Pharming®

Annual Report 2021

Interactive pdf

Pharming is a specialty pharmaceutical company developing innovative products for the safe, effective treatment of rare diseases and unmet medical needs. We are committed to transforming the future for our patients. We develop innovative products for the treatment of 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.

pharming.com

'Transforming the future for our patients'

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ESEF filing

This copy of the Pharming Group N.V. annual report 2021 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 2021 ESEF filing is available in the financial documents section on our corporate website (www.pharming.com).

Forward-looking statements

This Annual Report 2021 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.

Directors report 2021 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: Business section, Risk Management and Control section, Corporate Governance section, Report of the Board of Directors Section, Report of the Remuneration Committee section and the Corporate Social Responsibility section.

Chief Executive Officer's Statement

Building on strong foundations and investing to support sustainable long-term growth

Following several years of increasing profitability, during 2021 we undertook a number of strategic steps to support long-term growth, including significant investment to expand our commercial business and pipeline. These investments were possible due to the continuing strong sales performance of our lead product, RUCONEST®, for the treatment of acute hereditary angioedema (HAE).

In line with our strategy, we have continued to expand the global reach of patients benefiting from RUCONEST®, with increasing patient enrollment and product demand, despite increasing competition and the impact of COVID-19 in early 2021 on sales and marketing activities, and patient hospitals visits. In terms of our global commercial footprint for RUCONEST®, we entered Spain and secured a distribution agreement with NewBridge Pharmaceuticals for several North-African and Middle-Eastern territories. Lastly, due to the strong sales performance of RUCONEST®, we were able to pay a final US$25 million installment to Bausch Health as agreed as part of the re-acquisition of US commercial rights to the product in 2016. With a continued need for safe and reliable acute treatment options for HAE, despite an increase in prophylactic treatment options, we remain confident in the ongoing demand for RUCONEST®.

Importantly, we have focused on the development of our late-stage asset, leniolisib, which we in-licensed from Novartis in 2019. Following the successful completion of patient enrollment in the pivotal Phase II/III study of leniolisib for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) in June 2021, we focused on increasing investment in launch preparations for the product. This included entering into a collaboration with Invitae Corporation (NYSE: NVTA, "Invitae"), a leading medical genetics company, to launch a sponsored genetic testing program, navigateAPDS, designed to assist clinicians in identifying patients and their family members with APDS. The program offers eligible patients suffering from primary immunodeficiency diseases free-of-charge genetic testing to confirm an APDS diagnosis, which may lead to earlier diagnosis.

Our investment in leniolisib was validated in January 2022 with the publication of positive top-line data from the pivotal trial, which met both co-primary endpoints and demonstrated the clinical efficacy of leniolisib over placebo. We now plan to begin to submit global regulatory filings for leniolisib to the US Food and Drug Administration, the European Medicines Agency and the UK Medicines and Healthcare products Regulatory Agency in Q2 2022. Further clinical work will be undertaken in pediatric populations and for a registration-enabling study for Japan to grow the potential market for leniolisib. We also expect continued significant investment in launch preparation for the product, which is anticipated from Q1 2023 onwards, dependent on regulatory approval. Importantly, given the specialist prescribing base, we are able to leverage our existing commercial infrastructure for RUCONEST® in HAE for the commercialization of leniolisib in APDS. We look forward to diversifying our commercial portfolio with the launch of our second product.

Also in line with our strategy to leverage our in-house expertise, we signed a strategic collaboration with Orchard Therapeutics (NASDAQ: ORTX, "Orchard"), a global gene therapy leader, 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). This partnership reinforces our long standing commitment to HAE patients and treating physicians to provide a potential cure for the disease.

Impact of COVID-19

In 2021 there was no impact on the upscaling or continued production of RUCONEST® and leniolisib, and no impact on the availability or distribution of RUCONEST® to HAE patients as a result of the pandemic, which has continued into 2022. Throughout the year, we continued to comply with international guidance and requirements across our operations to prioritize the health and safety of our employees. Over the course of the year we experienced impacts on our sales and marketing activities, delays in clinical development across our existing pipeline, and supply chain disruptions for manufacturing consumables.

Organizational changes to support future growth

2021 marked a transformational year for our Executive Committee and Board of Directors. Anurag Relan became Chief Medical Officer following the departure of Bruno Giannetti, Robert Friesen was hired as Chief Science Officer, and Ruud van Outersterp became Chief Ethics and Compliance Officer following the departure of Anne-Marie de Groot. Upon nomination by the Board of Directors, Steven Baert, Leon Kruimer, and Jabine van der Meijs were appointed Non-Executive Directors to the Board at the Company's Annual General Meeting of Shareholders in May of 2021.

In addition to these Executive and Board appointments, we have recruited a number of experienced new colleagues across the business during the year, to expand our existing capabilities to support future growth. Pharming's headcount (FTE) at the end of 2021 was 300, an increase of 71 compared to the end of 2020.

These changes come at an important time in the Company's evolution and we look forward to their support as we build a sustainable business and create long-term value for all our stakeholders.

Also as part of the diversification of our asset base, we refocused efforts away from several internal projects, including the building of our own Drug Substance Processing plant for RUCONEST®, as we were able to continue our manufacturing contract with Sanofi for another five years, with options for further extensions. These decisions meant that we impaired past investments by US$ 5.4 million, but will be saving planned capital expenditures of well over US$40 million going forward.

Lastly, we have invested in our compliance and internal control systems and saw increased insurance costs. The Company believes that this increase, necessitated by Pharming's additional Nasdaq listing, is likely to be offset by the benefits of expanded access to capital that this US listing provides. We have therefore entered 2022 on a solid footing, which will allow us to make further investments as we prepare for our next stage of growth, including our continued strategy for licensing or acquiring additional late-stage assets for unmet medical needs in rare or ultra-rare diseases to further accelerate our growth trajectory. This is supported by a strong balance sheet and bolstered by US$ 40 million in saved capital expenditures and access to US capital markets.

Leiden, 6 April 2022
Sijmen de Vries
Executive Director and Chief Executive Officer

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Our Business

About Pharming

Pharming is a global biopharmaceutical company developing and commercializing innovative protein replacement therapies and precision medicines for the treatment of rare diseases and unmet medical need.

Our lead product, RUCONEST® is a plasma-free rhC1INH protein replacement therapy. It is approved for the treatment of acute hereditary angioedema, or HAE, attacks. We are commercializing RUCONEST® in the United States, the European Union and the United Kingdom through our own sales and marketing organization, and the rest of the world through our distribution network. The product is available on a named-patient basis in other territories where it has not yet obtained marketing authorization.

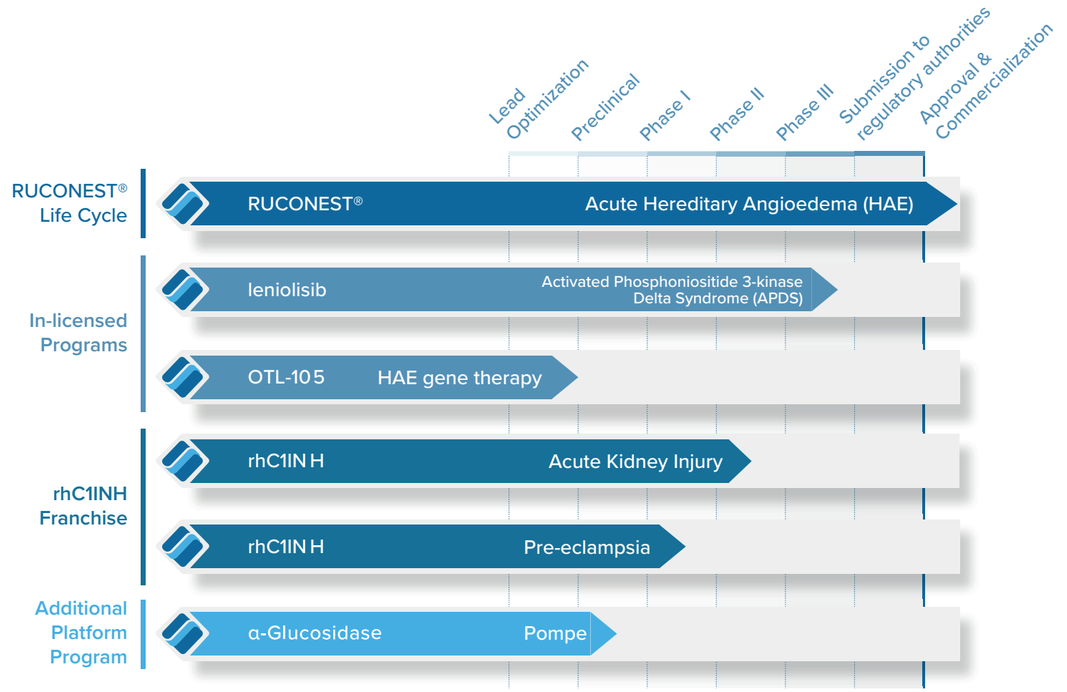
In addition, following the recent positive results from the registration enabling Phase 2/3 study, we are working towards the submission of the regulatory filings to FDA and EMA for our oral precision medicine, leniolisib (a phosphoinositide 3-kinase delta, or PI3Kδ, inhibitor), for the treatment of activated PI3Kδ syndrome, or APDS. Subject to regulatory approvals we expect to launch leniolisib Q1 2023.

We are also developing rhC1INH for subsequent indications, including pre-eclampsia and acute kidney injury. Furthermore, we are leveraging our transgenic manufacturing technology to develop next-generation protein replacement therapies most notably our product candidate for Pompe disease, which is in preclinical stage.

We are committed to developing innovate therapies for HAE, and in July 2021 we licensed the worldwide rights to OTL-105; a first in class, pre- clinical stage, ex-vivo, autologous Hematopoietic Stem Cell Therapy (HSCT) for the treatment of HAE from Orchard Therapeutics; which represents a potentially curative one-time treatment for HAE.

We are actively pursuing to further leverage both the cash flow from RUCONEST® commercialization, our strong balance sheet and our access to capital markets both in Europe (Euronext Amsterdam) and the US (NASDAQ), to extend our commercialization portfolio with the licensing or acquisition of additional near- market assets in rare or ultra-rare diseases.

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



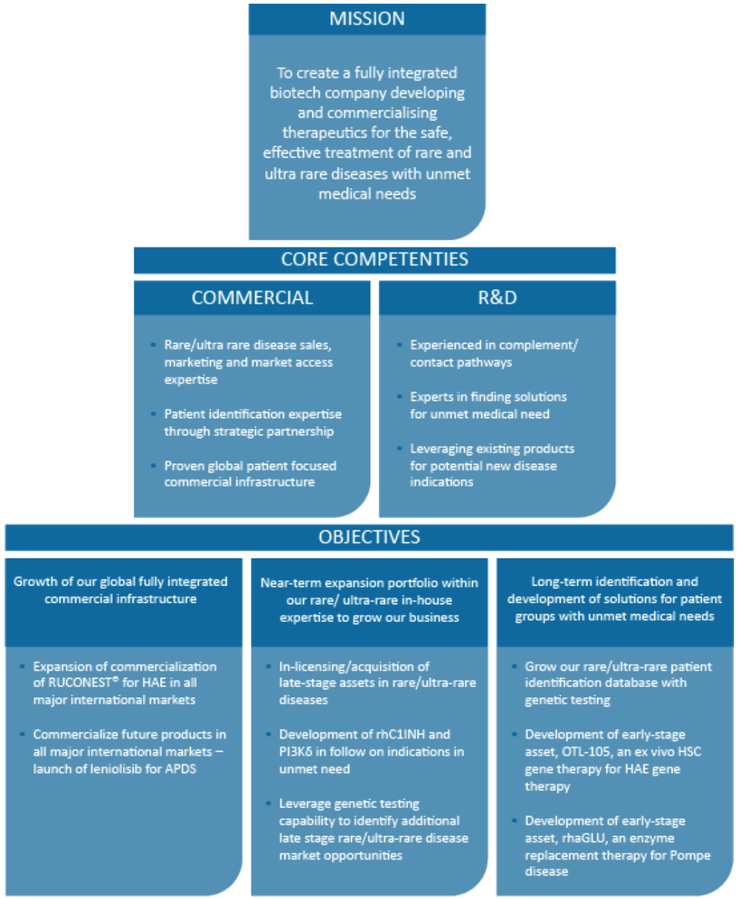
The chart above summarizes the status of our product and our main product candidate portfolio.

Our strategy

Pharming's vision is to be a global biopharmaceutical Company, with a focus on transformative medicines in rare and ultra rare disease spaces. Our mission is to offer innovative treatment options for patients with unmet medical needs through our fully integrated and sustainable drug development and commercialization expertise.

We create long-term value by leveraging our core strengths; clinical development and rare-disease drug commercialization. To sustain longer-term additional growth, it is our objective to transform our pipeline from sole dependency on our technology platform to include a broader range of various acquired and in- licensed technologies.

Our strategy is to leverage our core strengths of clinical development and rare- disease drug commercialization by successfully launching innovative products obtained from our own R&D efforts and by in-licensing/acquiring products for rare and ultra- rare diseases. In doing so, we apply high ethical, environmental and animal welfare standards.



Our key objectives 2021:

Our objectives for 2021 were based on our three pillar strategy;

- To grow our commercial infrastructure, by expanding our commercialization of RUCONEST® for HAE in all major global markets. In doing so, we prepare for the expected launch of leniolisib for APDS in the first half of 2023.
- In the near-term; to expand our product portfolio with both existing and new (through in-licensing or acquisition) technologies, this includes fully investigating the lifecycle management opportunities of both rhC1INH and PI3Kδ in new indications.
- Finally longer-term, to grow our patient identification abilities and in doing so identify market opportunities to develop innovative therapies for patients with unmet medical need.

Delivering on key objectives 2021:

In 2021, we have delivered on a number of our objectives.

With regard to our first pillar: to grow our commercial infrastructure; we extended the reach of RUCONEST® to include North Africa and the Middle East with a commercialization agreement with NewBridge Pharmaceuticals. In addition in 2021 we secured reimbursement for RUCONEST® in Spain, one of the top 5 HAE markets globally.

With regard to our second pillar, the near term expansion of our pipeline. Our Acute Kidney Injury trial restarted, despite suffering multiple extended delays due to COVID-19. In addition, we released top line data from our clinical trial with rhC1INH in the treatment of severe pneumonia as a result of COVID-19 infections.

Lastly, with regard to our last pillar, long term growth, we announced the completion of enrollment of the Phase II/ III study with leniolisib in the treatment of APDS. We also announced we had received a positive decision from the EMA on our pediatric investigation plan (PIP) for leniolisib in Europe. Lastly, throughout 2021 we have made significant investments in the pre-launch activities in anticipation of leniolisib's launch expected early 2023.

Looking back on our objectives for 2021, the Company has made a number of changes to its objectives going forward. With regard to RUCONEST®, the Company has decided not to invest further in trying to offer alternative delivery mechanisms for RUCONEST®. This decision was primarily due to the lack of medical need and market opportunity. Our understanding was confirmed that one of the key benefits of RUCONEST® is its intravenous application that provides rapid and complete bioavailability of a high dose of rhC1INH protein replacement therapy.

In addition, the Company has re-evaluated its clinical trial in severe pneumonia as a result of COVID-19 infections. Given the rapidly changing landscape in COVID-19 medical need and therapeutic management, and the significant investments now required to develop a treatment, we are not planning any further studies with rhC1INH in hospitalized patients with COVID-19. We are encouraged by the findings from these studies, including the overall safety profile in acutely-ill patients as we consider further development of rhC1INH in patients with other serious diseases with unmet needs.

Finally, as was announced in December, 2021, the Company extended its manufacturing agreement with long-term manufacturing partner Sanofi. As a result, following careful consideration the Company has decided to focus its resources on the full lifecycle investigation of its existing products and the in-licensing or acquisition of new near-term technologies to grow its pipeline, rather than pursue in-house downstream processing.

Objectives 2022:

Our objectives for 2022 are to continue to pursue our three pillar strategy; to grow our commercialization to fully capitalize on the robust sales of RUCONEST® globally, also in preparation for the launch of leniolisib, expected in early 2023. As we approach the launch of leniolisib we will continue to make significant investments in pre-launch activities will continue to be made. The Company expects that this will have a negative effect on the profit in the year 2022. Consequently, the Company expects the cash and cash equivalents to reduce during the year as the Company invests in its future. Expected revenue for leniolisib, if approved, will increase significantly from 2023 and onwards.

In addition, the Company will evaluate the lifecycle management of both rhC1INH and PI3Kδ in new indications. As in 2021, the Company will continue to search for viable in-licensing or acquisition opportunities to bolster its pipeline both near- and long-term.

Lastly, as Pharming grows in size and maturity, the Company believes it has a responsibility to its employees and its stakeholders to report on its environmental, social and governance (ESG) impact. As such, the Company will set up an ESG committee with the goal of creating a proactive program to establish ESG goals and a plan to continue building a sustainable business.

Environmental, Social and Governance (ESG) and building a sustainable business

In today's rapidly changing world, the topic of Corporate Social Responsibility (CSR) has transitioned into Environmental, Social and Governance (ESG).

ESG is composed of the three components Environmental, Social and Governance; this refers to the evaluation of a Company's sustainability, societal impact and its ability to create a sustainable business that generates long-term value for its stakeholders. ESG is divided into a set of standards and criteria that are currently under development.

Amongst others, as of the financial year 2023, mandatory EU sustainability reporting standards will come into force that are a work in progress from the European Financial Reporting Advisory Group (EFRAG). These sustainability reporting standards will require companies to address the following:

- A description of the business model and strategy, including business model resilience and opportunities in relation to sustainability matters, the plans of the Company to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5° C in line with the Paris Agreement, strategy implementation, stakeholders' interests and impact on sustainability matters;
- A description of sustainability targets and the progress made towards achieving them;
- The role of the administrative, management and supervisory bodies in relation to sustainability matters;
- The Company's policies in relation to sustainability matters, including due diligence;
- The Company's most significant adverse impacts connected with the Company's value chain, including its own operations, its products and services, its business relationships and its supply chain;
- A description of the Company's principal risks related to sustainability matters, including their principal dependencies on such matters, and how they manage those risks;
- The manner in which the Company has identified the information on which it reports.

Companies will need to provide:

- qualitative and quantitative information;
- both forward-looking and retrospective information, and
- information that covers short, medium and long-term time horizons.

A Company's ESG performance is more and more considered to be a good indicator of future success, business resiliency and overall Company health. A Gartner survey found that 85 percent of investors used ESG information in 2020. Overall, investors see companies that actively disclose ESG information as safer and more stable investments. In addition, companies that are able to improve their ESG indicators are found to see higher employee satisfaction, more easily attract new talent, are less troubled by activist shareholders, and also achieve lower financing costs by being assigned a lower risk profile.

Pharming does not choose to view ESG purely as an obligation, where the key is to be able to deliver the required 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.

During the year 2022 Pharming will be intensifying its ESG journey, as we are building a solid ESG program.

Key Elements 2022

Developing an ESG program to build a sustainable business.

Establishing an ESG committee

To establish a strong ESG committee with decision making capabilities, we will bring together key employees within Pharming, who will help ensure a unified view of ESG and generate broad-based support for the ESG program.

Conduct a baseline assessment

Conducting a baseline assessment integrating ESG to build a sustainable business. This will include:

- An assessment of existing **sustainability reporting processes**, including internal controls and governance.
- Mapping out our **global supply chain** to assess potential sustainability topics.
- Considering our **regulators perspective** on the materiality process and any KPI's that will be considered.
- Review of key internal stakeholders and understanding our existing **data management processes**.
- Conduct a **benchmark assessment** with industry peers.

Determine key points of attention, set priorities actionable plans and timely goals for a coordinated ESG integration effort across our company

Our mission

Our mission is to develop and commercialize innovative treatment options for patients with unmet medical needs, focused on rare and ultra-rare diseases.

Patient safety, product use & treatment outcomes

Our highest priority is patient safety. By consistently reviewing and improving our processes we work to improve the quality of our product and the treatment our patients receive. Our product and all our planned pharmaceutical products are produced and sold to 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, and improve the quality of our products continuously.

Our employees

The health and well-being of our employees is very important to us because we care and it directly impacts our business success. One of our employees adopted the role of Health and Safety Officer. In case of questions or complaints regarding the workplace, the Health and Safety Officer can be asked for advice. Due to the growth of the Company, we are in the process of hiring a dedicated Health and Safety Officer for our Operations groups. We already have established within Operations an HSE team with representatives from the different sites where ideas for improvement are being discussed, and near misses and lessons learned are being shared. There is a policy in place for reporting incidents and we strive for zero incidents.

Our offices have an open atmosphere that encourages employees to connect and to use different working spaces. We invested (and continue to do so) in solutions to create a pleasant work climate with regular ventilate air, optimal acoustics, and good distribution of daylight. The HSE officer evaluates the ergonomics of the workplace and provides solutions for improvement (e.g., height-adjustable desks).

Global Company culture

Pharming is an attractive employer and offers an engaging working environment based on our core Company values. We set a Pharming culture where employees feel safe and connected, to maintain an environment of continuous improvement.

- We stimulate and support our employees to actively pursue personal development.
- We are committed to the team by sharing information pro-actively and keeping our entrepreneurial spirit alive.
- We care for each other by building strong relationships and are dedicated to helping each other being successful in the interest of patients.
- To do so we are aware of our impact, have a strong sense of urgency and let Integrity guide us.

Human capital

Our employees play a vital role in the continuing success of Pharming. We are dedicated to attract, motivate and retain the most talented employees in our field who want to join our mission to improve the health and the quality of lives of patients.

To be a high performing organization we need to promote and foster a corporate culture of accountability and harmony so our employees feel happy and empowered. To remain high performing we need to continuously develop our expertise, our competencies and our skills. An environment of people with different backgrounds, eager to learn from each other and learning in the flow of work.

We have already built a team of diverse people of many nationalities and we see it as a priority to focus on further developing our Pharming family. In 2021 we have designed the Pharming Competency Framework that will help us to drive the performance of the organization. This Competency Framework will be the backbone of our people strategy and programs and is being integrated into our performance management process and the new Pharming Academy for Learning & Development

Throughout 2021 our headcount has grown with 23%, to further strengthen our organization across all disciplines in line with the business strategy.

Employee statistics

The Company hired 93 new employees in 2021 (69 in 2020) and 32 employees left the Company (24 in 2020). At 31 December 2021, 321 people were employed compared to 262 in 2020. The growth is expected to continue in 2022.

Headcount at the end of the year	2021	2020	2019
The Netherlands	217	174	138
France	17	15	13
Germany	0	1	2
United Kingdom	7	3	2
United States	80	69	57
Total	321	262	212
Headcount at the end of the year	**2021**	**2020**	**2019**
General & Administration	70	51	38
Research & Development	192	160	131
Marketing & Sales	59	51	43
Total	321	262	212

Remuneration

Pharming believes that competitive remuneration plays a vital role in attracting and retaining the most talented employees within our field. The remuneration packages should also drive the right kind of behavior.

The remuneration structure of the Company is based on ‘Pay for Performance’ and ensures a proper balance between variable and fixed remuneration. 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 on delivering on Pharming’s mission, vision and strategy and creating long-term stakeholder value.

The fixed income is determined by the job weighting and associated salary grade. Within the legal frameworks, the growth of fixed income is linked to the assessment of the overall performance of the job.

Performance management

Our Performance management philosophy is built around the belief that to perform at our best and reach our goals, we must work well together, role model the right behaviors, and use our knowledge and skills. Performance conversations and feedback should be happening on an ongoing basis throughout the year in order to stimulate self-development and thrive the performance to a higher level. The annual performance management cycle exists of three formal appraisal meetings per year.

The annual performance management cycle may lead to an increase of the fixed remuneration of employees if the agreed targets have been met and/or higher salary is justified by higher levels of responsibility and/or changes in labor markets.

The variable remuneration is based on the principle “pay for performance”. Target setting and evaluation of the performance of the targets is key in the process of vesting the variable remuneration. Risk alignment is embedded in the target setting and the evaluation of the performance.

As mentioned above, we have designed in 2021 the Pharming Competency Framework that is being integrated into the Performance Management Cycle by adding the required levels of output to the different job levels.

Learning & Development

In order to remain high performing in rapidly changing environments and functions we encourage our employees to develop themselves. We are investing in a

future proof and scalable learning capability, that will help us to develop the knowledge, the capabilities and skills in line with the Business Strategy and Company values.

In 2021 we have laid the groundwork to build a future proof and scalable learning capability. The capability has been designed based on the following principles:

- Learning opportunities are everywhere
- We help each other grow
- We have a consistent learning environment with one language
- Learning is a personal journey and
- We create learning memories.

In Q4 2021 we have started implementing a Learning Experience Platform that will be launched with the first learning pathways in 2022.

Animal Care Code of Conduct and Welfare Policy

Pharming's transgenic platform technology involves animals. Pharming guarantees not only compliance to the welfare law, but also to lives up to the highest moral standards. Therefore, animal safety and welfare are of paramount importance to the Company's success. Pharming produces products in specific non-invasive animal systems, such as in the milk of transgenic mammals. Pharming's current specific human protein products are purified from this milk, which has so far provided products suitable and safe for human use but without causing any distress of any kind to the animals. Pharming has a strict Animal Care Code of Conduct in place, which enforces the strict regulatory control over the Company's transgenic biological materials and animals with special regard to the environment and particularly the continuous well-being of our animals. The Company has an Animal Welfare Policy, which ensures that Pharming will not develop products with adverse effects on animal health and welfare in either use or production. Accordingly, Pharming carefully and continuously monitors the health and welfare of its animals. Our Animal Care Code of Conduct emphasizes the importance of carrying out our activities with transgenic animals in a consistent and safe manner, and in conformity with the laws and regulations in force in the countries of operation.

Special attention is given to the strict identification and segregation of transgenic and non-transgenic materials and animals. In addition, the Company follows strict procedures to prevent the prohibited release of transgenic animals, their semen or any other reproductive transgenic material into nature.

As a result, during recent years we have made significant progress in developing the platform technically so that in the future larger quantities of target substances can be generated from fewer animals thereby reducing the number of animals involved and targeting for lower costs of production in the future. This includes regenerating our transgenic cattle herd to enable us to produce recombinant human C1INH on a larger scale.

Diversity and inclusion

Diversity and inclusion are essential to our Company culture. A workforce diverse in, among other things, age, race, gender expression, nationality, sexual orientation, physical ability, thinking style and background enriches our work environments and helps to ensure our long-term success. With operations and stakeholders all over the world, we see cultural diversity as a strength. Ensuring equal opportunities for all is a key principle for us. In 2021, we had 25 different nationalities amongst our employees. In our Board of Directors, we appointed in May 2021 a new female Non-Executive Director and as a result three out of the seven Non-Executive Directors (i.e., 43%) are now female.

The Board of Directors adopted on 23 November 2020 a Diversity Policy, that confirms and supports Pharming's aspiration, building on its core values, to sustain a diverse and inclusive culture where all Pharming stakeholders feel respected and valued, from our employees and shareholders to our customers and partners. Accordingly, Pharming is committed to attracting, developing and retaining a diverse and talented workforce. Their variety of perspectives helps the Company to create strong connections wherever and however we do business. We foster diversity and inclusion through a wide range of programs and activities. These include company-wide talent plans to ensure our people are progressing irrespective of gender, ethnicity, disability or other differences. We also continue to invest in employee and leadership awareness and development programs as well as mentoring initiatives and flexible working. We continually look for new ways to improve our inclusive culture.

Diversity Board of Directors and Executive Committee

We believe that it is important for the Board and the Executive Committee to represent a diverse composite mix 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.

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 do not set a specific target in this respect.

Pharming meets the minimum percentage of 30% representation of both men and women in the Board of Directors recommended by the Dutch Civil Code. Since 19 May 2021, three out of the eight (executive and non-executive) members have been female.

We are committed to seeking broad diversity in the composition of the Board and the Executive Committee and will consider these attributes when evaluating new candidates in the best interests of our Company and its stakeholders.

In terms of experience and expertise, we intend for the Board and the Executive Committee to be composed of individuals, who are knowledgeable in one or more of the following areas:

- 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 conducted recently 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.

R&D, pipeline and innovation

To sustain longer-term additional growth, it is our objective to transform our pipeline from sole dependency on our technology platform to include a broader range of various acquired and in-licensed technologies.

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

Environmental responsibility

Climate change is a global challenge and responding to it calls for a number of parallel approaches.

The use of our technologies should be safe for the employees and animals and the impact on the environment should be minimized. Our internal organization works together with our external partners on innovative solutions to achieve this and we select partners that have the same standard as ours.

We are currently evaluating our existing facilities to identify the most efficient ways to reduce our carbon footprint. We will continue focusing on energy efficiency (e.g., Use of solar panels). Our most recent location for upstream processing (transgenic platform, 2021) includes high-quality isolation methods and a full-electric concept (except for one natural gas boiler for extreme conditions).

We also aim to improve our existing buildings. One of our existing office buildings at a production facility (built in 1965) has been improved in 2020 to reach energy label A (highest standard), coming from energy label G.

Our Headquarters in Leiden is located in a building that received the Breeam-NL label 'excellent', provided by the Dutch Green Building Council.

The global COVID-19 pandemic presented us with challenges that meant we had to adjust quickly and come up with creative and sustainable solutions to stay connected. We professionalized in using online meeting tools and were able to perform at the highest level and business continuity has not been jeopardized.

Our production processes have a high consumption of consumables and liquid process waste. We recently introduced stainless steel buffer tanks to reduce the amount of consumables. The reduction of waste and a circular economy are a growing point of attention.

Sustainable economic performance

Economic sustainability is one of our top priorities after safety of our patients, animals and people. In order to provide a sustainable return on investment for our shareholders, we aim to innovate, become more efficient and increase value in every department. Our policy is to provide all stakeholders with timely, equal and simultaneous information regarding matters that may have an influence on our share price.

GDPR

Given the growing importance, relevance, and complexity of (international) transfers of (personal) data, Pharming decided to further increase its efforts in the Data Privacy Program during 2021. Based on the first implementation project of the GDPR back in 2018 it was decided to hire an external specialized consultancy firm to assess the level of compliance with applicable Data Privacy Legislation. Based on the results of this assessment a project was deployed to mitigate the risks as described in the report.

As part of a strong focus on the development and training of employees and contractors, a multi-level E-Learning program on Data Privacy was introduced for the permanent education of different target groups within Pharming. Furthermore, Pharming has embraced a new Data Privacy Governance model in which an internal Privacy Officer will collaborate with an external Data Protection Officer. The former will manage the Privacy Program operationally, the latter will independently control Privacy practices within Pharming. This model will assure patients but also 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 and unmet medical needs. We are committed to go further and transform 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, further than what is required by the law, based on our values of integrity, quality and respect. This is because our ethical reputation, together with our scientific excellence, are 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, at Pharming, we always place 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 in our everyday behavior, as we 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 a solid three year strategy to equip Pharming with a world-class compliance program, we have introduced new or enhanced policies around anti-corruption, conflicts of interest, antitrust and fair promotion. These key policies have been accompanied by more operational procedures covering a variety or related matters from interactions with patient organizations to donations, from the approval of promotional materials to the vetting of high-risk third parties. 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.

During 2021, being the second year in the 3-years strategic plan, Pharming further consolidated its business integrity framework by enhancing a culture of business integrity and by strengthening an integrated value-based program.

Code of Conduct

We have updated our Code of Conduct, which can be found on the Company's website, with a set of principles and ethical standards as to conduct our daily business activities:

- 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 conflict of interests;
- We reject insider trading;
- We value our healthcare stakeholders;
- We promote responsibility;
- We respect privacy;
- We uphold quality;
- We communicate responsibly;
- We respect confidentiality;
- We protect the environment;
- We report concerns.

We expect all Pharming employees to act in line with our Code of Conduct by conducting our business according to its principles and ethical standards and will use it as a precious compass at every decision point. We expect our leaders and managers to embody the Code of Conduct and lead by example, acting as role models to all other employees.

Alert Reporting Procedure

Pharming's whistleblower policy referred to as Alert Reporting Procedure can be found on 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 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 evaluated its Alert Reporting Procedure at the end of 2021. Taking into account the EU Whistleblower Directive 2019/1937 of which the implementation in national legislation due by 17 December 2021 is delayed in the Netherlands, Pharming will update its Alert Reporting Procedure as soon as possible. This is expected to take place in the course of 2022.

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Our markets

USA

Pharming successfully markets and distributes RUCONEST® through its own commercial and medical teams, with its operations headquartered in Warren, New Jersey.

The US market for acute and prophylactic treatment of HAE is estimated by most observers as between 7,000 and 8,000 patients. Over the past two years the US market has evolved in that 75% of patients now use a prophylactic therapy, up from 30% in 2018. Despite this many patients continue to experience high levels of breakthrough attacks requiring treatment with an acute medication such as RUCONEST®.

RUCONEST® mostly serves acute patients that suffer from frequent attacks, whether on prophylaxis treatment, or not. The value of the combined acute and prophylactic market for HAE medicines in the US is estimated to be over $1.7 billion per annum. In the US, where prophylaxis of HAE is widely used, HAE patients, whether on prophylaxis or not, typically have access to multiple acute medications, to treat break-through attacks. As a result of the extensive training of patients, the vast majority of treatments for both acute attacks and prophylaxis are administered by patients themselves at home.

Europe, Middle-East & Africa (EMEA)

The European market for HAE is estimated at €262 million per annum. Since, reacquiring the commercial rights to distribute RUCONEST® in Europe from Swedish Orphan Biovitrum AB, or SOBI, in January 2020, Pharming has extended its reach across Europe, Middle-East & North Africa (MENA) and continues to pursue geographical expansion. Pharming creates access to RUCONEST® via a mixture of direct sales and marketing, local partners, commercial partners and the ongoing utilization of the HAEi GAP program in certain territories.

During the year we further expanded our commercial teams, as well as added additional resources in pricing, reimbursement and access (PRA), medical affairs and regulatory affairs.

Pharming's continuing expansion of the commercialization of RUCONEST® in Europe and other countries is proceeding, although, the external environment in which we operate is impacted by macro-economic price erosion and genericization resulting in a net reduction in sales recorded. The European HAE market has become highly competitive and while that offers broader patient choice, it impacts the uptake of RUCONEST® in Europe. These obstacles are gradually being overcome as the efficacy and reliability of RUCONEST® in both therapeutic effect and supply leads to greater adoption by national medicines agencies and important clinics across the region.

Pharming future-proofed its RUCONEST® operations in the United Kingdom up to and beyond the UK's withdrawal from the European Union resulting in no interruptions in the supply of RUCONEST® in the UK. The UK remains a key market for continued growth.

China

Our collaboration with China State Institute of Pharmaceutical Industry (CSIPI) and the Chengdu Institute of Biological Products (CDIBP), both Sinopharm companies, continues to progress. This collaboration includes full development and commercialization rights for RUCONEST® in China. The full RUCONEST® manufacturing process and quality system has been transferred to Sinopharm, enabling future manufacture for China but also allowing Sinopharm to supply Pharming with RUCONEST® in the future. We may receive certain regulatory and manufacturing-associated milestones, and we are eligible to receive margin on RUCONEST® supplies to Sinopharm, if RUCONEST® were to be approved as imported product ahead of the approval of the CDIBP manufacturing plant and low to mid-single digit royalties from sales in China by CDIBP or other affiliates of Sinopharm.

Other markets

RUCONEST® continues to be commercialized in Colombia, Costa Rica, the Dominican Republic and Panama through our partner, Cytobioteck. In Israel, our existing partner Kamada has also been making headway. We continue to assess the viability of opportunities within the Asia Pacific Region. In addition in 2022, we entered into an exclusive license agreement with NewBridge Pharmaceuticals for the distribution of RUCONEST® in the Middle East and North Africa.

HAEi global access program (“HAEi GAP”)

RUCONEST® is the first therapy available under the “HAEi Global Access Program” (HAEi GAP). This program ensures that in countries where no HAE therapies are approved or otherwise available, all eligible HAE patients can have access to safe and effective treatment through their treating physician. As part of this program, several requests have been received and treatments were started in countries such as South Africa and the Democratic Republic of the Congo. It is the only known program of this type which has been initiated through a patient group (HAEi).

Highlights of 2021

In March

The Company launched, in collaboration with Invitae Corporation, the genetic testing program ‘navigateAPDS’ in US and Canada. This new program is expected to improve access to genetic testing for activated PI3Kδ syndrome (APDS), an ultra-rare immunodeficiency disease, and has the potential to advance clinical research in APDS as a result of earlier diagnosis.

Additionally, Pharming announced the intention to nominate Steven Baert, Leon Kruimer and Jabine van der Meijs as Non-Executive Directors to the Board. Their official appointments were confirmed by the Company’s Annual General Meeting of Shareholders on 19 May 2021.

In April

The Company announced that the first patient has been enrolled in a Phase IIb double-blind, randomized, controlled study to assess the efficacy of RUCONEST® (recombinant human C1 esterase inhibitor, or “rhC1INH”) for the prevention of acute kidney injury after non-ST elevation myocardial infarction at the University Hospital Basel, Switzerland.

In June

The Company announced that an agreement has been reached with the Spanish Ministry of Health to grant reimbursement for RUCONEST® (conestat alfa) in Spain, patients in the region in need of new treatment options for hereditary angioedema will now be able to access RUCONEST®.

Additionally, Pharming announced the appointment of Anurag Relan as Chief Medical Officer (CMO), effective immediately, and Robert Friesen as Chief Scientific Officer, effective from 1 August 2021. Anurag and Robert are the successors of Bruno Giannetti, who was Chief Operating Officer (2006 - 2019) and Chief Medical Officer from 2019. Bruno announced his retirement from the Executive Committee at the Annual General Meeting of Shareholders, Bruno will stay with the company on a consultancy basis.

The Company also announced the successful completion of patient enrollment in the pivotal Phase II/III triple-blind, randomized, placebo-controlled study of leniolisib for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS). With completion of enrollment, we moved one step closer to making this medicine available for APDS patients around the world.

In July

The Company announced a strategic collaboration with Orchard Therapeutics 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. This is a significant first step in developing a potentially transformative one-time treatment for HAE.

The Company also announced it had entered into an exclusive license agreement with NewBridge Pharmaceuticals for the distribution of RUCONEST® (conestat alfa) in the Middle East and North Africa. We look forward to continuing to expand the global reach of RUCONEST®, in line with our growth strategy, to serve HAE patients with unmet medical needs.

In September

The Company announced the top-line results from two randomized, open label, controlled, pilot clinical trials of patients hospitalized with COVID-19 treated with RUCONEST® (recombinant human C1 inhibitor) for the prevention of severe SARS-CoV-2 infection. The primary endpoint in both studies was disease severity on the 7-point WHO ordinal scale on Day 7.

In December

The Company announced that it renewed its strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A. The extended 5-year contract which includes options for extensions, ensures the continuation of the downstream processing in the production of RUCONEST®, a recombinant C1 inhibitor product approved for the acute treatment of hereditary angioedema.

Specifically regarding recently significantly increased fit-out costs, the Company also decided to have the construction of the new building completed, but no longer pursue the realization of its own downstream production capacity at Pivot Park in Oss. Pharming will continue to use the building under construction for alternative purposes. As result of this decision, US$40 million of future investments in the fit-out of the production facility will now be deployed in investing in licensing and/or financing merger and acquisition projects to add additional late stage rare/ ultra-rare assets to the pipeline.

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After the year end 2021

- On January 6, 2022, the Company announced that a positive decision has been made by the European Medicines Agency (EMA) on the Pediatric Investigation Plan (PIP) for leniolisib, a phosphoinositide 3-kinase (PI3K) inhibitor, currently in development for the treatment of activated phosphoinositide 3-kinase delta syndrome (APDS).

- On February 2, 2022, the Company announced positive results from the pivotal Phase II/III blinded randomized, placebo-controlled registration-enabling study of leniolisib for the treatment of activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) also known as PASLI (p110δ-activating mutation causing senescent T cells, lymphadenopathy, and immunodeficiency).

- On March 28, 2022 the Company announced that Principal Investigator V. Koneti Rao, MD, FRCPA, a staff physician in the Primary Immune Deficiency Clinic at the National Institutes of Health in Bethesda, Maryland, will present positive findings from the Phase III pivotal clinical trial of leniolisib for patients with activated phosphoinositide 3-kinase delta (PI3Kδ) syndrome (APDS) at the Clinical Immunology Society (CIS) 2022 Annual Meeting in Charlotte, North Carolina.

Financial review 2021

The financial objectives for 2021 were:

- Ensuring that sales of RUCONEST® in all markets is optimized for HAE so that the maximum potential for the product can be achieved in this indication;

- Ensuring that the development of new indications for rhC1INH in other larger indications; the new drug candidate leniolisib for APDS and of the ERT for Pompe disease proceeds smoothly and positively;

- Ensuring that the pace of research and development costs underpins the pipeline development whilst profitability is maintained at the net level as far as possible;

- Ensure that the Company maintains its strong financial position without recourse to shareholders (except for additional large opportunities offered to shareholders); and

- Ensuring that any opportunities for acquisitions, licenses or new products, large or small, that may be expected to enhance shareholder value are captured on a financial basis that is optimized for shareholders

In the US, there was a surge in COVID-19 cases at the end of 2020 and into 2021, which led to some patients pre-filling of RUCONEST® prescriptions in Q4 2020. It also resulted in the temporary closure of the majority of physician offices, causing a reduction in routine and diagnostic patient visits and a slowdown of annual renewals of prescriptions. The combination of these factors led to lower prescription refill rates by patients still using their additional RUCONEST® stock from Q4 2020 and a reduction in new patient enrollments in the first part of Q1 2021.

Clinical development activities continued to be significantly delayed as result of the COVID-19 pandemic.

The preparations and investments for the launch of leniolisib were significantly intensified, as we saw a significantly increased commercial potential for leniolisib emerging. We believe that these investments and the planned further increasing investments in leniolisib in 2022 will provide a commercial transformation of the Company following launches of leniolisib from early 2023 onwards, subject to regulatory approvals.

The Company also intensified its business development activities, resulting in the investment in the collaboration with Orchard Therapeutics for the development and commercialization of OTL-105, a first in class, ex-vivo autologous Hematopoietic Stem Cell Therapy that could offer a one- off treatment for HAE and various smaller commercialization distribution agreements.

In addition the systematic search and evaluation activities for licensing or acquisition of additional late stage assets in rare or ultra-rare diseases led to various ongoing discussions with several potential partners or merger/ acquisition targets.

For 2022, the main financial objectives are:

- Ensure that investments in RUCONEST® in all markets are optimized so that the maximum commercial potential for the product can be achieved in the HAE indication and sales can return to (single digit) growth;

- Ensure that any opportunities for acquisitions, licenses of new products, large or small, that may be expected to enhance shareholder value are captured on a financial basis that is optimized for shareholders;

- Ensure sufficient and focused investments in preparing for leniolisib launches, balanced with focused research and clinical development activities (leniolisib pediatrics, future leniolisib Japan market entry and rhC1INH additional indications) such that the Company maintains its strong financial position without recourse to shareholders, except for additional large in- licensing or merger/ acquisition opportunities offered to shareholders.

Financial review

Amounts in US$m except per share data	2021	2020	% Change
Consolidated Income Statement			
Revenues	198.9	212.2	(6)%
Gross profit	177.7	188.6	(6)%
Operating profit	13.6	76.3	(82)%
Profit for the year	16.0	37.7	(58)%
Consolidated Balance Sheet			
Cash & marketable securities	193.0	206.7	(7)%
Share Information			
Basic earnings per share (US$)	0.025	0.058	(57)%
Fully-diluted earnings per share (US$)	0.023	0.055	(58)%

In 2021, Pharming's revenues decreased by 6% to US$198.9 million and operating profit decreased by 82% to US$13.6 million. Net profit decreased by 58% to US$16.0 million. This section will further elaborate on Pharming's financial performance in 2021.

Revenues and Gross Profit

The decrease in revenues was primarily a result of lower sales of RUCONEST® in the US market (US$193.4 million in 2021 compared to US$202.7 million in 2020). As previously announced, the progression of the COVID-19 pandemic has resulted in quarterly fluctuations in revenue due to limited access to customers and phasing of ordering patterns. In the US, there was a surge in COVID-19 cases at the end of 2020 and into 2021, which led to some patients pre-filling of RUCONEST® prescriptions in Q4 2020. It also resulted in the temporary closure of the majority of physician offices, causing a reduction in routine and diagnostic patient visits and a slowdown of annual renewals of prescriptions. The combination of these factors led to lower prescription refill rates by patients still using their additional RUCONEST® stock from Q4 2020 and a reduction in new patient enrollments in the first part of Q1 2021. During the remainder of the year, these trends were reversed, with a significant increase in new patient enrollments.

Revenues in Europe decreased to US$4.9 million in 2021 (from US$8.2 million in 2020). This decrease was mainly caused by phasing or ordering. Pharming continues to build its EU commercial infrastructure and expand into new territories. Revenue in Rest of the World (excluding Europe) decreased to US$0.5 million (from US$1.3 million in 2020).

Cost of sales decreased by 10% from US$23.5 million in 2020 to US$21.1 million in 2021. Costs of sales related to product sales in 2021 amounted to US$19.1 million (2020: US$23.5 million). The remainder of costs in 2021 (US$2.0 million) stems from impairment charges on inventory designated for commercial activities. No such impairment charges were applicable for 2020.

Gross profit decreased US$10.9 million, or 6%, from US$188.6 million for the year ended 31 December 2020 to US$177.7 million for the year ended 31 December 2021. The main reasons for this decrease were the reduction in sales in the US and EU and accompanying decrease in cost of sales.

Other Operating Costs and Operating Profit

Other operating costs increased to US$166.8 million for the year ended 31 December 2021 from US$114.2 million for the year ended 31 December 2020. This cost increase of US$52.6 million caused operating profit for the year 2021 to decrease by 82% to US$13.6 million, from US$76.3 million in 2020.

The costs for 2021 increased mainly due to investments in Pharming's long term growth. Key elements are significant investments in the pipeline, including one-off costs of the upfront payment of US$13.1 million to in-license OTL-105 from Orchard Therapeutics and pre-launch marketing preparations and manufacturing costs for leniolisib (US$11.6 million). The organization was enhanced to support growth so employee numbers increased (US$8.2 million). Insurance costs increased due to the Nasdaq listing (US$5.5 million).

In addition impairment losses on intangible assets were realized: US$5.4 million from to the cancelled downstream production plant and US$4.7 million related to the cancelled development of RUCONEST® in a more convenient form for patients.

Financial income and expenses

Other finance income increased by US$14.2 million, from US$0.7 million for the year ended 31 December 2020 to US$14.9 million for the year ended 31 December 2021. This increase was primarily due to the significant increase in the US dollar versus the Euro during 2021. Significant favorable currency effects (US$14.8 million) were incurred on the cash balances in US dollars.

Other finance expenses decreased by US$27.1 million, from US$33.3 million for the year ended 31 December 2020 to US$6.2 million for the year ended 31 December 2021. This decrease was primarily due to the significant increase in the exchange rate of the US dollar versus the Euro during 2021, as mentioned in finance income. Furthermore, in 2020 settlement fees and expenses of US$4.3 million were paid back and extinguished the loan from Orbimed Advisors completely. In 2021, no settlement fees were paid. Finally, the final milestone of the contingent consideration which formed part of the re-acquisition transaction for North American commercial rights for RUCONEST® was triggered in Q4 2020, with the relating financial expenses of US$3.7 million. No such expenses are applicable for 2021.

Income tax expense

Income tax expense increased US$0.8 million from US$6.3 million for the year ended 31 December 2020 to US$7.1 million for the year ended 31 December 2021, despite a lower profit before tax for the year 2021 compared to 2020. The increase is caused by an increased foreign tax rate differential (US$1.4 million) true-up in tax expenses of US$1.5 million, increased changes in non-taxable income (US$3.1 million) and increased changes in statutory applicable tax rate affecting the deferred tax expense (US$2.3 million). These increases are offset by a lower taxable income (US$5.3 million) and other smaller differences (US$0.9 million).

Profit for the year

Total net profit in 2021 of US$16.0 million represented a decrease of 58% over 2020 (US$37.7 million). The decrease is mainly caused by an increase in operating costs, due to company growth, investments in Pharming's product pipeline and impairment charges on the cancelled downstream production facility. These increased costs are partly offset by favorable currency exchange effects.

Intangible assets

In 2021, intangible assets decreased by US$10.2 million from US$94.1 million in 2020 to US$83.8 million in 2021. The decrease is caused by regular amortization (US$4.1 million), impairment charges (US$5.0 million) and foreign currency effects (US$7.1 million), partly offset by investments in assets (US$6.0 million).

Amortization

This relates to regular amortization of the 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. 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. This estimate did not change compared to previous year.

Impairment charges

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. A total amount of US$4.5 million for the new variant prioritized version has been recognized as an internally generated intangible asset as at 31 December 2019. In 2020, the Company incurred development costs of US$0.2 million, while in 2021 no costs were incurred given a re-prioritization of the effort invested in the Company's pipeline assets. The cost of the asset has been fully impaired in 2021 as the development program of the variant has been hibernated, resulting in an impairment charge of US$4.7 million.

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. Given a re-prioritization of the effort invested in the Company's pipeline asset, the board of directors decided to fully impair the asset relating to alpha-galactosidase for Fabry's disease, resulting in an impairment charge of US$0.3 million.

Investments

Investments in intangible assets relate to software and the Novartis license.

Assets acquired related to software (US$3.4 million) mainly relate to the implementation of Pharming's new ERP system SAP S/4HANA. The new ERP system was implemented and operational as of January 1st, 2022 and hence no amortization charges are applicable for 2021.

In 2021, the Company paid US$2.5 million to Novartis for additional development. 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"). The asset is not subject to amortization during 2021. Amortization will start when leniolisib is approved for commercialization.

Property, plant and equipment

Property, plant and equipment increased from US$12.2 million for the year ended 31 December 2020 to US$13.2 million for the year ended 31 December 2021. In 2021, the Company had capital expenditures of US$10.7 million (2020: US$4.7 million), mainly related to new production facilities and machinery and equipment. As a result of our renewed strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A., and following careful consideration, specifically regarding recently significantly increased fit-out costs, the Company decided to have the construction of the new building completed, but no longer pursue the realization of its own downstream production capacity at Pivot Park in Oss. Pharming will continue to use the building under construction for alternative purposes. This decision resulted in an impairment of capitalized fit-out costs in assets under construction of US$5.4 million. Of this amount, a total US$4.4 million is part of investments in 2021. The remainder of the increase is partly offset by regular depreciation (US$3.2 million) and foreign currency effects US$0.9 million.

Right-of-use assets

The right of use assets increased by US$10.5 million to US$19.9 million per the year ended 31 December 2021 (2020: US$9.4 million). Investments (US$14.2 million) in 2021 primarily relate to new lease contracts for our operational facilities in the Netherlands. These investments are partly offset by regular depreciation (US$2.8 million) and foreign currency effects (US$0.9 million).

Inventories

Inventories increased from US$21.2 million for the year ended 31 December, 2020 to US$27.3 million for the year ended 31 December 2021, largely due to an increase in work in progress inventory anticipating sales growth.

Cash and cash equivalents

Cash and cash equivalents, together with restricted cash decreased to US$193.0 million at the year end 2021, compared with US$206.7 million for the year ended 31 December 2020. This was as a result of positive cash flows from operating activities of US$37.8 million remaining after the US$13.1 million one- off payment to Orchard Therapeutics and reduced by investments and negative financing cash flows totaling US$49.3 million. These US$49.3 million include investments in production facilities and the payment of the final US$25.0 million milestone to Bausch Health Inc. in Q2 2021 in relation to the re-acquisition of the North American RUCONEST® commercialization rights in 2016.

Equity

The equity position increased by US$9.5 million from US$183.4 million for the year ended 31 December 2020 to US$192.9 million for the year ended 31 December 2021, mainly due to the changes in the net result achieved by Pharming (US$16.0 million) and transactions recognized directly in equity, relating to share based compensation and exercised options (US$10.6 million), partly offset by other comprehensive income relating to currency translation reserve US$15.1 million and fair value changes on investments designated as fair value with changes through other comprehensive income (US$2.3 million).

Convertible bond

The convertible bond has decreased by US$10.9 million to US$140.9 million at the year end 2021, coming from US$151.8 million as per 31 December 2020. This is mainly caused by foreign currency effects of US$11.7 million, which is partly offset by amortization of transactions costs (US$0.8 million). During 2021, a total of US$4.4 million of interest was paid.

Lease liabilities

Lease liabilities increased by US$10.7 million from US$10.2 million as per 31 December 2020 to US$20.9 million per 31 December 2021. The increase is mainly due to new lease contracts for our operational facilities in the Netherlands (US$14.1 million), partly offset by monthly or quarterly lease payments (US$3.2 million). The remainder relates to regular accrued interest expenses and foreign exchange effects.

Other financial liabilities

Other financial liabilities decreased by US$25.0 million during 2021, which is caused by the full repayment of the final US$25.0 million milestone to Bausch Health Inc. in Q2 2021 in relation to the re-acquisition of the North American RUCONEST® commercialization rights in 2016 (contingent consideration).

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Outlook 2022

For 2022, the Company anticipates:

- A return to single digit growth in Group revenues from RUCONEST® sales, driven by the US and expanded EU operations, subject to the progression of the COVID-19 pandemic. Quarterly fluctuations in revenues are expected.

- The submission of leniolisib regulatory filings to FDA and EMA, with commercial launch expected from early Q1 2023 onwards, subject to regulatory approvals.

- The company will invest in this new product opportunity to accelerate future growth. Investments in launch preparations and focused clinical development for leniolisib will significantly increase and will significantly impact profit. With continued cash flow from RUCONEST® to fund these investments, no additional financing to support the current business is expected.

- Focused investment in potential acquisitions and in-licensing of new late-stage development opportunities and assets in rare and ultra-rare diseases. Financing, if required, would come via a combination of our strong balance sheet and access to capital markets.

- Continued focus on our strategic development, ensuring Pharming's growth through developed assets and a potentially expanded pipeline of in-licensed products to provide further life-saving therapies for patients with unmet medical needs and increase returns for our shareholders.

- Continued close monitoring of the ongoing COVID-19 pandemic and the potential impact on the business.

No further specific financial guidance for 2022 is provided.

Going concern

Pharming's 2021 financial statements have been drawn up on the basis of a going concern assumption.

Looking forward, we see continuing uncertainties due to the global COVID-19 pandemic and the related market volatility. In the preparation of the financial statements, the potential impact of the global pandemic COVID-19 outbreak has been considered as part of the adoption of the going concern. In particular, the Executive Directors and Officers have assessed the likelihood of the COVID-19 pandemic affecting the Company's revenues, costs or other activity to such a degree that the likelihood of the Company being unable to meet all of its obligations as they fall due is reduced, and has concluded that there is no significant probability that this will occur during the next 12 months. While it is possible that sales growth may be slightly lower than expected if business travel continues to be heavily restricted for a long period of time, the underlying needs of our patients are not expected to change. Certain costs may be delayed or not incurred at all if the pandemic continues.

In addition to the above, risk factors, possible future actions and other uncertainties remain, and it is currently not possible to reliably estimate the future impact thereof for the company. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity, and we expect to be able to meet our financial obligations.

The 2021 year-end cash balance (including restricted cash) of US$193.0 million is expected to fund the Company for more than twelve months from the date of this report. The normal receipts of sales revenues from customers and normal costs together increased the Company's cash balance to approximately US$189.7 million as of 31 March 2022.

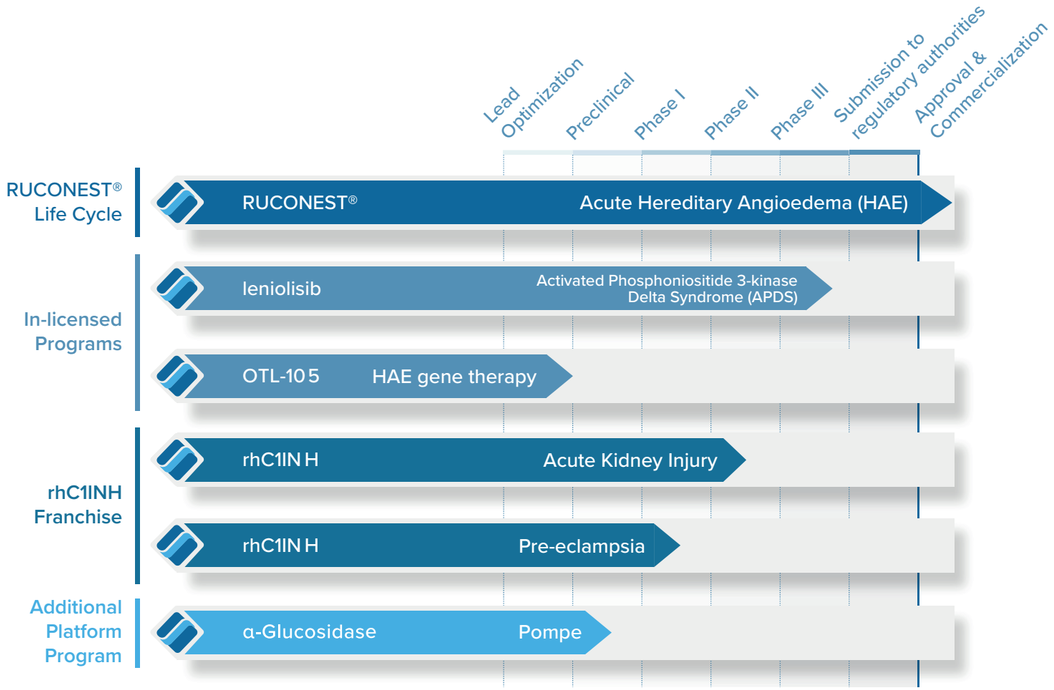
So far, we have not experienced any noteworthy disruption to our supply chain and none of the Company's (external) production facilities/sales locations have been closed. The receipts from commercial supply of product to our partners in Latin America, South Korea and Israel and proceeds from direct sales in the USA and Europe currently generate more cash than the Company requires for day to day expenses and to supply those sales, and thus the surplus cash generated will support our capital expenditure plans and financial reserves further.

The Board of Directors anticipate significant investments in the preparations of the launch of leniolisib, expected in Q1 2023. These investments will have a negative effect on the profit in the year 2022. Consequently, the company expects the cash and cash equivalents to reduce during the year as the company invests in its future. Expected revenue for leniolisib, if approved, will increase significantly from 2023 and onwards. The company remains confident in the robustness of RUCONEST® sales, in the expansion of its pipeline and the addition of leniolisib, if approved 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 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.

Pipeline development

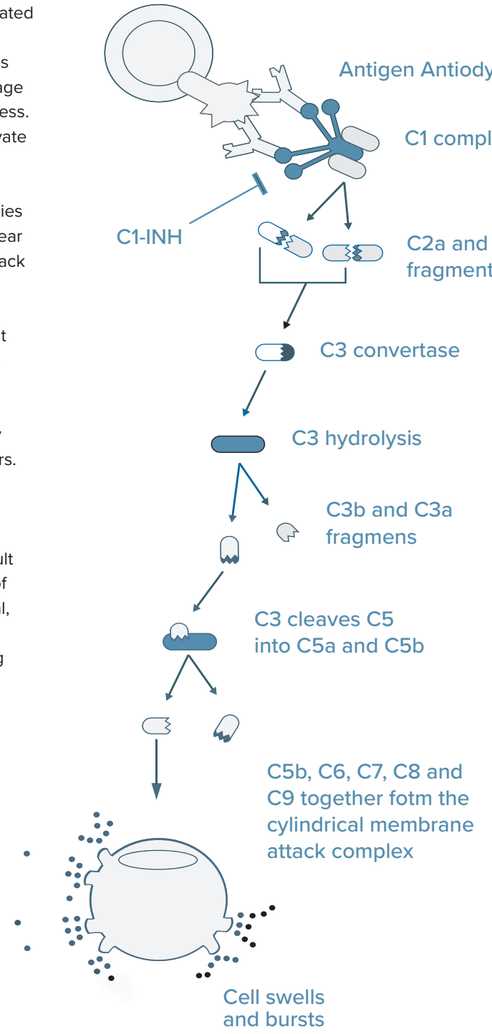
The following chart summarizes the status of our product and our main product candidate portfolio.



C1INH Protein Biology

Inside the body, C1INH works by inhibiting the formation of the most important complexes at the top of the complement system and in the contact pathway. The complement system, sometimes known as the complement cascade, is a major component of the immune system, responsible for certain immune-mediated inflammation reactions, including most reactions that cause vascular edema (swelling). Inflammation enables the movement of immune cells through vascular leakage of plasma into tissues that are normally difficult to access. Inflammation also raises the local temperature to activate immune defense mechanisms and inhibit pathogen chemistry. The complement cascade and the contact activation pathway also enhance the ability of antibodies and phagocytic cells (a type of white blood cells) to clear microbes and damaged cells from our bodies, and attack the cell membranes of pathogens.

The complement system can be recruited and brought into action by antibodies and other challenge triggers generated by the adaptive immune system. The complement system consists of a number of complex proteins found in the blood, in general synthesized by the liver, and normally circulating as inactive precursors. When stimulated by one of several triggers, enzymes called proteases cleave specific proteins to release active fragments called cytokines which initiate an amplifying cascade of further cleavages. The end result of this complement activation cascade is stimulation of the phagocytes to clear foreign and damaged material, inflammation to attract and enable the movement of additional phagocytes, and activation of the cell-killing membrane attack complex.



Over 30 proteins and protein fragments make up the complement system, including plasma proteins and specific cell membrane receptors. Once the complement cascade has been triggered, the body also produces a counter-protein, C1INH to start to slow the reaction down. The rate at which the reaction can be slowed down is constant as the body can only produce up to a maximum level of C1INH. This means that serious trigger events can take much longer to resolve than minor ones, because the level of C1INH existing in the plasma, as well as new production can meet the demands of minor releases of cytokines more quickly than major releases.

The most powerful releases of cytokines, sometimes known as “cytokine storms”, can occur so fast that a fatal “shock” reaction or severe damage to organs occurs before the C1INH production can bring the release under control. This dynamic is thought to play an important role in many disease conditions and injury situations, where inflammation or vascular leakage running out of control are responsible for many of the symptoms of those conditions. It can be these resulting symptoms that do the most damage.

rhC1INH may also be useful in the body’s recovery from hypoxic situations, where blood has not been able to circulate properly to bring oxygen to various tissues. The detrimental effects of such hypoxia can be exacerbated upon reperfusion with blood by local activation of the complement cascade caused by the reperfusion itself. In some of these conditions, therefore, there may be a role to play for externally administered C1INH which could act to normalize that situation more quickly, allowing the body to have a less dangerous or more measured response, or to prevent the symptoms entirely. While C1INH is unlikely to cure the underlying problem, this extra supply might allow for the damage caused or even the risk of death to be reduced and/or delayed long enough for the problem to be resolved either naturally or through the intervention of the patient’s physician team.

We have developed the only plasma-free recombinant human C1INH commercial product. Our rhC1NH product has been approved for the treatment of acute HAE attacks, and we and our collaborators are studying rhC1INH for the treatment of other large and unmet indications, including certain acute kidney injuries and pre-eclampsia.

PI3Kδ technology platform

Leniolisib is a small molecule inhibitor of one isoform of the catalytic subunit of class IA PI3K. It has immunomodulating and potentially antineoplastic activities. Leniolisib inhibits the production of phosphatidylinositol-3-4-5-trisphosphate, or PIP3. PIP3 serves as an important cellular messenger specifically activating the protein-serine/threonine kinase AKT (via PDK1) and regulates a multitude of cell functions such as proliferation, differentiation, cytokine production, cell survival, angiogenesis, and metabolism. Unlike PI3K alpha and PI3K beta which are ubiquitously expressed, PI3K delta and PI3K gamma are expressed primarily in cells that are hematopoietic in origin. The central role of PI3Kδ in regulating numerous functions of cells of the adaptive immune system (B cells and T cells) as well as the innate immune system (neutrophil, mast cells, and macrophages) strongly indicates the PI3Kδ is a valid and potentially effective therapeutic target for several immune diseases.

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. APDS is an ultra-rare primary immunodeficiency disease caused by a genetic mutation affects approximately 1-2 people per million. Patients are often misdiagnosed with other immunodeficiencies or autoimmune disorders and often have a protracted course to obtain a correct diagnosis. A definitive diagnosis can be made only by a genetic test. Current treatment is generally limited to supportive therapies such as antibiotics and the use of immunoglobulin replacement therapy. There is no approved therapy for the treatment of APDS, however, clinical trials are currently ongoing, including Pharming’s pivotal-stage development program for leniolisib, a small molecule phosphoinositide 3-kinase delta (PI3Kδ) inhibitor, under development by Novartis and Pharming to treat patients with APDS.

Pharming’s support of the program will facilitate genetic testing and counselling for eligible individuals in the United States and Canada at no charge. "navigateAPDS" will use the Invitae Primary Immunodeficiency Panel (PI), which analyzes up to 407 genes that are associated with inherited disorders of the immune system. In addition to providing genetic testing to individuals who may present with a clinical picture known to be associated with APDS, navigateAPDS will offer pre-test and post-test genetic counseling through a third party, and all blood relatives of patients found to have variants for APDS are qualified to be tested through the program. By offering access to the full PI panel, physicians and patients are more likely to identify the underlying cause and potential diagnosis without the need for additional expanded patient testing.

Our products

RUCONEST® approved for the treatment of acute HAE attacks

Our lead product, RUCONEST® is the first and only rhC1INH protein replacement therapy that is approved for the treatment of acute hereditary angioedema, or HAE, attacks. HAE is a rare genetic condition that occurs in between approximately 1 in 10,000 and 1 in 50,000 people worldwide. In the United States, the market for HAE treatment is estimated to be between 7,000 and 8,000 patients for both acute and prophylactic treatment. HAE is caused by a deficiency of the protein C1INH. This 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 between 48 and 120 hours and can be fatal.

Our revenues from the sale of RUCONEST® were $198.9 million and $212.2 million for the years ended December 31, 2021 and 2020, respectively. We are currently marketing RUCONEST® in the United States, the United Kingdom and the European Union through our own sales force, and RUCONEST® is being sold in South Korea, Israel and certain Central and South American countries through our distributor network.

RUCONEST® has been shown to normalize C1INH effects in HAE patients. Returning C1INH activity levels to normal 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. 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.

We have received approval from the EMA for the extension of the RUCONEST® label to include pediatric patients (aged 2-13 years).

RUCONEST® has regulatory exclusivity in the European Union expiring in 2025 and in the United States biologics reference product exclusivity expiring July 16, 2026.

On July, 20 2021 we entered into an exclusive license agreement with NewBridge Pharmaceuticals (“NewBridge”) for the distribution of RUCONEST® (conestat alfa) in the Middle East and North Africa (“MENA”).

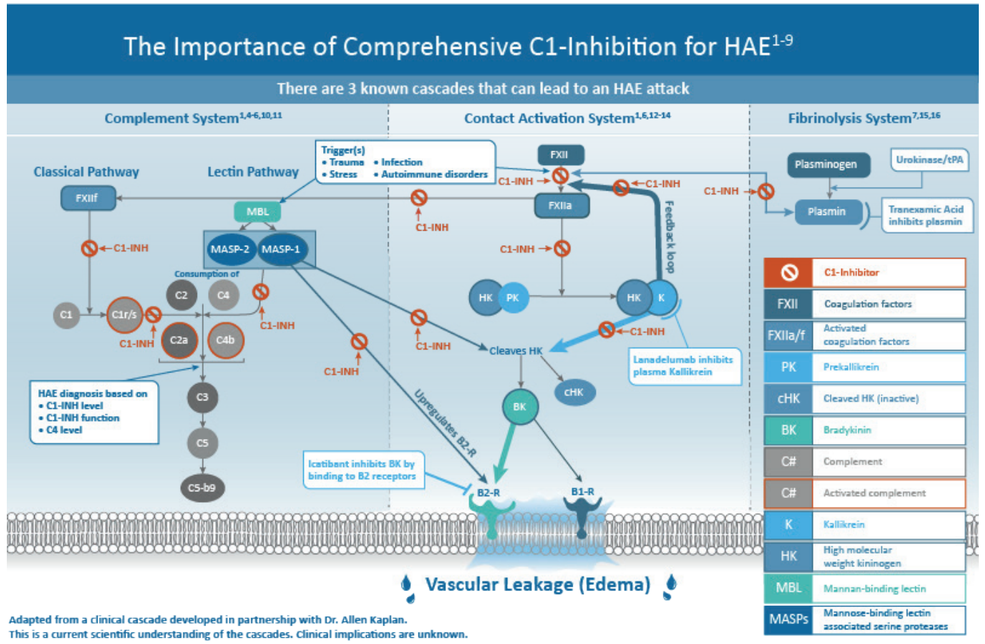
HAE

Hereditary angioedema (HAE) is a serious, debilitating, and potentially life-threatening disease. In the most common forms, it is caused by a functional deficiency of a plasma protein called C1-inhibitor (C1INH). Consequently, the obvious approach to treatment has been initially focused on replacing the missing protein with exogenous C1-inhibitor, either collected from pooled plasma or recombinantly-derived. More recently, with greater understanding of the pathogenesis, treatments have been developed to block the contact system.

Together now, there are four therapies available to treat HAE attacks and an additional four to prevent attacks in the US. These therapies have transformed the lives of HAE patients. The early goals 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, HAE prophylactic medications are not perfect. With two of the medications (HAEGARDA® and TAKHZYRO®), published data reports that approximately 50% of patients still had breakthrough attacks. Furthermore, according to published data, with a new oral prophylactic medication 90% of patients had breakthrough attacks. Lastly, many patients need to re-dose acute therapies that do not address the underlying C1INH deficiency.

RUCONEST®, is a recombinant C1 esterase inhibitor, or C1INH that blocks production of bradykinin, the key mediator of swelling in HAE, across multiple pathways (see figure). These inhibitory effects may be especially relevant 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 an intravenously delivered recombinant C1 inhibitor, RUCONEST® is immediately and completely bioavailable to stop the progression of an HAE attack.



The figure above demonstrates the importance of C1INH on the complement cascade, and its significance for HAE

Pre-Clinical Pipeline

OTL-105

In 2021 Pharming and Orchard Therapeutics signed a license agreement for OTL-105, an ex-vivo autologous 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 live, without being dependent on acute or prophylactic use of HAE medication.

OTL-105 is based on Orchard Therapeutics' platform of ex-vivo autologous gene therapy approach which is designed to use the HAE patients' own blood stem cells and insert into those cells a working copy of the gene that is reduced in HAE. More specifically, CD34+ stem cells are isolated from the patients' blood and transduced with a lentiviral vector encoding the human SERPING1 gene. Once these gene-corrected stem cells are returned to the patient, the stem-cell derived leukocytes start producing the corrected gene product. In pre- clinical proof of concept studies, OTL-105 expressed the SERPING-1 gene and the gene- corrected stem cells produced relevant active C1-esterase inhibitor.

Other gene therapy approaches for the treatment of HAE target liver cells using adeno-associated viral (AAV) vectors. Due to the continuous, slow self-renewal of liver cells and immune responses to the viral capsids, the percentage of transduced liver cells slowly decreases. Hence, it is expected that liver-directed gene therapy for HAE will not provide a permanent cure, unless the vector DNA will be stably integrated into that of the liver cells. Although the liver is known to produce much of the natural C1INH, production of C1INH has also been demonstrated in other cells, including leukocytes. Ex-vivo autologous gene therapy therefore potentially provides a way to reach stable, increased production of C1INH in leukocytes to treat HAE.

OTL-105 is expected to start IND-enabling studies during 2022.

Next-Generation Enzyme Replacement Therapies: Alpha-Glucosidase, for the treatment of Pompe Disease

We are developing a next-generation alpha-glucosidase replacement therapy for the treatment of Pompe disease. Pompe disease, also known as Acid Maltase Deficiency or Glycogen Storage Disease type II, is an inherited muscular myopathy disorder caused by the build-up of a polymer sugar called glycogen in the body's cells. It affects around 1 in 40,000 people, varying within different ethnic groups. Pompe disease is a rare multisystem genetic disorder that is characterized by absence or deficiency of the lysosomal enzyme alpha-glucosidase, or GAA. This enzyme is required to break down, or metabolize, the complex carbohydrate glycogen and convert it into the simple sugar glucose. Failure to achieve its proper breakdown results in massive accumulation of lysosomal glycogen in cells, particularly in cardiac, smooth, and skeletal muscle cells.

Pompe disease is a single-disease continuum with variable rates of disease progression and different ages of onset. The infantile form is characterized by severe muscle weakness and abnormally diminished muscle tone, or hypotonia, without muscle wasting, and usually manifests within the first few months of life. Additional abnormalities may include enlargement of the heart (cardiomegaly), the liver (hepatomegaly) and/or the tongue (macroglossia). Without treatment, progressive cardiac failure usually causes life-threatening complications by the age of 12 to 18 months. Pompe disease can also present in childhood, adolescence or adulthood, collectively known as late-onset Pompe disease. The extent of organ involvement may vary among affected individuals, but skeletal muscle weakness is usually present with minimal cardiac involvement. Initial symptoms of late-onset Pompe disease may be subtle and may go unrecognized for years.

We are currently studying our alpha-glucosidase therapy in IND-enabling studies.

Clinical Pipeline

Leniolisib for the treatment of Activated Phosphoinositide 3-kinase Delta Syndrome

We are developing leniolisib (a phosphoinositide 3-kinase delta, or PI3Kδ, inhibitor), for the treatment of activated PI3Kδ syndrome, or APDS. In partnership with Novartis we are currently carrying out a double- blind, placebo controlled, randomized, registration-enabling Phase 2/3 trial followed by an open label extension safety trial which is currently enrolling patients in clinical sites in the United States and Europe.

Discovered in 2013, APDS is a rare, genetic, clinically heterogenous disease that can lead to end-organ damage and early mortality. APDS is a progressive primary immunodeficiency and regulatory disorder with no approved treatment. APDS is characterized by severe, recurrent sinopulmonary infections; persistent, severe, or recurrent herpesvirus infections, particularly EBV and CMV; lymphadenopathy, hepatomegaly, splenomegaly, and/or nodular lymphoid hyperplasia; autoimmune cytopenias; enteropathy; bronchiectasis; possible malignancy; and dysregulated B and T cell function. Although awareness of APDS has increased since the discovery of the APDS 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. Untreated APDS may be associated with significantly increased morbidity and mortality. 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.

Leniolisib is a small molecule inhibitor of one isoform of the catalytic subunit of class IA PI3K. It has immunomodulating and potentially antineoplastic activities. Leniolisib inhibits the production of phosphatidylinositol-3-4-5-trisphosphate, or PIP3. PIP3 serves as an important cellular messenger specifically activating the protein-serine/threonine kinase AKT (via PDK1) and regulates a multitude of cell functions such as proliferation, differentiation, cytokine production, cell survival, angiogenesis, and metabolism. Unlike PI3K alpha and PI3K beta which are ubiquitously expressed,

PI3K delta and PI3K gamma are expressed primarily in cells that are hematopoietic in origin. The central role of PI3Kδ in regulating numerous functions of cells of the adaptive immune system (B cells and T cells) as well as the innate immune system (neutrophil, mast cells, and macrophages) strongly indicates the PI3Kδ is a valid and potentially effective therapeutic target for several immune diseases.

In partnership with Novartis, we are currently studying leniolisib to assess the efficacy and safety of leniolisib in patients with APDS. The study, a phase 2/3 potentially registration enabling study is composed of two sequential parts. The first part including 6 patients in an open-label dose escalation study designed to assess the safety, tolerability, pharmacodynamics and pharmacokinetics of leniolisib; this dose-finding study has been completed.

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 PI3Kd as a potential therapy in APDS and other diseases characterized by over-activation of the PI3Kd pathway. (Blood. 2017;130(21):2307-2316.)

The second part was a randomized, blinded, placebo-controlled study, that enrolled 31 patients with APDS who were 12 years 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. The co-primary endpoints of the randomized study were designed to evaluate reduction in lymph node size and correction of immunodeficiency.

The primary efficacy results demonstrated clinical efficacy of leniolisib over placebo with a statistically significant reduction in the size of the lymph nodes (p=0.0005) and normalization of immune dysfunction, as evidenced by increased proportion of naïve B cells (p<0.0001). These results were consistent between age groups of < 18 years and ≥18 years. 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.

In the study, leniolisib was generally safe and 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 related to study treatment.

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). Leniolisib was previously granted Orphan Drug Designation by the US Food and Drug Administration (FDA) in January 2018 for “the treatment of Activated PI3Kδ Syndrome (APDS) or p110δ-activating mutation causing senescent T cells, lymphadenopathy and immunodeficiency (PASLI)”.

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; and the subsequent positive PIP decision of EMA thus paves the way for the potential submission of a Marketing Authorization Application (MAA) in Europe for leniolisib in the treatment of APDS in adults and adolescents.

Upon successful completion of the agreed PIP, leniolisib would be eligible for up to an additional two years of marketing exclusivity in the EU, on top of the ten-year EU market exclusivity after market approval as result of its EU Orphan Drug Designation.

Based on the findings of these studies, Pharming intends to begin the process to obtain regulatory approval to commercialize leniolisib for APDS, beginning with a New Drug Application (NDA) with FDA in mid-2022 and followed by an MAA for EMA as well as other applications worldwide.

COVID-19

Since the beginning of the COVID-19 pandemic, we began investigating the potential use of rhC1INH in this condition. Systemic hyper inflammation is a hallmark of more severe stages of COVID-19 leading to acute respiratory distress syndrome, mechanical ventilation and ultimately death. We believe that complement activation may lead to a cytokine storm, a dangerous biochemical process that worsens the complications of COVID-19 infection, such as organ failure and death. Because C1INH mediates the complement cascade and inhibits the kallikrein-kinin system, we believe rhC1INH may dampen uncontrolled complement activation and collateral lung damage, reduce capillary leakage and subsequent pulmonary edema and reduce the generation of micro thrombi by inhibiting MASP-1 (a human enzyme) induced clot formation and factor XII amplified thrombo-inflammation.

In September 2021, we announced the top-line results from two randomized, open label, controlled, pilot clinical trials of patients hospitalized with COVID-19 treated with RUCONEST® (recombinant human C1 inhibitor) for the prevention of severe SARS-CoV-2 infection. The primary endpoint in both studies was disease severity on the 7-point WHO ordinal scale on Day 7. This endpoint has been suggested by WHO for clinical trials in patients with COVID-19 as it measures illness severity over time.

The trials were conducted following a compassionate use program at the University Hospital Basel, Switzerland, which saw encouraging results in patients who were administered RUCONEST® following hospitalization with COVID-19-related severe pneumonia and who did not improve despite standard treatment, including hydroxychloroquine and lopinavir/ritonavir. Following treatment, fever resolved in four of the five patients within 48 hours, and levels of C-reactive protein and the inflammatory cytokine IL-6 decreased significantly. Soon thereafter, four of the five patients were discharged from the hospital as fully recovered. One patient had increased oxygen requirement and was eventually transferred to the ICU for intubation but has also since made a full recovery. These results were first announced in April 2020 and subsequently published in Frontiers in Immunology in August 2020. An investigational new drug application was submitted to the U.S. FDA by an investigation partner in June and taken over by us in August of 2020.

Based on the results of the compassionate use program, enrollment commenced in two randomized, open-label, controlled, pilot clinical trials of patients hospitalized with COVID-19 treated with RUCONEST® (recombinant human C1 inhibitor) for the prevention of severe SARS-CoV-2 infection. Both clinical studies in hospitalized patients with COVID-19 sought to identify if the administration of additional C1INH can control or stop the systemic hyper inflammation syndrome or cytokine storm. The primary endpoint in both studies was disease severity on the 7-point WHO ordinal scale on Day 7. This endpoint has been suggested by WHO for clinical trials in patients with COVID-19 as it measures illness severity over time.

In the US study, conducted under a Pharming IND, which had included 32 patients at the time of the interim analysis, patients treated with RUCONEST® plus standard of care had statistically significant lower WHO disease severity scores at Day 7 (mean 1.83, SD 0.65) as compared with those patients who received standard of care alone (mean 3.22, SD 1.86; p=0.0056). Data on secondary endpoints and biomarker evaluations were concordant with the primary endpoint findings.

In the investigator-led study, conducted in Switzerland, Brazil and Mexico and part of the National Research Program “COVID-19” (NRP 78) of the Swiss National Science Foundation (SNSF), which included 83 patients by the time of the interim analysis, no difference in the primary variable was observed between the treatment groups. However, there was a significant difference in disease severity at baseline, i.e., prior to treatment, between the groups. Specifically, patients in the RUCONEST® arm had statistically significant more severe disease than those patients in the standard of care arm (p=0.0324).

Although the two studies used a similar design and both enrolled patients who were being admitted to the hospital with severe pneumonia due to COVID-19 infection, different dosing regimens of RUCONEST® were used. In the investigator-led study RUCONEST® was dosed in addition to the standard of care for three days, whereas in the US study it was four days. Also, there were differences in the patient populations enrolled and in the standard of care regimens administered. RUCONEST® was well tolerated and no drug-related serious adverse events were observed in either study. Both studies have now

concluded, and the results will be published in peer-review medical journals.

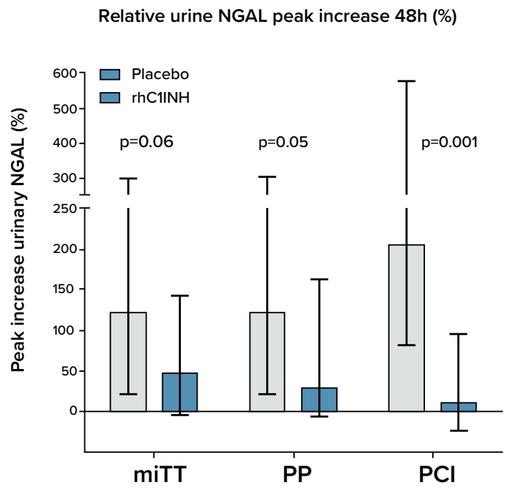
Given the rapidly changing landscape in COVID-19 medical need and therapeutic management, and the significant investments now required to develop a treatment, we are not planning any further studies with rhC1INH in hospitalized patients with COVID-19. We are encouraged by the findings from these studies, including the overall safety profile in acutely-ill patients as we consider further development of rhC1INH in patients with other serious diseases with unmet needs.

Acute Kidney Injury (AKI)

We are developing a rhC1INH therapy for the prevention and treatment of acute kidney damage resulting from contrast medium, which is injected as part of a contrast-enhanced examination, for example coronarography. Especially in patients with impaired kidney function the difficulty in clearing the injected contrast medium can result in further kidney damage which might be irreversible and ultimately requiring permanent dialysis or renal transplantation. AKI often leads to prolonged hospitalization or intensive care, which is extremely expensive and often results in poor long-term outcomes for patients, or even death.

Contrast medium injury is responsible for 11% of cases of hospital-acquired renal insufficiency, and is the third most common cause of renal failure after impaired renal function. AKI affects between 1% and 2% of the general population, and up to 50% of high-risk subgroups following coronary angiography or percutaneous coronary intervention.

Previously, in October 2018, we announced positive results from a Phase 2 investigator-initiated study of rhC1INH in a double-blind, placebo-controlled clinical trial in 75 patients at risk of nephropathy resulting from contrast-enhanced examinations. The study was led by Dr. Michael Osthoff at the University Hospital Basel, Basel, Switzerland. In the study, patients were given either rhC1INH (<84kg: 50 U/kg; >84kg: 4,200 U) or placebo (0.9% sodium chloride). In the sub-group of patients (n=38) undergoing percutaneous coronary interventions, or PCI, such as stent insertions, the intent-to-treat analysis in this group showed that patients on rhC1INH had a median increase in peak urinary Neutrophil Gelatinase-Associated Lipocalin, or NGAL, concentration within 48 hours of 1.8 ng/ml, compared with an increase of 26.2 ng/ml in the placebo arm (p=0.038). As set forth below, this corresponds to a clear difference in the median percentage change in the peak urinary NGAL level within 48 hours of 11.3% in the rhC1INH arm and 205.2% in the placebo arm (p=0.001).



Following this positive outcome, we have completed preparations for a new Phase 2b study of the effects of RUCONEST® in patients undergoing PCI accompanied by contrast-enhanced examinations. On April 22, 2021 we announced that the first patient had been enrolled in a Phase IIb double-blind, randomized, controlled study to assess the efficacy of RUCONEST® (recombinant human C1 esterase inhibitor, or “rhC1INH”) for the prevention of acute kidney injury after non-ST elevation myocardial infarction at the University Hospital Basel, Switzerland.

The double-blind, randomized, controlled study to assess the efficacy of RUCONEST® for the prevention of acute kidney injury after non-ST elevation myocardial infarction (NSTEMI) will include up to 220 patients. The primary end point is to evaluate the efficacy of rhC1INH compared to placebo after Percutaneous Coronary Intervention (PCI) in NSTEMI patients by examining the peak increase of urinary NGAL (Urinary neutrophil gelatinase-associated lipocalin) within 24 hours following treatment. In addition, the study will seek to identify an appropriate dosing regimen for potential future studies. Additional end points for the study include the incidence of AKI defined by serum creatinine increase within 72 hours after angiography, as well as cardiovascular and renal events and hospitalization-related medical resource utilization for 6 months. The study will be conducted in various centers across Switzerland.

Pre-eclampsia (PE)

We are developing a rhC1INH protein replacement therapy for the treatment of pre-eclampsia. Pre-eclampsia is a life-threatening multisystem disorder in pregnancies leading to maternal and neonatal mortality and morbidity, usually first detected by hypertension. Proteinuria is a common symptom. Abnormal or impaired placental spiral artery development may be a possible trigger of the complement cascade. Treatments may include abortion or premature birth, the latter being often associated with high rates of mortality. Palliative care of pregnant women suffering from PE and neonatal care of premature babies can drive the costs of pre-eclampsia patients very high. Complications after birth can be severe and affect more than 50% of all newborns under these conditions, with growth restrictions, learning difficulties and moderate to severe disabilities.

World-wide almost 2.5 million cases of pre-eclampsia are reported annually, with rates running at between 3% and 10% of all pregnancies in developed countries. In the United States alone, estimated annual cases of pre-eclampsia exceed 120,000. Each year, 50,000 maternal deaths are recorded for patients who proceed to full-blown eclampsia.

As shown in the table below, a study of C1INH levels in pregnant women has demonstrated that women suffering from PE have reduced circulating C1INH levels.

Analytical data (mean ±1SD) in normal pregnancy, preeclampsia and in non-pregnant women

	(A) Normal pregnancy (n=20)	(B) Mild pre-eclampsia (n=17)	(C) Moderate pre-eclampsia (n=10)	(D) Non-pregnant women (n=20)
C1-INH activity (%)	74.3 ± 15.5	64.4 ± 14.0	55.5 ± 15.8	95. ± 10.8
C1-INH antigen (%)	68.2 ± 10.4	62.7 ± 13.3	53.1 ± 8.8	86.5 ± 12.2

We believe that protein replacement therapy with rhC1INH may slow the rate of progress of the condition and thereby reduce the level of damage that it can cause to the mother and the unborn baby.

We are conducting an open label, single-arm, multi-stage, multi-center Phase 1/2 study in late-stage pre-eclampsia in the Netherlands and Australia. Recently the study was extended to include a center in Mauritius. The study will initially be conducted to assess the tolerability and safety of treatment with RUCONEST® in 30 patients with mid- to late-stage symptomatic PE. This study was approved in 2019, but was halted due to COVID-19. Given these delays, we are evaluating how to proceed further.

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 (ExCo) is responsible for designing, implementing, and operating the Company's internal risk management and control systems. The ExCo 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 Cube of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework is tailored to the COSO risk factors that are relevant to the Company, and its size and complexity. We have identified material weaknesses in our internal control over financial reporting across the principles for each component of the COSO framework, and accordingly, across the business and IT processes of the Company. For a detailed description of the material weaknesses and managing of the related risk, refer to chapter 'Risk Factors' of this report.

We are in the process of remediating the material weaknesses identified including further developing and implementing formal policies, processes, internal controls and documentation relating to our financial reporting. We are developing a risk assessment framework and scoping, which outlines our key processes and controls, that will require additional enhanced controls to be designed and implemented. We are actively working on implementing key controls. A summary of the risks that could prevent Pharming from achieving its objectives is included in the section 'Risk factors' of this report.

Plan to become SOX compliant

Management is aware of the importance of planning the roadmap to become SOX compliant and this journey can take multiple years and will require significant effort from all involved. During 2021, Management has established this roadmap and has been working towards the goal of being fully SOX compliant. The plan is based on a step approach, in which 2021 has been dedicated to establishing the framework, implementing relevant tools and developing the internal control manual; in essence, working on the foundations. We believe that this structured and phased approach is essential in achieving the goal of compliance in a sustainable and effective manner, which will also enable it to support and adapt to the Company's continuous growth path. We have hired an internal control manager and continue to invest in the finance department to support internal control improvements. We have focused on improving high risk areas such as the entity level controls in 2021. The Business Integrity Transformation Strategy Plan has continued to be rolled out. Several policies and procedures have been updated and trainings have been initiated during the year and further implementation has been scheduled for 2022. The Enterprise Risk Management process has been started; an important next step is to implement a formalized fraud and compliance risk assessment.

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

- Annual evaluation by the Board of Directors (BoD) of the objectives reached;
- Periodical updates to the BoD 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 ExCo to the BoD;
- Periodic review meetings by the ExCo with relevant managers;
- Annual, quarterly and monthly meetings, 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;
- Regular meetings to discuss the financial results, controls and procedures between the Audit Committee, the BoD and the Independent Auditor;

The Company maintains records and procedures designed to:

- Reflect accurately and fairly 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 generally accepted accounting principles;
- 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 internal risk and control framework of the Company is undertaken by the Audit Committee and regularly discussed between the ExCo and the BoD. These Committees regularly review the 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 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.

With respect to the financial reporting risks please also refer to the note 27 'Financial risk management'.

The Company is currently further developing its internal control framework in light of a newly implemented Enterprise Resource Planning (ERP) system including controls such as; a provision for separation of responsibilities for issue, receipt and payment of invoices and funds; multiple layers of authorization for any payments out of the Company or issue of invoices to third parties, as well as approvals of all invoices coming in to the Company; regular as well as occasional snap reconciliation of all 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, which are mainly major 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.

Risk Factors

Management has started the Enterprise Risk Management implementation and formal quarterly assessments in 2021. We ensured that risk owners and leadership team understand the importance of risk identification, assessment and management and are willing to embrace it. We have leveraged existing tools (newly implemented risk assessment software), reports to assist with risk assessment and identified other methods and methodologies (risk criteria) that can facilitate the risk assessments in a more effective manner across the entire Company. Meetings were held with risk owners to understand the portion of the Company's overall risk profile that they will help to monitor and manage.

The following risk factors have been identified by the BoD as the main risk areas challenging Pharming in achieving its objectives. Included are the risk-mitigating actions we have taken.

Our risk appetite and approach to risk management differs by risk type:

- Strategic, Commercial risks: we aim to deliver on our strategic ambitions and priorities and are willing to accept reasonable risks to achieve these. The following risk categories are assessed in more detail in this Report:
    - Commercial Risks;
    - Pricing Governance;
    - CMC/Preclinical/Clinical Research and Development; and
    - COVID-19
- Operational risks: we face operational challenges that may require management attention. Our objective is to avoid risks that could negatively impact on our goal to achieve operational efficiency, while ensuring our quality standards are unaffected. The following key operational risk categories are assessed in more detail in this Report:
    - CMC/Preclinical/Clinical Research and Development;
    - Cybersecurity;
    - Production Procedures;
    - Sustainability; and
    - Personnel Risks
- Compliance, Legal, Reputational Risks: we strive to be fully compliant with our Code of Conduct (https://www.pharming.com/about-us/corporate-governance) and national and international laws and regulations of the countries in which we operate. The following key risk categories are assessed in more detail in this report:
    - Regulatory Requirements;
    - Corruption;
    - Inappropriate Promotion; and
    - SOX Compliance
- Financial Risks: our financial strategy is focused on a strong financial position and creating long-term value to our shareholders. Our objective is to avoid risks which could negatively impact this long-term value, like exchange rate, liquidity, and fraud.

To determine if a risk is acceptable, the BoD (currently, the Executive Directors and Officers) conducts a risk assessment to identify the nature of risks to the business and the level of such risks the Company deems acceptable with or without mitigation activity in respect of such risks on a case by case basis. The risk assessments are based upon our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets we operate in.

Strategic, Commercial Risks

Senior Management as part of the Enterprise Risk Management performed risk assessment over strategic and commercial risks and highlighted the most critical risks in this report. However, other risks that are continuously being managed and monitored by the business also include: inability to maintain and grow our sales and marketing capabilities; availability and adequacy of coverage and reimbursement by government healthcare programs; and overdependence on the RUCONEST®. A set of activities to expand the pipeline are ongoing and more focus is given from the BoD to bring new product on the market.

Commercial risk

Competition and Customer Concentration.

The development and commercialization of pharmaceuticals is highly competitive. In particular, RUCONEST® faces intense competition from other products used to treat Hereditary Angioedema, or HAE. Several products have been approved in the U.S. and Europe for the treatment of HAE attacks.

Consequently, we may not obtain sufficient market penetration with RUCONEST® or a sufficient level of sales of the product to allow it to remain profitable. New technologies from competitors may make RUCONEST®, one or more of our product candidates or our technology obsolete. RUCONEST® may no longer be competitive and accepted by physicians, patients, payors and others in the medical community within acute HAE market.

We are now seeing more effective prophylactic therapy which means patients are requiring less acute rescue medicine.

What are we doing to manage the risks?

The market in the US and Europe is mature, perceptions of all products are firmly ingrained with HCPs as are the place for each within the patients' personal care plan. Consequently, while the prophylactic segment has increased in value and the acute segment has decreased in value, the share the brands occupy has remained the same. The HAE market is promotionally sensitive. Pharming will continue promote RUCONEST® to the brands strengths and ensure the product continues to in spite of existing and potential competition.

Pharming has a robust Business Development and Research and Development program in place to diversify the portfolio and address this risk. This resulted in the licensing of world-wide right to develop and commercialize leniolisib for APDS and all potential additional indications in 2019. APDS is an ultra- rare immunodeficiency disease with no existing treatment or treatments in development except leniolisib. Subject to regulatory approvals, we expect be able to commence the commercial launches of leniolisib from Q1 2023 onwards. It also resulted that within its HAE franchise, world-wide rights to develop and commercialize OTL-105 were licensed from Orchard Therapeutics in 2021, a potential cure for some HAE patients.

Furthermore, Pharming is developing new recombinant human C1INH preparations to treat several new indications such as acute kidney injury. If successful, Pharming could have a very significant competitive advantage given the significant unmet need in this indication.

Alongside these initiatives, Pharming is also focused on the following activities to mitigate the risk of competition:

- Evaluating additional external opportunities to enhance the product range and pipeline to enable better value from Pharming's resources;
- Developing or acquiring new products which can be used by the same physicians who treat HAE patients, can help those patients further, or can be commercialized using the same infrastructure;
- Developing new protein replacement treatments for enzyme-deficiency disorders such as Pompe disease, among other possible approaches.

Pricing Governance Risk

Unfavorable pricing regulations and/or healthcare reform initiatives.

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 and cause delays in obtaining approvals. 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 – 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.

What are we doing to manage the risk?

While this is an ongoing challenge at a macro level, governments globally, especially those with mature healthcare economies, continue to offer encouragement to companies engaged in the development and commercializing of products for underserved rare disease patients. Pharming will continue to work directly with governments and private entities to ensure patients have access to RUCONEST® and our future product offering at price acceptable to them and that allows Pharming to meet its financial obligations. Likewise, future clinical studies will be designed with reimbursement in mind to ensure we produce robust evidence that demonstrates meaningful clinical and economic benefit for a variety of external stakeholders.

CMC/Preclinical/Clinical Research and Development risk

Many of our product candidates are at an early stage.

Other than leniolisib, which successfully completed the pivotal Phase 2/3 study, our rhC1INH projects and our non-rhC1INH product candidates are all at an earlier stage of development. Our next generation enzyme replacement therapy, or ERT for Pompe disease is in preclinical development. We may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential than our product candidates due to limited resources available. 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?

Addition of new late stage assets through acquisition and/or in-license, such as the new program leniolisib for APDS. Pharming is looking to reduce the development timelines further by searching for more new projects. A professional program management structure has been developed so that programs are properly monitored, and needs are met.

COVID-19 risk

Outbreak of COVID-19

A public health epidemic, including COVID-19, poses the risk that we or our employees, contractors, suppliers, distributors and other partners, as well as physicians treating HAE patients, may be prevented from conducting business and patient care activities for an indefinite period of time, including due to lockdowns and quarantines that may be requested or mandated by governmental authorities. In addition, our clinical trials or those of our collaborators and investigational sponsors, including our planned Phase 2b study of the effects of RUCONEST® in patients undergoing PCI accompanied by contrast-enhanced examinations and our open label, single-arm, multi-stage, multi-center Phase 1/2 study in late-stage pre-eclampsia, have been subject to delays and it remains uncertain when these clinical trials will resume or the degree to which COVID-19 will impact them. The continued spread of COVID-19 and the measures taken by the governments of countries affected, particularly the United States and the Netherlands, have also disrupted the supply chain. Any further delays or interruptions in the manufacture and supply of RUCONEST® could result in delays for our planned clinical trials, impair our ability to meet demand for new RUCONEST® prescriptions and impede our clinical trial recruitment, testing, monitoring, data collection and analysis and other related activities. Any of the foregoing factors could have a material adverse impact on our business, financial condition, operating profit, cash flows and prospects.

What are we doing to manage the risk?

Pharming has put in place strict guidance ensuring that every employee takes responsibility in preventing the transmission of the virus to or by Pharming staff. In addition to local authority guidelines, the Company also imposes additional guidelines including: self-isolation for every employee exhibiting the published symptoms of the virus; cancellation of all non-essential travel to or from Pharming sites or to or from third party sites for any reason; working from home wherever possible; and switching all non-essential meetings with external parties to virtual web-meetings or video-conference. By this means we hope to limit the effect of the outbreak as far as possible on our main production, commercial and clinical activities. Pharming also extended its strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A. which will ensure the continuation of the downstream processing in the production of RUCONEST® and has proven to be a reliable partner in difficult times like COVID-19.

War in Ukraine Risk

Start of War in Ukraine

Senior management performed 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.

Operational Risks

Operational or operating risk in this case refers to research and development risks, manufacturing risks, clinical risk and personnel risk. There are other areas of operating risk which are assessed and managed as part of the Enterprise Risk Management quarterly process which were not considered material per our assessment for this report and are continually being managed to an acceptable risk level. Example of such risks include but not limited to: dependence on third party manufacturers for the production; lack of sufficient buying and outsourcing power; and reliance on third parties for significant aspects of our non-clinical studies. Pharming extended its strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A. which will ensure the continuation of the downstream processing in the production of RUCONEST® and has proven to be a reliable partner in difficult times like COVID-19 .

CMC/Preclinical/Clinical Research and Development

The costs and timing of potential clinical trials, filings and approvals, and the potential therapeutic scope of the development and commercialization of our products.

New product development and indication expansions of existing products is very expensive and involves a high degree of uncertainty and risk. Only a small number of research and development programs result in the commercialization of a new product. Furthermore, the development of novel approaches for the treatment of diseases, including development efforts in new and innovative modalities present additional challenges and risks. Clinical trial data and 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.

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 side effects, result in unexpected adverse events 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 risk structurally, we work to implement the following processes:

- Clinical studies are well managed;
- Work closely with regulatory authorities to identify key elements to establish safety and efficacy of new products and indications;
- Special attention is paid to planning and conducting each clinical trial, adding scientific monitoring activities by a separate team of experts to the standard GCP conform monitoring plan.
- Deviations from the budget are flagged with the ExCo and proposals for protocol changes with significant budget impact require ExCo approval;
- Development of formal processes for Budgeting and Forecasting; and
- Negotiating contract research organization contracts with clear conditions and limited capacity for budget expansions.

RUCONEST® provides patients with a diagnosis of acute HAE with an active protein enzyme known to be missing or defective in the patient. For new indications, it is challenging to find a biochemical rationale for postulated efficacy in indications other than HAE. The success of the treatment is more uncertain. Nevertheless, the evidence for the importance of the biochemical processes on which rhC1INH acts in new indications is robust, mitigating the risk of failure.

Alongside the strong evidential position, all project plans are evaluated by the ExCo and planning and implementation of any clinical study is subject to BoD approval. Development programs at Pharming may be partnered and sometimes co-funded, and therefore also may be subject to the review processes of the partner or funding entity, such as the leniolisib project.

Quality and flexibility of outsourced development activities.

Outsourced activities performed for development could be harder to handle compared to performing them in-house. In addition, outsourcing of these activities is costly, potentially less efficient (e.g., shipments, communication) and in general more difficult to claim priority. A delay may occur in development due to the Contract Organization (CXO) involved not being able to deliver the right product/service on time.

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 parties. Bonus-malus systems for contractual defaults are carefully considered and third parties are selected with importance placed upon past performance and reputation. Pharming is in the process of structuring these procurement and supplier relationship management activities.

In order to maintain control and management of the outsourced processes, we hold periodic meetings with the Contract Research Organizations (CRO)/Contract Manufacturing Organizations (CMO) involved. Pharming is also establishing Supplier Relationship Management and Procurement Organization to oversee and manage the quality and flexibility of outsourced activities.

In addition, for RUCONEST® Pharming is evaluating internal analytical capabilities for part of the QC testing (rabbits, skimmed milk, drug product) closer to the production to streamline the sample flow and therefore decrease timelines.

Cybersecurity resilience

Digital technology has connected the world in an unprecedented way. The COVID-19 outbreak highlighted just how much people rely on the internet to work, socialize and shop. At the same time, there are growing concerns about unequal access, a lack of governance, data privacy and increasingly sophisticated cyberattacks. Cybercrime is a growing threat to companies in general and to the financial system in particular, especially at a time when many employees are working from home. The global lockdowns due to the pandemic also presented opportunities for criminals to continue to target customers with phishing attacks, identity theft and online fraud.

What are we doing to manage the risk?

Pharming IT governance structure will be formalized with clear responsibilities, reporting requirements on measures in place and an action plan to make the environment more secure. Incidents are formally documented, evaluated and follow-up actions defined and executed on a timely basis. Furthermore Pharming uses a step-by-step risk management approach to identify, manage and mitigate its IT and cyber risks. The risk assessment is designed to determine what the IT and Cyber risks are, assess which of these risks are the most critical, take mitigating measures to control these risks, monitor the development of the risks to see if the measures taken are effective, and report the findings to management at all relevant levels to enable them to take action when needed.

Production procedures

Reliance on third party for all quality control procedures.

The release of product to the market is dependent on a set of quality control procedures. Some of these procedures, although validated, are very sensitive and complex (specifically for the protein platform). We do

not have our own Good Manufacturing Practice, or GMP, certified analytical lab capable of performing the quality control procedures needed for the release of product, and we rely on third parties for this task.

What are we doing to manage the risk?

Pharming has started activities to build its own certified quality control laboratory, capable of performing most of the required analytical procedures.

Pharming has started a scientific program to challenge and reassess all currently used quality control procedures with the aim to improve/replace those by modern, more robust and easier to perform analyses, where possible, and creating a more robust SRM (Supplier Relationship Management) process.

Shortages of raw materials.

Any shortages of raw materials or failure of any of our key suppliers to deliver necessary components could result in delays in our clinical development or marketing schedules and significantly impact commercially available goods. A material shortage, recall or restriction on the raw materials we use in the manufacture of our products could adversely impact or disrupt the commercial manufacturing or the production of clinical material, which could adversely affect our clinical development timelines and availability of finished goods for commercial use, impacting patient access, our business, financial condition, results of operations and prospects.

What are we doing to manage the risk?

Stocks of materials are closely being monitored by ourselves and the CMOs/Contract Laboratory Organizations (CLO). Alternatives are being evaluated (e.g., second supplier for filters and disposable bags, moving from disposable materials to stainless steel).

Limited number of suppliers and geographical location of suppliers and CMO

We rely on a limited number of suppliers for certain essential materials incorporated into products and product candidates. Any disruption in the supply of these materials could adversely affect our ability to deliver product or complete clinical trials. Other studies of product candidates, regulatory applications or commercializing product candidates in a timely and commercially valuable manner, may be adversely affected, should supply be disrupted.

Certain of our suppliers are based in Europe, while a significant percentage of RUCONEST® sales are conducted in the US. If international shipping is disrupted, we may not be able to supply sufficient quantities of RUCONEST® for sale in the US. Any disruption in the supply of these materials could adversely affect our ability to deliver product or complete clinical trials. Other studies of product candidates, regulatory applications or commercializing product candidates in a timely and commercially valuable manner, may be adversely affected, should supply be disrupted.

What are we doing to manage the risk?

Pharming is working towards building up safety stocks in the US. In plans for future products the global supply chain is carefully considered (e.g., building up manufacturing capabilities in US).

Furthermore we recently implemented an Enterprise Resource Planning (ERP) system which improves our inventory planning.

Risk related to sustainability

Future legislation hampering efficient operations (CO2)

Tied legislation for Energy consumption, hampering efficient operation: although our animal facilities are built according to the latest technology, the facilities use a lot of energy for:

- High consumption of consumables
- HVAC animal rooms and controlled, not classified rooms (including usage of clean room clothing)

What are we doing to manage the risk?

Management proactively improves processes where feasible, with the aim to reduce use of energy and reduce the consumption of materials. Investments in solar panels are being planned, to get closer to become zero net energy building. Pharming also has contracts with green energy (renewable energy) from energy suppliers. Where possible, management replaces natural gas with all electric solutions (latest building, the FX building, is built with all electric concept).

Risk related to personnel

Talent recruitment and retention.

Experienced employees in the biopharmaceutical and biotechnology industries are in high demand and competition for their talents can be intense. Inability to recruit desirable candidates or find adequate third parties to perform such services on reasonable terms and on a timely basis, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have entered into employment agreements with executive officers and other key employees, but any employee may terminate his or her employment at any time or may be unable to continue in his or her role.

The regretted 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.

In the area of sales specifically, the risk is if we have high turnover, we no longer can market our product effectively. Employees are also unsure about growth within the Company and opportunity to sell other products in the near future.

What are we doing to manage the risk?

Pharming is expanding the Talent Acquisition team in order to further strengthen the capacity available for the recruitment activities. Next to expanding the team we will start a supplier selection project in order to ensure specialized recruitment coverage for all areas. The next step will be to improve job branding and employer branding to be able to source and attract the required talent. Building a strong learning capability will also help us to increase our attractiveness.

Our HR Business Partners have launched a process for discussing the workforce with department heads (workforce shaping). This will help us to identify the future needed capabilities for Pharming and will provide both HR and the department heads good insights in the current

staff, the risk of them leaving and how hard specific roles are to be backfilled. 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.” The next step will be to start the Succession Planning.

Compliance, Legal, and Reputational Risks

Senior Management as part of the Enterprise Risk Management performed risk assessment over compliance, legal, and reputational risks and highlighted the most critical risks in this report. However, other risks that are continuously being managed and monitored by the business also include: unlawful disclosure of inside information and market manipulation relating to Pharming and employees; breaches of ethical standards; data privacy; anticompetitive practices; contractual obligations; and negative public opinion and increased regulatory scrutiny. Pharming has issued a revised Code of Conduct that addresses the key risks related to potential breaches of ethical standards. Pharming also has a Disclosure Committee since the beginning of 2021 that actively monitors the disclosure of Inside Information. In addition, Pharming has developed an Antitrust policy and a Promotional Compliance Policy. A comprehensive training program is made available across the Company.

Regulatory requirements

As a result of Pharming’s listing at Euronext Amsterdam and NASDAQ New York, it is under the supervision of the Dutch Authority for the Financial Markets (‘AFM’) and the U.S. Securities and Exchange Commission (‘SEC’). As such, Pharming must comply with Dutch and US reporting and filing/ notification obligations and rules & regulations of the AFM, NASDAQ and SEC. Non-compliance can lead to penalties, fines or even a forced de-listing. It can also lead to claims from its investors/ shareholders.

What are we doing to manage the risk?

Pharming works with experienced Dutch and US legal counsels advising on (potential) AFM, NASDAQ and SEC filing/ notification obligations and rules & regulations.

Corruption with Healthcare Stakeholders and Third Parties

Pharming interacts with several categories of Healthcare Stakeholders, including Healthcare Professionals, Patients, Patient Organizations, Payers, Media, etc. These activities generate a potential corruption risk in relation to transfers of value to these Healthcare Stakeholders for example in the context of honoraria for services (e.g., speakers, advisory boards, clinical research), grants, donations, sponsorships or partnerships, for a corrupt purpose.

Pharming interacts with several categories of third party intermediaries, including distributors, wholesalers, co-promotion partners, contracted sales force, medical education agencies, tenders consultants, product registration consultants, licenses and permits, visa application agencies, market research agencies, customs brokers, pricing & reimbursement consultants, access and regulatory consultants, freight forwarders, lobbyists, Patient Support Program vendors, Compassionate Use providers, Early Access providers, contract research organizations, travel agents, event organizers, logistics agencies or meeting planners. These activities generate a potential corruption risk in relation to transfers of value that could be channeled by/via these third parties intermediaries to Healthcare Stakeholders or Government Officials, for a corrupt purpose.

What are we doing to manage the risk?

Pharming has issued and implemented several policies that address this risk directly such as the "Anti-corruption" Policy, the "Advisory Boards" Policy, the "Contracting Healthcare Stakeholders" Policy, the "Hospitality to Healthcare Stakeholders" Policy, the "Donations" Policy, the "Sponsorship of Third Party Activities" Policy, the "Sponsorship of Individual Healthcare Stakeholders" Policy. Selected employees, based on their role within Pharming, were trained on the above policies. Pharming is currently working on a system/process for the approval of meetings with such Healthcare Stakeholders.

Pharming has developed and issued an integrated procedure on the management of the anti-corruption risk by third parties. The new process will include a due diligence process, an evaluation process, a remediation process and a set of templates and forms to support implementation. Selected employees, based on their role within Pharming, have been trained on the above procedure. The above process has been implemented in 2021. In addition, Pharming has already trained a number of its key third parties, such as selected distributors.

Off-label and Disguised Promotion.

Pharming generates and communicates on its products data, including, as appropriate in a scientific context, data which is unlicensed or 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.

Pharming generates and 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 boards. These activities generate a potential risk of “disguised promotion” if used not for their original non-promotional/ corporate purpose but to push for the sale of Pharming products.

What are we doing to manage this risk?

Pharming has issued an enhanced procedure for the approval of promotional and non-promotional materials that directly addresses this risk, including via the electronic approval system Veeva. Selected employees, based on their role within Pharming, were trained on the above procedure. In addition, Pharming has issued a "Promotional Compliance" Policy that will complement the above procedure with a set of substantive rules on the content of such materials. Selected employees, based on their role within Pharming, have been trained on the above policy.

SOX Compliance risk

The risk that Pharming might not be SOX compliant in the next two years.

We have identified weaknesses in our internal control over 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 in place, these processes are currently not sufficiently formalized as controls to identify and address the risks of material misstatements and risks arising from IT. In addition, where control activities are dependent on 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. We also did not have controls in place to monitor control activities and identified control deficiencies. 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 affect our business and stock price.

What are we doing to manage the risk?

We are in the process of remediating the weaknesses identified including further developing and implementing formal policies, processes, internal controls and documentation relating to our financial reporting. We are also currently in the process of finalizing a risk assessment framework and scoping to identify key processes and controls that will require additional enhanced controls to be designed and implemented.

Financial Risks

Exchange Rate Fluctuations

Due to the international scope of our operations, fluctuations in exchange rates, particularly between the Euro and the US dollar, may adversely affect us. While we are based in the Netherlands, we source materials, products and services from several countries outside the EU that are paid in local currencies. As a result of the commercialization of RUCONEST® in the United States and in other countries outside the EU, we will also receive payments and generate costs in US dollars and other currencies. As a result, our business may be affected by fluctuations in foreign exchange rates between the Euro and the US dollar, as well as other currencies.

Since the majority of Pharming’s sales are invoiced and paid in US dollars, and the majority of its cost 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. Pharming Group N.V. has USD cash deposits. As the functional currency of the Dutch Pharming entities is Euro any change in the USD/EUR exchange rate means a corresponding change in the EUR value of US Cash deposits.

What are we doing to manage the risk?

Current exchange loss can largely be remediated by having Healthcare to repay its net payable balance to Technologies/Group NV/ Americas using its Cash balances and converting the USD Cash deposits to EUR cash deposits. Going forward all intercompany charges and intercompany invoices from Technologies/Americas/Group will be booked and paid on receipt of invoice being the transaction date. Currency exchange losses in Pharming Group N.V. have largely be remediated by having Group converting the USD Cash deposits to EUR Cash deposits.

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Fraud Risk

Fraud risk is of unexpected financial, material, or reputational loss as the result of fraudulent action of persons internal or external to the organization. Since Pharming does not have sound controls yet in place nor means of monitoring and assessing fraud related activities, the likelihood of fraud occurring in the organization rises.

What are we doing to manage the risk?

The Company is currently planning controls to establish a fraud governance process, create a sound anti-fraud culture, implement, and maintain clear preventive and detective fraud controls.

Liquidity Risk

Adverse capital and credit market conditions may significantly affect the ability to meet liquidity needs, access to capital and cost of capital. Pharming is trying to invest in multiple business development projects where Cash Flow from RUCONEST® is being invested in the future projects. 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 improvement of cash flow forecasting to provide more accurate information on liquidity. A Company financial forecasting model is 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 the model to understand impact on cash flow and liquidity. Funding (both equity and debt) will be adjusted to the liquidity needs of the Company.

Corporate Governance

The following paragraphs set out our shareholder structure, the Company's compliance to the Dutch Corporate Governance Code, the management structure of the Company and the curricula of the Executive Director, the Non-Executive Directors and the members of the Executive Committee.

Articles of Association

The prevailing Articles of Association of the Company are posted on the Company's website (www.pharming.com/about-us/corporate-governance). The Articles of Association of the Company were most recently amended on December 11, 2020.

A resolution of the General Meeting of Shareholders to amend the Articles of Association may only be adopted upon a proposal of the Board of Directors.

Shareholder structure

All ordinary shares issued by the Company are traded on Euronext Amsterdam under the symbol "PHARM". In addition, American Depository Receipts (ADSs) are traded on the Nasdaq Global Market since 23 December 2020 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 ADSs 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 17 December, 2020 and as further supplemented by the 2020 Annual Report on Form-20 F document, as filed with the SEC on 7 April, 2021.

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 17 "Shareholder's Equity".

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, after receiving an informed opinion from the Board of Directors regarding the advantages and disadvantages of such bid.

At present, 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 that may have have an impact on a takeover of our Company, including:

- a provision in our Articles of Association that our 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 our 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 our issued share capital represented at the meeting;

- our Directors being appointed on the basis of a binding nomination by our 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 our 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 our dissolution, may only be brought to our shareholders for a vote upon a proposal by our Board of Directors.

It is also noted that the existing share-based incentive plans for our staff members, including share option plans and 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 of the share-based incentive plans in the event of a change of control does not apply for the members of the Board of Directors and the members of the Executive Committee, respectively.

According to the share-based incentive plans for the members of the Board of Directors and the Executive Committee, respectively, only in case of a change of control, approved by the General Meeting of Shareholders, becoming unconditional, the relevant executive director or officer will be entitled to pro-rata vesting of outstanding but unallocated shares for the performance period that has lapsed at that moment, subject to the achievement of the applicable performance measures and targets. The remaining shares will vest in accordance with the predetermined times (i.e. no accelerated vesting) 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 14 January 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 at which they may be converted into Pharming shares may change, depending on 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 the execution of share-based incentive plans for our staff members each time requires a resolution by the CEO and the Executive Committee to such effect. Such execution is not controlled by the staff members, but is governed by the detailed terms and conditions applicable to these plans.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, or 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 company listed on a stock exchange, we are subject to the DCGC and are required to disclose in our annual board report to what we extent comply with the principles and best practice provisions of the DCGC. Where we do not (comply for example, because of a conflicting Nasdaq requirement or otherwise), we must state why and to what extent we deviate in our annual report. Our most substantial deviations from the DCGC are summarized below:

- Article 3.3.2 of the DCGC 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 11 December 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. Moreover, all shares held by Non-Executive Directors will be a long-term investment only, in accordance with the best practice provisions of the DCGC.

- Article 4.2.3 of the DCGC recommends that all analyst meetings, analyst presentations, presentations to institutional investor 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 presentations are posted on the website immediately after the meetings in question and is exploring ways to make some meetings (such as the annual general meeting) 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 will be announced and conducted in accordance with this provision.

- Sections 1.3.1 - 1.3.6 of the DCGC recommend the appointment of an internal auditor. Due to the size of the Company, Pharming has not created a specific position for an internal auditor, but it has provided for the assessment and testing of the risk management and control systems to be supported by the finance manager. As a result of the company operating in the highly regulated field of development and worldwide commercialization of human medicines, the Company has a fully-staffed quality assurance department which is responsible, inter alia, for maintaining an extensive system of standard operating procedures throughout the Company and for the execution of audits on all (major) suppliers, subcontractors, licensees and internal departments of the Company including the finance department, although this is not the same as an internal auditor. The Audit Committee annually reviews the need for an internal auditor. In its most recent review, on 16 March 2022, the Audit Committee concluded that due to the controls in place and in consideration of the ongoing implementation of the enhanced internal control framework to ensure compliance by the Company with the Sarbanes-Oxley Act (please refer to the section Risk Management and Internal Control) and the size of the Company, no internal auditor was needed at that point in time. The Audit Committee reconsiders this position at least annually. The fast rate of growth of the Company at present may cause a different determination at some point in the foreseeable future.

One-tier board structure

The Company has adopted a one-tier board structure, with a single Board of Directors composed of one or more Executive Directors and one or more Non-Executive Directors (hereafter the "Board of Directors"). The one-tier board structure became effective on 11 December 2020 following the signing of a deed of amendment to our articles of association.

In our one-tier board structure, the statutory Board of Directors as a collective (i.e., the Executive Directors and the Non-Executive Directors) is charged with managing the Company's affairs and is responsible for the general course of affairs of the Company (including the Company's strategy and financial policy). Until 11 December 2020, the former statutory Board of Management was charged with the full management responsibility, supervised by the separate Board of Supervisory Directors.

In the new one-tier board structure, the Executive Directors manage the day-to-day business and operations of the Company and implement the Company's strategy, supported by an Executive Committee chaired by the Chief Executive Officer. The Non-Executive Directors share management responsibility, but will 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.

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

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 corporate body. We believe that the one-tier board structure will accordingly further improve the quality of our internal processes and decision-making. We also 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 six Non-Executive Directors and one Executive Director.

- The chairman of our Board of Directors is a Non-Executive Director. Hence, our Board of Directors is not chaired by an Executive Director which safeguards the independence of the chairman of the Board of Directors.

- The Board of Directors' committees, comprising of the Audit Committee, Remuneration Committee and Corporate Governance Committee, exclusively comprise of Non-Executive Directors. None of these committees is chaired by the chairperson of the Board of Directors, being Mr. Sekhri. Chairpersons of the Audit Committee, Remuneration Committee and Corporate Governance Committee respectively comprise of Mr. Kruimer, Ms. Jorn and Ms. van der Meijs.

- The Non-Executive Directors supervise the way in which the CEO, as Executive Director, supported by the Executive Committee, implements long-term value creation. Further, they report on their current term of office, their independence and evaluation of their role in key objectives of the Company and the correct skills and background knowledge for the benefit of the Company.

On the occasion of the implementation of the one-tier board structure, the articles of association of the Company were also amended to the effect that an indemnification arrangement was included 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 that are fully aligned with the indemnification arrangement in the articles of association.

Pharming's compliance with the Dutch Corporate Governance Code can be found in the next section Management Structure and in the Corporate Governance Statement and the additional outline as published on our website: https://www.pharming.com/about-us/corporate-governance.

Management structure

In connection with the listing of our ADSs on Nasdaq, we converted our two-tier board structure (featuring a statutory Management Body supervised by a separate Board of Supervisory Directors) into a one-tier board structure, with a single Board of Directors consisting of Executive Directors and Non-Executive Directors. The one-tier board structure became effective on 11 December 2020.

In our one-tier board structure, the statutory Board of Directors as a collective (i.e., the Executive Directors and the Non-Executive Directors) is charged with managing the Company's affairs and is responsible for the general course of affairs of the Company, including the Company's strategy and financial policy. Accordingly, the one-tier board structure integrates and leverages the knowledge, experience and wide range of backgrounds, education and expertise among the Executive and Non-Executive Directors into one corporate body.

All members of the 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 person as a Director, the general meeting shall also be proposed to determine whether that person is appointed as Executive Director or as Non-Executive Director.

The Executive Directors manage the day-to-day business and operations of the Company and implement the Company's strategy, supported by the (non-statutory) Executive Committee chaired by the Chief Executive Officer. The Non-Executive Directors share management responsibility with the Executive Directors, but focus within the Board of Directors 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.

Accordingly, the Board of Directors is inter alia jointly responsible for the following:

- the achievement of the Company's objectives;
- the corporate strategy and the risks inherent in the business activities;
- 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
- corporate social responsibility issues that are relevant to the Company.

The Board of Directors determines the corporate governance structure of the Company and ensures compliance with the DCGC and other (foreign) applicable rules and regulations, assisted by its Corporate Governance Committee. Supported by the Audit Committee, it supervises the financial reporting process and assisted by its Remuneration Committee, it determines the remuneration of the individual members of the Board of Directors within the remuneration policy adopted by the Annual General Meeting of Shareholders.

The independent supervision by the Non-Executive Directors is inter alia secured via the following safeguards, each time in accordance with the DCGC:

a. the majority of the Board of Directors is comprised of Non-Executive Directors;

b. the chairman of the Board of Directors is a Non-Executive Director;

c. the Board of Directors' committees (i.e., the Audit Committee, the Remuneration Committee and the Corporate Governance Committee) are exclusively composed 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, that 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 and the DCGC and applicable US rules and regulations. The Board Rules and the charters have been published on the Company's website (www.pharming.com).

The prevailing articles of association of the Company include, inter alia, 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 that are fully aligned with the indemnification arrangement in the articles of association.

Our management structure in 2021

The Board of Directors was composed in 2021 of one Executive Director (also the Chief Executive Officer/CEO) and seven Non-Executive Directors.

Since 19 May 2021, our Board of Directors comprised of the following members:

Board of Directors			
Name	**Position**	**Member since**	**Term**
Mr Paul Sekhri	Chairperson	April 30, 2015	Up to AGM in 2023
Dr Sijmen de Vries	Chief Executive Officer, Executive Director	October 13, 2008	Up to AGM in 2025
Ms Deborah Jorn	Vice Chairperson	May 22, 2019	Up to AGM in 2023
Ms Barbara Yanni	Non-Executive Director	December 11, 2020	Up to AGM in 2024
Dr Mark Pykett	Non-Executive Director	December 11, 2020	Up to AGM in 2024
Mr Leonard Kruimer	Non-Executive Director	May 19, 2021	Up to AGM in 2025
Ms Jabine van der Meijs	Non-Executive Director	May 19, 2021	Up to AGM in 2025
Mr Steven Baert	Non-Executive Director	May 19, 2021	Up to AGM in 2025

The terms of Mr. Barrie Ward and Mr. Aad de Winter, as Non-Executive Directors, expired on the occasion of the Annual General Meeting of Shareholders held on 19 May 2021. Both Non-Executive Directors were not available for reappointment in view of the prevailing best practice recommendations concerning their tenure. Mr Leonard Kruimer, Ms Jabine van der Meijs and Mr Steven Baert were appointed by the General Meeting of Shareholders to the Board of Directors as Non-Executive Directors effective 19 May 2021 for a term of four years (ending at the annual general meeting to be held in 2025). In addition, Dr. de Vries was reappointed as Executive Director by the General Meeting of Shareholders held on 19 May 2021 for another term of four years, also ending at the Annual General Meeting in 2025.

The composition of the Board of Directors reflects the Company's growth ambitions and is consistent with the profile of the Board of Directors. Pharming meets the statutory recommended minimum percentage of 30% representation of both men and women in 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 that governs the procedures and the tasks and responsibilities of the Executive Committee, in addition to the applicable provisions in the Board Rules. The Charter is compliant with Dutch Corporate law and the DCGC and applicable US rules. The charter has been published on the Company's website (www.pharming.com).

The members of the Executive Committee report to the CEO, but, as confirmed in the Board Rules, the Board of Directors regularly reviews and discusses the reports received from the Executive Committee. Accordingly, the members of the Executive Committee are invited to the scheduled quarterly meetings of the Board of Directors for a business update and in addition monthly written reports are sent to, and discussed with, the full Board of Directors. 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 at least require a decision by the full Board of Directors.

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		
Mr Anurag Relan	Chief Medical Officer	June 1, 2021
Mr Jeroen Wakkerman	Chief Financial Officer	November 16, 2020
Mr Robert Friesen	Chief Scientific Officer	August 1, 2021
Mrs Mireille Sanders	Chief Operations Officer	August 1, 2019
Mr Stephen Toor	Chief Commercial Officer and GM Americas	January 1, 2017
Mr Ruud van Outersterp	Chief Ethics & Compliance Officer	May 1, 2021

Ms Anne-Marie de Groot resigned as Chief Ethics & Compliance Officer from the Executive Committee on 1 May 2021. Mr Bruno Giannetti resigned as Chief Medical Officer from the Executive Committee effective 19 May 2021.

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

Works Council

The Company is in the process of setting up a Works Council in the Netherlands. It was decided to give priority to obtaining input from staff on key themes from an employee perspective, to ensure adequate support for, and therefore an effective start of, the new Works Council. Elections for the Works Council are expected to be held in the near future.

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Board of Directors

Sijmen de Vries, MD MBA (1959)

Title: Executive Director and Chief Executive Officer
Nationality: Dutch
Date of initial appointment: 13 October 2008

Other current board positions/biography:
Dr. de Vries has been our Chief Executive Officer since 2008, and he has also served in the capacity of interim Chief Financial Officer from May 2020 through November 16, 2020, upon the commencement of Mr. Wakkerman's tenure as Chief Financial Officer. Dr. de Vries was reappointed by the General Meeting of Shareholders held on 19 May 2021 for another term of four years, ending at the Annual General Meeting in 2025.

Dr. de Vries is responsible for daily management of the Company and the execution of the strategy. Prior to joining Pharming, Dr. de Vries was the CEO of 4-Antibody and Morphochem AG. Dr. de Vries also held senior business and commercial positions at Novartis, Novartis Ophthalmics and at SmithKline Beecham Pharmaceuticals plc. Dr. de Vries holds an MD degree from the University of Amsterdam and an MBA in General Management from Ashridge Management College (UK). Dr. de Vries is on the Board of Directors of Pharming's fill & finish partner BioConnection B.V. and is also a non-executive director of Midatech Pharma plc.

Paul Sekhri (1958)

Title: Chairman of the Board of Directors, Member of the Corporate Governance Committee
Nationality: USA
Date of initial appointment: 30 April 2015

Other current board positions/biography:
Mr. Sekhri is President and CEO of eGenesis.

Mr. Sekhri has been the Chairman of our Board of Directors (or the former Board of Supervisory Directors until December, 2020) since 2016 and has served as a director since 2015. Mr. Sekhri was appointed the President and CEO of eGenesis, Inc. in January 2019.

Prior to joining eGenesis, Inc., Mr. Sekhri served as President and CEO of Lycera Corp. from February 2015 through December 2018. From April 2014 through January 2015, Mr. Sekhri served as Senior Vice President, Integrated Care at Sanofi. From May 2013 through March 2014, Mr. Sekhri served as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries Ltd. Prior to joining Teva, Mr. Sekhri spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. From 2004 to 2009, Mr. Sekhri was Founder, President, and Chief Executive Officer of Cerimon Pharmaceuticals, Inc. Prior to founding Cerimon, Mr. Sekhri was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc. Previously, Mr. Sekhri spent four years at Novartis, as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG. Mr. Sekhri also developed the Disease Area Strategy for Novartis, identifying those specific therapeutic areas upon which the company would focus. Mr. Sekhri's first role at Novartis was as Global Head, Early Commercial Development. Mr. Sekhri completed graduate work in Neuroscience at the University of Maryland School of Medicine, where he also received his BS in Zoology.

Mr. Sekhri is currently also Chairman of the Board of Directors of Longboard Pharmaceuticals Inc., Compugen Ltd., and is on the Board of Veeva Systems Inc. and Ipsen S.A. As an avid classical music enthusiast, Mr. Sekhri is on the Boards of The Metropolitan Opera, The Knights, and the Patrons Council of Carnegie Hall.

Deborah Jorn, MBA (1958)

Title: Vice-Chair of the Board of Directors, Chairwoman of the Remuneration Committee, and Member of the Audit Committee
Nationality: USA
Date of initial appointment: 22 May 2019

Other current board positions/biography:
Ms. Jorn is Director & Founder of Jorn Consulting LLC and Board Member of Viveve Medical Inc.

Ms. Jorn has served as a director since 2019. Ms. Jorn was Executive Vice President of Corporate and Commercial Development at Eyepoint Pharmaceuticals from 2016 to 2018. Prior to joining Eyepoint, she was Executive Vice President and Group Company Chair at Bausch Health (formerly Valeant Pharmaceuticals) where she led the dermatology, gastroenterology and HAE businesses. Ms. Jorn was Chief Global Marketing Officer at Bausch & Lomb prior to its acquisition in 2013 by Bausch Health where she led the launch of several new products and the integration of Ista Pharmaceuticals following acquisition. Previously, she was Group Vice President of Women's Healthcare and Fertility (2008-2010) and Allergy and Respiratory (2004-2008) at Schering Plough Corporation prior to its acquisition by Merck and Co., Inc. Ms. Jorn was also at Johnson & Johnson as the Worldwide Vice President of Internal Medicine and Early Commercial input. She began her career at Merck and for more than 20 years held roles of progressive responsibility in various functional areas including R&D, Regulatory and Sales and Marketing.

Today, Ms. Jorn also serves on the board of directors of ViveveMedical, Inc. and Diurnal Group. She served as a member of the board of directors of Orexigen Therapeutics, Inc. from May 2016 until July 2018.

Leonard Kruimer (1958)

Title: Non-Executive Director, Chairman of the Audit Committee
Nationality: Dutch
Date of initial appointment: 19 May 2021

Other current board positions/biography:
Mr. Kruimer has more than 30 years of experience in corporate finance, planning and strategy, including 20 years in senior executive positions in private and publicly listed biotechnology companies. He served as CFO of Crucell N.V. from 1997 to 2011. Prior to Crucell, he was Managing Director of Europe TIP Trailer, a GE Capital company. Mr. Kruimer was also a consultant with McKinsey & Co and an auditor at Price Waterhouse & Company, New York.

Mr. Kruimer is currently Chairman of the Board at Swedish BioInvent International AB (BINV.ST). In addition, he is a board member of both Zealand Pharma A/S in Copenhagen and Calgary-based Oncolytics Inc (NASDAQ: ONCY). He is Director of AI Global Investments (Netherlands) PCC Ltd. and serves on the Investment Advisory Council of Karmijn Kapitaal. Mr. Kruimer holds a Master of Business Administration from Harvard Business School and is Certified Public Accountant in New York State.

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Jabine van der Meijs (1966)

Title: Non-Executive Director, Chairman of the Corporate Governance Committee, Member of the Audit Committee
Nationality: Dutch
Date of initial appointment: 19 May 2021

Other current board positions/biography:
Ms. van der Meijs served as the Executive Vice President & CFO of the Royal Schiphol Group from 2017 until end of March 2021. Prior to this, she worked for the Royal Dutch Shell Group (ENXTAM: RDSA) for 25 years in primarily financial leadership positions, but also in HR and strategy positions in The Netherlands, Scotland, England, Brunei and Australia. In her most recent position at Shell, Ms. van der Meijs was VP Finance Projects for Shell's Projects and Technology business.

Ms. van der Meijs is currently a Member of the Supervisory Board of Kendrion N.V. (ENXTAM: KENDR) where she serves as Chair of the Audit Committee. She is a Member of the Supervisory Board of Koole Terminals Holding B.V., where she serves as the Chair of the People & Remuneration Committee and she is a Member of the board of directors of Grundfos Holding A/S, a privately owned Danish Company. At Grundfos she serves as a member of the Audit committee, a member of the M&A committee and a member of the HR committee. She also is a member of the Supervisory Board of CHDR (The Centre for Human Drug Research), an independent institute for early phase clinical drug research, where she is a member of the Audit Committee.

Previously, Ms. van der Meijs served as a Non-Executive Director on various boards, including Aeroports de Paris (France) (ENXTPA: ADP) and Brisbane Airport Corporation (Australia). Ms. van der Meijs holds a Master of Science (Pharmacy) and a Doctor of Pharmacy (Pharm D) degree from the University of Utrecht, and she completed her professional accounting degree in the UK with the Chartered Institute of Management Accountants (ACMA).

Barbara Yanni (1954)

Title: Non-Executive Director, Member of the Audit Committee and Member of the Corporate Governance Committee
Nationality: USA
Date of initial appointment: 11 December 2020

Other current board positions/biography:
Ms. Yanni has served as a director since December 2020. Ms. Yanni was Vice President and Chief Licensing Officer at Merck & Co. (MRK), a pharmaceutical company, from November 2001 until her retirement in March 2014. Prior to this, Ms. Yanni served in various roles at Merck including in corporate development, financial evaluation, and tax.

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. Ms. Yanni earned a J.D. from Stanford Law School and an A.B. from Wellesley College. She also holds a Masters of Law in Taxation from New York University. Before joining Merck in 1985 Barbara was a tax lawyer in New York City.

Mark Pykett, VMD, PhD (1964)

Title: Non-Executive Director, Member of the Remuneration Committee
Nationality: USA
Date of initial appointment: 11 December 2020

Other current board positions/biography:
Chief Executive Officer, Myrtelle

Dr. Pykett has served as a director since December 2020.

Dr. Pykett was previously the Chief Scientific Officer of PTC Therapeutics. Dr. Pykett was the President and Chief Executive Officer of Agilis Biotherapeutics from 2014 until its acquisition by PTC Therapeutics in 2018. Prior to Agilis, Dr. Pykett served as CEO of Navidea Biopharmaceuticals, President of Alseres Pharmaceuticals, President of Cygenics, and President and CEO of Cytomatrix.

Dr. Pykett currently serves on the Board of Directors of the private companies Myrtelle, InFlectis BioSciences and Exubrion Therapeutics. Dr. Pykett holds a PhD in Molecular Biology from the University of Pennsylvania, a VMD from the University of Pennsylvania School of Veterinary Medicine, a B.A. in Biology from Amherst College and an MBA from Northeastern University.

Steven Baert (1974)

Title: Non-Executive Director, Member of the Corporate Governance Committee and Member of the Remuneration Committee
Nationality: Belgian and Swiss resident
Date of initial appointment: 19 May 2021

Other current board positions/biography:
Until March 2022, Mr. Baert was the Executive Partner and Chief Human Capital Officer at Flagship Pioneering Inc, a life sciences venture capital company based in Cambridge, Massachusetts that invests in biotechnology, life sciences, health and sustainability companies. He previously served a Chief People Officer and Member of the Executive Committee of Novartis from 2014 until June 2021. and previously held a number of leadership roles within the company, including Head of Human Resources for Emerging Growth Markets, Head of Human Resources, United States and Canada, and Global Head, Human Resources, Novartis Oncology. Prior to joining Novartis, he held senior HR positions at Bristol-Myers Squibb Co. and Unilever. He also serves on the Board of the WeSeeHope USA, a charity that focuses on empowering children isolated by poverty in Africa.

Mr. Baert holds a Master of Business Administration from the Vlerick Business School, Gent; a Master of Laws from the Katholieke Universiteit Leuven and a Bachelor of Laws from the Katholieke Universiteit Brussels.

Executive Committee

Sijmen de Vries, MD MBA (1959)

Title: Executive Director and Chief Executive Officer
Nationality: Dutch
Date of initial appointment: 13 October 2008

Other current board positions:
Dr. de Vries holds a non-executive directorship in Midatech Pharma plc.

Dr. de Vries has been our Chief Executive Officer since 2008, and he has also served in the capacity of interim Chief Financial Officer from May 2020 through November 16, 2020, upon the commencement of Mr. Wakkerman's tenure as Chief Financial Officer.

Dr. de Vries is responsible for daily management of the Company and the execution of the strategy. Prior to joining Pharming, Dr. de Vries was the CEO of 4-Antibody and Morphochem AG. Dr. de Vries also held senior business and commercial positions at Novartis, Novartis Ophthalmics and at SmithKline Beecham Pharmaceuticals plc. Dr. de Vries holds an MD degree from the University of Amsterdam and an MBA in General Management from Ashridge Management College (UK). Dr. de Vries is on the Board of Directors of Pharming's fill & finish partner BioConnection B.V. and is also a non-executive director of Midatech Pharma plc.

Jeroen Wakkerman (1969)

Title: Chief Financial Officer
Nationality: Dutch
Date of initial appointment: 16 November 2020

Mr. Wakkerman has been our Chief Financial Officer since November 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. Prior to that, Mr. Wakkerman served as Chief Financial Officer of SHV Energy N.V., as finance director at Calor Gas (UK) and has also held several financial and commercial positions at Unilever and Rabobank. Mr. Wakkerman also holds a MSc degree in Business Economics from the University of Groningen and is a Chartered Treasurer (UK) and a Chartered Management Accountant (UK).

Anurag Relan (1972)

Title: Chief Medical Officer
Nationality: American
Date of initial appointment: 1 June 2021

Prior to being appointed Chief Medical Officer in June 2021, Mr. Relan has been Vice President Clinical Research and Medical Affairs at Pharming, having held several roles within the company during the past 15 years. Prior to his work at Pharming, he was in clinical practice while also teaching medical residents/students. Mr. Relan holds an MD and MPH from the University of California, Los Angeles, and a bachelor's degree in Economics from the University of California, Berkeley.

Robert Friesen (1964)

Title: Chief Scientific Officer
Nationality: Dutch
Date of Initial appointment: 1 August 2021

Dr. Friesen was appointed our Chief Scientific Officer in August 2021. He has more than 20 years of experience in drug discovery and development. Previously, Dr. Friesen was CSO of Kiadis Pharma and Ablynx until their acquisitions by Sanofi. Prior to Sanofi Dr. Friesen was Senior Vice President of Research at ProQR and Vice President and Head of Biologics Research within Janssen R&D, a Johnson & Johnson company. Before joining Janssen R&D, Dr. Friesen held senior R&D positions at AM-Pharma, MorphoSys and Crucell. Dr. Friesen has authored several publications in high impact scientific journals and participated in numerous invited lectures. He has also been awarded multiple patents in the field of biotechnology. Dr. Friesen earned a M.S. in Biology from the University of Utrecht, and a Ph.D. in Biochemistry, at the University of Texas Medical Branch.

Mireille Sanders, MSc (1968)

Title: Chief Operations Officer
Nationality: Dutch
Date of Initial appointment: 1 August 2019

Prior to being appointed Chief Operations Officer on 15 December 2020, Ms. Sanders served as our Senior Vice President, Operations since 2019. From 2016 until 2019, Ms. Sanders served as Head of Clinical Supply Chain Strategic Management and Systems at Janssen Pharmaceuticals, a Johnson & Johnson company. Prior to Janssen, Ms. Sanders held senior positions at MSD/Merck, from 2007 until 2015. She holds an MSc in Chemical Engineering from the Technical University Eindhoven in the Netherlands.

Stephen Toor (1971)

Title: Chief Commercial Officer and General Manager Americas
Nationality: American
Date of initial appointment: 1 January 2017

Prior to being appointed Chief Commercial Officer and General Manager Americas on 15 December 2020, Mr. Toor served as President and General Manager of Pharming Healthcare, our US operations, since 2020. From 2017 to 2020, Mr. Toor was the Senior Vice President and General Manager, US.

Prior to Pharming, Mr. Toor was Senior Director, Sales and Marketing – Immunology, Orphan and Mature Brands at Bausch Health (formerly Valeant) from 2013 to 2016. Prior to 2013, Mr. Toor held positions at Pharmacia/Pfizer and ScheringPlough/Merck. He holds a BA (Hons) in European and American History from Manchester Metropolitan University.

Ruud van Outersterp (1964)

Title: Chief Ethics & Compliance Officer
Nationality: Dutch
Date of initial appointment: 1 May 2021

Mr. van Outersterp served as our Company Secretary from 1 April 2020. Prior to joining Pharming, Mr. van Outersterp held several senior leadership positions at ABN AMRO and its predecessors, including the positions of Global Head of Legal and Company Secretary, and as senior legal counsel at former Dutch aircraft manufacturer Fokker.

Mr. van Outersterp is also a member of the supervisory board of a healthcare institution and is a teacher at the Governance University in Driebergen in the Netherlands. He earned a Master's in Law at the Vrije Universiteit Amsterdam.

Report of the Board of Directors

Board structure

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 11 December 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 Board of Directors is assisted by the Corporate Governance Committee in ensuring compliance by the Company with the DCGC and other (foreign) applicable rules and regulations. Supported by the Audit Committee, it supervises the financial reporting process and assisted by its Remuneration Committee, it 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. The reports of the respective committees are presented separately in this section.

Reference is made to the section "Corporate Governance" for an outline of the tasks and responsibilities of the Board of Directors. These sections are inserted herein by this reference. The procedures and decision-making of the Board of Directors are governed by Board Rules and available on our website at www.pharming.com.

Board composition

The current composition of the Board of Directors in the financial year 2021 can be found in the section Corporate Governance.

The terms of Mr. Barrie Ward and Mr. Aad de Winter, as Non-Executive Directors, expired on the occasion of the Annual General Meeting of Shareholders held on 19 May 2021. Both Non-Executive Directors were not available for reappointment in view of the prevailing best practice recommendations concerning their tenure.

The General Meeting of Shareholders held on 19 May 2021 appointed Mr Leonard Kruimer, Ms Jabine van der Meijs and Mr Steven Baert to the Board of Directors as Non-Executive Directors for a term of four years (ending at the annual general meeting to be held in 2025). In addition, Dr. de Vries was reappointed as Executive Director by the General Meeting of Shareholders held on 19 May 2021 for another term of four years, also ending at the Annual General Meeting in 2025.

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 per 31 December 2021. The Board of Directors adopted this conclusion, taking into consideration an assessment made by the Corporate Governance Committee in October 2021. The Board of Directors is not aware of any changes that should require the Board of Directors to reconsider this conclusion as per 31 December 2021.

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 (www.pharming.com/about-us/board-of-directors).

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 11 December 2020, can be found in the section Remuneration Report 2021 in this Annual Report. To the extent required, the Remuneration Report is incorporated herein by reference.

Activities

Frequency of meetings

The Board of Directors met 9 times in 2021, including one combined meeting with the Audit Committee on 6 April 2021 for the approval of the 2020 Annual Report. The additional meetings to discuss the monthly reports submitted by the ExCo on files and projects, are not included in this frequency. Due to the COVID-19 pandemic, all meetings were held using virtual platforms.

The individual presence of the Non-Executive Directors is reflected in the following schedule:

Date	2 March	3 March	6 April	12 May	18 May	4 August	26 October	27 October	15 December	% Present during 2021**
Mr. Sekhri	P	P	P	P	P	P	P	P	P	100%
Ms. Jorn	P	P	P	X	P	P	P	P	P	89%
Mr. Ward	P	P	P	P	P	n/a	n/a	n/a	n/a	100 %
Mr. De Winter	P	P	P	P	P	n/a	n/a	n/a	n/a	100%
Ms. Yanni	P	P	P	P	P	P	P	P	p	100%
Mr. Pykett	P	P	P	P	P	P	P	P	P	100%
Ms. Van der Meijs	n/a	n/a	P*	P*	P*	P	P	P	P	100%
Mr. Kruimer	n/a	n/a	P*	P*	P*	P	P	P	P	100%
Mr. Baert	n/a	n/a	P*	P*	P*	P	P	P	P	100%

*: as observer
**: as appointed Non-Executive Director

The Executive Director also attended these meetings, except when the composition, performance and the remuneration of the Executive Director and the self-evaluation of the members of the Board of Directors and its committees were discussed and related voting took place. In addition, the members of the Executive Committee attended the scheduled quarterly meetings of the Board of Directors for business updates, the quarterly results, the 2020 Annual Report and the 2022 annual budget.

Summary of specific activities

The Board of Directors was regularly updated by the Executive Director during the scheduled meetings in 2021, and also between meetings whenever appropriate, on the developments due to the COVID-19 pandemic and their impact, if any, on Pharming. Accordingly, the Board of Directors was able to conclude from the received information that, the COVID-19 pandemic had no impact on the upscaling or continued production of RUCONEST® or on the availability or distribution of RUCONEST® to HAE patients throughout 2021 and in the first quarter of 2022. The Board of

Directors discussed with the Executive Committee the steps taken to mitigate the adverse impact of COVID-19 on revenue levels for RUCONEST® in the first and second quarter of 2021 and was kept updated on the recovery in the following months. The Board of Directors will continue to monitor the developments in the coming quarters and update the market if appropriate.

Other topics regularly discussed and, to the extent applicable, endorsed or approved at the meetings of the Board of Directors, were the execution of the Company's long-term strategy , and the accompanying risks, in view of the Company's strategy aimed at creating long-term value for the Company and its stakeholders. Reference is made to the section "Our Strategy" for an outline of the Company's mission and the supporting three-pillar strategy.

In the context of the three-pillar strategy, the Board of Directors approved, inter alia, the strategic collaboration with Orchard Therapeutics for the research, development, manufacturing and commercialization of OTL-105, a newly disclosed investigational ex-vivo autologous hematopoietic stem cell (HSC) gene therapy for the treatment of hereditary angioedema (HAE).

Amongst other topics, the Board of Directors was also updated at regular intervals in 2021 on the management activities regarding the preparations for the envisaged launch of leniolisib and the other ongoing clinical trials and product development programs. In the context of the 2022 budget discussions, the Board of Directors spent ample time to the continued significant investments in the pipeline of products, including the launch-critical investments for the launch of leniolisib, which is expected in Q4 2022 subject to regulatory approval.

The CEO, together with the Executive Committee, also updated the Board of Directors on its vision and views with regard to the creation of long-term value for the Company, the enterprise and its stakeholders, and the long-term strategic targets to be developed to support such creation, inter alia on the occasion of the approval of the annual goals and objectives in the meeting held on 3 March 2021 and the approval of the 2022 budget. The CEO, together with the Executive Committee, updated the Board of Directors on the ongoing review of the long-term strategic plan, in view of the Company's mission and its efforts to strive for long-term value creation by the Company, taking into consideration specific goals in the field of ESG. Although due to it size, the Company is not required to report on ESG in this year's Annual Report, the Board of Directors was updated on the steps that have already been taken for an assessment of the relevant activities in scope for ESG and an inventory of ongoing initiatives. Reference is made to the separate section "CSR/ESG" in this Annual Report.

The Board of Directors participated in the related dialogue for the definition of the updated strategic plan and provided input during a strategy day held in March 2022.

Early 2021, the search process for the new non-executive members of the Board of Directors was another high priority for the Board of Directors, supported by the Corporate Governance Committee and the Remuneration Committee. The search process resulted in the appointment by our shareholders on 19 May 2021 of Leonard Kruimer, Jabine van der Meijs and Steven Baert as new members of the Board of Directors, based on a binding nomination by the Board. On that occasion, the Board of Directors also approved the new composition of the committees, in accordance with the requirements of the DCGC and SEC and Nasdaq regulations.

The Board of Directors discussed in March 2021 the performance by the Executive Director/CEO during the year 2020, based on an evaluation by the Corporate Governance Committee and the Remuneration Committee of the performance on the goals and objectives that had been agreed. That same process was followed in the first quarter of 2022 for the evaluation of the performance by the Executive Director/CEO on the agreed goals and objectives for 2021. The Board of Directors endorsed the recommendations by the committees on performance scores and the resulting pay-out under the incentive plans approved by our shareholders in December 2020. Reference is made to the section Remuneration Report 2021. The Board submitted a binding nomination to our shareholders for the reappointment of the Executive Director as per 19 May 2021 for another term of four years. Our shareholders followed that nomination..

Recurring issues each time also receiving significant time and attention were the approval of the Annual Report, the filing of the 2020 Annual Report on Form 20-F with the SEC, the filing of a Form S-8 filing with the SEC for the execution of staff incentive plans, the quarterly and full year financial and operational results, the management letters and the audit plan submitted by the external auditor, the quarterly business updates (covering inter alia the commercial strategy, sales results, forecasts and other developments with regard to RUCONEST®, in the US,

Europe and the rest of the world), the implementation of the Business Integrity Transformation Plan, the competitive landscape, commercial and production partnerships, potential business development opportunities, licensing opportunities, the annual budget and the operational and financial risks to which the Company is exposed. These risks were discussed by the Board of Directors, supported by the Audit Committee, with the CEO and the members of the Executive Committee on an ongoing basis. Reference is made to the section Risk Management and Internal Control in this Annual Report for an outline of the main risks for the Company.

Throughout 2021, the Board of Directors received monthly written management reports prepared by the Executive Committee that also enabled the members to monitor the main current files and projects and related opportunities and risks. Separate meetings were scheduled to enable the Non-Executive Directors to raise questions and to discuss specific matters if deemed appropriate.

The Board of Directors, based on a recommendation to that effect from the Audit Committee, concluded on 15 March 2022 during the annual evaluation that the Company does not yet require the establishment of an internal auditor function. Reference is made to the separate report of the Audit Committee, as included in this Annual Report, for a summary of the relevant observations in arriving at this conclusion. The Audit Committee is required to assess this position annually and to make recommendations to the Board of Directors, in compliance with the DCGC. The Board of Directors took into consideration, inter alia, 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, including the activities in relation to the key objectives and long-term strategy of the Company, the interaction among the members and with the Executive Committee, the lessons learned and the structure and composition of the Board of Directors to ensure that the members bring the correct skills and background knowledge for the benefit of the Company. The self-evaluation for the committees also extend 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 and each of the committees, respectively.

In 2021, the self-evaluation process was initiated by the Corporate Governance Committee by circulating a survey to the members of the Board and the committees, respectively, to obtain their feedback on the questions linked to the above mentioned topics. The report summarizing the survey results was discussed during a meeting of the Corporate Governance Committee held on 15 October 2021. The Corporate Governance Committee recommended an action plan to the Board of Directors to address several findings. These recommended actions, together with the full report, were discussed and endorsed by the Board of Directors during its meeting held on 26 October 2021. The agreed actions include, amongst others, organizing multiple 'deep dives' in the course of 2022 on specific topics and the scheduling of an off-site for the Board to discuss the mission and long-term strategy of Pharming.

Audit Committee

The tasks performed by the audit committee include the supervision of the operation of our internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, the provision of financial information by Pharming (such as choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts and work of external auditors); compliance with recommendations and observations of our external auditor; our policy on tax planning; relations with our external auditor, including, in particular, their independence, remuneration and any non-audit services for Pharming and our financing.

The audit committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules, which charter is available on our website at www.pharming.com. The charter was last updated on 23 November 2020, in anticipation of the listing of our American Depository Shares on Nasdaq.

The Audit Committee consisted as of 19 May 2021 of Mr. Kruimer (Chairperson), Ms. Jorn, Ms. Yanni and Ms. van der Meijs. Until 19 May 2021, the Audit Committee consisted of Mr. de Winter, as Chairperson, and Ms. Jorn. 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 5 times in 2021, including one combined meeting with the Board of Directors on the 2020 Annual Report held on 6 April 2021. Due to the COVID-19 pandemic, all meetings were held using virtual platforms. The external auditor, Deloitte Accountants B.V. (Deloitte) attended each meeting of the Audit Committee. The CEO and the CFO attended all meetings of the audit committee as guests.

The individual presence of the members of the Audit Committee is reflected in the following schedule:

Date	3 March	12 May	4 August	27 October	10 December	% Present during 2021**
Mr. Kruimer	n/a	P*	P	P	P	100%
Mr. de Winter	P	P	n/a	n/a	n/a	100%
Ms. Jorn	P	X	P	P	P	80%
Ms. Yanni	n/a	n/a	P	P	P	100%
Ms. Van der Meijs	n/a	P	P	P	P	100%

*: as observer
**: as appointed member

During the Audit Committee meetings held in 2021, the quarterly and full year financial statements, the Annual Report 2020 and the Annual Report 2020 on Form 20-F, were reviewed and discussed, each time leading to a recommendation to the Board of Directors for approval and publication. The Audit Committee inter alia monitored during its review of 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 the presented company results.

The audit committee reviewed and discussed the external auditor's 2021 audit plan (including proposed fees) and, both in March and December, the draft management letters submitted by the external auditor. The Audit Committee approved the 2021 audit plan at the meeting held on 4 August 2021. The 2021 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 on the design, and the status of the implementation, of the enhanced internal control framework and (COSO based) enterprise risk management for compliance by the Company with the US Sarbanes-Oxley Act, PCAOB and other applicable accounting standards. Reference is made to the section Risk Management and Internal Control for more details. The Audit Committee updated the Board of Directors during its scheduled meetings.

The Audit Committee was also updated by the CFO during each meeting on the progress made in the implementation of the new company-wide enterprise resource planning (SAP) system.

The Audit Committee also conducted an annual review of the related person transactions within the meaning of the Company's "Related Person Policy". Reference is made to Note 24 for the relevant transactions as per 31 December 2021. The audit committee concluded, based on the gathered information, 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.

The audit committee evaluated in 2021 the performance by Deloitte of its duties as external auditor for the financial year 2020. The audit committee concluded to recommend to the Board of Directors to approve the nomination of Deloitte as external auditor for the financial years 2021 and 2022 to the general meeting of shareholders. The Board of Directors followed the audit committee's recommendation and, as a result, Deloitte was appointed and instructed by the annual general meeting of shareholders held on 19 May 2021 to examine the Annual Report and the Financial Statements for the financial years 2021 and 2022, respectively, to report to the Audit Committee and the Board of Directors and to issue an auditor's statement. The evaluation of the performance by Deloitte for the financial year 2021 took place in March 2022 and resulted in an over-all positive outcome.

In accordance with the charter of the audit committee and the DCGC, the audit committee is required to assess annually whether it would be necessary to establish an internal auditor function. Such function does not exist within Pharming today. During the assessment on 15 March 2022, the audit committee concluded, and recommended the Board of Directors to conclude also, that, due to the size of the company, no internal auditor is needed at this point in time. A similar conclusion had been reached during the preceding assessment in March 2021. The audit committee considered inter alia the tasks and responsibilities of the Chief Financial Officer and the external auditors with regard to the assessment and testing of the risk management and control systems. The audit committee noted the establishment of a Risk and Control function to strengthen the internal controls. At this time the company is not fully capable to support a traditional third line function that would be able to add value to the business since Pharming first needs to establish a proper Internal Control environment. The audit committee acknowledged that the fast rate of growth of the Company at present may cause a different determination at some point in the foreseeable future

Remuneration Committee

The tasks performed by the remuneration committee include the preparation of proposals to our Board of Directors for our remuneration policy; the preparation of proposals for the compensation of the individual members of our Board of Directors; and 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 and SEC and Nasdaq requirements. The remuneration committee consisted since 19 May 2021 of Ms. Jorn (Chairperson), Mr. Pykett and Mr. Baert. Mr. Ward was a member of the Remuneration Committee - chaired by Ms Jorn - until his retirement on 19 May 2021.

The remuneration committee met 2 times in 2021. Due to the COVID-19 pandemic, all meetings were held using virtual platforms.

The individual presence of the members of the remuneration committee is reflected in the following schedule:

Date	19 February	24 February	% Present during 2021*
Ms. Jorn	P	P	100%
Mr. Ward	P	P	100%
Mr. Pykett	n/a	n/a	n/a
Mr. Baert	n/a	n/a	n/a

*: as appointed member

The remuneration committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules, which charter is available on our website at www.pharming.com. This charter was updated on 23 November 2020, in anticipation of the listing of the American Depository Shares on Nasdaq.

The Remuneration Committee held a joint meeting with the Corporate Governance Committee on 23 February 2022 to evaluate and discuss the functioning of the Executive Director and the members of the Executive Committee in 2021, in anticipation of the vesting of the applicable incentive plans. Reference is made to the section "Remuneration Report 2021" in this Annual Report.

The Remuneration Committee also discussed the incentive arrangements for the members of the Executive Committee (excluding the CEO) and the conditional grant of performance shares for 2021-2023 to the CEO, pursuant to the executive long-term incentive plan as approved by our shareholders in December 2020, and the other members of the Executive Committee. Related recommendations were submitted to the Board of Directors.

On 24 February, the Remuneration Committee discussed the (company-wide) goals and objectives as proposed by the Executive Committee for the applicable incentive plans. Related recommendations were submitted to the Board of Directors.

Finally, the Remuneration Committee prepared, discussed and approved the Remuneration Report for 2021 as included in this Annual Report.

Corporate Governance Committee

The corporate governance committee consisted since 19 May 2021 of Ms. van der Meijs (Chairperson), Mr. Sekhri, Ms Yanni and Mr Baert. Mr. De Winter and Mr. Ward were Chair and member, respectively, of the Corporate Governance Committee until their retirement on 19 May 2021. The composition of our corporate governance committee is consistent with the best practice provisions of the DCGC and SEC and Nasdaq requirements.

The main tasks performed by the corporate governance committee include monitoring compliance by Pharming with the DCGC and corporate governance-related laws and regulations, monitoring/evaluating the functioning of the Board of the Directors, its committees and individual members and the recruitment and selection for the nomination of new Directors (if applicable).

The corporate governance committee is governed by a charter that complies with the best practice provisions of the DCGC and applicable Nasdaq rules, which charter is available on our website at www.pharming.com.

The corporate governance committee met 2 times in 2021. Due to the COVID-19 pandemic, all meetings were held using virtual platforms.

The individual presence of the members of the remuneration committee is reflected in the following schedule:

Date	19 February	15 October	% Present during 2021*
Ms. van der Meijs	n/a	P	100%
Mr. de Winter	P	n/a	100%
Mr. Ward	P	n/a	100%
Mr. Sekhri	n/a	P	100%
Ms. Yanni	n/a	P	100%
Mr. Baert	n/a	X	0 %

*: as appointed member

The Corporate Governance Committee held a joint meeting with the Remuneration Committee on 23 February 2022 to evaluate and discuss the functioning of the Executive Director in 2021. The main conclusions reached were submitted to the Board of Directors. Reference is made to the report of the Remuneration Committee and the section "Remuneration Report 2021" in this Annual Report.

In May 2021, the Corporate Governance Committee also presented a positive recommendation to the Board of Directors for the binding nomination to our shareholders (i) to appoint Leonard Kruimer, Jabine van der Meijs and Steven Baert as new members of the Board of Directors, and (ii) to reappoint Sijmen de Vries as Executive Director, each time effective 19 May 2021.

During the meeting held in October 2021, the Corporate Governance Committee spent ample time to discuss the results of the self-evaluation by the Board and its committees as initiated by the committee in September and to prepare an action plan to the Board. Reference is made to the report of the Board of Directors.The Corporate Governance Committee also discussed the outcome of its assessment of the continued compliance by all Non-Executive Directors with the independence criteria set by the DCGC and applicable SEC and Nasdaq rules, respectively.

During the same meeting, the Corporate Governance Committee was updated on Pharming's Code of Conduct, the main guiding policy principles for the appointment and selection of Executive Committee members and senior management (ExCo-1) and succession planning. Finally, the committee decided on amendments to its charter to ensure full clarity on the interpretation. Related recommendations were submitted to the Board of Directors and endorsed by the Board on 26 October 2021.

Authorization of the Financial Statements

The Financial Statements of Pharming Group N.V. for 2021, 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 affairs, it is entirely 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 2021 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 2021.
Leiden, 4 April 2022

Paul Sekhri
Sijmen de Vries
Deborah Jorn
Barbara Yanni
Mark Pykett
Leonard Kruimer
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Collectively the Board of Directors of Pharming Group N.V.

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Remuneration Report 2021

The Remuneration Committee is responsible for the preparation of proposals to our Board of Directors regarding the remuneration policy for the Board of Directors and the members of the Executive Committee, the preparation of proposals for compensation packages of the individual members and preparing the remuneration report to be included in our annual report.

This Remuneration Report 2021, as adopted by the Board of Directors and prepared by the Remuneration Committee, first summarizes the remuneration policy for the Board of Directors as adopted by the General Meeting of Shareholders held on 11 December 2020. The remuneration policy for the members of the Executive Committee is consistent with the Remuneration Policy for the Board of Directors. Further details for the Members of the Executive Committee are not disclosed in this report, in accordance with Dutch law.

The second part of this report accounts for the implementation of the applicable remuneration policy over the financial year 2021, in accordance with the requirements of the revised European Union Shareholder Rights Directive ("SRD II") as transposed into Dutch law.

Summary of Remuneration Policy

The remuneration policy for the Board of Directors was adopted by our shareholders on 11 December 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 has to 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 19 May 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 11 December 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 new Remuneration Policy has been published on the company's website (www.pharming.com) and the contents are included herein by reference. The Remuneration Policy as published on the Company's website includes an outline of the performance metrics, their weightings and the payout limits for both the short-term and long-term incentive programs.

A high-level summary of the Remuneration Policy is provided in the following paragraphs.

Main Principles of the Remuneration Policy

The Remuneration Policy has been designed to support the continuous efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success and enhancing the other long-term value objectives and interests of the Company, in accordance with the long-term strategy. Reference is made to the section Our Strategy and CSR/ESG for an outline of Pharming's strategy, including the initiatives and other aspired objectives in the field of ESG.

This goal is intended to be achieved by providing remuneration packages, that are competitive to attract the required top executive talent to execute the Company's long-term strategy and the required non-executive board expertise to effectively supervise such execution, creating long-term value and sustainable growth in the best interest of the Company and all of its stakeholders. In view of Pharming's major and still growing presence in the complex US market and the listing of our listing of ADS's on Nasdaq, the Remuneration Policy also enables the Company to compete in a global market, including the challenging US labor market, while aligning itself with European best practices in the field of remuneration,

For the Executive Directors, the variable part of the remuneration package is required to be linked to the individual's performance against a set of financial and non-financial targets that are consistent with, and supportive of, the strategy and long-term interests of the Company. Risk alignment is also embedded in the target setting to promote sound and effective risk management and to avoid risk-taking that exceeds the level of tolerated risk of the Company. The Remuneration Policy also aims at distributing the strategy of the Company into (inter-) departmental goals and objectives, which lead to the individual objectives of the Executive Directors, the Executive Officers and all other employees.

Moreover, the Remuneration Policy is based on the overarching principle that the average level of total remuneration of both the Executive Directors and the Non-Executive Directors, respectively, will each time be consistent with the position of the Company relative to the benchmark groups that are relevant to the Company.

Among the other adopted overarching principles for the Remuneration Policy are:

Executive Directors

- 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 remuneration policy in effect until 2020, permitted by way of long-term variable remuneration for the members of the former Board of Management: (i) the annual grant of share option plans, approved by the Annual General Meeting of Shareholders and based on tenure, and (ii) the conditional grant of restricted shares, with a target value of 30% of gross annual salary, pursuant to the long-term incentive program ("LTIP"). The number of restricted shares that vested under the LTIP after three years was each time determined based on the relative performance of the Pharming share price compared to an initial group of 26 other European Small cap/Mid cap listed companies active in life sciences over the preceding 36 months. No individual performance targets applied for the vesting of the shares.
- 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.

Non-Executive Directors

- The annual remuneration is based on the position an individual has in the Board of Directors, the Audit Committee, the Remuneration Committee and/or the Corporate Governance 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.
- The remuneration policy in effect until 2020 permitted the participation by the members of the former Board of Supervisory Directors in the Company's LTIP. The members, however, have no longer participated in the LTIP effective the financial year 2020.
- All shares acquired and/or held by the Non-Executive Directors shall be a long-term investment only.

The Remuneration Policy will evolve over time, to remain aligned with Pharming's strategy, market practice and the interests of its stakeholders. The remuneration committee annually reviews the Remuneration Policy and its implementation to ensure its effectiveness. The next evaluation, including the testing of scenarios, is scheduled for August 2022.

Specific elements

Peer Group

The Remuneration Policy is based on the overarching principle that the average level of total remuneration of both the Executive Directors and the 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 US integrated and commercial stage listed companies active in Life Sciences, in view of Pharming's important presence in the US. This peer group composed of European and US listed companies also reflects the listing of our shares on Euronext Amsterdam and of our ADS on Nasdaq.

The names of the companies in the current peer group are disclosed in the separate document published on the Company website (www.pharming.com) and incorporated herein by reference.

In the below paragraphs on variable remuneration, the separate peer group used for the long-term incentive program is explained.

Remuneration Executive Directors

The remuneration package permitted by the Remuneration Policy consists of annual fixed remuneration, variable remuneration (including a short-term incentive in cash and a performance-based long-term incentive program in shares) and other defined benefits (such as pension, holiday allowance and health insurance coverage). The performance of the Executive Directors is reviewed annually by the Board of Directors, without the participation of the Executive Directors, based on a set of financial and non-financial targets that are aligned with the Company's long-term strategy, in accordance with the outline in the Remuneration Policy.

Fixed Remuneration

The remuneration package of the Executive Directors comprises a fixed remuneration in the form of an annual base salary.

The Board of Directors, without the participation of the Executive Directors, may upon proposal of the Remuneration Committee decide to increase the base salary of Executive Directors and Officers within the restrictions set by the Remuneration Policy, provided that (i) the amount of the increase does not exceed the average salary increase of the employees of our Company and (ii) the resulting total remuneration continues to be aligned with the Company's position relative to the peer group.

Moreover, based on the benchmark analysis completed in September 2020, the Remuneration Policy permits the increase of the fixed remuneration of the CEO, divided into annual stages until the end of 2023, to bridge the 10% gap with the median, subject to continued (overall) satisfactory performance.

The remuneration committee ascertained that the aforesaid gap is the result of the rapidly changing nature and complexity of the Company's business over the last couple of years, when it suddenly transformed from a chronic loss-making small biotech into an integrated profitable bio-pharmaceutical organization, with own commercialization operations in both the US and EU and ongoing forward integrating into manufacturing.

Short-term variable remuneration Executive Directors

The Remuneration Policy permits the grant to the Executive Directors by the Board of Directors, upon proposal of the Remuneration Committee, of an annual bonus in cash (the "Short-Term Incentive" or "STI") based on personal performance and/or the achievement of predetermined objectives for a financial year, aligned with the Company's long-term strategy.

The individual on-target bonus for the CEO is set at 70% of the gross annual salary. The maximum annual bonus is capped at 140% of the gross annual salary. 80% of the annual bonus is related to company objectives, while the remaining 20% is related to the performance on individual performance objectives.

Long-term variable remuneration Executive Directors

Share option plans and the grant of restricted shares under the LTIP plan are no longer be applied for the Executive Directors under the new Remuneration Policy. The newly designed long-term incentive program (the "Executive LTI"-program) has been aligned with prevailing 'best practices' and is performance-related only.

The on-target value of the shares to be awarded to the CEO under the new Executive LTI program, as described in the Remuneration Policy, is set at 300% of the gross annual salary. The maximum value of the shares that can vest for the CEO under the LTI program is set at 450% of the gross annual salary.

The shares granted to the Executive Directors under the Executive LTI program will vest 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 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 AMX Index and the NASDAQ Biotechnology Index, represented by the IBB ETF, respectively, equally weighted, at the time of determination.

The thresholds and payout percentages for the LTI program are given by the following table, as to be determined for each of the AMX 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.

A one-off transition arrangement with the CEO was approved by our shareholders on 11 December 2020, to mitigate the impact of the first vesting of shares under the new Executive LTI program in Q1 2024 on the existing contract with the CEO. This one-off transition arrangement provides for (i) the conversion of a 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 of 4,200,000 ordinary shares for 2020, and (ii) the vesting of these shares in three annual tranches in the first quarter of 2021, 2022 and 2023, subject to the performance-based criteria of the Executive LTI program. This arrangement was granted subject to a waiver by the CEO of all (contractual and other) rights and entitlements under the share option and long-term incentive plans for the year 2020.

The one-off transition arrangement as agreed with the CEO, and approved by our shareholders, acknowledges inter alia the fully performance-based nature of the Executive LTI program, which implies a significantly

increased uncertainty with regard to the achievement of the applicable LTI targets (i.e, 60% strategy targets and 40% linked to TSR, without any pay-out in case of performance of the TSR below index) and therefore the actual vesting of these shares, compared to the guaranteed vesting of the (to be) waived share options pursuant to the applicable share option plans (see next paragraphs).

The remuneration policy applied until 2020 permitted, by way of long-term variable remuneration for members of the former Board of Management, (i) the grant of annual share option plans, if approved by the Annual General Meeting of Shareholders and based on tenure, and (ii) the conditional grant of restricted shares with a target value of 30% of gross annual salary, pursuant to the long-term incentive program ("LTIP"). The number of restricted shares that vested under the LTIP after three years was determined based on the relative performance of the Pharming share price compared to an initial group of 26 other European Small cap/Midcap listed companies active in life sciences over the preceding 36 months.

The last share option plan for the members of the former Board of Management was approved by our shareholders in May 2019. Reference is made to the subsequent 2021 Remuneration Report herein, below for the outstanding options.

The Peer Group used to determine the number of shares vested under the LTIP plans, pursuant to the remuneration policy in effect until 2020, consists of the following 26 European Small-/Mid cap listed companies active in Life Sciences over the preceding 36 months:

Main location	Number	Company
Belgium	1	Galapagos
Denmark	4	Bavarian Nordic, Neurosearch, Veloxis Pharmaceuticals, Genmab
France	5	Cellectis, Eurobio Scientific, Hybrigenics, Innate Pharma, Transgene
Germany	4	Evotec, Medigene, Morphosys, Heidelberg Pharma
Italy	1	Newron Pharmaceuticals
Norway	1	Photocure
Sweden	1	Medivir
Switzerland	4	Addex Therapeutics, Basilea Pharmaceutica, Kuros Biosciences, Santhera Pharmaceuticals
United Kingdom	5	Allergy Therapeutics, GW Pharmaceuticals, ImmuPharma, Oxford Biomedica, Premier Veterinary Group
Total excluding Pharming Group	**26**	

The thresholds and payout percentages for the LTIP plans are given by the following table:

Achievement level	% of grant attained
5% of the index:	100%
5-10% of the index:	80% of maximum
10-20% of the index:	60% of maximum
20-30% of the index:	50% of maximum
30-50% of the index:	20% of maximum
Lower than 50% index:	0%

Remuneration Non-Executive Directors

The Remuneration Policy permits the following remuneration packages for the Non-Executive Directors for 2020 and onwards, including the grant of a fixed number of shares (not linked to the performance of Pharming).

The following fee structure is permitted according to the Remuneration Policy:

- Chairman Board of Directors: €65,000 per annum in cash and €40,000 in shares;
- Non-Executive members Board of Directors: €45,000 in cash and €30,000 in shares;
- Corporate Governance Committee: Chairperson annual fee of €6,000 in cash; Members of this committee: €3,000 per annum in cash.
- Audit Committee: Chair €9,000 and Member €3,000 per annum in cash;
- Remuneration Committee: Chair €6,000 and Member €3,000 per annum in cash.

The aforementioned fee structure, as adopted by our shareholders on 11 December 2020, was set in accordance with gathered benchmark data to ensure that the remuneration will each time be consistent with the position of the Company relative to the benchmark groups that are relevant to the Company. The fee structure also recognizes the responsibilities and time commitment of the Non-Executive Directors as members of the one-tier Board of Directors and their extended responsibilities as members of the committees.

The remuneration policy in effect until 2020 also permitted the grant of restricted shares to the members of the former Board of Directors pursuant to the Company's LTIP. However, the supervisory directors have no longer participated in the LTIP effective the financial year 2020. The new Remuneration Policy does not permit the grant of shares to the Non-Executive Directors, other than the shares part of the fixed remuneration package as identified herein above.

Implementation of Remuneration Policy

This section of the Remuneration Report accounts for the implementation of the applicable remuneration policy in the financial year 2021 for both the CEO (as the only Executive Director) and the Non-Executive Directors as members of the Board of Directors. This section supplements the outline of the applicable remuneration policies in the preceding paragraph 'Summary of Remuneration Policy'. That outline is incorporated into this section by reference.

A 98,16.% majority of the votes was cast during the general meeting on 19 May 2021 in favor of the proposal to give a positive advice regarding the submitted 2020 remuneration report. As explained in that remuneration report and to our shareholders during the meeting held on 19 May 2021, a retrospective disclosure of the performance of the CEO, as the only Executive Director, against the agreed targets was included.

Executive Director/CEO

Fixed Remuneration

The following table reflects the gross annual base salary (fixed remuneration) of the Executive Director/CEO paid in the financial year 2021:

Position	Fixed remuneration amount in € '000	Fixed remuneration amount in US$ '000
CEO	574	681

Variable Remuneration: short-term and long-term incentive plans

2021 performance indicators and remuneration Executive Director

The Corporate Governance Committee and the Remuneration Committee reviewed the performance by the Executive Director/CEO on the objectives that had been set for 2021. In addition, the Remuneration Committee considered the pay ratios within the Company and how these compare with the peer group companies.

As further explained herein, below, the Board of Directors, upon proposal of the Corporate Governance Committee and the Remuneration Committee, concluded that the CEO had contributed in 2021 significantly to the efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success and enhancing the other long-term value objectives and interests of the Company, in accordance with the long-term strategy. Accordingly, the Board of Directors determined, upon the recommendation of the Remuneration Committee, the awards and pay-outs as set out below, in accordance with the terms and conditions of the applicable short-term and long-term incentive programs as approved by our shareholders on December 11, 2020.

The following section provides a retrospective disclosure of performance on the targets that were set in 2021for the short-term (STI) and long-term (LTI) incentive programs, including the resulting awards and pay-outs.

A) Annual Incentive (STI)

The Annual Incentive (STI) pay-out takes place in cash and is based on actual performance on the 2021 targets, as assessed by the Corporate Governance Committee and the Remuneration Committee and as summarized in the table below.

To support the performance culture across the entire company, the same targets had been set for the Executive Director/CEO and the Executive Officers. In acknowledgement of the company's long-term strategy, as set out in the chapter 'Our Strategy" in this Annual Report, the Board of Directors decided to give an increased weighting to the execution of that strategy, as part of the targets for 2021, as reflected in the following table. The 2021 realizations as explained in this Remuneration Report refer to the performance on the criteria that apply to the CEO, as the only statutory executive board member, in accordance with Dutch law.

Pharming Group Annual Incentive - Targets in % 2021

Themes	Performance measures	Weighting	Realized performance	Resulting payout as % of target
Execution	Drive flawless execution of the “Three Pillars growth strategy: 1) Business Development: in-licensing/ acquisition of/ business combination/ merger with (late stage) target(s) (Pillar1); 2) Clinical development for C1INH and leniolisib: completion study COVID-19 and enrollment patients other studies (Pillar 2 and 3); 3) Manufacturing targets: production targets batches for sales and trials and timelines construction facilities FX and DS and Cattle C1INH project (Pillar 1 and 3)	50%	86%	43%
Financials	Deliver profitable growth: targets for net revenues, volumes (vials), operating result and execution of agreed financing strategy for M&A transactions.	30%	25%	7,5%
People	Maintaining an inspiring, entrepreneurial, performance and compliance focused company culture, developing leadership abilities and further improving technical and personal skills. Specific targets related to completion recruitment for ExCo (open positions) and implementation succession planning at ExCo level, implementation Phase 1 ERP system and implementation compliance program (company-wide policies and trainings) according to planning.	10%	75%	7,5%
Impact/purpose	Corporate social responsibility, as part of the core business, making a positive contribution to the environment and society. Targets focused on number treated HAE patients and identified APDS patients (leniolisib), study potential indications for leniolisib and patient/patient organization feedback.	10%	125%	12,5%

The Board of Directors, upon a recommendation of the Remuneration Committee, decided in its discretion to set the total score for the 2021 annual bonus (STI) at 75% (out of 100%, i.e., below target). The Board of Directors recognized, inter alia, that, in addition to the scores on the specific targets set for 2021, significant steps have been taken under the CEO's leadership for accelerating the execution of Pharming's long-term strategy, which constituted an important objective for 2021. Reference is made, inter alia, for leniolisib to the pediatric development program that got support from EMA on the PIP, and the significant progress made in clinical development, data collection and access programs in general. The successful phase I implementation of the new SAP Enterprise Resource Planning system (ERP) marks another important milestone for Pharming. Last-but-not-least, all scores were achieved in 2021 despite the ongoing challenges that were set by the restrictions due to the COVID-19 pandemic for, inter alia, the sales force and the supply and manufacturing activities.

When applying the applicable weightings to the resulting payout, as % of target for the financial and individual targets, respectively (set by the remuneration policy at 70% of gross annual salary for on target performance, with a maximum of 140%), this leads to the following total Annual Incentive realization and payout in cash to the Executive Director for his performance in 2021:

Pharming Group Annual Incentive realization for 2021 (payout in 2022)

	Total pay-out as % of target	As % of gross annual salary
S. de Vries	75%	52,5%

B) Long-Term Incentive (Executive LTI program)

One-off transition arrangement for implementation of the Executive LTI Program.

Background

The implementation of the vesting scheme under the Executive LTI Program in 2020 (i.e., vesting after the three year performance period and therefore initial vesting in the first quarter of 2024) has a major impact for the period 2021-2023 on the current remuneration packages of the CEO, as his contract featured annual option grants, with annual vesting of options based on continued tenure only. As a result of the switch-over to the new performance-based vesting scheme, there will be thus be no vesting of options in the first quarter of 2021, 2022 and 2023, respectively. The share-based remuneration under the existing packages and plans over this three-year period would have resulted in three option grants, with guaranteed vesting on the basis of continued tenure over the period of in total 8,400,000 options for the CEO (on the basis of the last approved annual option grant in 2019 of 2,800,000 options). In addition, three annual LTIP restricted share grants of up to 30% of the base salary would have been granted.

To mitigate the described impact of the implementation of the new Executive LTI Program replacing the Executive Share Option Plan and the LTIP, a one-off transition arrangement was agreed with the CEO in December 2020, in lieu of the entitlements under his contract with the Company. This one-off transition arrangement (the “Executive LTI One-Off Transition Arrangement”) provided for (i) the conversion of the total number of 8,400,000 options for the CEO, as identified herein, above, into one grant to the CEO of a total number of 4,200,000 shares for 2020 (applying a 2:1 conversion ratio in accordance with the guidelines used by Radford, the executive reward consultant engaged by the Company for the 2020 benchmark) and (ii) the vesting of these shares in three annual tranches in the first quarter of each of 2021, 2022 and 2023.

The Executive LTI One-Off Transition Arrangement was granted in 2020 subject to:

- a waiver by the CEO of all (contractual and other) rights and entitlements under the share option and LTIP plans for 2020;
- a five year retention period for the granted shares;
- the annual, pro-rata satisfaction of the long-term targets upon vesting; and
- the other terms and conditions applicable to the new LTI Program.

The Executive LTI One-Off Transition Arrangement as described herein, above was approved by our shareholders on 11 December 2020. On 22 December 2020, the Board of Directors (conditionally) granted 4,200,000 restricted shares to the CEO, subject to the terms and conditions of the Executive LTI One-Off Transition Arrangement, and the CEO waived his contractual rights and entitlements with regard to the share option plans and LTIP for 2020.

The first and second year of the 3-year performance period for the 2020 share grant pursuant to the Executive LTI One-Off Transition Arrangement, ended on 31 December 2020 and 31 December 2021, respectively. Accordingly, the Board of Directors, upon a recommendation from the Remuneration Committee, determined the vesting of the first and second annual tranche of the total number of 4,200,000 shares conditionally granted to the CEO (i.e., 1,400,000 shares). As explained in the 2020 remuneration report, a total number of 840,000 shares vested for the CEO for the first annual tranche of the shares granted under the Executive LTI One-Off Transition Arrangement (60% vesting level). These shares are subject to a retention period of five years.

The results for the second annual tranche are explained below. In accordance with the applicable terms and conditions, as approved by our shareholders on 11 December 2020, the vesting of the shares included in the second annual tranche is determined based on the pro-rata performance by the CEO on the applicable long-term targets, which were a combination of Total Shareholder Return and strategic corporate objectives, during the respective calendar years.

The shares awarded to the CEO for the performance years 2021-2023 under the new Executive LTI program, as approved by our shareholders on 11 December 2020, will not vest until the first quarter of 2024, applying the targets set at the start of the three year performance period in 2021. These targets are also a combination of Total Shareholder Return and strategic corporate objectives, as further described in the Remuneration Policy and the Executive LTI program as published on our website (www.pharming.com). A retrospective disclosure on these targets will be included in the annual report for 2024. The upfront disclosure of detailed performance measures and targets would be commercially sensitive and the Company will therefore not share these, in accordance with prevailing 'best practices' and as explained to our shareholders in December 2020. However, in accordance with the outline of the Company's three-pillar strategy, these targets are related to the in-licensing/acquisition of a (late stage) asset, broadening the revenue base and leveraging the commercialization infrastructure and the expansion of the C1 esterase inhibitor franchise beyond acute HAE attack treatments.

TSR (40% weighting)

Pursuant to the Remuneration Policy, the peer group used to determine the Total Shareholder Return ("TSR") is composed of the companies included in the AMX Index and the NASDAQ Biotechnology Index, represented by the IBB ETF, respectively, equally weighted, at the time of determination. The thresholds and payout percentages for the LTI program are given by the following table (to be determined for each of the AMX 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 share-price performance by Pharming shares over the period 31 December 2020 - 31 December 2021 was – 41,1%, while the AMX index increased by 13,6% and the IBB ETF decreased by 0,8% over the aforementioned period. If the AMX index would be replaced by the ASCX index as of June 2021, to reflect the current listing of Pharming at Euronext since that date, the pay-out for TSR performance over 2021 is also zero: the combined AMX (until 21 June 2021) and (as of 21 June) ASCX performance was +11,1%. Accordingly, the pay-out for TSR performance will be zero.

Strategy execution (60% weighting)

The Board of Directors, upon a recommendation of the Remuneration Committee, determined in its discretion the total score for the corporate strategic objectives for the year 2021 at 75% (out of 100%), with reference to the pro-rata performance on the long-term strategic targets for the Executive LTI program (i.e., the in-licensing/acquisition of a (late stage) asset, broadening the revenue base and leveraging the commercialization infrastructure and the expansion of the C1 esterase inhibitor franchise beyond acute HAE attack treatments) as included in the total set of targets that had been agreed with the CEO.

The Board of Directors recognized inter alia that the 2021 targets were predominantly focused on accelerating the implementation of Pharming's long-term strategy and therefore the score on these targets was taken into consideration.

The performance on both the TSR and the strategic corporate objectives, applying the respective weightings, leads to the following vesting level under the Executive LTI One-Off Transition Arrangement for the CEO (i.e., the second annual tranche of 1,4000,000 shares):

Metric definition	Achievement	Weighting	Vesting level
TSR	—%	40%	—%
Strategic Objectives	75%	60%	45%
Total	75%	100%	45%

In accordance with the resulting 45% vesting level, a total number of 630,000 shares vested for the CEO for the second annual tranche of the shares granted under the Executive LTI One-Off Transition Arrangement (out of the 1,400,000 million restricted shares that had been granted for the second tranche in 2020).
These shares are subject to a retention period of five years.

Overview Total Remuneration CEO

The following table sets out the total remuneration for the Executive Director/CEO (and former members of the board of management), including the awards and pay-outs (i.e., in 2022 for the short-term variable amount) based on the outcome of the performance assessment for 2021, as described in the preceding section.

in US$ '000	Fixed remuneration	Short term variable: annual bonus	Share based payments	Post-employment benefits	Other	TOTAL
Mr Sijmen de Vries, CEO and Executive Director	2021: 681 (32%) 2020: 614 (21%) 2019: 568 (36%) 2018: 579 (36%) 2017: 537 (33%)	2021: 357 (17%) 2020: 431 (15%) 2019: 347 (22%) 2018: 506 (32%) 2017: 373 (23%)	2021: 1,264 (44%) 2020: 1,739 (59%) 2019: 546 (35%) 2018: 384 (24%) 2017: 606 (37%)	2021: 120 (6%) 2020: 107 (4%) 2019: 81 (5%) 2018: 96 (6%) 2017: 89 (5%)	2021: 38 (2%) 2020: 37 (1%) 2019: 36 (2%) 2018: 38 (2%) 2017: 36 (2%)	2021: 2,460 2020: 2,927 2019: 1,578 2018: 1,603 2017: 1,641
Mr. Bruno Giannetti, CMO	2021: - 2020: 402 (28%) 2019: 371 (38%) 2018: 378 (38%) 2017: 349 (34%)	2021: - 2020: 201 (14%) 2019: 190 (20%) 2018: 275 (28%) 2017: 210 (20%)	2021: - 2020: 708 (50%) 2019: 324 (33%) 2018: 238 (24%) 2017: 371 (36%)	2021: - 2020: 85 (6%) 2019: 78 (8%) 2018: 91 (9%) 2017: 88 (8%)	2021: - 2020: 27 (2%) 2019: 9 (1%) 2018: 9 (1%) 2017: 17 (2%)	2021: - 2020: 1,424 2019: 973 2018: 992 2017: 1,036
Mr. Robin Wright, CFO	2021: - 2020: 155 (24%) 2019: 255 (53%) 2018: 362 (47%) 2017: 335 (45%)	2021: - 2020: 14 (2%) 2019: 167 (25%) 2018: 175 (23%) 2017: 153 (20%)	2021: - 2020: 107 (17%) 2019: 128 (18%) 2018: 197 (25%) 2017: 229 (30%)	2021: - 2020: 15 (2%) 2019: 26 (4%) 2018: 40 (5%) 2017: 38 (5%)	2021: - 2020: 350 (55%) 2019: - 2018: - 2017: -	2021: - 2020: 641 2019: 676 2018: 774 2017: 755

The remuneration amounts paid in 2021 to the Executive Officers are not required to be disclosed according to Dutch law and accordingly are not disclosed herein.

The following table sets out the remuneration and company performance over the period 2017-2021 for the CEO (and former members of the board of management) and also visualizes the average employee salaries over the same period.

Annual % change Director's remuneration	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016
Sijmen de Vries, CEO and Executive Director	(16%)	82%	4%	(7%)	(7%)
Bruno Giannetti, CMO	—%	44%	3%	(8%)	(8%)
Robin Wright, CFO	—%	(7%)	(8%)	(2%)	1%
Company performance - increase/ (decrease)					
Revenues	(6%)	10%	25%	51%	465%
Gross Profit	(6%)	12%	31%	46%	590%
Operating Result	(82%)	10%	60%	73%	290%
Net Result	(58%)	(10%)	45%	133%	(356%)
Employees (Full-time equivalent)	24%	21%	21%	23%	49%
Average remuneration of employees on a full-time basis					
Employees of the Group	(5%)	4%	(2%)	3%	46%

Pay ratio

The Remuneration Committee considered the pay ratios within the Company and compared the pay-out of remuneration in 2021 to the Executive Director to an internal reference group.

For 2021, the pay ratio between the compensation of the CEO and the mean compensation of employees (excluding the CEO) was 12.0 to 1 (2020: 13.8 to 1). Including the former Board of Management, the pay ratio in 2020 was 8.1 to 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 aforementioned pay ratio is deemed consistent with levels which are appropriate for Pharming, given its size and complexity.

Share based compensation

The Remuneration Policy as adopted by our shareholders on 11 December 2020, no longer permits the grant of share options to the members of the Board of Directors. As explained above, the CEO waived his contractual rights with regard to share options for 2020 on 22 December 2020.

Accordingly, the below table sets out the final remaining share options as granted to the CEO by the 2019 Annual General Meeting of Shareholders (note that the dollar strike price is translated using 2021 closing exchange rate for 2021: 1:1,1334):

Grant 2019 for period 2019 - 2024		
	Award (number of options)	Status
Mr Sijmen de Vries	2,800,000	Vested (strike price US$0.912)
Mr Bruno Giannetti	1,600,000	Vested (strike price US$0.912)

The strike price of the 2019-2023 final remaining share options as specified in the above table constitutes the 20 Day VWAP prior to the 2019 AGM, in accordance with the applicable terms and conditions.

LTIP

As result of a 50% pay-out of the Long Term Incentive Plan (LTIP) 2018, in March 2021, the CEO received shares in the Company.

Over the three year period for the LTIP 2019, the Pharming share price increased from €0.7575, the closing price at 31 December 2018, to €0.775, the closing price at 31 December 2021. With this result, compared to the reference group, Pharming reached a rank of 11 out of 23 (including Pharming). As a result, 20% of the maximum allocated shares have vested and were issued to the LTIP participants, including the CEO.

Following the approval of the new Remuneration Policy on 11 December 2020, the LTIP was replaced by the new Executive LTI plan as of the financial year 2021. The CEO waived his rights with regard to the LTIP 2020 on 22 December 2020. Please refer to the preceding paragraphs for a report on the payout to the CEO under the Executive LTI One-Off Transition Arrangement.

Details of the current shareholdings and share options rights of Mr. de Vries can be found in note 23.

Share ownership

The remuneration policy requires the CEO, as Executive Director, to acquire and hold shares in the Company with a value of at least 400% of his annual base salary. As per 31 December 2021, the CEO held 7,095,927 shares, representing a value of € 5,499,343 (US$ 6,232,955) (based on the Pharming close stock price at 31 December 2021: € 0,775). Compared to his 2021 annual base salary of € 574,000 (US$681,000), the CEO exceeded the minimum threshold.

2021 remuneration Board of Supervisory Directors/Non-Executive Directors

In accordance with the Remuneration Policy adopted by our shareholders on 11 December 2020, the following annual compensation structure applied in 2021 to the Non-Executive Directors:

a. Board of Directors:

   i. Chair: €65,000 per annum in cash and €40,000 per annum in ordinary shares in Pharming;

   ii. Other Members: €45,000 per annum in cash and €30,000 per annum in ordinary shares in Pharming;

b. Audit Committee: Chair €9,000 and Member €3,000;

c. Remuneration Committee: Chair €6,000 and Member €3,000;

d. Corporate Governance Committee: Chair €6,000 and Member €3,000 per annum in cash;

e. An additional compensation of €1,000 per day is paid in case of extraordinary activities.

Accordingly, the total annual remuneration paid was based on the position an individual had in the Board of Directors and, if applicable, the committees.

Compensation overview per Non-Executive Director in the period 2017-2021 (In US$ '000, note that the dollar compensation is translated using a yearly average exchange rate applicable for the year (2021: 1:1,1860)):

in US$ '000	Fixed remuneration	Share based payments	Total	Remarks
Mr. Paul Sekhri	2021: 77 2020: 74 2019: 56 2018: 59 2017: 57	2021: 55 2020: 59 2019: 37 2018: 35 2017: 36	2021: 132 2020: 133 2019: 93 2018: 94 2017: 93	Appointed on 30 April 2015
Mr. Barrie Ward	2021: 23 2020: 62 2019: 44 2018: 50 2017: 51	2021: 20 2020: 46 2019: 30 2018: 31 2017: 35	2021: 43 2020: 108 2019: 74 2018: 81 2017: 86	Retired on 19 May 2021
Mr. Juergen Ernst	2021: -- 2020: 57 2019: 47 2018: 50 2017: 47	2021: 6 2020: 42 2019: 29 2018: 31 2017: 35	2021: 6 2020: 99 2019: 76 2018: 81 2017: 82	Retired on 23 November 2020
Mr. Aad de Winter	2021: 26 2020: 65 2019: 50 2018: 53 2017: 51	2021: 21 2020: 46 2019: 31 2018: 31 2017: 35	2021: 47 2020: 111 2019: 81 2018: 84 2017: 86	Retired on 19 May 2021
Ms. Deb Jorn	2021: 64 2020: 62 2019: 29 2018: - 2017: -	2021: 42 2020: 40 2019: 6 2018: - 2017: -	2021: 106 2020: 102 2019: 35 2018: - 2017: -	Appointed on 22 May 2019
Ms. Barbara Yanni	2021: 60 2020: 35 2019: - 2018: - 2017: -	2021: 36 2020: 24 2019: - 2018: - 2017: -	2021: 96 2020: 59 2019: -- 2018: - 2017: -	Appointed on 11 December 2020
Mr. Mark Pykett	2021: 57 2020: 35 2019: - 2018: - 2017: -	2021: 36 2020: 24 2019: - 2018: - 2017: -	2021: 93 2020: 59 2019: - 2018: - 2017: -	Appointed on 11 December 2020
Ms Jabine van der Meijs	2021: 47	2021: 24	2021: 71	Appointed on 19 May 2021
Mr. Leon Kruimer	2021: 47	2021: 24	2021: 71	Appointed on 19 May 2021
Mr. Steven Baert	2021: 45	2021: 24	2021: 69	Appointed on 19 May 2021

LTIP

As result of a 50% pay-out of the Long Term Incentive Plan (LTIP) 2018, in March 2021, Mr Sekhri, Mr. Ward and Mr. de Winter received shares in the Company (details of the shareholdings of the Non-Executive Directors can be found in note 24).

As result of a 20% pay-out of the Long Term Incentive Plan (LTIP) 2019, in March 2022, Mr Sekhri and Ms Jorn received shares in the Company (details of the shareholdings of the Non-Executive Directors can be found in note 24).

As of and including 2020, the Non-Executive Directors did no longer participate in the Company's LTIP scheme.

No loans or other financial commitments were made to any member of the Board of Directors on behalf of the Company in 2021.

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Information for Shareholders and Investors

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 2022	
12 May	Publication of financial results for the first three months of 2022 at 07:00 CET
18 May	Annual General Meeting of Shareholders
04 August	Publication of financial results for the first six months of 2022 at 07:00 CET
27 October	Publication of financial results for the first nine months of 2022 at 07:00 CET

Information for Shareholders and Investors

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Financial Statements

Consolidated Statement of Income

For the year ended 31 December

Amounts in US$ '000	notes	2021	Restated (i) 2020
Revenues	5	**198,871**	**212,174**
Costs of sales	7	**(21,142)**	**(23,539)**
Gross profit		**177,729**	**188,635**
Other income	6	**2,620**	**1,829**
Research and development		(70,369)	(38,519)
General and administrative		(36,974)	(24,085)
Marketing and sales		(59,445)	(51,604)
Other Operating Costs	7	**(166,788)**	**(114,208)**
Operating profit		**13,561**	**76,256**
Fair value gain (loss) on revaluation derivatives		114	69
Other finance income	8	14,894	715
Other finance expenses	8	(6,185)	(33,308)
Finance result, net		**8,823**	**(32,524)**
Share of net profits in associates using the equity method	13	**694**	**362**
Profit before tax		**23,078**	**44,094**
Income tax expense	9	(7,082)	(6,348)
Profit for the year		**15,996**	**37,746**
Basic earnings per share (US$)	28	0.025	0.058
Diluted earnings per share (US$)	28	0.023	0.055

The notes are an integral part of these financial statements.

(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

Amounts in US$ '000	notes	2021	Restated (i) 2020
Profit for the year		**15,996**	**37,746**
Currency translation differences	17	(14,802)	14,956
Fair value remeasurement investments	17	(2,283)	—
Items that may be subsequently reclassified to profit or loss		**(17,085)**	**14,956**
Other comprehensive income (loss), net of tax		**(17,085)**	**14,956**
Total comprehensive income for the year		**(1,089)**	**52,702**

The notes are an integral part of these financial statements.
(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

Consolidated Balance Sheet

as at 31 December

Amounts in US$ '000	notes	2021	Restated (i) 2020	Restated (i) 2019
Non-current assets				
Intangible assets	10	83,834	94,083	79,403
Property, plant and equipment	11	13,222	12,226	9,591
Right-of-use assets	12	19,943	9,427	6,704
Long-term prepayments		194	—	—
Deferred tax assets	9	21,216	31,877	32,061
Investment accounted for using the equity method	13	7,201	7,118	6,177
Investments in equity instruments designated as at FVTOCI	13	1,449	—	—
Restricted cash	14	812	510	2,543
Total non-current assets		**147,871**	**155,241**	**136,479**
Current assets				
Inventories	15	27,310	21,157	16,223
Trade and other receivables	16	29,983	35,901	28,864
Restricted cash	14	227	995	—
Cash and cash equivalents	14	191,924	205,159	74,348
Total current assets		**249,444**	**263,212**	**119,435**
Total assets		**397,315**	**418,453**	**255,915**
Equity				
Share capital		7,429	7,312	7,226
Share premium		455,254	447,130	441,951
Legal reserves		3,400	24,614	8,926
Accumulated deficit		(273,167)	(295,621)	(340,715)
Shareholders' equity	17	**192,916**	**183,435**	**117,388**
Non-current liabilities				
Convertible bonds	18	139,007	149,727	—
Lease liabilities	20	18,456	8,230	4,893
Other financial liabilities	25	165	212	19,380
Total non-current liabilities		**157,628**	**158,169**	**24,273**
Current liabilities				
Convertible bonds	18	1,879	2,040	—
Derivative financial liabilities		—	181	301
Loans and borrowings	19	—	—	51,125
Trade and other payables	21	42,473	47,666	40,646
Lease liabilities	20	2,419	1,962	2,182
Other financial liabilities	25	—	25,000	20,000
Total current liabilities		**46,771**	**76,849**	**114,254**
Total equity and liabilities		**397,315**	**418,453**	**255,915**

The notes are an integral part of these financial statements.
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Consolidated Statement of Changes in Equity

For the year ended 31 December

Amounts in US$ '000	notes	Number of shares (in '000)	Share capital	Share premium	Legal reserve fair value revaluation
Balance at Balance at January 1, 2020 - Restated (i)		**631,323**	**7,226**	**441,951**	**—**
Profit for the year			—	—	—
Other comprehensive income (loss) for the year			—	—	—
Total comprehensive income (loss) for the year			**—**	**—**	**—**
Legal reserves	17	—	—	—	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	—
Share-based compensation	17,22	—	—	—	—
Bonuses settled in shares	17	34	—	51	—
Value conversion rights of convertible bonds	17	—	—	—	—
Warrants exercised/ issued	17	60	1	89	—
Options exercised / LTIP shares issued	17	7,404	85	5,039	—
Total transactions with owners, recognized directly in equity		**7,498**	**86**	**5,179**	**—**
Balance at Balance at 31 December 2020 - Restated (i)		**638,821**	**7,312**	**447,130**	**—**
Profit for the year			—	—	—
Other comprehensive income (loss) for the year			—	—	(2,283)
Total comprehensive income (loss) for the year			**—**	**—**	(2,283)
Legal reserves	17	—	—	—	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	—
Share-based compensation	17,22	—	—	—	—
Bonuses settled in shares	17	—	—	—	—
Value conversion rights of convertible bonds	17	—	—	—	—
Warrants exercised	17	61	1	80	—
Options exercised / LTIP shares issued	17	9,867	116	8,044	—
Total transactions with owners, recognized directly in equity		**9,928**	**117**	**8,124**	**—**
Balance at December 31, 2021		**648,749**	**7,429**	**455,254**	**(2,283)**

Amounts in US$ '000	notes	Legal reserve participating interest	Legal reserve capitalized development cost	Legal reserve translation	Accumulated deficit	Total equity
Balance at Balance at January 1, 2020 - Restated (i)		**—**	**4,845**	**4,081**	**(340,715)**	**117,388**
Profit for the year		—	—	—	37,746	37,746
Other comprehensive income (loss) for the year		—	—	14,956	—	14,956
Total comprehensive income (loss) for the year		**—**	**—**	**14,956**	**37,746**	**52,702**
Legal reserves	17	622	110	—	(732)	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	2,361	2,361
Share-based compensation	17,22	—	—	—	6,537	6,537
Bonuses settled in shares	17	—	—	—	—	51
Value conversion rights of convertible bonds	17	—	—	—	1,605	1,605
Warrants exercised/ issued	17	—	—	—	—	90
Options exercised / LTIP shares issued	17	—	—	—	(2,423)	2,701
Total transactions with owners, recognized directly in equity		**622**	**110**	**—**	**7,348**	**13,345**
Balance at Balance at 31 December 2020 - Restated (i)		**622**	**4,955**	**19,037**	**(295,621)**	**183,435**
Profit for the year		—	—	—	15,996	15,996
Other comprehensive income (loss) for the year		—	270	(15,072)	—	(17,085)
Total comprehensive income (loss) for the year		**—**	**270**	**(15,072)**	**15,996**	**(1,089)**
Legal reserves	17	694	(4,823)	—	4,129	—
Income tax benefit from excess tax deductions related to share-based payments		—	—	—	(1,853)	(1,853)
Share-based compensation	17,22	—	—	—	9,056	9,056
Bonuses settled in shares	17	—	—	—	—	—
Value conversion rights of convertible bonds	17	—	—	—	—	—
Warrants exercised	17	—	—	—	—	81
Options exercised / LTIP shares issued	17	—	—	—	(4,874)	3,286
Total transactions with owners, recognized directly in equity		**694**	**(4,823)**	**—**	**6,458**	**10,570**
Balance at December 31, 2021		**1,316**	**402**	**3,965**	**(273,167)**	**192,916**

The notes are an integral part of these financial statements.
(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

Financial statements

The notes are an integral part of these financial statements.
(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

Consolidated Statement of Cash Flows

For the year ended 31 December

Amounts in US$'000	notes	2021	Restated (i) 2020
Profit before tax		**23,078**	**44,094**
Non-cash adjustments:			
Depreciation, amortization, impairment of non-current assets	7, 10,11,12	19,610	8,314
Equity settled share based payments	17	9,056	6,537
Fair value gain (loss) loss on revaluation of derivatives		(114)	(69)
Other finance income	8	(14,906)	(713)
Other finance expenses	8	6,196	33,308
Share of net profits in associates using the equity method	13	(694)	(362)
Other		524	(1,624)
Operating cash flows before changes in working capital		**42,750**	**89,485**
Changes in working capital:			
Inventories	15	(6,153)	(4,934)
Trade and other receivables	16	5,918	(7,040)
Payables and other current liabilities	21	(5,193)	7,019
Restricted cash	14	467	1,039
Total changes in working capital		**(4,961)**	**(3,916)**
Interest received	8	53	715
Income taxes paid	9	—	(2,658)
Net cash flows generated from (used in) operating activities		**37,842**	**83,626**
Capital expenditure for property, plant and equipment	11	(10,739)	(4,657)
Investment intangible assets	10	(3,447)	(9,060)
Investment associate	13	—	(329)
Investment in equity instruments designated as at FVTOCI	13	(4,589)	—
Acquisition of license	10	(2,530)	(1,583)
Net cash flows used in investing activities		**(21,305)**	**(15,629)**
Repayment on loans and borrowings	19	—	(57,231)
Payment on contingent consideration	25	(25,000)	(20,722)
Payment of lease liabilities		(3,217)	(2,186)
Proceeds of issued convertible bond	18	—	142,825
Transaction costs related to issued convertible bond	18	—	(2,649)
Interests on loans	18, 19	(4,448)	(2,142)
Proceeds of equity and warrants	17	4,718	2,791
Net cash flows generated from (used in) financing activities		**(27,947)**	**60,686**
Increase (decrease) of cash		**(11,410)**	**128,683**
Exchange rate effects		**(1,825)**	2,128
Cash and cash equivalents at 1 January	14	**205,159**	74,348
Total cash and cash equivalents at December 31		**191,924**	**205,159**

The notes are an integral part of these financial statements.

(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

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 31 December 2021, were authorized for issue in accordance with a resolution of the Board of Directors on 4 April 2022. The financial statements are subject to adoption by the Annual General Meeting of shareholders, which has been scheduled for 18 May 2022.

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 18. 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.

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.

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 critical 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.

These financial statements are presented in US dollars ($) and rounded to the nearest thousand dollar ($'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 1 January 2021 as disclosed below.

- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform.

- IFRS Interpretations Committee (IFRIC) agenda decision on arrangements in respect of a specific part of cloudtechnology, Software-as-a-Service (SaaS)

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 not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, 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.

- IFRS 17: Insurance contracts.
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between investors and its associate or joint venture.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
- Amendments to IFRS 3: Reference to the conceptual framework.
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IFRS 16 Leases and IAS 41 Agriculture.
- 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.

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 31 December 2021:

Entity	Registered office	Investment %
Pharming B.V.	The Netherlands	100.0
Pharming Americas B.V.	The Netherlands	100.0
Pharming Intellectual Property B.V.	The Netherlands	100.0
Pharming Technologies B.V.	The Netherlands	100.0
↳ Pharming Research & Development B.V.	The Netherlands	100.0
Broekman Instituut B.V.	The Netherlands	100.0
Pharming Healthcare, Inc.	The United States	100.0
ProBio, Inc.	The United States	100.0

2.4 Accounting principles and policies

Change in presentation currency

As of the January 1st, 2021, the Company changed its presentation currency from Euro to US Dollar. The change was made to better reflect the economic footprint of the Company's business going forward. The Company believes that the presentation currency change will give investors and other stakeholders a clearer understanding of the Company's performance over time. The functional currency of the group (being Euro) did not change.

Accordingly, to satisfy the requirements of IAS 21 The Effects of Changes in Foreign Exchange Rates, the reported results for the years ended 31 December 2021 and 31 December 2020 have been translated from euro to US Dollar using the following procedures:

- Assets and liabilities denominated in non-US Dollar currencies were translated into US Dollar at the relevant closing rates of exchange;
- The trading results of subsidiaries whose functional currency was other than US Dollar were translated into US Dollar at the relevant average rates of exchange;
- Movements in other reserves were translated into US Dollar at the relevant average rates of exchange; and
- Share capital was translated at the historic rates prevailing on the date of each transaction.

A change in presentation currency represents a change in accounting policy under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which is accounted for retrospectively. An opening balance sheet has been presented showing the impact of the change in presentation currency on 31 December 2019.

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 (see below under financial instruments/hedge accounting);
- 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, 2021 was 1.1334 (2020: 1.2280; 2019: 1.1214). The average exchange rate applied in 2021 was 1.1860 (2020: 1.1426; 2019: 1.1205).

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.

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 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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of acquisition are recognized as an expense.

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;

- 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 reclassified to profit or loss on disposal of the equity 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. For the purpose of the statement of cash flow, cash and cash equivalents are net of outstanding bank overdrafts and do not include restricted cash. Restricted cash is cash held on short term deposits with certain banks as security mainly for credit card and lease cars and is not considered cash and cash equivalents.

Equity

The Company only has ordinary shares, and these are classified within equity upon issue. Shares transferred in relation to settlement of (convertible) debt and derivative financial liabilities 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 issue of fixed warrants with a fixed exercise price as well as upon the recognition of share-based payment expenses; shares issued upon exercise of such warrants or 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 and borrowings

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (derivative financial liabilities) or financial liabilities at amortized cost (borrowings and trade and other payables). All financial

liabilities and borrowings 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 and borrowings 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 recognized 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 Company has issued convertible bonds. At the time of the issue of bonds itself the split between equity and liability portion has been accounted for. The liability portion of the convertible bonds is the present value of the future cash flows, calculated by discounting the future cash flows of the bonds (interest and principal) at the market rate of interest with the assumption that no conversion option is available. The value of the equity portion will be the difference between the total proceeds received from the bonds and the present value (liability portion).

The equity component is not remeasured after initial recognition.

In the case the Company extinguishes the convertible bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible bond at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

a) the amount of gain or loss relating to the liability component is recognized in profit or loss; and

b) the amount of consideration relating to the equity component is recognized in equity

If the convertible bonds are converted before maturity, the amount recognized in equity in respect of the shares issued should be the amount at which the liability for the debt is stated as at the date of conversion.

On conversion of the convertible bonds at maturity, the Company recognizes the liability component and recognizes it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity date.

The transaction costs that are directly attributable to the convertible bonds are deducted from the initial fair value of the convertible bonds. The transaction costs are allocated between the liability and the equity components in proportion to the allocation of the proceeds. The transaction costs of the liability component are recognized as part of interest costs.

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.

Derivative financial liabilities

Derivative financial liabilities are initially recognized at fair value and subsequently measured at fair value through profit or loss with changes in the fair value recognized in the statement of income as they arise.

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 follow five steps, based on transfer of control over goods or services 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 or services 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;

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 vials of 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.

The Group received upfront payments in the past from a variety of parties in exchange for licenses for European, US, and other sales and distribution rights. These upfront payments were each considered as a single performance obligation together with the subsequent delivery of goods. They were initially recognized as a deferred contract liability and were released to the statement of income over the effective life of the license, in line with the terms of agreement with each distributor. All amounts held over in this way have now been released to the income statement following termination or variation of the underlying agreements or completion of the performance obligation in question. No significant financing component exists in relation to these upfront payments.

Other income

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 grant 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.

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.

On December 11, 2020 the new LTIP for the Executive Director was implemented. The existing share option plans and the grant of restricted shares under LTIP, from December 11, 2020 onwards, will no longer be applied for the Executive Directors under the new Remuneration Policy. The newly designed LTIP has been aligned with prevailing 'best practices' and is perfomance-related only. 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 new LTIP, will vest in 3 years after the grant date, subject to the achievement of targets for a tree-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 has to be a member of the Board of Directors as Executive Board Member at the vesting date.

The fair value of the new LTIP is determined using the 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 financial performance condition of Pharming compared to the benchmark, the strategic performance condition as well as the service condition.

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-used 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. The Group has not used this practical expedient. 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 lease component and the aggregate stand-alone price of the non-lease components. The Group had no such lease arrangements in 2020 and has none at the date of this report.

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, warrants issued and convertible loan agreements.

2.5 Critical accounting judgements and key sources of estimation uncertainty

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements:

Orchard Therapeutics

On July 1st, 2021, Pharming Group N.V. and Orchard Therapeutics announced a strategic collaboration to research, develop, manufacture and commercialize OTL-105 which is still in early pre-clinical phase. Pharming will be responsible for clinical development, regulatory filings, and commercialization of the investigational gene therapy, including associated costs.

As part of the collaboration, Pharming paid a consideration of $17.5 million comprising $10 million in cash and a $7.5 million equity investment (representing approximately a 1% of the outstanding shares of Orchard) at a premium to Orchard's share price as per July 1st, 2021.

In order to assess whether the collaboration agreement constitutes a business combination, joint arrangement or intangible asset, judgement was applied. Our main considerations to conclude that this transaction is not a business combination under IFRS 3 is based on the fact that no workforce or processes were transferred as part of the agreement. Nor is it a joint arrangement under IFRS 11, based on the fact that control is not contractually shared.

In order to assess whether the rights acquired by the collaboration agreement represent intangible asset for Pharming financial reporting purposes, an assessment is performed, in accordance with IAS 38 "Intangible Assets", on whether the assets are identifiable, whether Pharming obtained control over those assets and whether future economic benefits are expected to be obtained by means of those assets. The assessment of whether future benefits are expected required management judgement.

Via the collaboration agreement between Pharming and Orchard, Pharming would potentially be able obtain the future benefits from the IP right. Management concluded that, at the reporting date, it is not highly probable that the therapy program will succeed and provide future economic benefits to Pharming as required by IAS 38.22.

Based on the judgements described above, the definition of an Intangible asset is not met as such, the total consideration less the fair value of the purchased shares, which represents a separate asset recorded under 'Investments in equity instruments designated as at FVTOCI', were recognized as an expense when incurred.

Development costs

Expenditures for development can be recognized as an intangible asset when the following criteria are being met as described in further detail in 'Intangible Assets' paragraph 2.4 of this note:

- Technical feasibility of completing the asset so that it will be available for use of sale is clear;
- The Company's intention to complete the asset and use or sell it is clear;
- Its ability to use or sell it is clear;
- The probability of future economic benefits is good (there is an existing market for the product which is likely to be available once the product is ready for launch);
- The availability of resources to complete the development is not in question;
- The ability to measure the expenditures on the project reliably is not in question.

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. This resulted in the capitalization of the development expenses. As required by IAS 36 "Impairment of assets", management assessed whether there is an indication that an asset may be impaired. Management has had to make judgements to determine the feasibility of the project. Mainly given a re-prioritization of the effort invested in the Company's pipeline assets, management decided to stop the project and consequently impaired the capitalized development costs. Further reference is made to note 10.

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
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 as 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

Looking forward, we see continuing uncertainties due to the global COVID-19 pandemic and the related market volatility. In the preparation of the financial statements, the potential impact of the global pandemic COVID-19 outbreak has been considered as part of the adoption of the going concern. In particular, the Executive Directors and Officers have assessed the likelihood of the COVID-19 pandemic affecting the Company’s revenues, costs or other activity to such a degree that the likelihood of the Company being unable to meet all of its obligations as they fall due is reduced, and has concluded that there is no significant probability that this will occur during the next 12 months. While it is possible that sales growth may be slightly lower than expected if business travel continues to be heavily restricted for a long period of time, the underlying needs of our patients are not expected to change. Certain costs may be delayed or not incurred at all if the pandemic continues.

In addition to the above, risk factors, possible future actions and other uncertainties remain, and it is currently not possible to reliably estimate the future impact thereof for the company. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity, and we expect to be able to meet our financial obligations.

The 2021 year-end cash balance (including restricted cash) of US$193.0 million is expected to fund the Company for more than twelve months from the date of this report. The normal receipts of sales revenues from customers and normal costs together increased the Company’s cash balance to approximately US$189.7 million as of 31 March 2022.

So far, we have not experienced any noteworthy disruption to our supply chain and none of the Company’s (external) production facilities/sales locations have been closed. The receipts from commercial supply of product to our partners in Latin America, South Korea and Israel and proceeds from direct sales in the USA and Europe currently generate more cash than the Company requires for day to day expenses and to supply those sales, and thus the surplus cash generated will support our capital expenditure plans and financial reserves further.

The Board of Directors anticipate significant investments in the preparations of the launch of leniolisib, expected in Q1 2023. These investments will have a negative effect on the profit in the year 2022. Consequently, the company expects the cash and cash equivalents to reduce during the year as the company invests in its future. Expected revenue for leniolisib, if approved, will increase significantly from 2023 and onwards. The company remains confident in the robustness of RUCONEST® sales, in the expansion of its pipeline and the addition of leniolisib, if approved 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 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.

Overall, based on the outcome of this assessment, Pharming’s 2021 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 (significantly) 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.

4. Segment information

The Executive Members of the Board of Directors are the chief operating decision-maker and consider the business from both a geographic and product perspective.

From a product perspective, the Company's business is exclusively related to the recombinant human C1 esterase inhibitor business. From a geographic perspective, the Company is operating in the US, Europe and the Rest of the World.

The Executive Members of the Board of Directors primarily measures revenues and gross profit to assess the performance of the geographic areas. Operating costs as well as non-current assets are not sub-allocated to the geographic areas.

Total external revenues and gross profit per geographic segment for the financial year 2021 and 2020 are:

Amounts in US$ '000	2021	2020
Revenues:		
US	193,419	202,684
Europe	4,933	8,232
RoW	519	1,258
Total revenues	**198,871**	**212,174**
Gross profit:		
US	176,266	184,024
Europe	1,049	3,534
RoW	414	1,077
Total gross profit	**177,729**	**188,635**

5. Revenues

The decrease in revenues was primarily a result of lower sales of RUCONEST® in the US market (US$193.4 million in 2021 compared to US$202.7 million in 2020). As previously announced, the progression of the COVID-19 pandemic has resulted in quarterly fluctuations in revenue due to ongoing effects on access to customers and phasing of ordering patterns. In the US, there was a surge in COVID-19 cases at the end of 2020 and into 2021, which led to some patients pre-filling of RUCONEST® prescriptions in Q4 2020. It also resulted in the temporary closure of the majority of physician offices causing a reduction in routine and diagnostic patient visits and a slow-down of annual renewals of prescriptions. The combination of these factors led to lower prescription refill rates by patients still using their additional RUCONEST® stock from Q4 2020 and a reduction in new patient enrollments in the first part of Q1 2021. During the remainder of the year, these trends were reversed.

Revenues in Europe decreased to US$4.9 million in 2021 (from US$8.2 million in 2020). This decrease was mainly caused by phasing or ordering. The Company continues to build its EU commercial infrastructure and expanding into new territories . Revenue in Rest of the World (excluding Europe) decreased to US$0.5 million (from US$1.3 million in 2020).

Two US customers represent approximately US$156.6 million (79%) of our net revenues in 2021. In 2020 the two US customers represent approximately US$161.7 million (76%) of our net revenues. 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 grants and amounted to US$2.6 million in 2021 (US$1.8 million in 2020). 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.

7. Expenses by nature

Costs of sales

Costs of sales in 2021 and 2020 were as follows:

Amounts in US$ '000	2021	2020
Costs of sales	(19,107)	(23,539)
Obsolescence inventory impairments	(2,035)	—
Total	**(21,142)**	**(23,539)**

Costs of sales in 2021 amounted to US$19.1 million (2020: US$23.5 million) and relate to actual product sales.

Obsolescence inventory impairment stems from the valuation of the inventories against lower net realizable value. Impairments related to inventories designated for commercial activities amounted to a charge of US$2.0 million in 2021 (2020: US$ -).

Costs of research and development

Research and development costs are specified as follows:

Amounts in US$ '000	2021	2020
Employee costs	(24,451)	(20,984)
Amortization costs IFA	(132)	(774)
Impairment losses IFA	(4,992)	—
Depreciation PPE and right of use assets	(3,152)	(2,062)
Direct Operating Expenses	(33,190)	(12,804)
Other indirect research and development costs	(4,452)	(1,895)
Total research and development costs	**(70,369)**	**(38,519)**
As percentage of net sales	*(35)%*	*(18)%*

Operating expenses for research and development activities increased to US$70.4 million in 2021 from US$38.5 million in 2020. The costs mainly relate to investments to in-license OTL-105), preparing for and initiating the clinical studies of rhC1INH in pre-eclampsia and acute kidney injury, phase 2/3 study leniolisib, for the treatment of activated Phosphoinositide 3-kinase Delta syndrome and clinical trials on Covid-19 using the Pharming technology. The increase in costs is mainly due to costs incurred for OTL-105 (US$ 13.1 million), impairment losses of US$4.7 million on intangible assets related to the development of RUCONEST® in a more convenient form for patients (refer to note 10). The remainder of the increase relates to increased payroll expenses and expenses for the clinical studies of rhC1INH in pre-eclampsia and acute kidney injury, phase 2/3 study leniolisib.

Costs of general and administrative activities

General and administrative costs are specified as follows:

Amounts in US$ '000	2021	2020
Employee costs	(12,178)	(11,217)
Depreciation PPE and right of use assets	(857)	(1,144)
Impairment losses PPE	(5,447)	—
Direct Operating Expenses	(8,419)	(9,546)
Other indirect general and administrative costs	(10,073)	(2,178)
Total general and administrative costs	**(36,974)**	**(24,085)**
As percentage of net sales	*(19)%*	*(11)%*

Operating expenses for general and administrative activities increased to US$37.0 million in 2021 from US$24.1 million in 2020. The increased cost are mainly related to the impairment losses of US$ 5.4 million due to the cancellation of our downstream production capacity at Pivot Park in Oss (refer to note 11), additional administration resources to support the growing commercial and operations activities of the Company and increased compliance and control costs relating to the recent US Nasdaq listing.

Costs of marketing and sales activities

Marketing and sales costs are specified as follows:

Amounts in US$ '000	2021	2020
Employee costs	(24,125)	(23,094)
Amortization costs IFA	(4,098)	(3,238)
Depreciation PPE and right of use assets	(930)	(865)
Direct Operating Expenses	(28,543)	(23,362)
Other indirect marketing and sales costs	(1,749)	(1,045)
Total marketing and sales costs	**(59,445)**	**(51,604)**
As percentage of net sales	*(30)%*	*(24)%*

Operating expenses for marketing and sales increased in 2021 to US$59.4 million from US$51.6 million in 2020. The increased costs are mainly related to the further expansion of the commercial organization and infrastructure in both the USA and Europe.

Employee benefits

Amounts in US$ '000	2021	2020
Salaries	(44,202)	(36,811)
Social security costs	(5,318)	(4,302)
Pension costs	(2,179)	(1,844)
Share-based compensation	(9,055)	(8,405)
Total	**(60,754)**	**(51,362)**

Salaries include holiday allowances and cash bonuses for staff.

Employee benefits are included in:

Amounts in US$ '000	2021	2020
Research and development	(24,451)	(19,535)
General and administrative	(12,178)	(9,097)
Marketing and sales	(24,125)	(22,730)
Total	**(60,754)**	**(51,362)**

The number of employees

Weighted average full time equivalent	2021	2020
Research and development	169	136
General and administrative	60	43
Marketing and sales	56	50
Total	**285**	**229**

The weighted average number of full-time equivalents (fte's) working outside the Netherlands was 99 (2020: 85). The increase of the total number of fte's was in line with the overall business growth across the Company.

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	2021	2020
Property, plant and equipment	11	(2,158)	(2,044)
Intangible assets	10	(4,232)	(4,008)
Right of use assets	12	(2,781)	(2,027)
Total		**(9,171)**	**(8,079)**

The increase of depreciation charges and amortization charges in 2021 as compared to 2020 mainly stems from new investments in, and new leases of, production facilities and manufacturing equipment.

Amortization charges of intangible assets have been allocated to research and development costs and marketing and sales costs in the statement of income, depending on the class of intangible asset.

Independent auditor's fees

Both the 2021 and the 2020 audit were performed by Deloitte Accountants B.V.

Amounts in US$ '000	2021	2020
Audit of the financial statements	(1,201)	(1,226)
Audit related activities	(16)	(678)
Tax advisory	—	—
Total	**(1,217)**	**(1,904)**

The decrease of audit fees of the financial statements and audit related activities in 2021 compared to 2020 is caused by the fact that the Company incurred additional audit expenses in 2020 due to the Nasdaq listing as of 22 December 2020.

8. Other financial income and expenses

Amounts in US$ '000	2021	2020
Interest income	53	715
Foreign currency results	14,841	—
Other financial income	**14,894**	**715**
Loan settlement	—	(4,313)
Foreign currency results	—	(19,233)
Interest loans and borrowings	(5,296)	(5,178)
Interest leases	(795)	(766)
Contingent consideration	—	(3,744)
Other financial expenses	(94)	(74)
Other financial expenses	**(6,185)**	**(33,308)**
Total other financial income and expenses	**8,709**	**(32,593)**

Loan settlement

In 2020 settlement fees and expenses were paid for an amount of US$4.3 million as a result of the fact that the Company, in 2020, paid back and extinguished the loan from Orbimed Advisors completely. In 2021, no settlement fees were paid.

Foreign currency results

These results primarily follow from the revaluation of bank balances which are denominated in foreign currencies, mainly US 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 gains in 2021 are mainly a result of the revaluation of the bank balances in US dollars, incorporated in our Dutch entities where the functional currency is Euro. The US dollar got stronger over the course of 2021, where it weakened over the course of 2020.

Interest loans and borrowings

Interest on loans and borrowings in 2021 and 2020 relate to the amortized costs from loans and borrowings, calculated under IFRS at the effective rate of interest, which takes account of any equity component on recognition such as warrants or early repayment options.

Contingent consideration

The contingent consideration was fully repaid in the second quarter of 2021, hence no expenses for revaluation in 2021.

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	2021	2020
Income tax expense		
Current tax		
Current tax on profit for the year	(97)	(2,705)
Adjustments for current tax of prior periods	96	1,497
Total current tax expense	(1)	(1,208)
Deferred income tax		
Deferred tax on profit for the year	(8,196)	(8,609)
Adjustments for deferred tax of prior periods	1,115	3,469
Total deferred tax expense	(7,081)	(5,140)
Income tax expense	**(7,082)**	**(6,348)**

Effective income tax rate

Pharming Group's effective rate in its consolidated income statement differed from the Netherlands' statutory tax rate of 25%. The following table reconciles the statutory income tax rate with the effective income tax rate in the consolidated income statement:

Amounts in US$ '000	2021	2020
Reconciliation of tax charge		
Profit, (loss) on ordinary activities before taxation	23,078	44,094
Profit/(loss) on ordinary activities multiplied by standard rate of tax in The Netherlands	(5,770)	(11,023)
Effects of:		
Tax rate in other jurisdictions	307	266
Non-taxable income (expense)	(2,853)	293
Adjustments of prior periods	655	2,122
Change in statutory applicable tax rate	555	2,844
Other	24	(850)
Income tax expense for the year	**(7,082)**	**(6,348)**

Factors affecting current and future tax charges

The main difference between the nominal tax and the effective tax for the year 2021 can be explained by the effects of non-taxable expenses, the effect of the enacted future increase in the Dutch statutory rate, US State taxes and the effect of taxable income generated and taxed in jurisdictions where tax rates differ from the statutory rate in The Netherlands.

At the end of 2018, the Company entered into a tax loss refreshment program by selling a small part of its rights to its own Pompe & Fabry programs to a subsidiary outside the fiscal group in exchange for the services of that subsidiary, which will produce the source material for the protein replacement drugs in those programs. This transaction generated an arm's-length taxable profit against which the oldest net operating losses were utilized in the 2018 income tax calculation. The rights generated an intangible asset which will be depreciated over the life of those programs, reducing taxable profits in the future by approximately the same amount.

Although the tax treatment of the loss refreshment transaction is likely to be accepted by the tax authorities, this is still considered an uncertain tax treatment within the meaning of IFRIC 23 'Uncertainty over Income Tax Treatments' as no final decision has yet been made by the Dutch Tax Authorities.

Deferred tax

The balance of the net deferred tax assets/(liabilities) is therefore shown below:

Amounts in US$ '000	2021	2020
Total deferred tax assets	27,025	33,735
Total deferred tax liabilities	(5,809)	(1,858)
Total net deferred tax assets /(liabilities)	**21,216**	**31,877**

The deferred tax assets and liabilities are offset since there is a legally enforceable right to set off current tax assets against current tax liabilities and since the deferred tax income taxes relate to the same tax jurisdiction.

The significant components and annual movements of deferred income tax assets as of 31 December, 2021 and 1 January 2021 , are as follows:

Amounts in US$ '000	Notes	2021	2020
Intangible fixed assets	25	10,493	17,705
Other financial assets		—	—
Accruals		2,289	5,123
Other		6,467	5,135
Tax losses		7,776	5,772
Total deferred tax assets		**27,025**	**33,735**

Amounts in US$ '000	Intangible fixed assets	Other financial assets	Accruals	Other	Tax losses	Total
At January 1, 2020	14,033	9,180	3,608	1,236	6,632	34,689
(Charged)/credited						
- to profit or loss	2,174	(9,353)	1,354	1,164	(1,387)	(6,048)
- to accumulated deficit	—	—	—	2,361	—	2,361
- currency translation	1,498	173	161	374	527	2,733
At December 31, 2020	**17,705**	**—**	**5,123**	**5,135**	**5,772**	**33,735**
(Charged)/credited						
- to profit or loss	(6,121)	—	(2,834)	3,519	2,515	(2,921)
- other movement	—	—	—	(598)	—	(598)
- to accumulated deficit	—	—	—	(1,366)	—	(1,366)
- currency translation	(1,091)	—	—	(223)	(511)	(1,825)
At December 31, 2021	**10,493**	**—**	**2,289**	**6,467**	**7,776**	**27,025**

Based upon the Company's latest budget for 2022 and its long-range forecasts for the three years thereafter, it is considered more likely than not 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.

Deferred taxes relating to intangible fixed assets represent the tax effect on temporary difference between the tax base and the carrying amount of research and development intangibles, which were at the end of 2018 transferred within the Group. The decrease in the deferred taxes relating to intangible fixed assets is due to the impairment of the rights to the Fabry program. The deferred taxes relating to the rights to the Pompe program will be realized through the amortization of the intangible assets once in use within the fiscal unity.

Accruals represent deferred tax assets recognized for temporary differences between the carrying amount and tax bases of accrued liabilities.

The increase in the deferred tax for other is primarily due to recognition of the deferred tax asset for future tax reductions related to lease liabilities, which is offset by a decrease of the deferred tax asset for future tax reductions related to share-based payments recorded to accumulated deficit.

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	2021	2020
Net Operating Losses - Netherlands		
Net Operating Losses at year-end	25,364	23,088
Portion selected for deferred tax asset	25,364	23,088
Tax rates used:		
2021 : 25% (25%)	—	5,772
2022 and later: 25,8% (25%)	6,545	—
Total tax effect Netherlands	**6,545**	**5,772**
Net Operating Losses - USA		
Net Operating Losses at year-end	4,356	—
Portion selected for deferred tax asset	4,356	—
Tax rate used:		
2021 and later: 28,26%	1,231	—
Total tax effect USA	**1,231**	**—**
Tax effect Netherlands - losses deferred	6,545	5,772
Tax effect USA - losses deferred	1,231	—
Total deferred tax asset	**7,776**	**5,772**

The current part of the net deferred tax assets is US$2.4 million (2020: US$10.9 million).

The component and annual movement of deferred income tax liabilities as of 31 December, 2021 and 1 January, 2021, are as follows:

Amounts in US$ '000	2021	2020
Tangible fixed assets	(4,149)	(1,648)
Other liabilities	(1,660)	(210)
Total deferred tax liabilities	**(5,809)**	**(1,858)**

Amounts in US$ '000	Tangible fixed assets	Other liabilities	Total
At January 1, 2020	(1,273)	(1,355)	(2,628)
(Charged)/credited			
- to profit or loss	(263)	1,169	906
- to other comprehensive income			
- currency translation	(112)	(24)	(136)
At December 31, 2020	**(1,648)**	**(210)**	**(1,858)**
(Charged)/credited			
- to profit or loss	(2,710)	(1,450)	(4,160)
- to other comprehensive income		—	—
- currency translation	209	—	209
At December 31, 2021	**(4,149)**	**(1,660)**	**(5,809)**

10. Intangible assets

Amounts in US$ '000	Transgenic technology	RUCONEST® for HAE (EU)	Development costs	Re-acquired rights and Licenses	Novartis License	Software	Total
At cost	2,973	592	6,948	62,641	20,972	548	94,674
Accumulated:							
Amortization charges	(2,934)	(543)	—	(9,590)	—	(43)	(13,110)
Impairment charges	(39)	—	(2,122)	—	—	—	(2,161)
Carrying value at January 1, 2020	**—**	**49**	**4,826**	**53,051**	**20,972**	**505**	**79,403**
Amortization charges	—	(50)	—	(3,905)	—	(53)	(4,008)
Impairment charges	—	—	—	—	—	—	—
Capitalized development costs	—	—	159	—	—	—	159
Assets acquired	—	—	—	8,570	1,583	333	10,486
Currency translation - cost	283	56	672	6,595	2,112	77	9,795
Currency translation - amortization	(279)	(55)	—	(1,204)	—	(8)	(1,546)
Currency translation - impairment	(4)	—	(202)	—	—	—	(206)
Movement 2020	**—**	**(49)**	**629**	**10,056**	**3,695**	**349**	**14,680**
At cost	3,256	648	7,779	77,806	24,667	958	115,114
Accumulated:							
Amortization charges	(3,213)	(648)	—	(14,699)	—	(104)	(18,664)
Impairment charges	(43)	—	(2,324)	—	—	—	(2,367)
Carrying value at December 31, 2020	**—**	**—**	**5,455**	**63,107**	**24,667**	**854**	**94,083**
Amortization charges	—	—	—	(4,054)	—	(178)	(4,232)
Impairment charges	—	—	(4,991)	—	—	—	(4,991)
Capitalized development costs	—	—	—	—	—	—	—
Assets acquired	—	—	—	—	2,530	3,447	5,977
Transfer from PPE - cost	—	—	—	—	—	175	175
Transfer from PPE - accumulated amortization	—	—	—	—	—	(78)	(78)
Divestments - cost	(3,145)	—	—	—	—	(99)	(3,244)
Divestment - accumulated amortization	3,105	—	—	—	—	99	3,204
Divestment - impairment charges	40	—	—	—	—	—	40
Currency translation - cost	(111)	(50)	(599)	(5,995)	(2,012)	(226)	(8,993)
Currency translation - amortization	108	50	—	1,312	—	19	1,489
Currency translation - impairment	3	—	401	—	—	—	404
Movement 2021	**—**	**—**	**(5,189)**	**(8,737)**	**518**	**3,159**	**(10,249)**
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 December 31, 2021	**—**	**—**	**266**	**54,370**	**25,185**	**4,013**	**83,834**

Category	Description	Amortization period	
		Total	Remaining
Transgenic technology	Patents and licenses	6 to 10 years	Fully amortized
RUCONEST® for HAE (EU)	Development costs	10 years	Fully amortized
RUCONEST® for HAE (US)	Re-acquired commercial rights	20 years	15 years
RUCONEST® for HAE (EU)	Re-acquired commercial rights	12 years	10 years
Software expenses	Development costs	3 to 5 years	3 to 5 years
Development costs	Development costs	Not yet in use	Not yet in use

Transgenic technology

The transgenic technology relates to the patents and licenses historically acquired in light of Pharming's production platform on the expression of human proteins in the milk of transgenic mammals. This technology enables the development of complex therapeutic proteins in a cost effective manner. These patents and licenses are fully amortized as at the end of 2021 and 2020. During 2021, these assets were disposed.

RUCONEST® for HAE (EU)

Per 2021, 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 at the end of 2021 and 2020.

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. A total amount of US$4.5 million for the new variant prioritized version has been recognized as an internally generated intangible asset as at 31 December 2019. In 2020 the Company incurred US$0.2 million development costs, while in 2021 no costs were incurred given a re-prioritization of the effort invested in the Company's pipeline assets. The cost of the asset has been fully impaired in 2021 as the development program of the variant has been hibernated, resulting in an impairment charge of US$4.7 million.

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. Given a re-prioritization of the effort invested in the Company's pipeline asset, the board of directors decided to fully impair the asset relating to alpha-galactosidase for Fabry's disease, resulting in an impairment charge of US$0.3 million.

Re-acquired rights and licenses

The re-acquired rights relate 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.

Novartis license

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 2021, the Company paid US$2.5 million to Novartis for additional development.

Software

Assets acquired related to software mainly relate to the implementation of our new ERP system SAP S/4HANA. The board of directors have assessed the recognition criteria in accordance with IAS 38 and IFRIC interpretations and concluded that the new ERP system does meet these criteria to recognize SAP S/4HANA as an intangible assets.

Intangible assets not yet in use

Intangible assets that are not yet in use are tested annually, or more frequently if there are indications that a particular asset might be impaired. The fair value is determined using discounted cash flow projections for revenue to be expected from such assets based on financial plans approved by management. The period of calculation covers the period from the start of the year until expiration of the relevant patent.

11. Property, plant and equipment

Amounts in US$ '000	Land	Operational facilities	Leasehold Improvement	Machinery and equipment	Other	Asset under construction	Total
At cost	30	5,795	2,223	5,903	7,530	342	21,823
Accumulated depreciation	—	(2,487)	(2,211)	(4,027)	(3,507)	—	(12,232)
Carrying value at January 1, 2020	**30**	**3,308**	**12**	**1,876**	**4,023**	**342**	**9,591**
Investments	—	117	40	119	1,522	2,859	4,657
Internal transfer - cost	—	(225)	465	—	267	(507)	—
Internal transfer - accumulated depreciation	—	—	—	—	—	—	—
Divestments	—	(56)	(465)	—	(439)	—	(960)
Depreciation charges	—	(340)	(237)	(898)	(1,445)	—	(2,920)
Depreciation of disinvestment	—	55	465	—	425	—	945
Currency translation - cost	3	539	213	569	722	178	2,224
Currency translation - accumulated depreciation	—	(258)	(193)	(450)	(410)	—	(1,311)
Movement 2020	**3**	**(168)**	**288**	**(660)**	**642**	**2,530**	**2,635**
At cost	33	6,170	2,476	6,591	9,602	2,872	27,744
Accumulated depreciation	—	(3,030)	(2,176)	(5,375)	(4,937)	—	(15,518)
Carrying value at December 31, 2020	**33**	**3,140**	**300**	**1,216**	**4,665**	**2,872**	**12,226**
Investments	—	27	457	1,206	952	8,097	10,739
Internal transfer - cost	—	(544)	3,097	7,977	(5,743)	(4,787)	—
Internal transfer - accumulated depreciation	—	408	61	(3,871)	3,402	—	—
Transfer to software - cost	—	—	—	—	(175)	—	(175)
Transfer to software - accumulated depreciation	—	—	—	—	78	—	78
Divestments	—	(2)	—	(20)	(131)	(5,447)	(5,600)
Depreciation charges	—	(455)	(86)	(2,004)	(680)	—	(3,225)
Depreciation of disinvestment	—	2	—	4	54	—	60
Currency translation - cost	(2)	(451)	(324)	(914)	(347)	(112)	(2,150)
Currency translation - accumulated depreciation	—	236	166	674	193	—	1,269
Movement 2021	**(2)**	**(779)**	**3,371**	**3,052**	**(2,397)**	**(2,249)**	**996**
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 December 31, 2021	**31**	**2,361**	**3,671**	**4,268**	**2,268**	**623**	**13,222**

Category	Depreciation period
Land	Not depreciated
Operational facilities	10-20 years
Leasehold improvements	5-10 years
Manufacturing equipment*	5-10 years
Other property, plant & equipment	5-10 years

* Depreciation charges for manufacturing equipment are based on actual use of the equipment involved, which is expected to take place in a period before technical expiration

In 2021 the Company had capital expenditures of US$10.7 million (2020: US$4.7 million), mainly related to new production facilities and machinery and equipment. As a result of our renewed strategic manufacturing partnership with long-term manufacturing partner Sanofi S.A., and following careful consideration, specifically regarding recently significantly increased fit-out costs, the Company decided to have the construction of the new building completed, but no longer pursue the realization of its own downstream production capacity at Pivot Park in Oss. Pharming will continue to use the building under construction for alternative purposes. This decision resulted in an impairment of capitalized fit-out costs in assets under construction of US$5.4 million. Of this amount, a total US$4.4 million is part of investments in 2021.

Depreciation charges on manufacturing equipment of US$1.1 million in 2021 (2020: US$0.9 million million) have been charged to the value of inventories and an amount of US$2.1 million of the total 2021 depreciation costs has been charged to the statement of income (2020: US$2.1 million).

During 2021, the company has assessed the assets in the "Other PPE" category and concluded that for some assets, having a carrying value of US$2.3 million, better fit the characteristics of manufacturing equipment, operational facilities or leasehold improvements. These assets have been reclassified to the corresponding categories.

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	7,363	971	8,334
Accumulated depreciation	(1,262)	(368)	(1,630)
Carrying value at January 1, 2020	**6,101**	**603**	**6,704**
Investments	3,726	1,440	5,166
Divestments	(639)	(270)	(909)
Investment in a sublease	(415)	—	(415)
Depreciation charges	(1,681)	(346)	(2,027)
Depreciation of disinvestment	80	131	211
Currency translation - cost	839	149	988
Currency translation - accumulated depreciation	(240)	(51)	(291)
Movement 2020	**1,670**	**1,053**	**2,723**
At cost	10,874	2,290	13,164
Accumulated depreciation	(3,103)	(634)	(3,737)
Carrying value at December 31, 2020	**7,771**	**1,656**	**9,427**
Investments	13,802	401	14,203
Divestments	(51)	(165)	(216)
Investment in a sublease	—	—	—
Depreciation charges	(2,112)	(669)	(2,781)
Depreciation of disinvestment	30	81	111
Other movement - cost	(478)	(79)	(557)
Other movement - accumulated depreciation	644	57	701
Currency translation - cost	(1,148)	(67)	(1,215)
Currency translation - accumulated depreciation	245	25	270
Movement 2021	**10,932**	**(416)**	**10,516**
At cost	22,999	2,380	25,379
Accumulated depreciation	(4,296)	(1,140)	(5,436)
Carrying value at December 31, 2021	**18,703**	**1,240**	**19,943**

Investments in buildings in 2021 primarily relate to new lease contracts for our operational facilities in the Netherlands.

The Company applies for the exemption of accounting of short-term leases and low-value leases. The amounts recorded in the consolidated statement of income are immaterial to the financial statements.

Amounts recognized in the statement of income

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2021	2020
Depreciation right of use buildings	(2,112)	(1,681)
Depreciation right of use cars	(669)	(346)
Interest expense (note 8)	(795)	(766)
Total expense right of use assets	**(3,576)**	**(2,793)**

Lease charges

For the year 2021, the Company charged US$3.6 million (2020: US$2.8 million) to the statement of income with regard to lease commitments for office rent, equipment, facilities and lease cars.

The non-cancellable leases at 31 December 2021 have remaining terms of between one and fifteen 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 27 below. Allocations of the lease charges to costs 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

As the investment in BioConnection BV (BioConnection) announced in April 2019 is significant and provides the Company with significant influence over BioConnection, it has been treated as an associate of the Group as at 31 December 2021. BioConnection has a share capital consisting solely of ordinary shares, which are held directly by a small group of shareholders. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business	% of ownership interest		Nature of relationship	Measurement method
		2021	2020		
BioConnection B.V.	**Oss, NL**	**43.85**	**43.85**	**Associate**	**Equity**

Amounts in US$ '000	
Carrying value at January 1, 2020	**6,177**
Share in net profit	361
Amortization of financial guarantee	(32)
Currency translation	612
Carrying value at December 31, 2020	**7,118**
Share in net profit	694
Amortization of financial guarantee	(33)
Currency translation	(578)
Carrying value at December 31, 2021	**7,201**

Financial information of BioConnection B.V. per 31 December 2020 is filed at the Dutch Chamber of Commerce under number 17180803 (www.kvk.nl).

Financial information BioConnection as filed at the Dutch Camber of Commerce, for the year 2020 is as follows:

Amounts in US$ '000	31 December 2020
Total assets	14,861
Total equity	9,625
Net result	1,086

BioConnection manufactures the sterile sealed vials of Pharming's product RUCONEST® from the purified drug substance. BioConnection is a Dutch contract manufacturing organization which offers flexible state-of-the-art development and GMP-compliant manufacturing services for sterile drug products. BioConnection specializes in Fill and Finish techniques including freeze-drying, technology transfers, scale-up and validations. BioConnection offers complete drug product manufacture service packages based on tailor-made solutions and customer-oriented flexibility from its own FDA and EMA accredited facility in Oss in The Netherlands. This investment became effective on April 9, 2019.

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 addition to its carrying value for the investment, Pharming's risk is limited to the provision of a €3 million corporate guarantee in favor of ABN AMRO Bank in the unlikely event that BioConnection were to default on all its debts and its assets did not meet the outstanding liabilities owing to ABN AMRO Bank. In the opinion of the Board of Management, the fact that BioConnection is a growing profitable company which has met all its obligations as they fell due since inception makes the likelihood of this guarantee ever being used very small. The guarantee is accounted for under IFRS 9 and appears as financial guarantee liabilities in note 25 Other financial liabilities.

13.2 Investments in equity instruments designated as at Fair Value Through Other Comprehensive Income

The Group holds 1,0 per cent of the ordinary share capital of Orchard Therapeutics, a global gene therapy leader. The share were acquired as of 1 July 2021, as part of strategic collaboration between Pharming Group N.V. and Orchard Therapeutics 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 received an upfront payment of US$17.5 million comprising US$10.0 million in cash and a US$7.5 million equity investment from Pharming at a premium to Orchard's fair value share price. Orchard is also 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.

The fair value of the shares at acquisition was US$4.6 million. The upfront cash payment of US$10.0 million and the premium on the share price of US$2.9 million were expensed as an R&D expense for the year 2021. Refer to Note 7. The fair value of the investment at 31 December 2021 was US$1.4 million.

Management does not consider that the Group is able to exercise significant influence over Orchard Therapeutics as the other 99,0 per cent of the ordinary share capital is publicly traded at the Nasdaq stock exchange (Nasdaq: ORTX).

Name of entity	Place of business	% of ownership interest		Nature of relationship	Measurement method
		2021	2020		
Orchard Therapeutics Plc.	London, UK	1,00 %	0,00%	Investment	Fair value

Amounts in US$ '000	Carrying amount
1 January 2020	—
Initial recognition	—
Fair value adjustments through OCI	—
Currency translation	—
Carrying value at December 31, 2020	**—**
Initial recognition	4,589
Fair value adjustments through OCI	(3,077)
Currency translation	(63)
Carrying value at December 31, 2021	**1,449**

14. Restricted cash, cash and cash equivalents

Amounts in US$ '000	2021	2020
Restricted cash (non-current)	812	510
Restricted cash (current)	227	995
Cash and cash equivalents	191,924	205,159
Total restricted cash, cash and cash equivalents	**192,963**	**206,664**

Cash is free at disposal of the Company, except for restricted cash, which amounts to US$1.0 million in 2021 (2020: US$1.5 million). Restricted cash includes the value of banker's guarantees issued with respect to (potential) commitments towards third parties which is considered to be of a short-term nature. Furthermore, restricted cash includes a deposit for rent which is considered long-term.

As such, although temporarily restricted, the Company can access the current portion of this cash if necessary. For purposes of the cash flow statements all restricted cash is not considered as "cash and cash equivalents".

15. Inventories

Inventories include batches RUCONEST®, work in progress and skimmed milk available for production of RUCONEST®.

Amounts in US$ '000	2021	2020
Finished goods	13,560	12,742
Work in progress	9,606	5,668
Raw materials	4,144	2,747
Balance at December 31	**27,310**	**21,157**

Changes in the adjustment to net realizable value:

Amounts in US$ '000	2021	2020
Balance at January 1	(646)	(931)
Addition to impairment	(2,342)	(1,450)
Release of impairment	20	1,192
Usage of impairment	407	606
Currency translation	113	(63)
Balance at December 31	**(2,448)**	**(646)**

The inventory valuation at 31 December 2021 of US$27.3 million is stated net of an impairment of US$2.4 million (2020: US$0.6 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.

Cost of inventories included in the cost of sales in 2021 amounted US$19.1 million (2020: US$23.5 million). The main portion of inventories at 31 December 2021 have expiration dates starting beyond 2023 and are all expected to be sold and/or used before expiration.

16. Trade and other receivables

Amounts in US$ '000	2021	2020
Trade receivables	18,076	23,514
Prepaid expenses	2,392	4,017
Value added tax	2,486	1,625
Other receivables	2,363	2,305
Taxes and social securities	4,666	4,440
Balance at December 31	**29,983**	**35,901**

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 USA. The decrease in trade receivables relates to timing of customer 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.

Other receivables is mainly composed of the current account with Stichting Administratiekantoor Pharming Group (STAK).

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

17. Shareholders' equity

The Company's authorized share capital amounts to US$10.0 million (€8.8 million, exchange rate (EUR:US$) equals 1:1.1334) and is divided into 880,000,000 ordinary shares with a nominal value of €0.01 each. All 648,749,282 shares outstanding at 31 December 2021 have been fully paid-up. Other reserves include those reserves related to currency translation, share-based compensation expenses and other equity-settled transactions. Please refer to the Consolidated statement of changes in equity and to note 28. The Consolidated statement of changes in equity and note 28 further describes the background of the main equity movements in 2021 and 2020.

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 profit for the year 2021 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 former Board of Management and employees in which payment is based in shares or options, based on current or future performance. For 2021 these transactions were valued at US$9.1 million and for 2020 at US$6.5 million (see note 22).

Bonuses settled in shares

In 2021 the Company issued no shares in lieu of bonuses. In 2020 a total of 33,587 shares were issued in lieu of bonuses of US$50,081.

Value conversion rights of convertible bonds

The original equity component of the convertible bonds as recorded at initial recognition amounts to US$1.6 million. Reference is made to note 18.

Warrants
In 2021 warrants, representing a total of 60,915 shares (2020: 60,000 shares) were exercised in exchange for that number of shares. In relation to the exercises, the Company received US$0.02 million (2020: $0.02 million) in cash.

Options exercised / LTIP shares issued
In 2021, options were exercised and LTIP shares were issued for a total of 9,866,748 shares. In 2020, options were exercised and LTIP shares were issued for a total of 7,404,565 shares.

Adjustment to share capital
There were no adjustments to the authorized share capital in 2021 and 2020.

Legal reserves
The legal reserves concern the reserve fair value revaluation, reserve participating interest, currency translation differences of foreign investments and capitalized development expenses.

Adjustments of the reserve participating interest relate to the undistributed profits of the participating interest.

Adjustments of 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 2021 (US$0.4 million) shows a decrease of US$4.6 million as compared to 2020 (US$5.0 million), caused by the impairment as discussed in note 10. The legal reserve for the participating interest in BioConnection shows an increase of US$0.7 million (2020: US$0.6 million) relating to the result generated by BioConnection.

The legal reserve fair value revaluation (-US$2.2 million) relates to the changes in fair value between the acquisition date and balance sheet date (December 31, 2021) of the shares purchased as part of the agreement with Orchard, see note 13.

18. Convertible bonds

Recognition and movements of the convertible bonds were as follows:

Amounts in US$ '000	2021	2020
Balance at January 1	151,767	—
Carrying value initial recognition	—	138,571
Interest paid (cash flow)	(4,448)	(2,142)
Amortization transaction cost	849	743
Accrued interest	4,447	4,040
Currency translation	(11,729)	10,555
Balance at December 31	**140,886**	**151,767**
- Current portion	1,879	2,040
- Non-current portion	139,007	149,727

On January 21, 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 January 21, 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 February 13, 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 comprise 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.

19. Loans and borrowings

Movements of the Orbimed loan were as follows:

Amounts in US$ '000	2021	2020
Carrying value at January 1	—	51,125
Amortized costs (financial income and expenses)	—	513
Interest paid (cash flow)	—	(395)
Repayment	—	(52,720)
Revaluation loan	—	511
Currency translation	—	966
Carrying value at December 31	**—**	**—**
- Current portion	—	—
- Non-current portion	—	—

In 2017, the Company entered into a debt facility with Orbimed Royalty Opportunities II, LP to raise US$100 million.

Under the terms and conditions of this debt facility, the Lenders provided an amount of US$100 million secured senior debt funding against 48 months promissory notes with interest of the sum of (i) the Applicable Margin of 11% plus (ii) the greater of (x) One-Month LIBOR and (y) 1.00%. Quarterly repayment of the loan has been started in September 2018. The Company has the option to prepay the loan before its maturity date. As further consideration for the facility, the Lenders received a 4% warrant coverage (9,174,372 warrants) with a strike price of $0.455 representing the closing price of Pharming shares immediately prior to the closing date, plus a 2.5% commitment fee of the principal sum and an assignment fee on the maturity date of US$3.7 million.

In January 2020, the Company repaid and extinguished the loan from Orbimed completely. No new loans and borrowings were agreed during 2021.

20. Leases

Lease liabilities can be specified as follows:

Amounts in US$ '000	2021	2020
Balance at January 1	**10,192**	**7,075**
New Leases	14,118	3,780
Interest expense accrued	680	766
Payments of lease liabilities	(3,217)	(2,270)
Other movements	94	—
Currency translation	(992)	841
Balance at December 31	**20,875**	**10,192**
- Current portion	2,419	1,962
- Non-current portion	18,456	8,230

New leases in 2021 primarily relate to new lease contracts for our operational facilities in the Netherlands.

Future minimum lease payments as at 31 December 2021 and 2020 are as follows:

Amounts in US$ '000	2021		2020	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	3,118	3,068	2,590	1,962
After one year but not more than five years	10,255	9,392	7,163	5,763
More than five years	10,123	8,415	3,211	2,467
Balance at December 31	**23,496**	**20,875**	**12,964**	**10,192**

21. Trade and other payables

Amounts in US$ '000	2021	2020
Accounts payable	7,599	13,471
Taxes and social security	1,505	616
Other accruals	7,614	6,243
Other payables	34	176
Accruals for employees	8,850	8,113
Accruals for rebates and discounts	11,111	14,930
Accrual for production	5,760	4,117
Balance at December 31	**42,473**	**47,666**

The decrease in accounts payable is mainly due to timing of payments. Accrual for production increased due to an increase in production. The accrual for rebates and discounts has decreased, mainly due to the decrease of revenues and timing of settlements. Accruals for employees mainly relate to bonuses for employees, holiday allowances and non-taken vacation days. Finally, the other accruals relate to general expenses for which no invoice was received yet. The increase is mainly related to costs relating to the cancellation of our downstream processing facility.

22. Share-based compensation

The remuneration policy for the Board of Directors was adopted by our shareholders on 11 December 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 has to 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 19 May 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 11 December 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 2021 for share-based payment plans amounts to US$9.0 million (2020: US$8.4 million).

The total expenses for share based payment plans in 2021 is specified as follows:

Share-based compensation	2021	2020
Board of Directors options	—	86
Employee options	4,262	2,964
Long term incentive plan	4,793	5,304
Bonus shares	—	51
Balance at December 31	**9,055**	**8,405**

The employee options expense increased due to increased expenses for the full year 2021 relating to options granted in Q4 2020. Long-term incentive plan expenses decreased due to a lower fair value of the shares awarded and the transition agreement for the CEO.

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;
- 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;
- 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:

	2021	2020
Expected time to maturity	1-4 years	1-4 years
Volatility	47% - 57%	53% - 60%
Risk-free interest rate	(0.52%) - (0.03%)	(0.52%) - (0.27%)

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 11 December 2020 was determined by the Board of Supervisory Directors of Pharming, at its sole discretion. Up to 11 December 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 11 December 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;
- 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.

The reference group for the 2021 programs consists of the following 22 companies:

Main location	Number	Company
Belgium	1	Galapagos
Denmark	2	Bavarian Nordic, Genmab
France	4	Cellectis, Eurobio Scientific, Hybrigenics, Innate Pharma
Germany	5	Evotec, Medigene, Medivir, Heidelberg Pharma, Newron Pharmaceuticals
Italy	1	Photocure
Norway	1	Transgene
Switzerland	4	Addex Therapeutics, Basilea Pharmaceutica, Kuros Biosciences, Morphosys
United Kingdom	4	Allergy Therapeutics, ImmuPharma, Oxford Biomedica, Santhera Pharmaceuticals
Total excluding Pharming Group	**22**	

The vesting schedule is as follows. Ranking in the top:

Achievement level	% of grant attained
5% of the index:	100%
5-10% of the index:	80% of maximum
10-20% of the index:	60% of maximum
20-30% of the index:	50% of maximum
30-50% of the index:	20% of maximum
Lower than 50% index:	0%

Upon a change of control, all remaining LTIP shares will vest automatically.

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:

	2021	2020
Volatilities	47%	54%
Risk-free interest rates	-0.31%	-0.24%
Dividend yields	—%	—%

Long Term Incentive Plan for the Executive Directors

The grant of restricted shares under the existing Long-Term Incentive plans will no longer be applied for Executive Directors under the new Remuneration Policy. The newly designed Long-Term Incentive program 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 US benchmark group and just below the top quartile of the EU benchmark group for the executive directors) and 200% for other Executive Directors and Officers (representing between 20 and 30% below the lowest quartile of the US benchmark group and just in the top quartile of the EU benchmark group for the Executive Directors).

EU and US benchmark group:

Company Location	Location
Europe	
ALK-Albello	Horsholm, Denmark
Alliance Pharma	Chippenham, United Kingdom
Avadel Pharmaceuticals	Dublin, Ireland
Basilea Pharmaceutica	Basel, Switzerland
Bavarian Nordic	Hellerup, Denmark
BioGaia	Stockholm, Sweden
Biotest	Dreieich, Germany
Camurus	Lund, Sweden
Cosmo Pharmaceuticals	Dublin, Ireland
Merus	Utrecht, Netherlands
Mithra Pharmaceuticals	Liege, Belgium
Orchard Therapeutics	London, United Kingdom
Orexo	Uppsala, Sweden
Oxford Biomedica	Oxford, United Kingdom
uniQure	Amsterdam, Netherlands
Valneva	Nantes, France
Vecture Group	Chippenham, United Kingdom
Zealand Pharma	Copenhagen, Denmark

Company Location	Location
US	
Aerie Pharmaceuticals	Durham, NC
Akebia Therapeutics	Cambridge, MA
Anika Therapeutics	Bedford, MA
Clovis Oncology	Boulder, CO
Collegium Pharmaceutical	Stoughton, MA
Corcept Therapeutics	Menlo Park, CA
Enanta Pharmaceuticals	Watertown, MA
Heron Therapeutics	San Diego, CA
Ironwood Pharmaceuticals	Boston, MA
Ligand Pharmaceuticals	San Diego, CA
Omeros	Seattle, WA
Pacira BioSciences	Parsippany, NJ
Radius Health	Waltham, MA
Retrophin	San Diego, CA
Rigel Pharmaceuticals	South San Francisco, CA
Supernus Pharmaceuticals	Rockville, MD
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 AMX 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 AMX 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:

	2021	2020
Volatilities	49%	53,46%
Risk-free interest rates	-0.554%--0.416%	-0.528% - -0.551%
Dividend yields	0.00%	0.00%

One-off transition arrangement for the Chief Executive Officer

The implementation of the new three-year vesting scheme under the LTIP has a major impact on the current remuneration packages of existing Executive Directors for the period 2020-2023, as the Executive Directors' current packages feature annual option and share grants. The share-based compensation under the existing 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 11 December 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 11 December 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 22 December 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 2021 is as follows (please also refer to note 28 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 (2021: 1:1,1334)):

	2021		2020	
	Number	Weighted Average Exercise Price (US$)	Number	Weighted Average Exercise Price (US$)
Balance at January 1	**50,106,488**	**0.909**	**40,327,537**	**0.696**
Expired	0	—	(3,281)	0.361
Forfeited	(946,738)	1.046	(411,250)	0.640
Granted	12,081,000	0.931	15,536,750	1.196
Exercised	(8,451,272)	0.520	(5,343,268)	0.544
Balance at December 31	**52,789,478**	**0.911**	**50,106,488**	**0.909**
- Vested	21,388,237	0.833	19,675,875	0.716
- Unvested	31,401,241	0.966	30,430,613	1.034

Exercised options 2021

In 2021 a total of 8,451,272 options have been exercised with an average exercise price of US$0.520. In 2020 a total of 5,343,268 options have been exercised with an average exercise price of US$0.544.

All options outstanding at 31 December 2021 are exercisable with the exception of the unvested options granted to the employees still in service. The 2021 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 2021 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 (2021: 1:1,1334)):

Exercise prices in US$	2021		2020	
	Number	Exercise value in US$'000	Number	Exercise value in US$'000
0.071 - 0.28	0	—	3,225,000	828
0.28 - 0.57	3,482,428	1,322	6,742,863	2,774
0.57 – 0.85	12,290,925	10,155	12,974,375	11,615
0.85 – 2.83	37,016,125	36,646	27,164,250	30,314
Balance at December 31	**52,789,478**	**48,123**	**50,106,488**	**45,531**

Granted options

In 2021, the Company granted 12,081,000 options to employees with a weighted average exercise price of US$0.931; fair values for options granted in 2021 were in the range of US$0.891 - US$1.292. In 2020, the Company granted 15,536,750 options to employees with a weighted average exercise price of US$0.974; fair values for options granted in 2020 were in the range of US$0.247 - US$0.752.

22.3 Long Term Incentive Plan

An overview of the number of LTIP shares granted in 2019-2021 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 (2021: 1:1,1334)):

Participant category	2019	2020	2021	Total
Non Executive members of the Board of Directors	205,000	—	—	205,000
Executive Members of the Board of Directors	201,050	—	1,337,888	1,538,938
Executive Committee	326,807	105,000	6,301,400	6,733,207
Senior managers	1,830,000	930,000	812,500	3,572,500
Total	**2,562,857**	**1,035,000**	**8,451,788**	**12,049,645**
Fair value per share award (US$)	0.387	0.923	0.887	

The following table provides an overview of LTIP shares granted, forfeited or issued in 2019-2021 as well as the number of LTIP shares reserved at 31 December 2021:

Participant category	Granted	Forfeited	Unvested	Reserved at December 31, 2021
Non Executive members of the Board of Directors	205,000	(115,000)	(72,000)	18,000
Executive Members of the Board of Directors	1,538,938	—	(160,840)	1,378,098
Executive Committee	6,733,207	—	(1,179,259)	5,553,948
Senior managers	3,572,500	(180,000)	(1,380,000)	2,012,500
Total	**12,049,645**	**(295,000)**	**(2,792,099)**	**8,962,546**

22.4 Transition arrangement for the Chief Executive Officer

On 22 December 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 will vest in three equal annual tranches in Q1 2021, Q1 2022 and Q1 2023, subject to the pro-rata achievement of the long-term targets under the new LTI program.

The second year of the 3-year performance period for the 2021 share grant pursuant to the LTI one-off transition arrangement, ended on December 31, 2021. Accordingly the Board of Directors, upon a recommendation of the Remuneration Committee, determined in the first quarter of 2022 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 shares will not vest until the first quarter of 2025, applying the targets set at the start of the three year performance period in 2021.

The performance on both the TSR and the strategic corporate objectives, applying the respective weightings, leads 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	—%	40%	—%
Strategic Objectives	75%	60%	45%
Total	**75%**	**100%**	**45%**

In accordance with the resulting 45% vesting level, a total number of 630.000 shares vested in 2022 for the CEO for the second 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 11 December 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.

Mr 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:

Mr. P. Sekhri	Chair of the Board of Directors and Non-Executive Board Member	
Ms D. Jorn	Vice Chair of the Board of Directors and Non-Executive Board Member	
Ms B. Yanni	Non-Executive Board Member	
Mr M. Pykett	Non-Executive Board Member	
Ms. J. van der Meijs	Non-Executive Board Member	Appointed 19 May 2021
Mr. L. Kruimer	Non-Executive Board Member	Appointed 19 May 2021
Mr. S. Baert	Non-Executive Board Member	Appointed 19 May 2021
Mr S. de Vries	Executive Board Member and Chief Executive Officer	

Per 19 May 2021, Mr. Aad de Winter and Mr. Barrie Ward retired from the Board of Supervisory Directors (BOSD).

Non-Executive members Board of Directors

Remuneration

For 2021 the annual compensation of the Supervisory 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	65000	40000	77090	47440
Non-Executive Director	45000	30000	53370	35580
Chair Audit Committee	9000		10674	
Member Audit Committee	3000		3558	
Chair Remuneration Committee	6000		7116	
Member Remuneration Committee	3000		3558	
Chair Governance Committee	6000		7116	
Member Governance Committee	3000		3558	

**) 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 €1,000 (US$1,186) 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 and / or of former members of the Supervisory Board of Directors for 2021 and 2020 was as follows:

Amounts in US$ '000	Year	BOSD / BOD	Share-Based Payment	Total
Mr. Paul Sekhri	2021	77	55	132
	2020	74	59	133
Mr Barrie Ward	2021	23	20	43
	2020	62	46	108
Mr Jan Hendrik Egberts	2021	—	—	—
	2020	—	5	5
Mr. Juergen Ernst	2021	—	6	6
	2020	57	42	99
Mr. Aad de Winter	2021	26	21	47
	2020	65	46	111
Ms. Deb Jorn	2021	64	42	106
	2020	62	40	102
Ms. Barbara Yanni	2021	60	36	96
	2020	35	24	59
Mr. Mark Pykett	2021	57	36	93
	2020	35	24	59
Ms. Jabine van der Meijs	2021	47	24	71
	2020	—	—	—
Mr Leon Kruimer	2021	47	24	71
	2020	—	—	—
Mr. Steven Baert	2021	45	24	69
	2020	—	—	—
Total	**2021**	**446**	**288**	**734**
	2020	**390**	**286**	**676**

Shares, options and warrants

Members of the former Board of Supervisory Directors did not participate in an option plan. The following table gives an overview of movements in number of LTIP shares of the Non-Executive members of the Board of Directors and / or of the former Board of Supervisory Directors, for the year ended December 31, 2021:

	Year	Granted	Settled	Forfeited	Not vested	Reserved as at 31 December 2021
P. Sekhri	2021	—	—	—	—	—
	2020	—	—	—	—	—
	2019	50.000	(10.000)	—	(40.000)	—
	2018	30.000	(15.000)	—	(15.000)	—
D. Jorn	2021	—	—	—	—	—
	2020	—	—	—	—	—
	2019	40.000	(8.000)	—	(32.000)	—
A. de Winter	2021	—	—	—	—	—
	2020	—	—	—	—	—
	2019	40.000	—	(40.000)	—	—
	2018	25.000	(12.500)	—	(12.500)	—
J.B. Ward	2021	—	—	—	—	—
	2020	—	—	—	—	—
	2019	35.000	—	(35.000)	—	—
	2018	25.000	(12.500)	—	(12.500)	—
Total	**2021**	—	—	—	—	—
	2020	—	—	—	—	—
	2019	**165.000**	**(18.000)**	**(75.000)**	**(72.000)**	—
	2018	**80.000**	**(40.000)**	—	**(40.000)**	—

Shares

At 31 December 2021, the Non-Executive members of the Board of Directors held the following numbers of shares:

December 31, 2021	Ordinary shares
Mr. Paul Sekhri	423,985
Ms. Deb Jorn	51,738
Ms. Barbara Yanni	44,147
Mr. Mark Pykett	44,147
Ms. Jabine van der Meijs	19,309
Mr. Leon Kruimer	19,309
Mr. Steven Baert	19,309
Total	**621,944**

All shares held by the Non-Executive members of the Board of Directors are unrestricted.

Loans or guarantees

During the year 2021, the Company has not granted loans or guarantees to any member of the Non- Executive members of the Board of Directors or former members of the Board of Supervisory Directors. No loans or guarantees to Non-Executive members of the Board of Directors or former members of the Board of Supervisory Directors were outstanding at 31 December 2021.

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;
III) Others: contribution pension premiums, travel allowance and holiday allowance.

The one-off transition arrangement as identified herein above provides for (i) the grant to the Chief Executive Officer, of a total number of 4,200,000 shares for the financial year 2020, and (ii) the vesting of these shares in three annual tranches in the first quarters of 2021, 2022 and 2023, respectively.

Compensation was as follows and includes the entire year 2021, up to 31 December 2021:

Amounts in US$ '000	Fixed remuneration	Short term variable: annual bonus	Share based payments	Post-employment benefits	Other	TOTAL
Mr Sijmen de Vries	2021: 681 2020: 614	2021: 357 2020: 431	2021: 1,264 2020: 1,739	2021: 120 2020: 107	2021: 38 2020: 37	2021: 2,460 2020: 2,927
Mr Bruno Giannettie	2021: - 2020: 402	2021: - 2020: 201	2021: - 2020: 708	2021: - 2020: 85	2021: - 2020: 27	2021: - 2020: 1,424
Mr Robin Wright	2021: - 2020: 155	2021: - 2020: 14	2021: - 2020: 107	2021: - 2020: 15	2021: - 2020: 350	2021: - 2020: 641

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 2021, the exercise prices and expiration dates up to 31 December 2021 (note that the exercise price in US$ is translated using 2021 closing exchange rate (1:1,1334)):

	January 1, 2021	Granted 2021	Exercised 2021	Forfeited / expired 2021	December 31, 2021	Exercise price (US$)	Expiration date
Mr Sijmen de Vries	2,800,000	—	—	—	2,800,000	0.912	22 May 2024

Shares

At 31 December 2021, the executive members of the board held the following numbers of shares:

Shares held	As at December 31, 2021
Mr Sijmen de Vries	7,095,927

Long term Incentive Plan

	Year	Granted	Settled	Forfeited	Not vested	12/31/2021
Mr. Sijmen de Vries	2021	1,337,888	—	—	—	1,337,888
	2020	—	—	—	—	—
	2019	201,050	—	—	—	201.050
	2018	130,131	-130,131	—	—	—

Loans or guarantees

During the year 2021, 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 2021.

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 B.V.

Key management includes members of the Board of Directors:

Amounts in US$ '000	2021	2020
Salaries and other short-term employee benefits	1,522	2,695
Post-employment benefits	120	207
Share-based compensation	1,552	2,841
Total	**3,194**	**5,743**

All direct transactions with members of the Board of Directors have been disclosed in notes 23 and 24 of these financial statements. Note that the decrease is caused by the change in governance structure from a two-tier model to a one tier board model as per 11 December 2020.

All direct transactions with members of the Board of Directors have been disclosed in notes 22 and 23 of these financial statements. At 31 December 2021, the Company had a payable balance of a total amount of US$0.1 million (2020: US$ nil) to members to the Board of Directors.

Related party transactions with Bioconnection B.V. are in the ordinary course of that company's fill & finish business and amounted to US$3.5 million (2020: US$3.0 million). At 31 December 2021, the Company owed US$0.1 million (2020: US$0.1 million) to Bioconnection for fill & finish services supplied.

25. Other financial liabilities, including business combinations and contingent consideration

Other Financial Liabilities:

Amounts in US$ '000	2021	2020
Current		
Contingent consideration	—	25,000
Total current	**—**	**25,000**
Non-current		
Financial guarantee contracts	165	212
Total non-current	**165**	**212**
Total	**165**	**25,212**

In 2016 Pharming completed the acquisition of all North American commercialization rights for its own product RUCONEST® from Bausch. Pharming paid an upfront amount of US$60 million, and committed future payments up to a further US$65 million, based on achievement of certain sales milestones. After this acquisition, Pharming became responsible for selling RUCONEST® directly in the US.

The contingent consideration was fully repaid in the second quarter of 2021.

26. Commitments and contingencies

Material agreements

At the end of 2021 the Company had several agreements with third parties related to the manufacturing of RUCONEST and development of new products. In these agreements certain minimum volumes are committed. Total potential liabilities under these agreements are approximately US$97.3 million (2020: US$21.9 million), of which US$22.2 million relates to 2022 and US$75.0 million relates to 2023 and further. All expenditures relate to the cost of goods.

Lease agreements

The Company has signed a new 15 year lease contract for an office building at the Pivot Park in Oss, The Netherlands. Pharming is committed for future lease payments over the term of the lease. The lease price has yet to be determined. When the lease commences, the office building will be accounted for as a right-of-use asset and liability in line with IFRS 16.

Leniolisib milestone commitments

As part of the agreements to in-license Leniolisib, Pharming is committed to certain milestone payments based on actual world wide annual sales. Considering the current testing and approval stage of Leniolisib, management concludes that it is probable that these milestone payments will be achieved. These milestone payments can results in a liability of maximum US$200 million. 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 exceeds US$300 million. These royalty payments have a term of 10 years.

27. 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, debt and equity. Compared to last year there have been no significant changes in risk management policies.

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 (US dollar). Certain payments and sales of RUCONEST® in the US are being and will be received in US dollar. In 2021 repayments and interest payments of the loans were made in US dollar. Some direct payments of US activities are carried in US dollar through the Dutch entities. At 31 December 2021 the Group's cash and cash equivalents, including restricted cash, amounted to US$193.0 million. This balance consists of cash assets denominated in euros for a total amount of US$130.7 million or €115.3 million (applying an exchange rate EUR/US$ at 31 December 2021 of 1.1334) and cash assets in US dollars for a total amount of US$62.0 million. The US dollar cash balance will be used for the commercialization activities of the US organization and to cover the operating costs of the activities in the EU and RoW.

At the end of 2020 the Group had a contingent consideration of US$25.0 million as a liability on the balance sheet. This balance was fully repaid during 2021.

Cash and cash equivalents (including restricted cash) , accounts receivables and inventories denominated in USD amounted in total US$87.3 million (€77.0 million), respectively US$20.2 million (€17.8 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$67.1 million, a 10% strengthening or weakening of the euro versus US dollar would have an impact of US$6.7 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 those paid on finance lease liabilities. As the Orbimed loan has been fully paid back, and 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 18.

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 2021 is represented by the carrying amounts of cash and cash equivalents and trade and other receivables.

The carrying amounts of the cash and cash equivalents (including restricted cash) as at 31 December 2021 amounted to US$193.0 million and was held through financial institutions with a BB+ to A rating or better from Standard & Poor's, Baa3 to A1 ratings from Moody's and BBB+ to A ratings from Fitch.

Trade and other receivables at 31 December 2021 amounted to US$30.0 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 position taken with respect to 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). The strategy of the Company is to repay its obligations through generation of cash income from operating activities such as product sales and licensing agreements. 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 of these financial statements more extensively describes the Company's going concern assessment.

The following table presents the financial liabilities at year-end 2021, 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 2021. Other financial liabilities comprise the contingent consideration provision for the expected future milestone due to Bausch Health as explained further in note 25, together with the fair value of financial guarantees provided to BioConnection as explained in note 13.

Maturity profile of financial liabilities:

Amounts in US$'000	2022	2023	2024	2025	2026 and onwards	Total	Prior year total
Trade and other payables	42,473	—	—	—	—	42,473	47,666
Derivative financial liabilities	—	—	—	—	—	—	180
Loans and borrowings	—	—	—	—	—	—	—
Other financial liabilities	—	—	—	—	165	165	25,212
Lease Liabilities	3,118	2,901	2,616	2,489	12,372	23,496	13,013
Convertible Bonds	4,250	4,250	4,250	143,800	—	156,550	174,223
Total	**49,841**	**7,151**	**6,866**	**146,289**	**12,537**	**222,684**	**260,294**

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);
- 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 2021 and 2020:

	2021		2020	
Amounts in US$'000	Level 1	Total	Level 1	Total
Investments in equity instruments designated as at FVTOCI	1,449	1,449	—	—
Balance at December 31	**1,449**	**1,449**	**—**	**—**

The following table presents the liabilities that are measured at fair value at year-end 2021 and 2020:

	2021		2020	
Amounts in US$'000	Level 3	Total	Level 3	Total
Derivative financial liabilities	—	—	180	180
Other financial liabilities	165	165	212	212
Balance at December 31	**165**	**165**	**392**	**392**

The derivative financial liabilities measured at fair value through profit or loss included warrants not publicly traded and for which no other observable inputs are available. Accordingly, the fair value of the warrants has been determined through the Black-Scholes model, applying the following parameters as at 31 December in each year:

	2021	2020
Expected time to maturity of warrants in issue	not applicable	0.9
Volatility	—%	53%
Risk-free interest rate	—%	-0.53%

The following table includes carrying values and the estimated fair values of financial instruments:

Amounts in US$ '000	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and cash equivalents, including restricted cash	192,963	192,963	206,664	206,664
Trade and other receivables	29,983	29,983	35,901	35,901
Liabilities:				
Convertible Bond	140,886	140,886	151,767	151,767
Lease Liabilities	20,875	20,875	10,192	10,192
Other financial liabilities	165	165	25,212	25,212
Trade and other payables	42,473	42,473	47,666	47,666
Derivative financial liabilities	—	—	181	181

The above fair values of financial instruments are based on internal calculations with the exception of the warrant and conversion option in the derivative financial liabilities as calculated by an independent valuator. 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 and loans and borrowings (both non-current and current portion) are based on arm's length transactions.

The table sets out an analysis for each of the period presented of the net position of Loans and borrowings, and Cash and cash equivalents, showing the remaining undiscounted contractual amounts due including nominal interest.

Amounts in US$ '000	2021	2020
Cash and cash equivalents	192,963	206,664
Convertible bond - repayable within one year	(1,879)	(2,040)
Convertible bond - repayable after one year	(139,007)	(149,727)
Net debt	**52,077**	**54,897**
Cash and cash equivalents	192,963	206,664
Gross debt - fixed interest rates	(140,886)	(151,767)
Gross debt - variable interest rates	—	—
Net debt	**52,077**	**54,897**

Reconciliation of liabilities arising from financing activities:

Amounts in US$'000	2020	Cashflows	Non - Cash changes					2021
			Acquisition	Interest Expense Accrued	Amortized costs	Fair Value Changes	Foreign exchange effects and other	
Convertible Bond	151,767	(4,448)	—	4,447	849	—	(11,729)	**140,886**
Other financial liabilities	25,212	(25,000)	—	—	—	(27)	(20)	165
Lease Liabilities	10,192	(3,217)	14,118	680	—	—	(898)	20,875
Derivative financial liabilities	181					(181)	—	—
Total liabilities from financing activities	**187,352**	**(32,665)**	**14,118**	**5,127**	**849**	**(208)**	**(12,647)**	**161,926**

28. 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 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 warrants issued. For 2021 and 2020, the basic and diluted profit (loss) per share is:

	2021	2020
Net profit (loss) attributable to equity owners of the parent (in US$'000)	15,996	37,746
Weighted average shares outstanding	642,007,692	636,268,929
Basic profit (loss) per share (in US$)	0.025	0.058
Weighted average diluted shares outstanding	701,151,525	682,737,280
Diluted profit per share (in US$)	0.023	0.055

The diluted net profit used in the calculation of dilutive profit per share amounts to US$16.0 million. Difference between the weighted average shares outstanding and the weighted average diluted shares outstanding used for basic profits calculations per share relates to options, warrants 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 2021 and the date of these financial statements is provided in the following table.

Movements of shares and other instruments between 31 December 2021 and 4 April 2022 are shown in the table below:

	December 31, 2021	Shares issued	Other	4 April 2022
Shares	648,749,282	2,683,764	—	651,433,046
Warrants	—	—	—	—
Options	52,789,478	(1,640,072)	(599,313)	50,550,093
Convertible bonds	62,412,622	—	—	62,412,622
LTIP	10,992,546	(1,849,504)	8,179,538	17,322,580
Issued	**774,943,928**	(805,812)	7,580,225	**781,718,341**
Available for issue	105,056,072	805,812	-7,580,225	98,281,659
Authorized share capital	**880,000,000**	—	—	**880,000,000**

29. Events after the reporting period

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.

Management identified no events after the reporting period affecting the 2021 financial statements.

COMPANY STATEMENT OF INCOME

For the year ended 31 December

Amounts in US$ '000	notes	2021	Restated (i) 2020
Revenues	3	**41,229**	**29,021**
Operating expenses	4	**(38,539)**	**(29,344)**
Operating result		**2,690**	**(323)**
Fair value gain (loss) on revaluation derivatives		114	69
Other finance income and expenses	15	3,686	(23,726)
Finance cost, net		**3,800**	**(23,657)**
Result before tax		**6,490**	**(23,980)**
Income tax expense	7	(4,185)	(8,663)
Result before share in result of investments		**2,305**	**(32,643)**
Share in result of investments	11	13,691	63,032
Profit for the year	10	**15,996**	**30,389**

The notes are an integral part of these financial statements.
(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

COMPANY BALANCE SHEET

As at 31 December
(after proposed appropriation of net profit)

Amounts in US$ '000	notes	2021	Restated (i) 2020	Restated (i) 2019
Non-current assets				
Intangible assets	5	32,623	33,686	21,498
Property, plant and equipment	6	1,171	1,033	971
Right-of-use assets	6	4,623	3,215	3,091
Long-term prepayments		194	—	—
Deferred tax asset	7	18,052	23,623	29,902
Financial assets	11	191,728	181,393	99,606
Restricted Cash	9	188	204	412
Total non-current assets		**248,579**	**243,154**	**155,480**
Current assets				
Trade and other receivables	8	5,043	3,416	1,762
Restricted cash	9	227	246	—
Cash and cash equivalents	9	122,318	127,862	49,451
Total current assets		**127,588**	**131,524**	**51,213**
Total assets		**376,167**	**374,678**	**206,693**
Equity				
Share capital		7,429	7,312	7,226
Share premium		455,254	447,130	441,951
Legal reserves		3,400	24,614	8,926
Accumulated deficit		(273,167)	(295,621)	(333,494)
Shareholders' equity	10	**192,916**	**183,435**	**124,609**
Non current Liabilities				
Convertible bonds	12	139,007	149,726	—
Lease liabilities	6	4,718	2,870	2,605
Total non-current liabilities		**143,725**	**152,596**	**2,605**
Current Liabilities				
Convertible bonds	12	1,879	2,040	—
Derivative financial liabilities		—	181	301
Loans and borrowings	12	—	—	51,125
Other financial liabilities		—	384	150
Intercompany payables	11	30,769	29,062	23,898
Trade and other payables	13	6,537	6,431	3,442
Lease liabilities	6	341	549	563
Total current liabilities		**39,526**	**38,647**	**79,479**
Total shareholders' equity and liabilities		**376,167**	**374,678**	**206,693**

The notes are an integral part of these financial statements.
(i) Restated throughout for presentation in US Dollar. See note 2.4 of the consolidated accounting policies for further details.

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 significant accounting policies

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. Increase is due to increased operating expenses.

4. Expenses by nature

Operating expenses in 2021 and 2020 were as follows:

Amounts in US$ '000	2021	2020
Direct operating expenses	5,702	7,433
Employee costs (excl. Share based compensation)	14,058	10,133
Facilities and infrastructure	1,543	1,367
Share-based compensation	9,056	8,405
Depreciation and amortization charges	2,089	1,499
Other operating expenses	6,091	507
Total	**38,539**	**29,344**

Direct operating costs decreased mainly as a result of decreased audit related costs and additional advisory costs in connection with our initial listing on the Nasdaq in 2020. Employee costs increased due to the increased number of employees. Share-based compensation costs as disclosed in note 22 of the consolidated financial statements, include those related to members of the, Board of Directors, the former Board of Management and employees. Depreciation and amortization costs increased mainly due to depreciation of our right-of-use assets. During the year, the company invested significantly in the these assets due to business growth, hence incurring an increase in depreciation expense. The increase in other operating expenses is primarily due to increased insurance expenses as a result of our Nasdaq listing in 2020.

Employee information

All employees of Pharming Group N.V. in both 2021 and 2020 were based in the Netherlands and in France. The weighted average number of full-time equivalent employees in 2021 was 65 (2020: 47). The weighted average number of employees working outside the Netherlands was 16 (2020: 14).

5. Intangible assets

Amounts in US$ '000	Development costs	Re-acquired rights and Licenses	Novartis License	Software	Total
At cost	526	—	20,972	—	21,498
Accumulated:					—
Amortization charges	—	—	—	—	—
Impairment charges	—	—	—	—	—
Carrying value at January 1, 2020	**526**	**—**			**21,498**
Amortization charges	—	(714)	—	—	(714)
Impairment charges	—	—	—	—	—
Capitalized development costs	—	—	—	—	—
Assets acquired	—	8,570	1,583	—	10,153
Currency translation - cost	50	641	2,112	—	2,803
Currency translation - amortization	—	(54)	—	—	(54)
Currency translation - impairment	—	—	—	—	—
Movement 2020	**50**	**8,443**	**3,695**	**—**	**12,188**
At cost	576	9,211	24,667	—	34,454
Accumulated:					
Amortization charges	—	(768)	—	—	(768)
Impairment charges	—	—	—	—	—
Carrying value at December 31, 2020	**576**	**8,443**			**33,686**
Amortization charges	—	(741)	—	(28)	(769)
Impairment charges	(278)	—	—	—	(278)
Capitalized development costs	—	—	—	—	—
Assets acquired	—	—	2,530	47	2,577
Transfer from PPE - cost	—	—	—	129	129
Transfer from PPE - accumulated amortization	—	—	—	(55)	(55)
Divestments - cost	—	—	—	—	—
Divestment - accumulated amortization	—	—	—	—	—
Currency translation - cost	(44)	(711)	(2,012)	(8)	(2,775)
Currency translation - amortization	—	92	—	4	96
Currency translation - impairment	12	—	—	—	12
Movement 2021	**(310)**	**(1,360)**	**518**	**89**	**(1,063)**
At cost	532	8,500	25,185	168	34,385
Accumulated:					
Amortization charges	—	(1,417)	—	(79)	(1,496)
Impairment charges	(266)	—	—	—	(266)
Carrying value at December 31, 2021	**266**	**7,083**	**25,185**	**89**	**32,623**

Additions to Novartis relate to the ongoing development costs for the registration-enabling studies amount to US$2.5 million. More information is available in note 10 of the consolidated financial statements.

On 29 December 2019 Pharming and Swedish Orphan International AB ("Sobi") mutually agreed and terminated the distribution agreement by means of the termination, settlement and services agreement, reference is made to note 10 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	959	838	—	1,119	2,916
Accumulated depreciation	(565)	(838)	—	(541)	(1,944)
Carrying value at January 1, 2020	**394**	**—**	**—**	**578**	**972**
Investments	117	—	—	207	324
Divestment	(10)	(465)	—	(32)	(507)
Depreciation charges	(142)	—	—	(211)	(353)
Depreciation of divestment	10	465	—	32	507
Currency translation - cost	99	45	—	120	264
Currency translation - amortization	(64)	(45)	—	(65)	(174)
Movement 2020	**10**	**—**	**—**	**51**	**61**
At cost	1,165	418	—	1,414	2,997
Accumulated depreciation	(761)	(418)	—	(785)	(1,964)
Carrying value at December 31, 2020	**404**	**—**	**—**	**629**	**1,033**
Investments	—	6	325	306	637
Internal transfer - cost	(1,125)	40	1,102	(17)	—
Internal transfer - accumulated depreciation	736	(17)	(769)	50	—
Transfer to software - cost	—	—	—	(129)	(129)
Transfer to software - accumulated depreciation	—	—	—	55	55
Divestment	—	—	(21)	(14)	(35)
Depreciation charges	—	(5)	(126)	(192)	(323)
Depreciation of divestment	—	—	21	6	27
Currency translation - cost	(40)	(34)	(64)	(116)	(254)
Currency translation - amortization	25	34	39	62	160
Movement 2021	**(404)**	**24**	**507**	**11**	**138**
At cost	—	430	1,342	1,444	3,216
Accumulated depreciation	—	(406)	(835)	(804)	(2,045)
Carrying value at December 31, 2021	**—**	**24**	**507**	**640**	**1,171**

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	3,264	95	3,359
Amortization charges	(251)	(18)	(269)
Carrying value at January 1, 2020	**3,013**	**77**	**3,090**
Investments	—	302	302
Divestments	—	(27)	(27)
Depreciation charges	(363)	(69)	(432)
Depreciation of divestment	—	—	—
Currency translation - cost	310	30	340
Currency translation - amortization	(51)	(7)	(58)
Movement 2020	**(104)**	**229**	**125**
At cost	3,574	400	3,974
Accumulated depreciation	(665)	(94)	(759)
Carrying value at December 31, 2020	**2,909**	**306**	**3,215**
Investments	2,239	76	2,315
Divestment	(52)	—	(52)
Depreciation charges	(642)	(105)	(747)
Depreciation of divestment	30	—	30
Internal transfer - cost	—	(4)	(4)
Internal transfer - accumulated depreciation	—	8	8
Other movement - cost	259	(7)	252
Other movement - accumulated depreciation	(89)	17	(72)
Currency translation - cost	(383)	(33)	(416)
Currency translation - amortization	83	11	94
Movement 2021	**1,445**	**(37)**	**1,408**
At cost	5,637	432	6,069
Accumulated depreciation	(1,283)	(163)	(1,446)
Carrying value at December 31, 2021	**4,354**	**269**	**4,623**

Lease liabilities

Amounts in € '000	2021	2020
Current	341	549
Non-current	4,718	2,870
Balance at December 31	**5,059**	**3,419**

ii. Amounts recognized in the statement of income

The statement of income shows the following amounts relating to leases:

Amounts in US$ '000	2021	2020
Depreciation right of use buildings	642	363
Depreciation right of use cars	105	69
Interest expense (note 8)	418	350
Total expense right of use assets	**1,165**	**782**

7. Income tax

Deferred income tax

The net balance of deferred tax assets and liabilities is specified as follows:

Amounts in US$ '000	2021	2020
Total deferred tax assets	21,673	24,775
Total deferred tax liabilities	(3,621)	(1,152)
Total net balance of deferred tax assets and liabilities	**18,052**	**23,623**

The significant components and annual movements of deferred income tax assets as of 31 December, 2021 and 1 January, 2021, are as follows:

Amounts in US$ '000	2021	2020
Deferred tax assets		
Intangible fixed assets	10,492	17,704
Short term assets / liabilities	4,637	1,298
Other financial liabilities	—	—
Tax losses	6,544	5,773
Total deferred tax assets	**21,673**	**24,775**

Amounts in US$ '000	Intangible fixed assets	Short term assets / liabilities	Other financial liabilities	Tax losses	Total
At January 1, 2020	**14,033**	**1,202**	**9,181**	**6,632**	**31,048**
(Charged)/credited					
- to profit or loss	2,173	(17)	(9,354)	(1,386)	(8,584)
- to other comprehensive income	—	—	—		—
- currency translation	1,498	113	173	527	2,311
At December 31, 2020	**17,704**	**1,298**	**—**	**5,773**	**24,775**
(Charged)/credited					
- to profit or loss	(6,120)	3,428	—	1,272	(1,420)
- other movement	—	(598)	—	—	(598)
- to other comprehensive income	—	769	—		769
- currency translation	(1,092)	(260)	—	(501)	(1,853)
At December 31, 2021	**10,492**	**4,637**	**—**	**6,544**	**21,673**

For more information on deferred taxes see note 9 to the consolidated financial statements.

The component and annual movement of deferred income tax liabilities as of 31 December, 2021 and 1 January, 2021 are as follows:

Amounts in US$ '000	2021	2020
Deferred tax liabilities		
Tangible fixed assets	(3,621)	(1,152)
Total deferred tax liabilities	**(3,621)**	**(1,152)**

Amounts in US$ '000	Tangible fixed assets	Other liabilities	Total
At January 1, 2020	**(1,146)**	**—**	**(1,146)**
(Charged)/credited			
- to profit or loss	96	—	96
- currency translation	(102)		(102)
At December 31, 2020	**-1152**	**—**	**(1,152)**
(Charged)/credited			
- to profit or loss	(2,677)		(2,677)
- currency translation	208		208
At December 31, 2021	**(3,621)**	**—**	**(3,621)**

Income tax expenses

In 2021 the Company was liable to a tax charge of US$ 4,3 million, which was set off against deferred tax assets previously recognized.

8. Trade and other receivables

Amounts in US$ '000	2021	2020
Prepaid expenses	267	318
Value added tax	2,169	1,041
Other receivables	815	606
Taxes and Social Securities	1,792	1,451
Balance at December 31	**5,043**	**3,416**

Trade and other receivables at 31 December 2021 are substantially short-term in nature.

9. Restricted cash, cash and cash equivalents

Amounts in US$ '000	2021	2020
Restricted cash (non-current)	188	204
Restricted cash (current)	227	246
Cash and cash equivalents	122,318	127,862
Total restricted cash, cash and cash equivalents	122,733	128,312

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 2021 is jointly liable for commitments relating to bank guarantees from other group companies for an aggregate amount of US$0.6 million with a maturity of more than one year after the end of the reporting year.

10. Shareholders' equity

The Company's authorized share capital amounts to US$10.0 million (€8.8 million, exchange rate (EUR:US$) equals 1:1.1334) and is divided into 880,000,000 ordinary shares with a nominal value of €0.01 each. All 648,749,282 shares outstanding at 31 December 2021 have been fully paid-up.

Movements in shareholders' equity for 2021 and 2020 were as follows:

Amounts in US$ '000	2021	2020
Balance at January 1	**183,435**	**124,606**
Net profit	15,996	30,411
Foreign currency translation	(17,085)	15,072
Total comprehensive income	**(1,089)**	**45,483**
Income tax benefit from excess tax deductions related to share-based payments	(1,853)	2,361
Share-based compensation	9,056	6,537
Bonuses settled in shares	—	51
Warrants issued and exercised	81	90
Conversion rights of convertible bonds	—	1,605
Options exercised	3,286	2,702
Total transactions with owners	**10,570**	**13,346**
Balance at December 31	**192,916**	**183,435**

For a detailed movement schedule of equity for the years 2021 and 2020, please refer to the consolidated statement of changes in equity.

As of 2021, no difference between consolidated and parent company net result or equity is applicable. The difference in net result for 2020 between consolidated and parent company financial statements can be specified as follows:

Amounts in US$ '000	2021	2020
Consolidated financial statements	15,996	37,746
Net result Pharming Healthcare, Inc.	—	(7,359)
Parent company financial statements	**15,996**	**30,387**

11. Financial assets

Movements of the provision for investments for the years 2021 and 2020 were as follows:

Amounts in US$ '000	2021	2020
Balance at January 1	**(83,005)**	**(139,955)**
Reclass to investments in subsidiaries	9,574	—
Share in results of investments	(4,645)	70,385
Release of provision	7,574	—
Income tax benefit from excess tax deductions related to share-based payments	—	2,361
Revaluation investment Pharming Healthcare, Inc.	—	(7,358)
Exchange rate effects	5,840	(8,438)
Balance at December 31	**(64,662)**	**(83,005)**

At year-end 2021 and 2020, the provision for subsidiaries was set off against intercompany receivable balances in Pharming Group N.V.:

Amounts in US$ '000	2021	2020
Provision for investments	(64,662)	(83,005)
Investments in subsidiaries with positive equity	16,319	—
Release of provision allocated to investments	7,238	—
Receivable from group companies	232,833	264,398
Net financial assets	**191,728**	**181,393**

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%

12. Convertible bonds and loans and borrowings

The backgrounds of the convertible bonds and loans and borrowings have been provided in note 18 and 19 respectively of the consolidated financial statements.

13. Trade and other payables

Amounts in US$ '000	2021	2020
Accounts payable	574	1,892
Other payables	5,962	4,539
Balance at December 31	**6,536**	**6,431**

14. Related party transactions

Related parties' disclosure relates mainly to transactions with group companies and the associate company Bioconnection B.V. and with the key management of Pharming, up to 11 December 2020 being represented by the members of the former Board of Management and the former Board of Supervisory Directors. For the change in governance structure reference is made to note 23 and 24 of the consolidated financial statements.

Related party transactions with group companies consist of recharged costs for US$41.2 million and are recognized as revenues. These transactions take place in the ordinary course of business and are at arm's length.

Related party transactions with Bioconnection B.V. are in the ordinary course of that company's fill & finish business and amounted to approximately US$3.5 million (2020: US$3.0 million).

All direct transactions with members of the Board of Directors have been disclosed in notes 23 and 24 of the consolidated financial statements. At 31 December 2021, the Company owed US$0.1 million (2020: US$nil) to members of the Board of Directors with respect to their compensation.

15. Other financial income and expenses

Other financial income and expenses relates mainly to foreign currency gains US$9.8 million (2020: losses of US$14.1 million), interest paid on the convertible bonds during 2021 of US$5.3 million (2020: US$5.1 million), together with interest on leases of US$0.4 million (2020: US$0.3 million).

16. Commitments and contingencies

The backgrounds of the commitments and contingencies have been provided in note 27 of the consolidated financial statements.

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.

17. Distribution of profit

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 profit for the year 2021 of US$16.0 million to the accumulated deficit.

Leiden, 6 April 2022

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, 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended December 31, 2021 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, 2021, and of its result and its cash flows for the year ended December 31, 2021 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, 2021, and of its result for the year ended December 31, 2021 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, 2021.

2. The following statements for year ended December 31, 2021: the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2021.

2. The company statement of income for the year ended December 31, 2021.

3. The notes comprising a summary of the significant 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.

Emphasis on the change in presentation currency

We draw attention to Note 2.4 of the financial statements, which describes the reason and effect of the change in presentation currency from Euro to US Dollar in 2021. In line with International Accounting Standard 21, the consolidated financial statements as of December 31, 2020 and 2019 have been restated for presentation purposes as described in Note 2.4. Our opinion is not modified in respect of this matter.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 2.1 million. The materiality is based on profit before tax 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 1.2 million.

We agreed with the Board of Directors that misstatements in excess of USD 103 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 team.

Our group audit mainly focused on significant group entities 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

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

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.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Board of Directors and the Executive Committee, which may represent a risk of material misstatement due to fraud.

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. 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 law or 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 as SEC regulations, Dutch Stock exchange regulations, FDA regulations and EMA regulations to the extent material for the financial statements of the company) 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

Our responsibilities, as well as the responsibilities of management and the Board of Directors, related to going concern under the prevailing standards are outlined in the "Description of responsibilities regarding the financial statements" section below. The Board of Directors has assessed the going concern assumption, as part of the preparation of the consolidated financial statements, and as disclosed in the Financial Statements (note 3, 'Going concern assessment'). The Board of Directors believes that no events or conditions, including the COVID-19 pandemic, give rise to doubt about the ability of the group to continue in operation for at least twelve months after the adoption of the financial statements.

We have obtained management's assessment of the company's ability to continue as a going concern, and have assessed the going concern assumption applied. As part of our procedures, we evaluated whether sufficient appropriate audit evidence has been obtained regarding, and have concluded on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements. Based on these procedures, we did not identify any reportable findings related to the company's ability to continue as a going concern.

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.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenues and trade and other payables —Rebate Accruals in the U.S.

Description

The Company recognized revenues from product sales in the United States totaling $193.2 million for the year ended December 31, 2021, and a payable of $11.3 million relating to government and other rebate programs as at December 31, 2021. The sales in the United States are subject to rebates relating directly to customers or to ultimate reimbursement claims from government or insurance payers, which are referred to as gross-to-net adjustments, mainly U.S. Medicaid ("U.S. revenue rebates"). These are accounted for on an estimated basis.

The U.S. revenue rebates related liability 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 due to the complexity of the estimation and a high degree of auditor judgment when performing auditing procedures and evaluating the results of those procedures and therefore we identified the accounting treatment for rebate accruals in the US 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 rebates liability 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 accrual.
- We tested mathematical accuracy of the U.S. revenue rebate accrual 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 of reclaimed vials by comparing to historical claims.
- We evaluated the Company's ability to estimate U.S. revenue rebate accruals accurately by comparing actual amounts incurred for U.S. revenue rebate accruals to historical estimates.
- We created data visualizations to compare recorded U.S. revenue rebates against historic data and followed-up on any unusual trends.

Our observations

Our procedures did not result in any reportable material matters.

Research and development costs & Investments at fair value through Other Comprehensive Income – Strategic collaboration - Orchard Therapeutics (Europe) Ltd

Description

With effective date July 1, 2021, Pharming and Orchard Therapeutics (Europe) Ltd ("Orchard") entered into a strategic collaboration to research, develop, manufacture and commercialize a newly disclosed hematopoietic stem cell (HSC) gene therapy ("OTL-015"). The collaboration provides Pharming worldwide license to OTL-015.

As part of the agreement, Pharming made an upfront payment of US$17.5 million comprising US$10.0 million in cash and a US$7.5 million equity investment. The fair value of the shares at acquisition of the equity investment, based on Orchard's share price and any relevant factors affecting the fair value, was US$4.6 million. The Company recognized the upfront cash payment of US$10.0 million and the premium on the share price of US$2.9 million as a research and development cost for the year ended December 31, 2021. The determination of the accounting treatment for this transaction required management to use a high degree of judgment, as it involved amongst others, assessing whether the collaboration agreement constitutes a business combination, joint arrangement, or gives rise to an intangible asset, selecting appropriate valuation techniques, and making appropriate valuation assumptions.

Given the determination of the accounting treatment required a high degree of management judgment, evaluating its reasonableness required a high degree of auditor judgment and an increased extent of effort, including the need to involve our technical accounting specialists and therefore we identified the accounting treatment of this strategic collaboration as a key audit matter.

The company's disclosures concerning this transaction are included in notes 2.4, 2.5 and 13 to the consolidated financial statements.

How the key audit matter was addressed in the audit

We performed the following procedures, amongst others in order to evaluate the accounting for this transaction:

- We evaluated whether the transfer of shares took place and Pharming has the right to the investment in Orchard.
- We evaluated the accounting treatment of the agreement with Orchard by (amongst others):
  - Reading minutes of the Board of Directors' meetings, and the executed agreements with Orchard to gather relevant facts and circumstances considered by management in their determination of the accounting treatment.
  - Evaluating, together with our technical accounting specialists, the reasonableness of management's judgments by reference to the relevant criteria under IAS 38 ("Intangible Assets"), IFRS 3 ("Business Combinations"), IFRS 9 ("Financial Instruments") and IFRS 11 ("Joint Arrangements").
- We evaluated the valuation of the investment in Orchard as at December 31, 2021 by (amongst others):
  - Testing the initial value of the investment included in management's calculation considering the publicly available share information of Orchard.
  - Evaluating, together with our fair value specialists the reasonableness of (i) the valuation techniques applied by management and (ii) the main valuation assumptions used by:
    - Assessing the accounting estimates made by management, including relevant judgments and decisions, to identify possible indicators of management bias.
    - Testing the data used by management in developing the fair value measurement to determine that the information is accurate and complete.

Our observations

The accounting and valuation of the collaboration as at December 31, 2021 is in accordance with the applicable accounting standards and the disclosure note in the financial statements is adequate.

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:

- Report of the Board of Directors.
- Remuneration Report 2021.
- 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

Engagement

We were engaged by a resolution at the Annual General Meeting of Shareholders as auditors 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 2021, we were appointed by the General Meeting held on May 19, 2021.

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 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.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered

Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package;
- 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.

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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 to 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 6, 2022

Deloitte Accountants B.V.

I.A. Buitendijk

Glossary

AGM Annual General Meeting of Shareholders.

AKI Acute Kidney Injury AKI is a sudden episode of kidney failure or kidney damage.

AMI Acute Myocardial Infarction, commonly known as a heart attack, results from the interruption of blood supply to a part of the heart causing heart cells to die. Heart attacks are one of the leading causes of death for both men and women worldwide.

APDS or Activated PI3K-delta syndrome is a s 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 not 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 US, 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.

BOD The Board of Directors.

BOM The Board of Management.

BOSD Board of Supervisory Directors.

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.

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 The Committee for Medicinal Products for human use.

CHO Chinese Hamster Ovary, the most common originator cells for cell-line bioreactor manufacture.

CIN Contrast-Induced Nephropathy. CIN is a form of kidney damage in which there has been recent exposure to medical imaging contrast material without another clear cause for the acute kidney injury.

Clinical trial/Clinical studies Clinical trials are tests on human individuals, ranging from healthy people to patients, to evaluate safety and efficacy of new pharmaceutical products before they can be approved. Clinical trials typically range from Phase I to Phase IV.

CLO Contract Laboratory Organizations.

CMC Chemistry, Manufacturing & Control.

CMO Contract Manufacturing Organization or Chief Medical Officer

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.

CSO Chief Scientific Officer

Cytobioteck Privately-owned Bogota, Colombia based specialty healthcare company.

Cytokines are a broad and loose category of small proteins (~5–20 kDa) secreted by the immune system that are important in cell signalling.

DGF A DGF or delayed graft function is a common complication affecting solid organs in the post-transplant period.

DSP Downstream Processing.

EBIT Earnings before Interest & Tax. Defined as Profit for the year adjusted to exclude Income tax credit (expense) and Financial cost, net

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.

EGM Extraordinary General Meeting of Shareholders.

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.

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.

First Berlin Equity Research GmbH Provider of independent equity research and market intelligence.

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).

Hemophilia A Hemophilia A is a hereditary disorder caused by defects in the Factor VIII gene. Lack of functional Factor VIII diminishes the body's clotting ability, which in turn can lead to damaging or fatal bleeding episodes.

HC Wainwright HC Wainwright is a full-service investment bank dedicated to providing Investment Banking, Equity Research, Sales & Trading as well Corporate Access and Strategic Advisory services.

HyupJin Corporation HyupJin Corporation is a Seoul based Korean specialty pharma company that develops and distributes healthcare products.

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).

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.

IRI Ischemia Reperfusion Injury is a complication arising from a two-step event: 1) lack of oxygen due to an interruption of the blood supply (ischemia) resulting in tissue damage and production of toxic metabolites 2) the flooding of toxic metabolites into healthy tissue after reopening the blood supply

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").

LTIP Long Term Incentive Plan.

MAA Marketing Authorization Application is a request for market approval to the EMA in the European Union.

MASP Mannan-binding lectin-Associated Serine Protease: molecules that initiate the lectin pathway of complement activation upon binding to microbial carbohydrates.

MT Management Team.

NGAL/ N-GAL Neutrophil Gelatinase-Associated Lipocalin: NGAL is a protein involved in innate immunity by sequestrating iron that in turn limits bacterial growth. NGAL is used as a biomarker of kidney injury.

Net Debt Defined as Loans and borrowings plus Convertible bonds minus cash and cash equivalents minus non-current restricted cash.

Novartis Swiss multinational pharmaceutical company based in Basel, Switzerland.

Oppenheimer & Co Inc. Oppenheimer & Co is an American investment bank and financial services company.

Orbimed Advisors Orbimed is a healthcare-dedicated investment firm.

Orphan Drug/ Orphan Drug status A drug being developed to treat a rare disease (affecting less than 200,000 individuals in the USA) can receive Orphan Drug designation from the FDA.

PASLI This is a rare genetic disorder of the immune system. PASLI stands for p110 delta activating mutation, causing senescent T cells, lymphadenopathy, and immunodeficiency.

PCI Percutaneous Coronary Intervention is a minimal invasive surgical procedure used to treat narrowing of the coronary arteries of the heart found in coronary artery disease.

Pharmacovigilance also known as drug safety, is the pharmacological science relating to the collection, detection, assessment, monitoring, and prevention of adverse effects in relation to pharmaceutical products.

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).

Portzamparc (BNP Paribas) part of the BNP Paribas group, is a French investment bank and financial services company.

Pre-eclampsia /PE is a life-threatening multisystem condition in pregnancies leading to increased maternal and neonatal mortality and morbidity.

Primary Immunodeficiency These are disorders in which part of the body's immune system is missing or does not function normally.

Protein-serine/Threonine kinase also known as AKT is a serine/threonine-specific protein kinase (enzyme) that plays a key role in multiple cellular processes such as glucose metabolism, apoptosis, cell proliferation, transcription, and cell migration.

Proteinuria The presence of excess proteins in the urine.

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.

Reperfusion is the restoration of blood flow to an organ or tissue after having been blocked.

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®.

Roth Investment banking firm dedicated to the small-cap public market.

RUCONEST® RUCONEST® is the global registered trademark for Pharming's recombinant human C1 inhibitor.

Sanofi is a French multinational pharmaceutical company.

Silicon Valley Bank is a commercial bank.

Sinopharm China National Pharmaceutical Group Co., Ltd.

SOBI Swedish Orphan Biovitrum International AB.

Stifel is an American investment bank and financial services company.

SwissMedic is the Swiss Agency for Therapeutic Products.

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.