' equity	11	**218,781**	**204,638**
Non current Liabilities			
Convertible bonds	13	136,598	131,618
Lease liabilities	6	3,405	3,998
Total non-current liabilities		**140,003**	**135,616**
Current Liabilities			
Convertible bonds	13	1,824	1,769
Intercompany payables	11	39,361	31,962
Trade and other payables	14	10,313	7,280
Lease liabilities	6	695	355
Total current liabilities		**52,193**	**41,366**
Total shareholders' equity and liabilities		**410,977**	**381,620**

The notes are an integral part of these financial statements.

Notes to the Company financial statements

1. General

Within Pharming, the entity Pharming Group N.V. acts as a holding company of the operating companies. Its activities are limited to the arrangement of financial transactions with third parties and to provide the operating companies with support in the field of legal, financial, human resources, public relations, IT and other services.

2. Summary of material accounting policy information

The Company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands. The accounting policies applied are the same as those used in the consolidated financial statements in accordance with the provisions of article 362-8 of book 2 of the Dutch Civil Code, except for investments in subsidiaries and intercompany receivables and payables. Investments in subsidiaries are accounted for using the equity method. Intercompany receivables and payables are stated at nominal value.

Investments in subsidiaries are those investments with a positive equity value. In the event the equity value of a Group company together with any long-term interests that, in substance, form part of our net investment in the Group company, becomes negative, additional losses are provided for, and a liability is recognized, only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the subsidiary. The Company shall, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

3. Revenues

The revenues of the Company relate to intercompany charges to group companies.

4. Expenses by nature

Operating expenses in 2023 and 2022 were as follows:

Amounts in US$ '000	2023	2022
Direct operating expenses	(19,656)	(7,827)
Employee costs (excl. Share based compensation)	(20,653)	(13,506)
Facilities and infrastructure	(2,748)	(1,822)
Share-based compensation	(9,251)	(6,392)
Depreciation and amortization charges	(3,188)	(1,764)
Other operating expenses	(3,344)	(6,075)
Total	**(58,840)**	**(37,386)**

Direct operating costs increased mainly as a result of the Development and Regulatory Milestone payment of US$10.4 million following the first commercial sale of Joenja® in 2023. See note 25. Commitments and contingencies of the consolidated financial statements for more information on the leniolisib milestone commitments. The increased costs are mainly related to the increased employee costs resulting from more staff employed following the growth of the organization.

Employee information

All employees of Pharming Group N.V. in both 2023 and 2022 were based in the Netherlands and in France. The average number of full-time equivalent employees in 2023 was 87 (2022: 83). The average number of full-time equivalent employees working outside the Netherlands was 22 (2022: 27).

5. Intangible assets

Amounts in US$ '000	Development costs	RUCONEST® licenses	Joenja® license	Software	Total
At cost	282	8,500	25,185	168	34,135
Accumulated:					
Amortization charges	—	(1,417)	—	(79)	(1,496)
Impairment charges	(16)	—	—	—	(16)
Carrying value at January 1, 2022	**266**	**7,083**	**25,185**	**89**	**32,623**
Amortization charges	—	(664)	—	(26)	(690)
Impairment charges	—	—	—	—	—
Assets acquired	—	—	—	—	—
Divestments - cost	—	—	—	(22)	(22)
Divestment - accumulated amortization	—	—	—	—	—
Currency translation - cost	(32)	(500)	(1,482)	(10)	(2,024)
Currency translation - amortization	—	76	—	4	80
Currency translation - impairment	16	—	—	—	16
Movement 2022	**(16)**	**(1,088)**	**(1,482)**	**(54)**	**(2,640)**
At cost	250	8,000	23,703	136	32,089
Accumulated:					
Amortization charges	—	(2,005)	—	(101)	(2,106)
Impairment charges	—	—	—	—	—
Carrying value at December 31, 2022	**250**	**5,995**	**23,703**	**35**	**29,983**

Amounts in US$ '000	Development costs	RUCONEST® licenses	Joenja® license	Software	Total
At cost	250	8,000	23,703	136	32,089
Accumulated:					
Amortization charges	—	(2,005)	—	(101)	(2,106)
Impairment charges	—	—	—	—	—
Carrying value at January 1, 2023	**250**	**5,995**	**23,703**	**35**	**29,983**
Amortization charges	—	(680)	(1,300)	(19)	(1,999)
Impairment charges	(253)	—	—	—	(253)
Assets acquired	—	—	—	—	—
Divestments - cost	(253)	—	—	—	(253)
Divestment - accumulated amortization	253	—	—	—	253
Currency translation - cost	3	251	745	4	1,003
Currency translation - amortization	—	(76)	(26)	(4)	(106)
Currency translation - impairment	—	—	—	—	—
Movement 2023	**(250)**	**(505)**	**(581)**	**(19)**	**(1,355)**
At cost	—	8,251	24,448	140	32,839
Accumulated:					
Amortization charges	—	(2,761)	(1,326)	(124)	(4,211)
Impairment charges	—	—	—	—	—
Carrying value at December 31, 2023	**—**	**5,490**	**23,122**	**16**	**28,628**

More information is available in note 10. Intangible assets of the consolidated financial statements.

6. Tangible assets

6.1. Property, plant and equipment

Property, plant and equipment include leasehold improvements related to office investments in the Company's headquarters and other items such as office furniture and equipment as well as hardware and software.

Amounts in US$ '000	Operational facilities	Leasehold improvements	Machinery and equipment	Other	Total
At cost	—	430	1,342	1,444	3,216
Accumulated depreciation	—	(406)	(835)	(804)	(2,045)
Carrying value at January 1, 2022	**—**	**24**	**507**	**640**	**1,171**
Investments	—	—	62	326	388
Other - cost	—	—	—	—	—
Other - accumulated depreciation	—	—	—	—	—
Divestment	—	—	—	—	—
Depreciation charges	—	(6)	(145)	(258)	(409)
Depreciation of divestment	—	—	—	—	—
Currency translation - cost	—	(25)	(78)	(81)	(184)
Currency translation - amortization	—	24	47	42	113
Movement 2022	**—**	**(7)**	**(114)**	**29**	**(92)**
At cost	—	405	1,326	1,689	3,420
Accumulated depreciation	—	(388)	(933)	(1,020)	(2,341)
Carrying value at December 31, 2022	**—**	**17**	**393**	**669**	**1,079**
Investments	—	—	32	220	252
Other - cost	—	9	—	—	9
Other - accumulated depreciation	—	(9)	—	—	(9)
Divestment	—	—	(5)	—	(5)
Depreciation charges	—	(6)	(140)	(332)	(478)
Depreciation of divestment	—	—	4	—	4
Currency translation - cost	—	11	41	57	109
Currency translation - amortization	—	(12)	(32)	(36)	(80)
Movement 2023	**—**	**(7)**	**(100)**	**(91)**	**(198)**
At cost	—	425	1,394	1,966	3,785
Accumulated depreciation	—	(415)	(1,101)	(1,388)	(2,904)
Carrying value at December 31, 2023	**—**	**10**	**293**	**578**	**881**

6.2. Leases

This note provides information for leases where the Company is a lessee.

i. Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right of use assets

Amounts in US$ '000	Buildings	Cars	Total
At cost	5,637	432	6,069
Amortization charges	(1,283)	(163)	(1,446)
Carrying value at January 1, 2022	**4,354**	**269**	**4,623**
Additions	—	36	36
Remeasurement	174	—	174
Divestments	—	(17)	(17)
Depreciation charges	(551)	(111)	(662)
Depreciation of divestment	—	17	17
Currency translation - cost	(329)	(25)	(354)
Currency translation - amortization	68	8	76
Movement 2022	**(638)**	**(92)**	**(730)**
At cost	5,482	426	5,908
Accumulated depreciation	(1,766)	(249)	(2,015)
Carrying value at December 31, 2022	**3,716**	**177**	**3,893**
Additions	—	38	38
Remeasurement	271	—	271
Divestment	—	(74)	(74)
Depreciation charges	(606)	(105)	(711)
Depreciation of divestment	—	74	74
Currency translation - cost	177	13	190
Currency translation - amortization	(67)	(8)	(75)
Movement 2023	**(225)**	**(62)**	**(287)**
At cost	5,930	403	6,333
Accumulated depreciation	(2,439)	(288)	(2,727)
Carrying value at December 31, 2023	**3,491**	**115**	**3,606**

Lease liabilities

Amounts in € '000	2023	2022
Current	695	355
Non-current	3,405	3,998
Balance at December 31	**4,100**	**4,353**

ii. Amounts recognized in the statement of income

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2023	2022
Depreciation right of use buildings	(606)	(551)
Depreciation right of use cars	(105)	(111)
Interest expense (note 15)	(242)	(251)
Total expense right of use assets	**(953)**	**(913)**

7. Income tax

The Company represents the head of the Dutch fiscal unity and the disclosures in this note relate to the tax position of the entire Dutch fiscal unity.

Deferred income tax

The net balance of deferred tax assets and liabilities is specified as follows:

Amounts in US$ '000	2023	2022
Total deferred tax assets	20,149	21,394
Total deferred tax liabilities	(4,590)	(5,813)
Total net balance of deferred tax assets and liabilities	**15,559**	**15,581**

The significant components and annual movements of deferred income tax assets as of 31 December, 2023 and 1 January, 2023, are as follows:

Amounts in US$ '000	2023	2022
Deferred tax assets		
Intangible assets	—	9,874
Other	595	979
Lease liabilities	7,044	7,043
Tax losses	12,510	3,498
Total deferred tax assets	**20,149**	**21,394**

Amounts in US$ '000	Intangible assets	Other	Lease liabilities	Tax losses	Total
At January 1, 2022	**10,492**	**842**	**3,795**	**6,544**	**21,673**
(Charged)/credited					
- to profit or loss	—	(65)	3,431	(2,630)	736
- other movement	—	—	—	—	—
- to other comprehensive income	—	245	—	—	245
- currency translation	(618)	(43)	(183)	(416)	(1,260)
At December 31, 2022	**9,874**	**979**	**7,043**	**3,498**	**21,394**
(Charged)/credited					
- to profit or loss	(9,988)	—	(216)	8,731	(1,473)
- other movement	—	—	—	—	—
- to other comprehensive income	—	(406)	—	—	(406)
- currency translation	114	22	217	281	634
At December 31, 2023	**—**	**595**	**7,044**	**12,510**	**20,149**

For more information on deferred taxes see note 9. Income tax to the consolidated financial statements.

The component and annual movement of deferred income tax liabilities as of 31 December, 2023 and 1 January, 2023 are as follows:

Amounts in US$ '000	2023	2022
Deferred tax liabilities		
Tangible fixed assets	(4,590)	(5,813)
Total deferred tax liabilities	**(4,590)**	**(5,813)**

Amounts in US$ '000	Tangible fixed assets	Total
At January 1, 2022	**(3,621)**	**(3,621)**
(Charged)/credited		
- to profit or loss	(2,377)	(2,377)
- currency translation	185	185
At December 31, 2022	**(5,813)**	**(5,813)**
(Charged)/credited		
- to profit or loss	1,378	1,378
- currency translation	(155)	(155)
At December 31, 2023	**(4,590)**	**(4,590)**

Income tax expenses

In 2023, the Company was liable to a tax credit of US$0.1 million, which was partly set off against deferred tax assets previously recognized.

8. Trade and other receivables

Amounts in US$ '000	2023	2022
Prepaid expenses	310	254
Value added tax	2,357	409
Other receivables	86	382
Taxes and Social Securities	1,258	1,209
Balance at December 31	**4,011**	**2,254**

Trade and other receivables at 31 December 2023 are substantially short-term in nature.

9. Marketable securities

The backgrounds of the Marketable securities have been provided in note 14. Marketable securities of the consolidated financial statements.

10. Restricted cash, Cash and cash equivalents

Amounts in US$ '000	2023	2022
Restricted cash (non-current)	488	177
Restricted cash (current)	—	213
Cash and cash equivalents	3,893	114,970
Total restricted cash, cash and cash equivalents	**4,381**	**115,360**

The holding company Pharming Group N.V. has entered into a joint liability agreement with a bank and other Group companies. Pursuant to this agreement, the entity at 31 December 2023 is jointly liable for commitments relating to bank guarantees from other group companies for an aggregate amount of US$0.5 million with a maturity of more than one year after the end of the reporting year.

11. Shareholders' equity

The Company's authorized share capital amounts to US$11.6 million (€10.6 million, exchange rate (EUR:US$) equals 1:1.1002) and is divided into 1,056,000,000 ordinary shares with a nominal value of €0.01 each. All 671,073,243 (€6.7 million) shares outstanding at 31 December 2023 have been fully paid-up.

Movements in shareholders' equity for 2023 and 2022 were as follows:

Amounts in US$ '000	2023	2022
Balance at January 1	**204,638**	**192,916**
Net profit (loss)	(10,548)	13,674
Foreign currency translation	7,103	(11,054)
Total comprehensive income	**(3,445)**	**2,620**
Income tax benefit from excess tax deductions related to share-based payments	204	430
Share-based compensation	9,251	6,392
Options exercised	8,133	2,280
Total transactions with owners	**17,588**	**9,102**
Balance at December 31	**218,781**	**204,638**

For a detailed movement schedule of equity for the years 2023 and 2022, please refer to note 18. Shareholders' equity of the consolidated financial statements.

12. Financial assets

Movements of the provision for investments for the years 2023 and 2022 were as follows:

Amounts in US$ '000	2023	2022
Balance at January 1	**(64,361)**	**(64,662)**
Reclass to the provision for investments	10,414	—
Share in results of investments	(35,421)	(3,464)
Exchange rate effects	(2,513)	3,765
Balance at December 31	**(91,881)**	**(64,361)**

At year-end 2023 and 2022, the provision for subsidiaries was set off against intercompany receivable balances in Pharming Group N.V.:

Amounts in US$ '000	2023	2022
Provision for investments	(91,881)	(64,361)
Investments in subsidiaries with positive equity	31,416	39,537
Receivable from group companies	262,601	238,066
Net financial assets	**202,136**	**213,242**

See note 2.3 Basis of consolidation for a list of direct subsidiaries of Pharming Group N.V.

The Company's direct investments are:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100 %
Pharming Americas B.V.	The Netherlands	100 %
Pharming Intellectual Property B.V.	The Netherlands	100 %
Pharming Technologies B.V.	The Netherlands	100 %
Broekman Instituut B.V.	The Netherlands	100 %
Pharming Healthcare, Inc.	The United States	100 %
ProBio, Inc.	The United States	100 %

13. Convertible bonds

The backgrounds of the convertible bonds have been provided in note 19. Convertible bonds of the consolidated financial statements.

14. Trade and other payables

Amounts in US$ '000	2023	2022
Accounts payable	830	413
Other payables	9,483	6,867
Balance at December 31	**10,313**	**7,280**

Trade and other payables at 31 December 2023 are short-term in nature.

15. Related party transactions

Related parties' disclosure relates mainly to transactions with group companies and the associate company BioConnection Investments B.V. and with the key management of Pharming.

Related party transactions with group companies consist of recharged costs for US$62.0 million (2022: US$39.4 million) and are recognized as revenues. These transactions take place in the ordinary course of business and are at arm's length.

In 2023, Pharming Group N.V. did not engage in any transactions with BioConnection Investments B.V.

All direct transactions with members of the Board of Directors have been disclosed in notes 23. Board of Directors and 24. Related party transactions of the consolidated financial statements.

16. Other finance income and expenses

Amounts in US$ '000	2023	2022
Interest income	3,231	104
Intercompany interest, net	5,430	(1,042)
Foreign currency results	(423)	1,054
Interest on convertible bonds	(4,876)	(4,737)
Interest leases	(242)	(251)
Other financial expenses	(130)	(73)
Total other finance income and expenses	**2,990**	**(4,945)**

17. Commitments and contingencies

The backgrounds of the commitments and contingencies have been provided in note 25. Commitments and contingencies of the consolidated financial statements. Of these, the leniolisib milestone commitments relate to Pharming Group N.V.

The Company has issued declarations of joint and several liabilities for debts arising from the actions of Dutch consolidated participating interests, as described in article 2:403 of the Netherlands Civil Code.

Other information

“ In 2023, we executed on our strategic objective of building a sustainable rare disease business by growing RUCONEST® sales, successfully launching Joenja® (leniolisib) in the U.S., and the continued development and management of our pipeline.”

Dr. Sijmen de Vries, Executive Director and Chief Executive Officer

Appropriation of result

Article 25.1 of the articles of association reads as follows: 'the Board of Directors shall annually determine the amount of the distributable profit – the surplus on the profit and loss account – to be reserved.'

The Board of Directors proposes to forward the net loss for the year 2023 of US$(10.5) million to the accumulated deficit.

Leiden, April 3, 2024

The Board of Directors
Sijmen de Vries – Executive member of the Board of Directors, President and Chief Executive Officer
The original copy has been signed by the Board of Directors.

Independent auditor's report

To the Shareholders and the Board of Directors of Pharming Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended December 31, 2022 of Pharming Group N.V. ("the company" or "the group"), based in Leiden, the Netherlands. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Pharming Group N.V. as at December 31, 2023, and of its result and its cash flows for the year ended December 31, 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Pharming Group N.V. as at December 31, 2023, and of its result for the year ended December 31, 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at December 31, 2023.
2. The following statements for year ended December 31, 2023: the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.
3. The notes comprising a summary of the material accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2023.
2. The company statement of income for the year ended December 31, 2023.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Pharming Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 2.6 million. The materiality is based on 1.4% revenue from continuing operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of the components were performed using materiality levels determined by the judgement of the group engagement team, taking into account the materiality of the financial statements as a whole and the reporting structure within the group. Component performance materiality did not exceed USD 1.5 million.

We agreed with the Board of Directors that misstatements in excess of USD 128 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Pharming Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Pharming Group N.V.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components. All audit procedures on both group and component level were performed by the group engagement team.

Our group audit mainly focused on significant components in the Netherlands and the United States. In addition, we performed analytical procedures at other components.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management’s process for responding to the risks of fraud and monitoring the system of internal control and how the non-executive directors from the Board of Directors exercise oversight, as well as the outcomes. We evaluated Pharming’s fraud risk assessment and made inquiries with the Board of Directors, those charged with governance and others within the group.

We evaluated several fraud risk factors to consider whether those factors indicate a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment and in determining the audit response.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as, among others, the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

We identified a risk of material misstatement due to fraud related to revenue recognition related to the estimate of the U.S. revenue rebate accrual mainly consisting of U.S. Medicaid. Refer to 'Our key audit matters' for our procedures performed.

We furthermore identified a risk of material misstatement due to fraud related to management override of controls. Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

As part of our audit procedures to respond to these risks, we evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. For significant transactions, we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 2 of the financial statements.

We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. The evaluation of the U.S. revenue rebate related liability is a significant area to our audit as the determination of the rebate accrual is subject to significant management judgment. To evaluate the reasonableness of

management's estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. Reference is made to the section "Our key audit matters". This all did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Board of Directors, legal counsel and reading internal minutes. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the company's business and the complexity of FDA and other healthcare authority regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to Pharming's ability to continue its business, or to avoid material penalties (e.g., with laws and regulations such as SEC regulations, Dutch Stock exchange regulations, FDA regulations and EMA regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Board of Directors and others within the company as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

We are responsible for obtaining reasonable assurance that the group is able to continue as a going concern. Management is responsible to assess the group's ability to continue as a going concern and disclosing in the financial statements any events or circumstances that may cast significant doubt on the group's ability to continue as a going concern.

As explained in the note 3. "Going concern assessment" and note 26 "Financial risk management", management has prepared the financial statements of Pharming Group N.V. based on the going concern assumption. No events or circumstances have been identified which cause significant doubt about the entity's ability to continue its operations (going concern risks). Our procedures to evaluate the going concern assessment of management include:

- Consider whether management's assessment of going concern contains all relevant information of which we are aware as a result of our audit and review of the other information. In addition, we inquired with management about the key assumptions underlying the going concern assessment.
- Inquiry with management regarding their knowledge of events and/or circumstances beyond the period of management's assessment.
- We reconciled the cash and cash equivalents position as used in the going concern assessment to the audited position at December 31, 2023.
- We evaluated managements' financial forecasts and analysis prepared for a period of at least 12 months from the date of preparation of the financial statements. This included consideration of the reasonableness of key underlying assumptions by evaluating historically realized and future expected operating and capital expenditure as well as evaluating mathematical accuracy of the assessment.
- We evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

Our audit procedures did not produce results that were inconsistent with management's assumptions and judgments in applying the going concern assumption.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors.

The key audit matters are not a comprehensive reflection of all matters discussed.

Key audit matter

Trade and other payables — U.S. Revenue Rebate Accruals

Description

As of 31 December, 2023, the Company recognized U.S. revenue rebate accruals. The sales in the United States are subject to rebates relating directly to customers or to ultimate reimbursement claims from government or insurance payers, mainly consisting of U.S. Medicaid ("U.S. revenue rebate accruals"). These are accounted for on an estimated basis.

The U.S. revenue rebate accrual involves the use of significant assumptions and judgments in its calculation. These significant assumptions and judgments include historical claims experience, unbilled claims, and claims submission time lags. Given the complexity of this estimate, together with the limited amount of historical data available and judgments necessary to develop this estimate, and the internal control over financial reporting deficiencies identified, auditing this estimate required both extensive audit effort and a high degree of auditor judgment when performing auditing procedures and evaluating the results of those procedures, and therefore we identified the U.S. revenue rebate accruals as a key audit matter.

The company's disclosures concerning these estimates are included in notes 2.4, 2.5, 5 and 21 to the consolidated financial statements.

How the key audit matter was addressed in the audit

Our audit procedures related to the assumptions and judgments made by management in estimating the U.S. revenue rebate accruals included the following, amongst others:

- We evaluated the appropriateness and consistency of the Company's method, data, and assumptions used to calculate the U.S. revenue rebate accruals.
- We tested the mathematical accuracy of the U.S. revenue rebate accruals calculation.
- We tested significant assumptions and key inputs used to calculate the U.S. revenue rebate accruals, namely, testing rebate claims received during the financial year against source documentation and assessing the reasonableness of the Board of Directors' forecast by comparing to historical claims.
- We evaluated the Company's ability to estimate U.S. revenue rebate accruals accurately by comparing actual claims received during the current year to historical estimates.
- Through the use of data visualizations, we compared recorded U.S. revenue rebate accruals against historic data to evaluate the reasonableness of the estimate.

Our observations

Our procedures did not result in any reportable material matters.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Directors report including, amongst others, the report of the Remuneration Committee.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL and REGULATORY REQUIREMENTS and ESEF

Engagement

We were initially engaged by a resolution at the Annual General Meeting of Shareholders as auditor of Pharming Group N.V. on May 22, 2019, as of the audit for the year 2019 and have operated as statutory auditor ever since that financial year. For the audit for the year 2023, we were appointed by the General Meeting held on May 19, 2023.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

Pharming Group N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Pharming Group N.V. complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with RTS on ESEF, whereby management combines the various entities into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive directors from the Board of Directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the non-executive directors from the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Board of Directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 3, 2024
Deloitte Accountants B.V.

I.A. Buitendijk

Glossary

ADR American Depositary Receipt.

ADS American Depositary Share.

AFM Dutch Authority for the Financial Markets.

AGM Annual General Meeting of Shareholders.

AKI Acute Kidney Injury (AKI) is a sudden episode of kidney failure or kidney damage.

ALPS-FAS Automimmune lymphoproliferative syndrome (ALPS) with FAS mutation is a primary immunodeficiency with immune dysregulation caused by certain mutations in the FAS gene.

APDS or Activated PI3K-delta syndrome is a primary immunodeficiency disease caused by activating gain of function mutations in gene contributing to the control of the immune system. Individuals with this condition often have high numbers of non-properly functioning white blood cells.

Bausch Health Companies Inc. Formerly known as Valeant Pharmaceuticals International, develops, manufactures and markets pharmaceutical products and branded generic drugs, primarily for skin diseases, gastrointestinal disorders, eye health, and neurology.

BioConnection B.V. Contract services and manufacturing organization for the development and manufacturing of injectable (bio)pharmaceutical products.

BLA To commercialize a new biological product in the U.S., 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.

BSM Black-Scholes-Merton, financial instrument pricing framework.

BoD Board of Directors.

BOM The Board of Management.

C1INH C1 esterase inhibitor or C1INH is an inhibitor protein present in human blood. C1INH is involved in the regulation of one of the key proteins in the complement system (C1), which is part of the natural inflammatory response of the body. Insufficient C1 inhibitor levels or activity can cause inflammation and HAE attacks.

CBO Chief Business Officer.

CCO Chief Commercial Officer.

CDIBP Chengdu Institute of Biological Products, a Sinopharm Company.

CDZ173 Novartis project name for leniolisib.

CECO Chief Ethics & Compliance Officer.

CEO Chief Executive Officer.

CFO Chief Financial Officer.

CHMP Committee for Medicinal Products for Human Use (CHMP) is the European Medicines Agency's (EMA) committee responsible for human medicines.

Clinical trial/study Clinical trials typically range from Phase I to Phase IV and are performed on human individuals ranging from healthy people to patients, to evaluate safety and efficacy of new pharmaceutical products before they can be approved.

CLO Contract Laboratory Organization.

CMC Chemistry, Manufacturing & Control.

CMO Contract Manufacturing Organization or Chief Medical Officer.

COMP Committee for Orphan Medicinal Products in the EU.

Complement system The complement system is a major part of the immune system, responsible for certain immune-mediated inflammation reactions, including most reactions that cause vascular edema (swelling).

Convertible Bonds These are corporate bonds offered by a publicly traded company, that give the bond holder the right to exchange the bond for a pre-determined quantity of stock.

COO Chief Operations Officer.

CRO Contract Research Organization.

CSIPI China State Institute of Pharmaceutical Industry, a Sinopharm company.

CSRD Corporate Sustainability Reporting Directive.

CTLA4 haploinsufficiency is a primary immunodeficiency with immune dysregulation caused by certain mutations in the CTLA4, or cytotoxic T-lymphocyte associated protein 4, gene.

Cytobioteck Privately-owned Bogota, Colombia based specialty healthcare company.

DSP Downstream Processing.

EAP Early Access Program.

EBITDA Earnings before Interest, Tax, Depreciation & Amortization. Defined as Profit for the year adjusted to exclude Income tax credit (expense), Financial cost, net and Depreciation of Property, plant and equipment and Amortization of Intangible assets.

(Adjusted) EBITDA Defined as Profit for the year adjusted to exclude Income tax credit (expense), Financial cost, net, Depreciation of Property, plant and equipment, Amortization of Intangible assets and Impairments/(reversal) of certain capitalized development expenses as defined.

ECDRP The European Commission Decision Reliance Procedure allows a company to submit a product that has received approval from EMA to the U.K.'s MHRA. This path was replaced by the International Recognition Procedure (IRP) from January 1, 2024.

EEA European Economic Area.

EMA The European Medicines Agency is the regulatory office for pharmaceuticals in the European Union.

EPS (Earnings per share) Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding including the dilutive effect of shares to be issued in the future under certain arrangements such as option plans, warrants issued and convertible loan agreements.

ERT Enzyme Replacement Therapy.

ESG Environmental, Social, Governance.

ESRD European Sustainability Reporting Standards.

EU European Union.

ExCo Executive Committee.

Fabry's disease (also known as Anderson-Fabry disease and alpha-galactosidase A deficiency) is a rare genetic lysosomal storage disease resulting from the deficient activity of an enzyme, alpha-galactosidase A (αGalA), usually caused by an X-chromosome mutation of the GLA gene.

FDA The FDA or Food and Drug Administration is the regulatory office responsible for drug approval in the United States.

GCP Good Clinical Practices.

GDPR General Data Protection Regulation.

GLP Good Laboratory Practice.

GMP/ GMP status Good Manufacturing Practice is a term that is recognized worldwide for the control and management of manufacturing and quality control testing of foods and pharmaceutical products.

HAE Hereditary Angioedema is a human genetic disorder caused by insufficient activity or concentration of the C1 inhibitor protein in the plasma.

HAEi Hereditary Angioedema International (patient organization).

HAEi GAP HAEi Global Access Program.

FRS, IAS and IASB 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).

ICD-10-CM the International Classification of Diseases, Tenth Revision, Clinical Modification — more commonly known as ICD-10-CM — is a classification system of diagnosis codes representing conditions and diseases, related health problems, abnormal findings, signs and symptoms, injuries, and external causes of injuries and diseases.

Immunoglobulin M (IgM) is one of several isotypes of antibody (also known as immunoglobulin).

IND Investigational New Drug application is the process through which a product must pass to get to the next stage of drug development known as clinical trials.

IRP International Recognition Procedure. The U.K. MHRA's new international recognition route for medicines utilizing pre-existing approvals from other countries including the United States.

IRT Immunoglobulin Replacement Therapy.

Joenja® is the global registered trademark for leniolisib. When discussing the U.S. market or the commercialized product in the U.S. we use the trademarked name Joenja® instead of leniolisib.

Kamada partners with international pharmaceutical companies in exclusive marketing and distribution arrangements for the Israeli market.

Leniolisib Also known as CDZ173, is a synthetic phosphoinositide 3-kinase delta (PI3Kδ) inhibitor developed for the treatment of Activated Phosphoinositide 3-kinase Delta Syndrome (APDS). When discussing clinical trials or studies- prior to U.S. approval - or when discussing the product as related to markets outside of U.S. approval, we use the term leniolisib.

LTIP Long Term Incentive Plan.

MAA Marketing Authorization Application is a request for market approval to the EMA in the European Union.

MHRA The U.K.'s Medicines and Healthcare Products Regulatory Agency.

NDA New Drug Application, the vehicle through which drug sponsors formally propose that the FDA approve a new pharmaceutical for sale and marketing in the U.S.

Net cash (debt) Defined as convertible bonds minus cash and cash equivalents, restricted cash and marketable securities.

Novartis Swiss multinational pharmaceutical company based in Basel, Switzerland.

Orchard Therapeutics gene therapy company with a strategic partnership with Pharming for the development of OTL-105.

Orphan Drug/ Orphan Drug status A drug being developed to treat a rare disease (affecting less than 200,000 individuals in the U.S.A.) can receive Orphan Drug designation from the FDA.

PDCO Pediatric Committee in the EU.

PDUFA Prescription Drug User Fee Act.

PI3Kδ Phosphoinositide 3-kinase delta.

PIM Promising Innovative Medicine.

PIP Pediatric Investigation Plan.

POC Proof of Concept.

Pompe is a rare multisystem genetic disorder that is characterized by absence or deficiency of the lysosomal enzyme alpha-glucosidase (GAA).

PRA Pricing, Reimbursement and Access.

Pre-eclampsia (PE) is a life-threatening multisystem condition in pregnancies leading to increased maternal and neonatal mortality and morbidity.

Primary Immunodeficiency (PID) is a rare, genetic disorder that impairs the immune system.

PTEN deficiency is a primary immunodeficiency with immune dysregulation caused by certain mutations in the PTEN, or phosphatase and tensin homolog, gene.

QA Quality Assurance.

R&D Research and Development.

Recombinant refers to the combination of one form of genetic material (DNA) from one source with the DNA of a different biological source from a different species.

rhaGAL alpha-galactosidase recombinant human alpha-galactosidase.

rhaGLU alpha-glucosidase recombinant human alpha-glucosidase.

rhC1INH Recombinant human C1 esterase inhibitor or rhC1INH is the active component of RUCONEST®.

RoW Rest of World, outside of Europe and the U.S.

RUCONEST® RUCONEST® is the global registered trademark for Pharming's recombinant human C1 inhibitor.

Sanofi is a French multinational pharmaceutical company.

SEC U.S. Securities and Exchange Commission.

Sinopharm China National Pharmaceutical Group Co., Ltd.

SOBI Swedish Orphan Biovitrum International AB.

SOX Sarbanes-Oxley Act.

Transgenic an organism is called transgenic when its cells carry genetic material from another species in addition to or replacement of parts of its own genetic material.

Treasury stocks Also known as treasury shares or reacquired stock refers to previously outstanding stock that is bought back from stockholders by the issuing company.

VWAP Volume Weighted Average Price of shares.

U.K. United Kingdom.

U.S. or U.S.A. United States of America.

About Pharming

Pharming is a global biopharmaceutical company dedicated to transforming the lives of patients with rare, debilitating, and life-threatening diseases. Pharming is commercializing and developing an innovative portfolio of protein replacement therapies and precision medicines to serve the unserved rare disease patient.

Our commitment to the rare disease community requires Pharming to be a sustainable partner for all stakeholder groups including but not limited to patients, employees, healthcare professionals, third-party suppliers and partners, our shareholders, and the wider society.

Pharming is headquartered in Leiden, the Netherlands with its U.S. headquarters located in Warren, New Jersey. Pharming is dually listed on the Euronext Amsterdam (PHARM) and Nasdaq (PHAR) exchanges.

Business overview

Pharming's first commercialized product, RUCONEST®, is the first and only recombinant C1 esterase inhibitor (rhC1INH) protein replacement therapy. It is approved for the treatment of acute attacks in adult and adolescent patients with hereditary angioedema (HAE).

RUCONEST® is commercialized in the United States, the European Economic Area, and the United Kingdom through our own sales and marketing organization, and in the rest of the world through our distribution network.

Pharming's second commercialized product, Joenja®(leniolisib), is a small molecule kinase inhibitor that was licensed from Novartis in 2019. Joenja® received US FDA approval on March 24, 2023 for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in adults and pediatric patients 12 years of age and older. Joenja® is commercialized in the United States through our own sales and marketing organization.

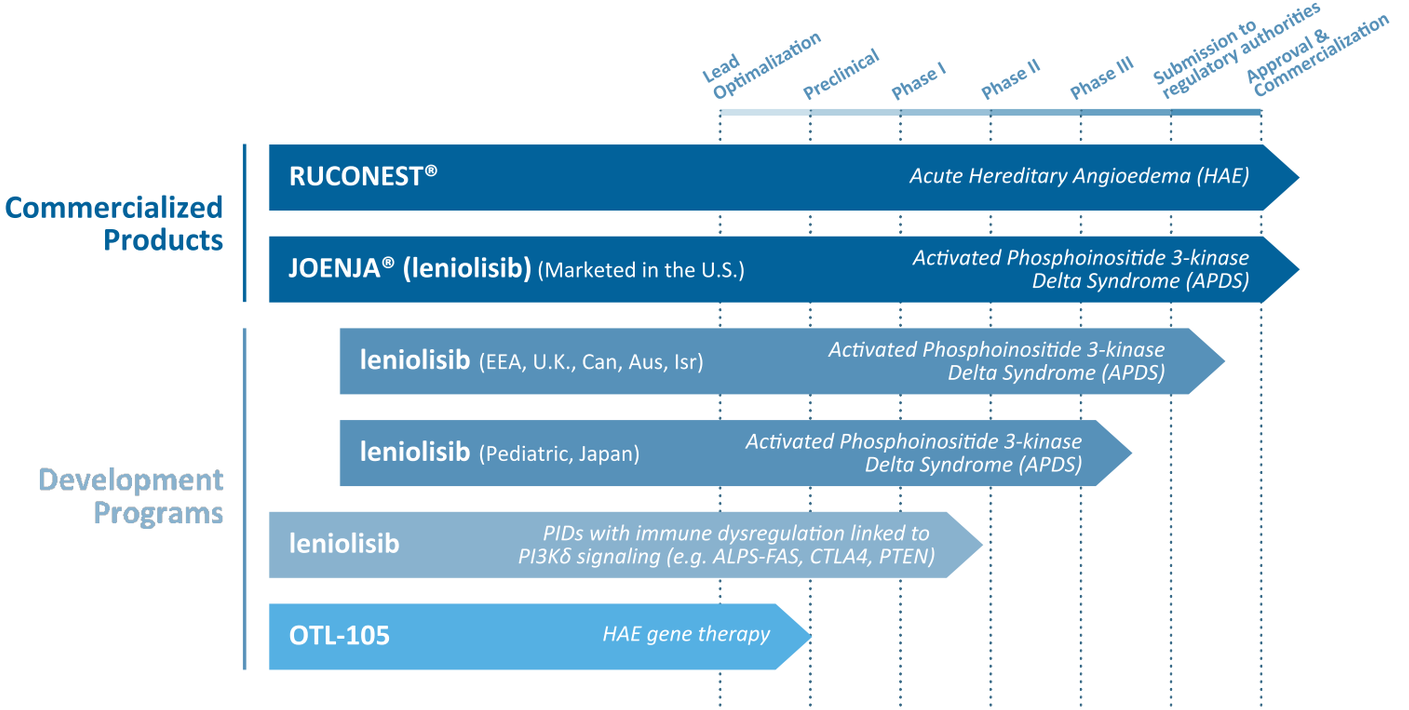
Pharming has filed for regulatory approval of leniolisib for APDS in additional key markets and has ongoing clinical trials to support regulatory filings for approval in Japan and for pediatric label expansion.

Pharming is also developing leniolisib for additional primary immunodeficiencies (PIDs) representing a significantly larger market opportunity than APDS.

OTL-105, an investigational ex vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of hereditary angioedema (HAE), is in preclinical development.

To further build out our rare disease portfolio, Pharming continues to pursue a strategy focused on in-licensing or the acquisition of clinical stage assets.

The following chart summarizes the status of our commercialized product and development program portfolio:



Our markets

RUCONEST® - HAE Market

The value of the combined global acute and prophylactic market in 2023 for hereditary angioedema (HAE) medications is, according to Global Data, approximately $2.8 billion per annum.

Joenja® (leniolisib) - APDS Market

Discovered in 2013, Activated Phosphoinositide 3-kinase Delta Syndrome (APDS) is a rare, genetic condition which affects approximately 1.5 people per million globally, according to literature.[3,6]

United States (U.S.)

Pharming markets and distributes RUCONEST® directly through its in-house commercial organization based in the U.S.

Over the past four years the U.S. market has evolved with 75% of patients now using a prophylactic therapy, up from 30% in 2018. Many patients on prophylactic therapy will experience breakthrough attacks which will require an acute medication like RUCONEST®.

As of December 31, 2023, RUCONEST® was the second most prescribed acute treatment - after icatibant - and serves patients across the frequency and severity of attacks spectrum.

Joenja®, the first and only approved treatment for APDS, received FDA approval for patients ages 12 years and older on March 24, 2023. Pharming markets Joenja® directly in the U.S. and first commercial shipments to patients took place in April 2023.

European Economic Area (EEA) and the United Kingdom (U.K.)

In January 2020, Pharming reacquired the commercial rights to distribute RUCONEST® in Europe from Swedish Orphan Biovitrum AB, or SOBI. The European HAE market is highly competitive, especially with the launch of generic icatibant. While offering broader patient choice, it impacts the uptake of RUCONEST® in Europe. Nevertheless, the efficacy and reliability of RUCONEST® in both therapeutic effect and supply is leading to greater adoption by national medicines agencies and important clinics across the region.

Joenja® (leniolisib) is currently under regulatory review with the European Medicines Agency (EMA).

In the United Kingdom, Pharming submitted a leniolisib MAA for APDS patients ages 12 and older with the U.K. Medicines and Healthcare products Regulatory Agency (MHRA) on March 12, 2024, under the International Recognition Procedure (IRP) on the basis of the US FDA approval.

Middle East & North Africa (MENA)

Pharming creates access to RUCONEST® in the Middle East and North Africa (MENA) through a mixture of direct sales and marketing, local partnerships, commercial partners and the ongoing utilization of the HAEi GAP program in certain territories. In Israel, our existing partner Kamada has consolidated its RUCONEST® activities. In addition, in 2021 we entered into an exclusive license agreement with Newbridge Pharmaceuticals for the distribution of RUCONEST® in the Middle East and North Africa (MENA).

China

We have granted the China State Institute of Pharmaceutical Industry (CSIPI) an exclusive license to commercialize RUCONEST® in China, and the CSIPI is collaborating with the Chengdu Institute of Biological Products (CDIBP). On December 15, 2023, the CDIBP announced that it received clinical trial approval from the Center for Drug Evaluation of the National Medical Product Administration for the clinical development of rhC1INH in China. We may receive certain regulatory and manufacturing-associated milestones, and we are eligible to receive low to mid-single digit royalties from sales in China by the CSIPI, affiliates of the CSIPI and sublicensees of the CSIPI.

Other markets

RUCONEST® continues to be commercialized in Colombia, Costa Rica, the Dominican Republic and Panama through our partner, Cytobioteck. RUCONEST® is also available globally through the HAEi Global Access Program (HAEi GAP) for patients who need it.

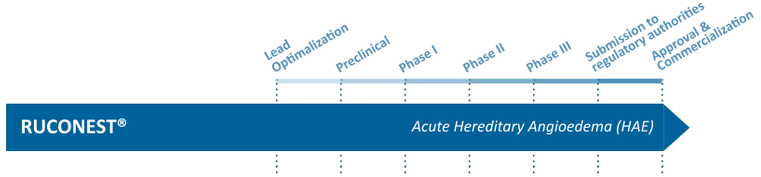
Market expansion - leniolisib

Pharming's strategy is to make leniolisib available commercially for APDS patients in key markets in Europe, U.K., Japan, Asia Pacific, Middle East, and Canada. Pharming intends to market leniolisib directly in most of these markets following regulatory approval, and is building the necessary commercial capabilities.

Commercial products

RUCONEST® for treatment of hereditary angioedema (HAE)

Our lead product, RUCONEST® is the first and only recombinant C1 inhibitor protein replacement therapy that is approved for the treatment of acute attacks in adult and adolescent patients with hereditary angioedema (HAE).



Hereditary angioedema (HAE) is a serious, debilitating, and potentially life-threatening disease. HAE is a rare genetic condition that occurs in between approximately 1 in 10,000 and 1 in 50,000 people worldwide.[8]

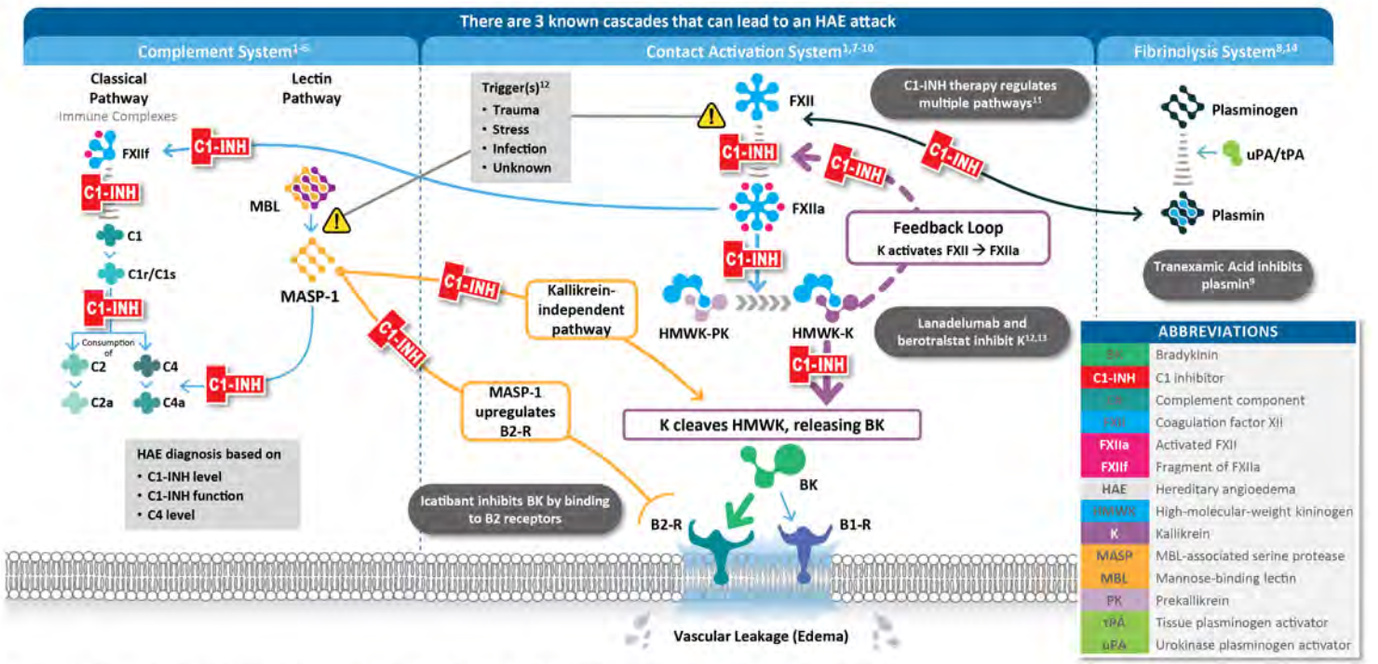
In its most common forms, HAE is caused by a functional deficiency of a plasma protein called C1-inhibitor (C1INH). The patients' C1INH deficiency leads to the uncontrolled activation of the complement cascade, resulting in the over-production of some mediators, leading to the leaking of fluid from blood vessels to the tissue space. The most common symptoms of an HAE attack are caused by overproduction of the bradykinin initiator protein, kallikrein, and thus excessive leakage of fluid into tissue spaces (edema or swelling). Patients may suffer bouts of excruciating abdominal pain, nausea and vomiting that is exacerbated by swelling in the intestinal wall. Airway, or laryngeal, swelling is particularly dangerous and can lead to death by asphyxiation. Untreated, attacks can last for several days.

The approach to treatment has been initially focused on replacing the missing protein with exogenous C1INH, either collected from pooled plasma or derived recombinantly. More recently, with greater understanding of the pathogenesis, treatments have been developed to block the patients' contact system.

RUCONEST® has been shown to normalize C1INH activity levels to normal and has been shown to be clinically relevant in HAE attack treatment. The standard posology for the treatment of HAE attacks is 50 units per kilogram of the reconstituted product. RUCONEST® is administered through a slow intravenous (IV) injection over approximately five minutes. One vial contains 2100 U of lyophilized product to be reconstituted with 14ml of water for injection.

RUCONEST® irreversibly binds to several target molecules, including, importantly the coagulation factor FXII and the protease kallikrein, which (when unbound) cleaves a plasma protein into bradykinin and other products. By binding to and chemically deactivating these molecules, RUCONEST® stops the production of bradykinin and all other mediators and thereby stops the HAE attack.

The figure to the right demonstrates the importance of C1INH on multiple inflammatory cascades, and its significance for HAE. Adapted from a clinical cascade developed in partnership with Dr. Allen Kaplan. This is a current scientific understanding of the cascades. Clinical implications are unknown.



Adapted from a clinical cascade developed in partnership with Dr. Allen Kaplan. This is a current scientific understanding of the cascades. Clinical implications are unknown.

Market Access

We currently market RUCONEST® in the United States, the United Kingdom and the European Economic Area through our own sales force. For additional information on partner distribution networks please see Our Markets section of this Annual Report.
Pharming has various access programs designed to ensure that physicians can request RUCONEST® on behalf of individual patients, who meet the eligibility criteria and receive local health authority approval, in certain countries where RUCONEST® is not commercially available.

Patent protection

RUCONEST® has patent protection in the U.S. and E.U. until October 7, 2026, as well as biologics reference product exclusivity in the United States expiring July 16, 2026.

Competition

In the core U.S. market for RUCONEST®, there are four approved therapies to treat acute HAE attacks and an additional four therapies for attack prevention. These therapies have transformed the lives of HAE patients. The early years of treatment focused on limiting the consequences of attacks, and very few patients used prophylactic medications. With the improvement of prophylactic therapy, many patients now use this and have had significant benefit.

Nevertheless, patients taking prophylactic medications still experience breakthrough attacks and immediate access to an acute treatment medication is required and recommended in all HAE treatment guidelines. With two of the prophylactic medications (HAEGARDA® and TAKHZYRO®), published data from randomized-controlled studies[9] indicate that approximately 50% of patients still had breakthrough attacks. Likewise, with the oral prophylactic medication ORLADEYO®, 90% of patients had breakthrough attacks in a randomized-controlled clinical trial. Lastly, many patients need to re-dose acute therapies that do not address the underlying C1INH deficiency.

RUCONEST®, a recombinant C1 esterase inhibitor that blocks production of bradykinin, is an option for patients who continue to experience breakthrough attacks while on prophylaxis or for patients who need to re-dose other acute therapies due to relapse of their attacks. As RUCONEST® is intravenously delivered it is immediately and completely bioavailable to stop the progression of an HAE attack.

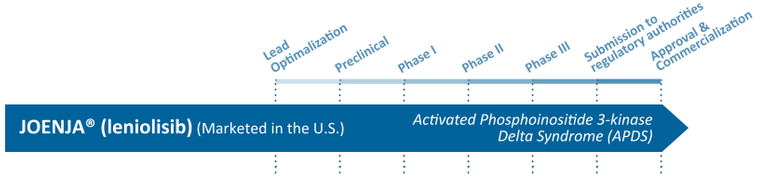
Joenja® (leniolisib) for the treatment of Activated Phosphoinositide 3-kinase Delta Syndrome (APDS)

Discovered in 2013, APDS is a rare, genetic condition which affects approximately 1.5 people per million globally, according to literature.[3,6] It is a clinically heterogenous disease that can lead to end-organ damage and early mortality. APDS is a progressive primary immunodeficiency and regulatory disorder characterized by severe, recurrent sinopulmonary infections; persistent, severe, or recurrent herpesvirus infections, particularly Epstein-Barr virus (EBV) and Cytomegalovirus (CMV); lymphadenopathy, hepatomegaly, splenomegaly, and/or nodular lymphoid hyperplasia; autoimmune cytopenias; enteropathy; bronchiectasis; possible malignancy, especially lymphoma; and dysregulated B and T cell function.

Although awareness of APDS has increased since its discovery in 2013, the disease may still be misdiagnosed in patients not seen by a specialist. Increased education among physicians is needed to aid early diagnosis and accurate treatment. Diagnostic delay may lead to an accumulation of damage over time, including bronchiectasis. APDS patients also have a significant risk of developing lymphoma due to the unchecked lymphoproliferation. Management of APDS frequently includes treatment such as prophylactic antibiotics, immunoglobulin replacement, immunosuppression, chemotherapy for lymphoma, or stem cell transplantation. Many of these drugs can cause serious side effects and transplant has significant morbidity and mortality.[10] Patients with APDS have been reported to experience early mortality with their survival probability being up to 28% lower than the global population.[11] Lymphoma has been reported to be the leading cause of death in patients with APDS (24%), followed by infections (17%).[12]

Joenja® (leniolisib)

Joenja® (leniolisib) is an oral small molecule phosphoinositide 3-kinase delta (PI3Kδ) inhibitor approved in the US in March 2023 as the first and only targeted treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in adult and pediatric patients 12 years of age and older.



Joenja® inhibits the production of phosphatidylinositol-3-4-5-trisphosphate, which serves as an important cellular messenger and regulates a multitude of cell functions such as proliferation, differentiation, cytokine production, cell survival, angiogenesis, and metabolism.

Results from a randomized, placebo-controlled Phase II/III clinical trial demonstrated clinical efficacy of Joenja® in the co-primary endpoints; demonstrating statistically significant impact on immune dysregulation and normalization of immunophenotype within these patients, and interim open label extension data has supported the safety and tolerability of long-term leniolisib administration.[13,14]

Pharming has filed for regulatory approval in additional key markets for APDS patients 12 years of age and older. Leniolisib is also being evaluated in two Phase III clinical trials in children with APDS and a Phase III clinical trial is ongoing in Japan in adult and pediatric patients 12 years of age and older with APDS.

Clinical Studies[7,13,14,15]

In partnership with Novartis, Pharming studied leniolisib to assess the efficacy and safety of leniolisib in patients with APDS. The study, a Phase II/III potentially registration enabling study was composed of two sequential parts. The first part included six patients in an open-label dose escalation study designed to assess the safety, tolerability, pharmacodynamics and pharmacokinetics of leniolisib.

The first part of the study showed that oral leniolisib led to a dose-dependent reduction in PI3K/AKT pathway activity assessed ex-vivo and improved immune dysregulation. We observed normalization of circulating transitional and naive B-cells, reduction in PD-11CD41 and senescent CD571CD42 T cells and decreases in elevated serum immunoglobulin M and inflammatory markers including interferon g, tumor necrosis factor, CXCL13, and CXCL10. After 12 weeks of treatment, all patients showed amelioration of lymphoproliferation with lymph node sizes and spleen volumes reduced by 39% (mean; range, 26%-57%) and 40% (mean; range, 13%- 65%), respectively. Leniolisib was well tolerated and improved laboratory and clinical parameters in APDS, supporting the specific inhibition of PI3Kδ as a potential therapy in APDS and other diseases characterized by over-activation of the PI3Kδ pathway.[15]

The second part was a randomized, blinded, placebo-controlled study, which enrolled 31 patients with APDS who were 12 years of age or older. Patients were randomized 2:1 to receive either leniolisib 70mg twice daily or placebo for 12 weeks. Following this, patients were permitted to rollover to an open-label extension study to evaluate long-term safety, tolerability, and efficacy. Primary outcome measures were differences from baseline in lymph node size and in percentage of naïve B cells in

peripheral blood, assessed as proxies for immune dysregulation and deficiency.[14]

The primary efficacy results demonstrated clinical efficacy of leniolisib over placebo with a statistically significant reduction in the size of the lymph nodes (p=0.0006) and normalization of immune dysfunction, as evidenced by increased proportion of naïve B cells (p=0.0002). Key secondary evaluations were supportive, including patient and physician global assessment tools which showed increased well-being and less disease activity, respectively, of patients randomized to leniolisib as compared to placebo.[13]

In the study, leniolisib was generally well-tolerated. The majority of reported adverse events in both treatment groups were classified as mild. There were no adverse events that led to discontinuation of study treatment, there were no deaths, and the incidence of serious adverse events (SAEs) was lower in the leniolisib group than the placebo group. None of the SAEs were suspected to be related to study treatment.[13]

The ongoing open-label extension study (OLE) includes 37 patients with APDS aged 12 years or older who, at the time of data cutoff for the interim analysis, had received 70mg of the selective PI3Kδ inhibitor leniolisib twice a day for at least 25 weeks; 66% were exposed for 96 weeks or longer, with a median duration on study therapy of approximately 2 years; four patients had more than 5 years exposure. The study was primarily designed to assess the safety and tolerability of long-term leniolisib treatment in adolescent and adult patients with APDS who previously participated in a Phase II/III leniolisib study. The OLE study's secondary endpoints are intended to evaluate the efficacy and pharmacokinetics of long-term leniolisib treatment in these patients.[14]

The interim analysis found that leniolisib was well tolerated to this point in the OLE study. It also indicated the durability of the efficacy results seen in the randomized, controlled trial, which showed significant improvement over placebo in the co-primary endpoints of reduction in lymph node size and increase in naïve B cells.

The majority of adverse events (AEs) reported in the interim analysis were grades 1 and 2, and included upper respiratory tract infection, headache and pyrexia. Grade 1 AEs are the least severe and grade 5 the most severe. Overall, 13.5% of AEs were study drug-related; these affected five patients and included weight gain (n=3), arthralgia (n=1), hyperglycemia (n=1), and decreased neutrophil count (n=1). Of all AEs assessed in the analysis, 16.2% were classified as serious, but none of these were identified as related to study treatment. There was one death among study participants which was identified as not related to study treatment.

Among study participants, some experienced reductions in APDS disease markers, with levels of response varying between individuals. Responses included:

- reduced lymphadenopathy, splenomegaly, and IgM levels;
- improved or resolved anemia, thrombocytopenia, and lymphopenia; and
- resolved neutropenia in all affected patients.

Two post-hoc analyses were performed to assess infection rates and immunoglobulin replacement therapy (IRT) usage. 37% of participants who were on IRT were able to reduce their IRT use while taking leniolisib. Six patients became IRT-independent, with four of those patients having been IRT-independent for 1 to 2.5 years at the data cutoff.[14] The median time to IRT reduction was 12.1 months and the median time to IRT discontinuation was 11.9 months.[5] IRT use was captured by the investigator as concomitant medication at each study visit per protocol.

IRT utilization was not prespecified as an endpoint or analysis and is observational only; no determination of statistical significance can be made and no conclusions should be drawn.

Patients on leniolisib were also observed to have a reduction in the number of infection days.[14] This decrease in annualized infection rates was accompanied by no appreciable increase in antibiotic use despite the reduction in IRT utilization. Although safety was the primary objective of the OLE study, this post hoc analysis was not powered to provide any statistical significance of efficacy and therefore no conclusions should be drawn.

Regulatory approval

United States

On March 24, 2023, the FDA approved Pharming's NDA of Joenja® (leniolisib) for the treatment of patients ages 12 and older with APDS. The FDA evaluated the Joenja® application for APDS under Priority Review, which is granted to therapies that have the potential to provide significant improvements in the treatment, diagnosis or prevention of serious conditions. Joenja® was launched in the U.S. in early April 2023.

Market access

We currently market Joenja® (leniolisib) for the treatment of APDS in adults and adolescents 12 years of age and older in the United States.

Pharming has named patient and expanded access programs designed to ensure that physicians can request leniolisib on behalf of individual patients living with APDS, who meet the eligibility criteria and receive local health authority approval, in certain countries where leniolisib is not commercially available.

For additional information on regulatory status, please see the section titled 'leniolisib regulatory status - APDS' in this section.

Patent protection

Pharming expects to have patent protection for leniolisib in APDS under the Novartis composition of matter patent (U.S. Patent No. 8,653,092, EU patent EP259094B1) through July 2036 in the U.S. and EU, which we anticipate may be extended to January 2037 if we obtain a pediatric extension.

The USPTO adjusted the expiration when the patent was granted to account for delays in the approval of the patent, and an extension was applied for shortly after the FDA approved Joenja® (leniolisib). Similarly, in the E.U., a supplemental protection certificate will be applied for shortly after approval in the E.U. It is these extensions which we anticipate will result in the 2036 expiration.

APDS patient finding

On March 2, 2021, we announced the launch of a sponsored genetic testing program, "navigateAPDS", designed to assist clinicians in identifying patients and their family members with activated PI3Kδ syndrome (APDS), which may lead to earlier diagnosis. A genetic test enables a clinician to confirm their clinical suspicions and definitively diagnose APDS.

Pharming's support of the navigateAPDS program will continue to facilitate genetic testing and counselling for eligible individuals in the United States and Canada at no charge. The navigateAPDS program offers testing with comprehensive immunodeficiency panels, providing critical information on potential genetic causes of immunodeficiencies and dysregulation that a patient may have. In addition to providing genetic testing to individuals who may present with a clinical picture known to be associated with APDS, navigateAPDS offers pre-test and post-test genetic counseling through a third party, and all blood relatives of patients found to have a positive molecular diagnosis of APDS are qualified for familial variant testing through the program. By offering access to this testing, physicians and patients are able to better understand the genetic underpinnings of their disease and manage their condition more precisely.

In Europe, we are intensifying our patient identification efforts together with leading immunology centers of excellence treating patients with APDS and other rare immune deficiencies.

Based on available literature, Pharming estimates APDS prevalence to be 1.5 patients per million.[3,6] Our U.S. and global APDS patient finding efforts progressed during the year. As of December 31, 2023, Pharming has identified over 840 diagnosed APDS patients of all ages in global markets, including over 200 patients in the United States. Of the identified patients in the U.S., approximately 75% are 12 years of age or older, the majority of whom are currently eligible for treatment with Joenja®. Over 730 of these patients are in the U.S., Europe, the U.K., Japan, Asia Pacific, Middle East, and Canada, key markets for Pharming with estimated total prevalence of approximately 2,000 APDS patients.

We advanced several initiatives during 2023 to assist in the diagnosis of additional APDS patients, including our sponsored genetic testing program in the U.S. and Canada, partnerships with several genetic testing companies who undertake their own testing efforts and family testing programs. We have initiated a number of programs collaborating with clinicians and patients to aid in reducing the barriers and allowing the appropriate testing in families with APDS, to help identify family members of APDS patients who may also be affected by this disease. APDS is an inherited genetic disease and we believe that many of the over 200 APDS patients already identified in the U.S. are likely to have family members who remain undiagnosed.

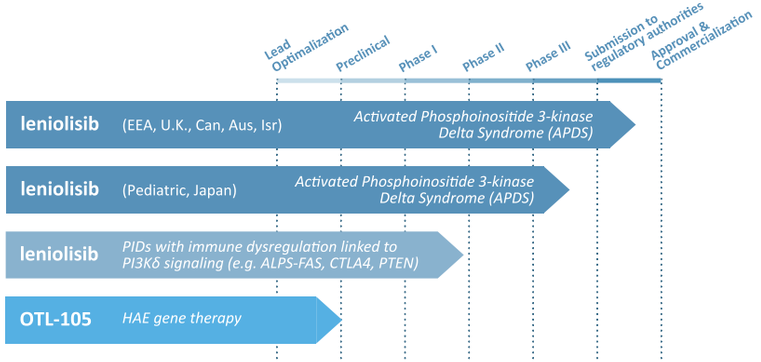
APDS patient finding - Variant of Uncertain Significance (VUS) resolution

APDS is diagnosed based on clinical symptoms, assessment of immune cell function and genetic testing. For a patient to receive a definitive APDS diagnosis, a genetic test revealing a disease-causing (pathogenic or likely pathogenic) variant in either the *PIK3CD* or *PIK3R1* genes is required. Patients with clinical symptoms compatible with APDS frequently receive inconclusive genetic variant test results, i.e., previously unseen variants in the *PIK3CD* or *PIK3R1* genes. It is important to determine if these variants of uncertain significance (VUS) cause APDS.

As of December 31, 2023, Pharming has identified more than 1,100 patients in the U.S. with a number of VUSs in the *PIK3CD* or *PIK3R1* genes and is setting up validation studies with various laboratories to confirm which of these variants should be classified as APDS. As results become available, patients with validated variants could be diagnosed with APDS and, therefore, potentially be eligible for Joenja® treatment. We expect completion of these studies during the fourth quarter of 2024.

Pipeline development

The following chart summarizes the status of our development program portfolio.



Leniolisib for APDS

Leniolisib regulatory status - APDS

European Economic Area

In October 2020, we announced that the European Commission had granted orphan drug designation for leniolisib for the treatment of activated phosphoinositide 3-kinase delta syndrome (APDS), based on a positive opinion from the Committee for Orphan Medicinal Products (COMP) of the European Medicine Agency (EMA).

In January 2022, a positive decision was made by the European Medicines Agency (EMA) on the Pediatric Investigation Plan (PIP) for leniolisib. For the registration of new medicines in Europe, biopharmaceutical companies are required to provide a PIP which outlines the strategy for investigation of a new medicinal product in the pediatric population. The positive PIP opinion from the Pediatric Committee (PDCO) is an endorsement of the clinical program to evaluate the safety and efficacy of leniolisib in patients from 1 year of age to less than 18 years of age with APDS.

In August 2022, Pharming announced the leniolisib MAA was granted accelerated assessment by EMA's CHMP. The accelerated assessment reduces the review timeframe from 210 days to 150 days. Upon request, EMA will grant an accelerated assessment of an MAA if they decide the product is of major interest for public health, and in particular, from the viewpoint of therapeutic innovation.

In October 2022, Pharming submitted an MAA to EMA for leniolisib as a treatment for APDS in adults and adolescents 12 years or older.

The MAA was supported by positive data from a Phase II/III study of leniolisib, announced on February 2, 2022, which met its co-primary endpoints of reduction in lymph node size and increase in percentage of naïve B cells in patients with APDS. Furthermore, safety data from the study showed that leniolisib was well tolerated by participants. Also submitted as part of the MAA were data from a long-term, open-label extension clinical trial in patients with APDS treated with leniolisib.

On October 28, 2022, Pharming announced that its MAA for leniolisib has been validated for scientific evaluation under an accelerated assessment by the CHMP.

In February 2023, Pharming Group announced that the CHMP decided to shift its assessment of the MAA for leniolisib to a standard review timetable. The list of questions received by Pharming from the EMA included a request to submit updated data from the ongoing long-term extension study collected after the interim analysis included in the original MAA.

In May 2023, Pharming submitted its response to the CHMP Day 120 list of questions. Subsequently, as part of the MAA review procedure timetable, Pharming received the CHMP's Day 180 list of outstanding issues in July 2023. In August 2023, we announced that considering the rarity of the disease and the unmet need for the treatment of APDS patients, the CHMP would consult an Ad-hoc Expert Group (AEG) at a closed meeting also involving Pharming representatives including leniolisib investigators and APDS patients. Under EMA regulations, the CHMP may call an AEG meeting when a medicine is being assessed that requires input from specialized scientific advisors on matters that may fall outside the expertise of the EMA's established Scientific Advisory Groups, as is typically the case for rare diseases with few experts.

Pharming submitted its response to the CHMP Day 180 list of outstanding issues (LoOI) in October 2023. In November 2023, Pharming received a Day 180 Second LoOI from the CHMP. The CHMP consulted the Ad-Hoc Expert Group (AEG) at a meeting held at the end of November.

Pharming is working closely with the CHMP to address the remaining outstanding issues and we are now awaiting CHMP's opinion on the leniolisib MAA.

United Kingdom

In February 2022, the U.K. Medicines and Healthcare products Regulatory Agency (MHRA) granted Promising Innovative Medicine (PIM) designation to leniolisib for the treatment of APDS. A PIM designation is an early indication that leniolisib is a candidate for the MHRA's Early Access to Medicines Scheme. This scheme provides an opportunity for treatment options to be used in clinical practice in parallel with the later stages of the regulatory process.

In November 2023, Pharming announced its intention to file an MAA with the MHRA for APDS patients ages 12 and older, through the International Recognition Procedure (IRP) which replaced the European Commission Decision Recognition Procedure (ECDRP) beginning January 1, 2024.

Pharming submitted an MAA for leniolisib under the IRP on the basis of the US FDA approval on March 12, 2024. The MHRA has 110 days - with an option to enforce a 60 day clock stop, if needed - from the date the IRP submission is validated, to review and issue its decision.

Canada, Australia, and Israel

Pharming filed regulatory submissions for APDS patients ages 12 and older in Canada and Australia in the third quarter of 2023, and Israel in the second quarter. These submissions are progressing as expected and we anticipate regulatory action in 2024 for Canada, Australia, and Israel.

Leniolisib clinical trials - APDS

Japan clinical trial - APDS

In May 2023, the Ministry of Health, Labour and Welfare of Japan (MHLW) granted leniolisib orphan drug designation (ODD) for the treatment of APDS. In August 2023, the first patient was enrolled in a Phase III clinical trial in Japan evaluating leniolisib for the treatment of APDS in adult and pediatric patients 12 years of age and older. Patient enrollment in this study is now complete.

The single-arm, open-label clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in three patients, 12 years of age and older, who have a confirmed APDS diagnosis. Each patient will receive weight-based dosing up to 70mg of leniolisib twice daily for 12 weeks. The study's primary efficacy endpoints and secondary endpoints mirror those used to evaluate the clinical outcomes in each of the earlier leniolisib APDS trials.

Pharming plans to file an application for the approval of leniolisib with Japan's Pharmaceuticals and Medical Devices Agency (PMDA), following completion of the appropriate clinical trials. An approval decision would be expected in nine months based on priority review of the application due to ODD. Eligible patients enrolled in the trial will continue to receive the investigational drug for at least an additional year through an open-label extension trial.

Pediatric clinical trials - APDS

Pharming has developed a clinical plan to include children as young as one year of age. During the first half of 2022, we received positive decisions from the EMA and MHRA on the Pediatric Investigation Plan (PIP) for leniolisib as a treatment for APDS in children. The leniolisib PIP includes two planned, global clinical trials in pediatric patients with APDS aged 4 to 11 years old and aged 1 to 6 years old. These two studies were initiated in 2023 and will support regulatory filings worldwide for pediatric label expansion.

Patients aged 4 to 11 years

This Phase III clinical trial is evaluating the investigational drug leniolisib in children with APDS at sites in the United States, Japan, and the EU.

The single-arm, open-label, multinational clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in 15 children aged 4 to 11 years of age who have a confirmed APDS diagnosis. The study's primary efficacy endpoints and secondary endpoints mirror those used to evaluate the clinical outcomes in the previous leniolisib Phase II/III APDS trials for patients aged 12 and older.

The first patient was enrolled in February 2023 and Pharming is nearing completion of enrollment in the clinical trial.

Patients aged 1 to 6 years

This Phase III pediatric clinical trial is evaluating a new pediatric formulation of the investigational drug leniolisib in children with APDS at sites in the United States, Japan, and the EU.

The single-arm, open-label, multinational clinical trial will evaluate the safety, tolerability, and efficacy of leniolisib in 15 children aged 1 to 6 years of age who have a confirmed APDS diagnosis. These patients will receive a specific, pediatric granulated formulation of leniolisib. The study's primary efficacy endpoints and secondary endpoints mirror those used to evaluate the clinical outcomes in the previous leniolisib Phase II/III APDS trials for patients aged 12 and older.

The first patient was dosed in November 2023 and enrollment in the study is continuing as planned.

Leniolisib for additional indications (PI3Kδ platform) - Primary immunodeficiencies (PIDs) beyond APDS

As we continue to work towards regulatory approvals of leniolisib for APDS in additional geographies and pediatric label expansion, we have also commenced work to identify and prioritize other indications where leniolisib has the potential to deliver value for patients. PI3Kδ has been identified as an important player in a variety of disease states, and leniolisib has demonstrated an attractive, long-term efficacy, safety and tolerability profile in clinical trials conducted in both healthy volunteers and APDS patients. This provides a solid basis for our plans for the investigation and investment in further leniolisib indications.

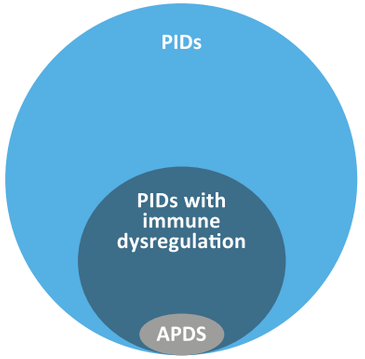
Primary immunodeficiencies (PIDs) with immune dysregulation

In December 2023, Pharming announced the expansion of its rare disease pipeline with plans to develop leniolisib for additional primary immunodeficiencies (PIDs) with greater prevalence than APDS. Pharming has engaged with and received feedback from the US FDA on its plans to develop leniolisib for PID disorders with immune dysregulation.

Leniolisib, by reducing PI3Kδ activity, could help rebalance immune dysregulation in PIDs, positively impacting clinical manifestations including lymphoproliferation and autoimmunity. Based on Pharming's APDS experience, leniolisib has potential to be an effective and tolerable chronic treatment approach for PIDs with immune dysregulation linked to PI3Kδ signaling.

Pharming is now in the final stages of preparation for the start of an initial Phase II, proof of concept, clinical trial in targeted PID genetic disorders with immune dysregulation linked to PI3Kδ signaling in lymphocytes, with similar clinical phenotypes and unmet medical need to APDS.

These PID disorders include ALPS-FAS[16], CTLA4 haploinsufficiency[17] and PTEN deficiency.[18] The epidemiology of these targeted PID genetic disorders suggests a prevalence of approximately five patients per million*.



Not to scale with population sizes

The Phase II clinical trial is a single arm, open-label, dose range-finding study to be conducted in approximately 12 patients. The objectives for the trial will be to assess safety and tolerability, pharmacokinetics, pharmacodynamics, and explore clinical efficacy of leniolisib in this new PID population. The trial has been designed to inform a subsequent Phase III program.

The Phase II clinical trial will be conducted at the National Institute of Allergy and Infectious Diseases (NIAID) – part of the National Institutes of Health (NIH) – with lead investigator Gulbu Uzel, M.D., Senior Research Physician, and co-investigator V. Koneti Rao, M.D., FRCPA, Senior Research Physician, Primary Immune Deficiency Clinic (ALPS Clinic).

*Estimate of 5 patients per million based on Pharming literature review, KOL feedback and review of patient registries.

Pre-clinical pipeline

OTL-105

In 2021, Pharming entered into a license agreement with Orchard Therapeutics to research, develop, manufacture and commercialize OTL-105, an investigational ex vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of patients with HAE due to a deficiency of C1 esterase inhibitor (C1INH). This novel approach has the potential of being curative, allowing HAE patients to live a normal life, without being dependent upon acute or prophylactic use of HAE medication.

OTL-105 is based on Orchard Therapeutics's ex-vivo autologous gene therapy platform approach which is designed to use the HAE patients' own blood stem cells and insert those cells into a working copy of the gene that is reduced in HAE. In pre-clinical proof of concept studies, gene-corrected stem cells produced relevant active C1-esterase inhibitor.

Preclinical development of OTL-105 continued during 2023 including work towards the preparation of preclinical proof of concept studies.

On January 24, 2024, Kyowa Kirin Co., Ltd., a Japan-based global specialty pharmaceutical company, completed the acquisition of Orchard Therapeutics. Pharming is responsible for funding of the OTL-105 program and does not anticipate any negative impact of the acquisition on OTL-105.

Pompe Disease program - discontinued

Alpha-Glucosidase, for the treatment of Pompe Disease

As announced in our first quarter results 2023 results in May, we decided that, based on our preclinical investigations and evaluations for potential differentiating features of the product candidate, we would discontinue further development of this asset.

References

1 RUCONEST® Prescribing Information. Pharming Healthcare 2020

2 Bernstein JA, et al. Ann Allergy Asthma Immunol. 2017 Apr;118(4):452-455

3 Lucas CL, et al. Nat. Immunol. 2014;15(1):88-97

4 Nunes-Santos CJ, et al. J. Allergy Clin. Immunol. 2019;143(5):1676-1687

5 Data on file. Pharming Healthcare Inc.

6 Begg M, et al. Pulm. Pharmacol. Ther. 2023 Apr;79:102201

7 Joenja® Prescribing Information. 2023. Pharming Technologies BV

8 https://www.haea.org/pages/p/what_is_hae#prevalence

9 Zuraw B, et al. J. Allergy Clin. Immunol. 2021;148:164-72

10 Dimatrova D et al. J. Allergy Clin. Immunol. 2022 January; 149(1): 410–421

11 Harrington A, et al. Ann Allergy Asthma Immunol. 2023:131(5):S63-S64

12 Busch K, et al. Ann Allergy Asthma Immunol. 2023;131(5):S63

13 Rao VK, et al. Blood. 2023 Mar 2;141(9):971-983

14 Rao VK, et al. J Allergy Clin. Immunol. 2024:153;265-274

15 Rao VK, et al. Blood. 2017 Nov 23;130(21):2307-2316

16 Rao VK and Oliveria JB. Blood. 2011; 118(22):5741-51

17 Westerman-Clark, et al. 2021; Schwab C, et al. J Allergy Clin. Immunol. 2018;142(6):1932-1946

18 Eissing M, et al. Transl. Oncol. 2019;12(2):361-367

Pharming®