

Pharming Group Report on Preliminary Financial Results for 2017

Highlights:

- Delivered Revenue for the full year of €89.6 million (US\$101.2 million) – an increase of 464% on 2016
- Record fourth quarter revenues from product sales of €32.7m (US\$39.2 million) – up 26% compared to Q3
- Full year revenues from product sales were €88.7 million, up 547% up on 2016, reflecting the change from 30% supply price arrangements with a license partner to 100% direct sales in the USA, plus 156% underlying growth in product sales of RUCONEST®
- Full year operating profit of €21.9 million
- Full year net cash profits, including payments of interest but before one-off refinancing costs and non-cash adjustments, were €12.9 million
- €21.4 million of net cash generated in the fourth quarter alone
- Reported net loss of €80.0 million, reflecting one-off refinancing costs, and (non-cash) adjustments for contingent consideration and the fair value of the amortising and convertible bonds, mainly caused by the strong increase in sales and the share price respectively during 2017
- During 2018, we expect that the Company will again achieve a positive result.

Leiden, The Netherlands, 7 March 2018: Pharming Group N.V. (“Pharming” or “the Company”) (Euronext Amsterdam: PHARM) presents its preliminary (unaudited) financial report for the full year ended 31 December 2017.

The Company will hold a conference call at 13.00 CET/07.00 EST today. Dial in details can be found on page 12 of this report.

Chief Executive Officer Sijmen de Vries said:

“The remarkable growth reported in 2017 was a direct result of our strategic decisions to reacquire the commercial rights to RUCONEST® in North America and implement direct marketing in the major Western European markets. We successfully established the commercial infrastructure to support our existing patients and expand the patient population benefiting from RUCONEST®. As a result, we delivered 547% growth in revenues from product sales in one year and reported our first year of operating profitability. We also continued to invest in our long-term growth through the expansion of the improved delivery methods for RUCONEST®, as well as advancing our pipeline programs for Pompe disease and Fabry’s disease. We are confident that with our increasing patient reach and advancing pipeline, we will be able to continue to deliver significant value to our stakeholders.”

CEO’s Commentary

2017 was a transformational year for Pharming. We built strongly on the foundations of the successful reacquisition of commercial rights for RUCONEST® in North America and continued to

develop the product in all key markets, growing product sales from €13.7 million in 2016 to €88.7 million in 2017, an increase of 547% and above analysts' estimates. This reflects both the underlying increase in sales of RUCONEST® of 156% growth year on year and our increasing percentage of those sales (from 30% to 100%) as we move from supply price arrangements to making all sales in the USA ourselves.

This growth in the third and fourth quarter was partly driven by temporary shortages as result of manufacturing issues of certain competitor plasma-derived C1 esterase HAE therapies during this period, as outlined in our nine-month financial report for 2017 in October. According to recent reports from those competitors, the supply situation has stabilized during the fourth quarter.

Profitability delivered

In 2016 we committed to delivering operating profit in 2017, and I am delighted to say that not only did we achieve operating profits for the full year, but we were also profitable in every quarter. The total operating profit for the year was €21.9 million (2016: loss of €11.5 million), which represents an operating margin of more than 24%. This was achieved despite significant investments in providing support to patients during the stock outages of competitors, building up marketing and sales activities rapidly and intensifying research and development activities. In addition, we achieved net cash profits (defined as the net result excluding one-off refinancing charges and non-cash adjustments) of €12.9 million in total. The operating profit was subsequently reduced by the regular finance costs and also additional one-off charges relating to the refinancing conducted in May 2017 and adjustments relating to the contingent consideration as well as the amortizing bonds and the ordinary bonds (which were nearly all redeemed during the year) to produce a net loss. Since the year end, all of the remaining ordinary bonds have been redeemed and so this type of adjustment is not expected to occur beyond the first quarter of 2018.

As a result of the continued sales growth, we now believe that we are very likely to hit one or more of the sales-related milestone payments due to Valeant in the near future. Therefore, we have made a (non-cash) provision for additional fair value of the contingent consideration in the balance sheet, and a corresponding charge to the profit and loss account. The upside of this is that payment of the first milestone will not affect profits in the quarter when it is reached and paid. This reflects our strong confidence in the performance of our US commercial team and patients' increasing confidence in the use of RUCONEST® as their therapy of choice to treat attacks of HAE.

The improvements in performance contributed to Pharming achieving significant value for its shareholders in 2017, with our share price appreciating by over 400% during the year.

Investing in sustainable long-term growth

At the end of 2016, we set out a clear strategy for growth based on creating an optimized sales infrastructure for our needs. During 2017 we delivered this strategy. We have built a full RUCONEST® sales force and full support functions and have materially increased patient and physician awareness resulting in strong sales of RUCONEST® in the US market. We now have a complete experienced HAE/rare disease sales force, an excellent medical science liaison team and an experienced and very capable management team expert in marketing, sales, commercial activity, market access and patient support.

We also began marketing in the major markets of Western Europe in earnest, making initial entries and good gains in France and the UK and continued growth in Germany, Austria and the Netherlands. As a result of all this, European direct sales grew strongly during the year, albeit from a low base.

Clear product differentiation

The HAE market is dynamic and product choice has increased and will continue to increase as new products enter the market for prophylaxis. RUCONEST® has a unique competitive advantage in that it remains the only product with the potential to be approved for both prophylaxis and treatment of attacks of HAE in the same dosage form. In order to increase the convenience of RUCONEST® for patients, we are also developing new forms of RUCONEST® with new routes of administration, including sub-cutaneous and intramuscular injection.

During the year we have also taken next steps in the initiation of clinical development for additional indications for RUCONEST®, including support for as-yet undisclosed Investigator Sponsored Studies. We have also brought forward our pipeline of products developed using our proprietary technology platform. The first of these new products; recombinant human α -glucosidase (enzyme replacement therapy for Pompe disease) is now expected to reach IND filing towards the end of 2018.

As a result of taking direct control of key EU and US markets, we now operate with an appropriate commercial presence in both Western Europe and the USA and can focus fully on delivering on our commitment to become a net earnings-generating company during 2018.

The support, expertise and hard work of all our employees makes Pharming what it is today. I would like to again take this opportunity to thank all Pharming employees as well as all of our investors, partners and debt providers for their support and commitment throughout 2017, which enabled us to execute on the commercial development of the Company to create a platform to deliver significant growth.

We look forward with confidence to accelerating the growth story of Pharming in 2018, with increasing sales, a new exciting pipeline and new opportunities for enhanced shareholder value.

Leiden, 7 March 2018

Sijmen de Vries

Chief Executive Officer and Chairman of the Board of Management

Financial summary

	2017	2016	% Change
<i>Amounts in €m except per share data</i>			
<i>Income Statement</i>			
Product Sales	88.7	13.7	547%
License Revenue	0.9	2.2	(59%)
Total Revenue	89.6	15.9	464%
Gross profit	77.2	11.2	589%
Operating result	21.9	(11.5)	290%
Financial Income, expenses and adjustments	(101.9)	(6.0)	n/a
Net result	(80.0)	(17.5)	(357%)
<i>Balance Sheet</i>			
Cash & marketable securities	60.0	32.1	87%
<i>Share Information</i>			
Earnings per share before dilution (€)	(0.160)	(0.042)	(492%)

Summary of 2017

Operational highlights

- In January, following the positive opinion of the Committee for Medicinal Products for Human Use (CHMP), the European Commission adopted the Commission Implementing Decision to amend the marketing authorisation for RUCONEST® to include self-administration using the RUCONEST® Administration Kit. This decision allowed for self-administration of RUCONEST® for acute hereditary angioedema (HAE) attacks by adolescents and adults with a new custom-designed RUCONEST® Administration Kit in the comfort and privacy of their own homes or at any other place they choose, without the necessity of a healthcare professional (HCP) being present. The Administration Kit is now available for use in many EU markets, following approval of the Educational Materials by the local authorities.
- In July The Lancet, one of the world's premier peer-reviewed journals, published data from Pharming's Phase II, double-blind, placebo-controlled, randomized clinical trial (NCT02247739) evaluating the efficacy and safety of RUCONEST® (C1 esterase inhibitor [recombinant]) for the prevention of hereditary angioedema (HAE) attacks. As previously reported, in a study with 32 patients RUCONEST® 50 IU/kg (max 4200 IU) demonstrated a statistically significant and clinically relevant reduction in attack frequency for both twice-weekly and once-weekly treatment regimens when compared to placebo. The results also showed that RUCONEST® was generally safe and well-tolerated in the study.
- In September, Pharming announced the conclusion of its End-of-Phase II interactions with the U.S. Food and Drug Administration (FDA) with respect to the use of RUCONEST® in prophylaxis of HAE. As part of these interactions, Pharming provided the FDA with the results of two completed Phase II trials of RUCONEST® for the prophylaxis of HAE attacks; a randomized, double-blind, placebo-controlled trial and an open-label study. The two studies enrolled a total of 56 patients and showed consistent efficacy and safety results. Based on the feedback from the FDA, Pharming committed to submit a BLA supplement (sBLA) to the FDA for review in Q4 of 2017, to include routine prophylaxis against angioedema attacks in adolescent and adult patients with Hereditary Angioedema (HAE) as an expanded indication for RUCONEST®. This supplemental BLA application was duly submitted to the FDA for review in November 2017, and the file was accepted for review by the FDA in January 2018.
- In October the Company announced positive data from a clinical trial with the use of RUCONEST® for the treatment of HAE attacks in children. The open-label, single arm, Phase II clinical trial design was approved by the European Medicines Agency (EMA). The trial formed part of a Paediatric Investigation Plan (PIP) to assess the pharmacokinetic, safety and efficacy profiles of RUCONEST® at a dose of 50 IU/kg in paediatric HAE patients ages 2-13 years in support of a paediatric indication for treatment of HAE attacks. A total of 20 children with HAE were treated for 73 HAE attacks at a dose of 50 IU/kg (up to a maximum of 4200 IU). The study reported clinically meaningful relief of symptoms assessed using a visual analogue scale (VAS) completed by the patient (assisted by their parent). The median time to onset of relief was 60 minutes (95% confidence interval: 60-63), and the median time to minimal symptoms was 122 minutes (95% confidence interval: 120-126). Only 3/73 (4%) attacks required a second dose of RUCONEST®. RUCONEST® was generally safe and well-tolerated in the study. No patients withdrew from the study due to adverse events. There were no related serious adverse events, hypersensitivity reactions, or neutralizing antibodies detected.

Financial highlights

- As part of the Valeant transaction in December 2016, the Company raised €103 million in new funding through a combination of a rights issue, a new senior loan and both Ordinary and Amortising Convertible Bond issues. As the Amortising Bonds were starting to convert into significant numbers of shares, the Company took the decision early in 2017 to refinance these bonds, which also meant refinancing the senior debt facility as well, as this facility held the senior charge on the Company. This refinance was completed by way of a bridge finance in May 2017 with Orbimed Advisors, on slightly better cash terms for the Company than the instruments it replaced and, more importantly, with the recovery of 115 million unissued shares which had been reserved against conversion of the Amortising Convertible Bonds due 2017/18.
- The Orbimed facility was used to redeem the previous Amortizing Convertible Bonds, and to refinance the Company's senior debt facility with Silicon Valley Bank and Kreos Capital, together with the associated prepayment fees and the legal and other costs of the transaction. The loan, initially structured as a bridge facility, was replaced within 60 days by a full loan agreement with a maturity date of June 2021 under the terms and conditions as described below. The new facility was a four year \$100 million (€83.5 million) Senior Secured Debt facility on more favourable terms to redeem a total of €35.9 million (US\$43.0 million) of Amortising Convertible Bonds and US\$40 million of Senior Debt, together with associated prepayment fees and costs. The other terms of the new facility were not disclosed. The net effect of the refinance, apart from slightly lower running costs, was the release of 124.2 million shares reserved against the Amortizing Convertible Bonds, minus just under 9.2 million warrants for Orbimed, which eliminated the risk of at least 24% dilution for existing shareholders. These recovered shares would currently be worth some €164.5 million (\$202.2 million) if issued at the current approximate market price of €1.43 or just over twice the value of the new debt. This refinance had no significant effect on the Company's cash balance at the time. The refinance also allowed the Company to withdraw a previously-notified request to increase its authorized share capital at the Annual General Meeting in May.
- Pharming revenues from product sales increased to €88.7 million (2016: €13.7 million) as a result of strong sales growth in the US on the back of a complete marketing and sales infrastructure team there, plus the effect of significant growth in direct sales by Pharming in the countries regained from SOBI in 2016, on the basis of careful infrastructure investment and sales personnel increases in those countries.
- Total annual revenues increased to €89.6 million (including €0.9 million of license revenue) in 2017 from €15.9 million in 2016 (including €2.2 million in license revenue). The remaining unamortised license revenue will be exhausted in 2019.
- Operating results improved by €33.4 million to a profit of €21.9 million from a loss of €11.5 million in 2016, in spite of a considerable increases in Marketing and Sales and R&D activity, mainly due to the effect of strong sales growth and efficient production of RUCONEST®. Operating costs increased slightly in the fourth quarter. This reflected the increased activity around the shortage of a competitor product during the last four months of the year. During this period Pharming offered support to patients left without therapy by this shortage, but as RUCONEST® is not yet approved for prophylaxis, this extra activity involved making RUCONEST® available as an on-demand therapy for patients suffering increased attacks as a result of shortage of their prophylactic therapy. Many of those patients were able to see for themselves the reliability and effectiveness of RUCONEST®, and some are expected to continue on the therapy.

- The net loss of €80.0 million was much larger than the loss of €17.5 million in 2016, due to two main factors. The first is the very large adjustments to profit required in connection with the Amortizing Bonds and their subsequent refinance in the first two quarters, together with the large adjustment to fair value of derivative financial liabilities (essentially a non-cash fair value adjustment under IFRS for the fact that the Ordinary Convertible Bonds are convertible) caused by the large share price rise through the year, especially in the third and fourth quarters. As the Ordinary Bonds were almost all redeemed in the fourth quarter (and were completely redeemed in January 2018), these charges are not expected to recur after the first quarter of 2018. The second factor is the reassessment of contingent consideration reflecting a much greater likelihood of hitting the milestones due to Valeant under our agreement for the reacquisition of the commercial rights for RUCONEST® in North America in December 2016 as described below. Excluding these and similar non-cash effects and the one-off cash costs involved, the net result would have been a net cash profit of approximately €12.9 million (2016: net cash loss of €14.2 million).
- The strong sales performance over 2017 has encouraged the Board of Management to increase the holding value for the contingent consideration from €4.7 million in 2016 to €28.3 million (\$33.9 million) in 2017. This is essentially a provision for potential future costs of contingent liabilities taken on in the context of an acquisition, in this case the sales-related milestones from the reacquisition of the commercial rights for RUCONEST® in North America in December 2016. This is a strong expression of confidence in the sales growth in the USA for RUCONEST®, which we believe will continue for the time being despite the increased competition in the HAE marketplace. As and when a milestone amount does become payable in a future reporting period, it will be deducted from this provision first and thus would not normally be fully taken as a charge against profit at the time it is paid.
- At the same time, because we believe that we will generate positive net quarterly results in 2018, we expect to be making taxable profits in the foreseeable future and so have recorded a deferred tax asset of €9.4 million (2016: Nil) in respect of net operating losses which we expect to be able to use in future periods. After many years of operating losses, this is a strong statement in support of our belief in the underlying performance of the Company.
- The equity position changed from €27.5 million in 2016 to €18.8 million in 2017, mainly due to the balance of: the equity increases from redemption of warrants and bonds; the creation of a deferred tax asset reflecting confidence that taxable profits will be able to use up net operating losses from prior years; the negative non-cash-adjustments relating to the refinance; changes in fair value of financial derivatives in the year; and the negative effect of the adjustment to contingent consideration described above.
- Inventories increased slightly from €17.9 million in 2016 to €18.3 million in 2017, largely due to the acceleration of production to cover the shortages of competitor products and the naturally improving sales level especially in the US and the launch of the self-administration kits in Europe, which meant conversion of low-value raw materials inventory into high-value finished goods inventory, with the latter quickly reduced by the higher supply levels to the US and EU markets, so that overall quantities of inventory reduced but the average value increased..
- The cash position including restricted cash increased from €32.1 million at year-end 2016 to €60.0 million at year-end 2017. This was mainly due to the strong sales performance of RUCONEST® especially in the third and fourth quarters, and occurred despite a considerable increase in marketing and R&D activities. Cash generation has increased strongly across all four quarters of 2017, as growth in operating expenses slowed and the investments made in commercial teams saw strong increases in sales revenues and faster credit collection.

After the year end

Since 31 December 2017, the following additional events have occurred:

- Following the submission of the supplemental Biologics License Application for RUCONEST® in prophylaxis of HAE in November 2017, the FDA informed the Company in January 2018 that it had accepted the file for complete review with a decision date of September 21, 2018.
- Since the year end, all remaining Ordinary Bonds dated 2021 which had not previously been redeemed (€1.2 million) have been redeemed in accordance with their terms. None of the Company's Ordinary Convertible Bonds or Amortizing Convertible Bonds remain outstanding as at the date of this report.

Financial review

Revenues and gross profit

Revenues increased to €89.6 million in 2017 (2016: €15.9 million). Both years include amounts of deferred license revenue released, reflecting a portion of earlier license fee payments from partners including SOBI, Salix and SIPI which have been allocated across a number of financial years in accordance with accounting guidelines. These amounts were €0.9 million in 2017 and €2.2 million in 2016.

Revenues from product sales by Pharming and its partners increased to €88.7 million (2016: €13.7 million) reflecting a much better year overall for RUCONEST® sales in the USA producing €84.1 million (\$95.1 million), up from €11.8 million in 2016. This shows the immediate effect on the top line of the concentrated effort in the US with a full sales activity.

Sales for RUCONEST® in Europe and the Rest of World ("RoW") were €5.0 million (2016: €1.9 million), reflecting slow growth in sales by SOBI in Europe coupled with strong growth in direct sales by Pharming in the countries recovered from SOBI in 2016.

Costs of product sales in 2017 amounted to €12.4 million (2016: €4.7 million), reflecting the strongly increased sales volume and savings obtained by better inventory management, plus the cost of contributing to patients during the stock limitations at competitors in the fourth quarter.

Gross profit increased in to €77.2 million in 2017 (2016: €11.2 million), an increase of 589%. The main reasons for this increase were the increased sales in the US and EU.

Operating costs

Operating costs increased to €56.1 million in 2017 (2016: €23.1 million). This increase was substantially due to the added cost of marketing and sales activities both in the US and in the new territories taken over from SOBI in October 2016, mainly in France and the United Kingdom.

Marketing and sales costs of €31.4 million (2016: €3.0 million) reflect Pharming's additional new full direct commercialization activities in the US and in France and the United Kingdom in Europe.

R&D costs within these figures increased from €15.4 million in 2016 to €18.7 million in 2017. In 2017, the costs have mainly been incurred in developing the two new major pipeline programs for Pompe and Fabry's disease, new routes of administration and opportunities for RUCONEST® including the pediatric study in HAE and improvement in the technology platform to enable better versions of new products.

General and administrative costs increased slightly to €6.0 million (2016: €4.6 million). The increase is mainly related to the addition of senior management in the US, and costs incurred in connection with management of the more internationally active company in 2017, as well as increases in provision for share-based compensation following the large share price rise.

Operating result

The operating result improved from a loss of €11.5 million in 2016 to an operating profit of €21.9 million, in spite of a considerable increase in R&D expense and marketing and sales activity in 2017. This is mainly due to the last two quarters, once sales growth was firmly established with the completion of the US sales infrastructure and the EU sales and marketing team expansion.

Financial income and expenses

The 2017 net loss on financial income and expenses was €111.3 million, compared with a loss of €6.0 million a year earlier. This is mainly due to four items: (i) the IFRS non-cash adjustments to fair value in respect of derivative financial liabilities assessed against the Amortising Convertible Bonds and Ordinary Bonds during the year, largely as a result of the very large share price change (€40.3 million); (ii) the interest on loans and borrowings (€7.9 million) and non-cash adjustments of approximately €9.7 million; (iii) the settlement fees associated with the refinance and redemption of the bonds (€34.9 million) and (iv) the increase in the provision for contingent consideration (i.e. the milestones due to Valeant upon reaching certain sales targets) of €23.6 million. A gain of €5.2 million was also recorded on the change of value of the loans and borrowings as a result of exchange rates during the year. Of this total amount, the large majority (>78%) comprises non-cash adjustments required under IFRS.

Taxation

As a result of the growth in sales, it is now probable that the Company will be able to use its net operating tax losses from previous years going forward. The Board of Management has therefore elected to report a deferred tax asset in accordance with IFRS, reflecting the timing differences between the tax value of those losses and the time when they can be exercised. This has led to a credit to the income tax charge (i.e. a positive movement) of €9.4 million in 2017 (2016: Nil).

Net result

As a result of the above financial items, the net loss increased to €80.0 million in 2017 (2016: loss of €17.5 million). Nearly all of the deductions from operating profits are non-recurring, although interest and related costs will continue to appear in 2018 and beyond.

Inventories

Inventories increased slightly to €18.3 million in 2017 (2016: €17.9 million), largely due to the need to convert raw materials into higher value stock types including finished goods to cover the improving sales level in the USA and to make RUCONEST® available to patients who were left without adequate therapy by stock limitations of competitor products. A provision against impairment of inventories of €0.3 million was applied (2016: €0.6 million), reflecting small amounts of older stock not expected to sell for its full holding value. Generally, as sales increase and inventory throughput increases, the risk of obsolescence is reducing.

Cash and cash equivalents

The total cash and cash equivalent position (including restricted cash) increased from €32.1 million at year-end 2016 to €60.0 million at year-end 2017.

The principal elements of cash flow were the operating cash flow of €27.1 million (2016: operating loss of €10.7 million), improvement in working capital management of €11.1 million (2016: €0.6 million); capital expenditure on new assets of €6.0 million (2016: €57.5 million, including the upfront payment for the Valeant transaction), and the net cash effect of all of the refinance, repayments and interest on of loans, bonds and warrant exercise transactions of a cost of €3.5 million (2016: gain of €67.3 million including all the new finance for the Valeant transaction in December 2016).

The Company's current pattern of sales growth, together with the strong cash generation and cash balance and the tight control over costs going forward, forms the basis of the Board of Management's view that Pharming Group should be accounted for as a going concern.

As the Company's sales are largely in US dollars and the Company's debt is largely in US dollars, a natural hedge exists which means that any decline in the US dollar exchange rate over the year to reduce sales reported in Euros has a balancing effect of reducing the size of the debt liability when reported in Euros. These movements had a total cash effect of a loss of €1.1 million (2016: gain of €0.4 million).

Equity

The equity position reduced from €27.5 million in 2016 to €18.8 million in 2017, mainly due to the net loss for the year balanced by the redemption effects of conversion of the Ordinary Bonds and warrants, as well as the refinancing and deferred tax asset.

Performance of Pharming shares

During 2017, the Pharming stock price fluctuated around an average price of €0.67 per share. The year-end price was €1.13 (2016: €0.22), with a high of €1.34 in November 2017 and a low of €0.28 in March 2017.

The closing number of shares as at the reporting date was 579,014,891 (2016: 455,587,312). New issues of stock representing a total of 123,427,579 shares were made to investors during the year related to the conversion of some of the Amortizing Bonds due 2017/18, all of the Ordinary Bonds due 2021 and exercise of warrants, reducing the amount outstanding of all those Bonds from €38.9 million to €1.2 million. Since the reporting date, these remaining bonds have also been redeemed. As at the date of this report, the number of shares in issue is 586,667,999.

Outlook 2018

For the remainder of 2018, the Company expects:

- Continued growth in revenues from sales of RUCONEST[®], mainly driven by the US and Western Europe operations.
- Achievement of positive Net Earnings for at least one quarter during the year.
- Continued investment in the expansion of production of RUCONEST[®] in order to meet the growing demand for RUCONEST[®] internationally.
- Investment in further clinical trial programs for RUCONEST[®] in acute treatment and prophylaxis of HAE and the development of a low-volume i.v. version and new intramuscular and subcutaneous versions of RUCONEST[®] as well as research into other routes of administration.
- Investment in clinical trials to explore additional indications for RUCONEST[®].
- Investment in development of the new pipeline programs in Pompe disease and Fabry's disease, and other new development opportunities and assets as these occur.

- Increasing marketing activity where this can be profitable for Pharming, such as opening new countries for RUCONEST®.
- We will continue to support all our teams and marketing partners in order to enable the maximization of the sales and distribution potential of RUCONEST® for patients in all territories, as we continue to believe that RUCONEST® represents a fast effective, reliable and safe therapy option to treat acute angioedema attacks in patients with HAE.

No further financial guidance for 2018 is provided.

The Board of Management

Sijmen de Vries, CEO

Bruno Giannetti, COO

Robin Wright, CFO

About Pharming Group N.V.

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

RUCONEST® is commercialized by Pharming in Algeria, Andorra, Austria, Bahrain, Belgium, France, Germany, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, the Netherlands, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, the United Arab Emirates, the United Kingdom, the United States of America and Yemen.

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

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

RUCONEST® has recently completed a clinical trial for the treatment of HAE in young children (2-13 years of age) and is also evaluated for various additional follow-on indications.

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

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

Pharming has declared that the Netherlands is its “Home Member State” pursuant to the amended article 5:25a paragraph 2 of the Dutch Financial Supervision Act.

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

Forward-looking Statements

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

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

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

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Conference call information

Today, Chief Executive Officer Sijmen de Vries and Chief Financial Officer Robin Wright will discuss the preliminary financial results for 2017 in a conference call at 13.00 (CET) / 12:00 (GMT) / 07:00 (EST). To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: +31 (0) 20 709 5189

From the UK: +44 (0) 33 3300 0804

From Belgium: +32 (0) 2 403 5814

From France: +33 (0) 1 70 75 07 11

From Switzerland: +41 (0) 22 580 9034

From the US: +1 (0) 63 1913 1422

Participant pin code: 88691859#

To access the live conference, please follow the below link:

Presentation link: <https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=ec796ae7c227a65b4c4ef465ea9a29f9a>

Presentation Password: 301223030

Pharming Group N.V.

Preliminary Consolidated Financial Statements (Unaudited) For the year ended 31 December 2017

Consolidated Statement of Income

Consolidated Statement of Comprehensive Income

Consolidated Balance Sheet

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Consolidated Statement of Income

For the year ended 31 December

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December

Amounts in € '000	2017	2016
Net result for the year	(79,957)	(17,536)
<i>Currency translation differences</i>	(998)	(6)
Items that may be subsequently reclassified to profit or loss	(998)	(6)
Other comprehensive income, net of tax	(998)	(6)
Total comprehensive income for the year	(80,955)	(17,542)
Attributable to:		
<i>Owners of the parent</i>	(80,955)	(17,542)

Consolidated Balance Sheet

As at 31 December

Amounts in € '000	2017	2016
Non-current assets		
Intangible assets	56,631	56,680
Property, plant and equipment	8,234	6,043
Long-term prepayments	2,296	1,622
Restricted cash	1,336	248
Deferred tax asset	9,442	-
Total non-current assets	77,939	64,593
Current assets		
Inventories	18,334	17,941
Trade and other receivables	11,260	12,360
Cash and cash equivalents	58,657	31,889
Total current assets	88,251	62,190
Total assets	166,190	126,783
Equity		
Share capital	5,790	4,556
Share premium	370,220	301,876
Legal reserves	(938)	60
Accumulated deficit	(356,270)	(279,025)
Shareholders' equity	18,802	27,467
Non-current liabilities		
Loans and borrowings	58,684	40,395
Deferred license fees income	1,467	2,270
Finance lease liabilities	390	599
Other financial liabilities	28,319	4,674
Total non-current liabilities	88,860	47,938
Current liabilities		
Loans and borrowings	21,962	26,136
Deferred license fees income	804	943
Derivative financial liabilities	8,301	9,982
Trade and other payables	27,198	14,054
Finance lease liabilities	263	263
Total current liabilities	58,528	51,378
Total equity and liabilities	166,190	126,783

Consolidated Statement of Changes in Equity

For the year ended 31 December

Attributable to owners of the parent

Amounts in € '000	Number of shares	Share capital	Share Premium
Balance at 1 January 2016	411,971,790	4,120	283,396
<i>Result for the year</i>		-	-
<i>Other comprehensive income for the year</i>		-	-
Total comprehensive income for the year		-	-
<i>Share-based compensation</i>	-	-	-
<i>Bonuses settled in shares</i>	533,583	5	121
<i>Shares issued for cash</i>	42,981,939	430	8,381
<i>Warrants exercised/ issued</i>	100,000	1	9,978
<i>Options exercised</i>	-	-	-
Total transactions with owners, recognized directly in equity	43,615,522	436	18,480
Balance at 31 December 2016	455,587,312	4,556	301,876
<i>Result for the year</i>		-	-
<i>Other comprehensive income for the year</i>		-	-
Total comprehensive income for the year		-	-
<i>Share-based compensation</i>	-	-	-
<i>Bonuses settled in shares</i>	908,437	9	246
<i>Shares issued for cash / conversions of bonds</i>	63,476,808	635	50,274
<i>Warrants exercised/ issued</i>	58,123,107	581	17,657
<i>Options exercised</i>	919,227	9	167
Total transactions with owners, recognized directly in equity	123,427,579	1,234	68,344
Balance at 31 December 2017	579,014,891	5,790	370,220

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December

Attributable to owners of the parent

Amounts in € '000	Legal reserves	Accumulated Deficit	Total Equity
Balance at 1 January 2016	66	(263,743)	23,839
<i>Result for the year</i>	-	(17,536)	(17,536)
<i>Other comprehensive income for the year</i>	(6)	-	(6)
Total comprehensive income for the year	(6)	(17,536)	(17,542)
<i>Share-based compensation</i>	-	2,254	2,254
<i>Bonuses settled in shares</i>	-	-	126
<i>Shares issued for cash</i>	-	-	8,811
<i>Warrants exercised/ issued</i>	-	-	9,979
<i>Options exercised</i>	-	-	-
Total transactions with owners, recognized directly in equity	-	2,254	21,170
Balance at 31 December 2016	60	(279,025)	27,467
<i>Result for the year</i>	-	(79,957)	(79,957)
<i>Other comprehensive income for the year</i>	(998)	-	(998)
Total comprehensive income for the year	(998)	(79,957)	(80,955)
<i>Share-based compensation</i>	-	2,712	2,712
<i>Bonuses settled in shares</i>	-	-	255
<i>Shares issued for cash / conversions of bonds</i>	-	-	50,909
<i>Warrants exercised/ issued</i>	-	-	18,238
<i>Options exercised</i>	-	-	176
Total transactions with owners, recognized directly in equity	-	2,712	72,290
Balance at 31 December 2017	(938)	(356,270)	18,802

Consolidated Statement of Cash Flows

For the year ended 31 December

Amounts in €'000	2017	2016
Operating result	21,912	(11,540)
Non-cash adjustments:		
Depreciation, amortization	3,415	756
Accrued employee benefits	2,712	2,254
Deferred license fees	(943)	(2,184)
Operating cash flows before changes in working capital	27,096	(10,714)
Changes in working capital:		
Inventories	(393)	(1,712)
Trade and other receivables	(3,345)	(4,695)
Payables and other current liabilities	14,837	7,049
Total changes in working capital	11,099	642
Changes in non-current assets, liabilities and equity	281	63
Cash generated from / (used in) operations before interest and taxes	38,476	(10,009)
Interest received	3	5
Net cash flows generated from / (used in) operating activities	38,479	(10,004)
Capital expenditure for property, plant and equipment	(3,247)	(1,193)
Investment intangible assets	(2,797)	(321)
Acquisition of business	-	(55,960)
Net cash flows generated from / (used in) investing activities	(6,044)	(57,474)
Proceeds of debt loans and borrowings	89,137	68,524
Payments of transaction fees and expenses	(15,821)	(5,133)
Repayment and interest on loans	(83,671)	(4,889)
Proceeds of equity and warrants	6,833	8,825
Net cash flows generated from / (used in) financing activities	(3,522)	67,327
Increase (decrease) of cash	28,913	(151)
Exchange rate effects	(1,057)	445
Cash and cash equivalents at 1 January	32,137	31,843
Total cash and cash equivalents at 31 December	59,993	32,137

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