# Pharming Group reports financial results for the first half of 2020

## Delivered 14% increase in revenue, 31% increase in operating profit and 33% increase in net profit year-on-year

*Leiden, The Netherlands*, 30 July 2020: Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) presents its (unaudited) financial report for the six months ended 30 June 2020.

The Company will hold a conference call at 13:00 CEST / 07:00 EST today. Dial-in details can be found on page 6 of this report.

## Financial summary

*Six months to 30 June 2020*

| *Amounts in €m except per share data* | H1 2020 | H1 2019 | % Change |
|---|---|---|---|
| *Income Statement* | | | |
| Revenues | 88.6 | 77.9 | 14% |
| Gross profit | 78.7 | 67.0 | 17% |
| Operating result | 32.3 | 24.6 | 31% |
| Net result | 18.1 | 13.6 | 33% |
| *Balance Sheet* | | | |
| Cash & marketable securities | 155.1 | 65.3 | 138% |
| *Share Information* | | | |
| Earnings per share (€): | | | |
| - Undiluted | 0.029 | 0.022 | 32% |
| - Fully diluted | 0.025 | 0.020 | 25% |

## Financial highlights

- The Company achieved record revenues in H1 2020, with a 14% increase year-on-year to €88.6 million (H1 2019: €77.9 million).
- US revenues increased 13% year-on-year to €85.0 million (H1 2019: €75.0 million), however, sales in Q2 2020 declined by 21% compared to Q1 2020. This was as a result of an unusually high sales level towards the end of Q1 2020, which is believed to have included some pre-filling of prescriptions in response to the emerging COVID-19 pandemic. The Company therefore believes that the H1 2020 results are more representative of underlying performance, than either quarter in isolation.
- In Europe and the rest of the world (RoW), revenues for H1 2020 increased 24% year-on-year to €3.6 million (H1 2019: €2.9 million), as a result of significant growth in the EU. This follows the reacquisition of commercial product rights in EU territories, effective from 1 January 2020, as well as volume increases in the EU.
- Operating profit in H1 2020 increased 31% year-on-year to €32.3 million (H1 2019: €24.6 million).
- Net profits in H1 2020 increased 33% year-on-year to €18.1 million (H1 2019: €13.6 million). Despite the decrease in US sales in Q2 2020, net profit for the quarter increased to €9.7 million from €8.4 million in Q1 2020, mainly as a result of lower financing costs following the successful convertible bond refinancing in January 2020 and continued cost control.

- Strengthened cash position to €155.1 million as of 30 June 2020, an increase of €19 million from €136.1 million at 31 March 2020 (cash at 31 December of €68.6 million). This is a result of strong positive operational cashflows during both Q1 and Q2, from Q2 onwards also supported by lower financing costs as result of the successful convertible bond re-financing in Q1.
- The equity position improved from €104.7 million at the end of December 2019 to €127.6 million at the end of June 2020. The majority of the increase in equity is related to the net result for the first half.
- Other financial liabilities, which refers to the contingent consideration reserved for the final successful sales performance milestone of US$25 million to Bausch Health, did not increase. As a result, our estimation of the likelihood of paying this milestone in the future has not changed during the period.
- Since the last reporting date of 20 May 2020, the Company has issued, or reserved for issue, a total of 2.748.244 shares in connection with a number of exercises of options under the current schemes. The number of issued shares as of 30 July 2020 is 637.743.008. The fully diluted number of shares as of 30 July 2020 is 740.943.581.

## Operational highlights

- On 14 January 2020, the Company announced the placement of a €125 million 3% senior unsecured convertible bonds due 2025. The proceeds of the issue were used to redeem the remaining $56 million of the original $100 million loan from Orbimed Advisors and therefore reduced the Company's financing costs. The remaining balance of the net proceeds will support the Company's capital expenditure in relation to the expansion of commercialisation and manufacturing infrastructure.
- During Q1 2020, Pharming received European and US validation of its new production facility of starting material for the Company's lead product, RUCONEST®. On 21 January 2020, the Company received European Medicines Agency (EMA) approval for a Type II Variation for the new production facility. On 9 March 2020, the Company received approval on its Prior Approval Supplement from the US Food and Drug Administration (FDA) for the new production facility.
- On 11 March 2020, the Company announced Chief Financial Officer (CFO), Robin Wright, would not put himself up for re-election as a member of the Board of Management and therefore as CFO at the General Meeting of Shareholders. As a result, Robin Wright's term with Pharming ended on 20 May 2020. The search for a new CFO is well underway.
- On 23 March 2020, the Company announced it had been promoted to the Euronext Amsterdam MidKap index (AMX).
- On 21 April 2020, the Company reported encouraging results from a study of five patients with confirmed COVID-19 (SARS-CoV-2) infections hospitalised with related severe pneumonia that were treated with RUCONEST® under a compassionate use programme at the University Hospital of Basel, Switzerland. Following these encouraging results, a multinational, randomised, controlled investigator-initiated study, led by Dr Michael Osthoff from the University Hospital of Basel, is ready to recruit patients. Pharming expects the study to include up to 150 patients and to be carried out in multiple research centres in parallel, in Switzerland, the US and Latin-America.
- On 30 April 2020, the Company announced that the European Commission had approved an extension in the indication of RUCONEST®'s Marketing Authorisation to include the treatment

of acute hereditary angioedema (HAE) attacks in children (aged 2-13). In the EU, RUCONEST® has been approved for the treatment of acute HAE attacks in adults since 2010 and in adolescents since 2016.

- On 20 May 2020, the Company announced the nomination of Barbara Yanni and Mark Pyktett to the Board of Supervisory Directors. An Extraordinary General Meeting of Shareholders (EGM) is expected to convene in Q4 2020 for their official appointments. Until that time, both Barbara and Mark will hold observational roles.

## COVID-19 update

Pharming continues to comply with international guidance and requirements across its operations to prioritise the health and safety of its employees during the COVID-19 pandemic.

An update on the impact of COVID-19 on the operations of the business is summarised below.

- No impact on the upscaling or continued production of RUCONEST®. The Company's new starting material facility, approved earlier this year, significantly increases Pharming's production capacity of RUCONEST®.
- No impact on the availability or distribution of RUCONEST® to HAE patients.
- The recruitment of new patients in ongoing clinical trials has been temporarily halted; patients already incorporated into ongoing clinical trials will continue to receive treatment.
- As a result of halted recruitment, timelines for the pre-eclampsia and acute kidney injury studies are expected to incur delays, subject to the return of recruitment.
- Recruitment in the registration enabling trial for leniolisib has started again and we continue to expect the potential launch of leniolisib in mid-2022.

## Sijmen de Vries, Chief Executive Officer, commented:

*"We are delighted to announce strong results for the first half of the year, demonstrating consistent progress in a challenging period that included the restriction of all face-to-face sales and marketing activities. Thanks to the dedication, creativity and tenacity of our employees, we have been able to continue our growth trajectory, both in terms of production capacity and sales expansion, to deliver record results. We also continued to increase net profitability, supported by our successful convertible bond refinancing, which significantly lowered our financing costs, and the re-acquisition of RUCONEST®'s commercialisation rights for the remaining EU territories.*

*In addition, we have continued to demonstrate operational success, receiving EMA and FDA approval for a new production facility of RUCONEST® starting material, receiving approval for an expansion of the EU Marketing Authorisation for RUCONEST® to include children aged 2-13, and reporting encouraging results from a compassionate use study in the treatment of severe pneumonia related to COVID-19 with RUCONEST®, a further investigation into which is due to begin shortly. We are also encouraged that recruitment in the pivotal study for leniolisib has started again and we continue to expect the potential launch of the product in mid-2022. We remain confident we are well positioned to continue to deliver significant value to all our stakeholders in the second half of the year and beyond."*

## Outlook

For the remainder of 2020, the Company expects:

- Subject to progression of the COVID-19 pandemic in the US; continued growth in revenues from sales of RUCONEST®, compared to the first half of 2020, mainly driven by the US and expanded European operations.
- Maintenance of positive net earnings during the year.
- Continued investment in the expansion of production of RUCONEST® in order to ensure continuity of supply to the growing markets in the US, Europe, China and the RoW.
- Investment in the ongoing clinical trials for pre-eclampsia and acute kidney injury, and support for investigators wishing to explore additional indications for RUCONEST®, such as the planned study in patients confirmed with COVID-19 infections with related severe pneumonia.
- Initiation of patient recruitment of the investigator sponsored, randomised controlled COVID-19 study, in centres in Switzerland, USA and Latin America.
- Investment in the continuing registration-enabling study for leniolisib for APDS, leading to headline data early in 2021.
- Investment in an Investigational New Drug Application to the FDA enabling studies for α-glucosidase in Pompe disease and preclinical development of the new recombinant α-galactosidase candidate for Fabry's disease.
- Investment in acquisitions / in-licensing of other new development opportunities and assets as these occur.
- Increasing marketing activity where this can be profit-enhancing for Pharming.
- Continued close monitoring of the ongoing COVID-19 pandemic and the potential impact on the business.

No further financial guidance for 2020 is provided.

## Statement of the Board of Management

The Board of Management declares that to the best of its knowledge and in accordance with applicable reporting principles, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Pharming, and the half-year report incorporated in this press release includes a fair review of the development and performance of the business and the position of the Company, together with additional information on certain risks associated with the expected development of the Company.

Board of Management:

Sijmen de Vries, CEO

Bruno Giannetti, COO

# About Pharming Group N.V.

Pharming is a specialty pharmaceutical company developing innovative products for the safe, effective treatment of rare diseases and unmet medical needs. Pharming's lead product, RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of acute Hereditary Angioedema ("HAE") attacks in patients in Europe, the US, Israel and South Korea. The product is

available on a named-patient basis in other territories where it has not yet obtained marketing authorisation.

RUCONEST® is commercialised by Pharming in the US and in Europe, and the Company holds all other commercialisation rights in other countries not specified below. In some of these other countries distribution is made in association with the HAEi Global Access Program (GAP). RUCONEST® is distributed in Argentina, Colombia, Costa Rica, the Dominican Republic, Panama, and Venezuela by Cytobioteck, in South Korea by HyupJin Corporation and in Israel by Kamada.

RUCONEST® is also being evaluated for various additional indications. Pharming's technology platform includes a unique production process that has proven capable of producing industrial quantities of pure high quality recombinant human proteins in a more economical and less immunogenic way compared with current cell-line based methods.

Leads for enzyme replacement therapy ("ERT") for Pompe and Fabry's diseases are also being produced and optimised respectively at present.

Pharming has recently in-licensed leniolisib from Novartis, a small molecule and selective PI3Kδ inhibitor, which is in a registrational study for activated PI3K-delta syndrome (APDS), a rare form of Primary Immunodeficiency.

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

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

## Forward-looking Statements

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

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

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


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## Conference call information

| | |
|---|---|
| From the Netherlands: | +31 207095189<br>Toll-Free: 08004050000 |
| From the UK: | +44 3333000804<br>Toll-Free: 08003589473 |
| From Belgium: | +32 24035814<br>Toll-Free: 080029913 |
| From France: | +33 170750711<br>Toll-Free: 0800946608 |
| From Switzerland: | +41 225809034<br>Toll-Free: 0800721298 |
| From the US: | +1 6319131422<br>Toll-Free: +1 855 85 70686 |

For other numbers, please see:
https://events-ftp.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

**Presentation link:**
https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=e46000d81240a97b2024e3fa98526bd10

**Presentation Password/PIN: 31591389#**

## Condensed Consolidated Interim Financial Statements (unaudited)

For the period ended 30 June 2020

- Condensed consolidated statement of profit or loss
- Condensed consolidated statement of comprehensive income
- Condensed consolidated statement of financial position
- Condensed consolidated statement of changes in equity
- Condensed consolidated statement of cash flow

Notes to the condensed consolidated interim financial statements

## Appendix: Main Condensed Consolidated Interim Financial Statements reported in US dollars

(This appendix is not part of the Condensed Consolidated Interim Financial Statements)

- Condensed consolidated statement of profit or loss in US Dollar
- Condensed consolidated statement of financial position in US Dollar
- Condensed consolidated statement of cash flows in US Dollar

## Condensed Consolidated Statement of Profit or Loss
For the period ended 30 June

| Amounts in € '000 | notes | HY 2020 | HY 2019 |
|---|---|---|---|
| **Revenues** | 7 | **88.593** | **77.935** |
| **Costs of sales** | 8 | **(9.858)** | **(10.956)** |
| **Gross profit** | | **78.735** | **66.979** |
| **Other income** | | **475** | **148** |
| Research and development | | (15.991) | (14.877) |
| General and administrative | | (8.917) | (6.842) |
| Marketing and sales | | (21.991) | (20.776) |
| **Costs** | 8 | **(46.899)** | **(42.495)** |
| **Operating result** | | **32.311** | **24.632** |
| Fair value gain (loss) on revaluation derivatives | | 84 | (8) |
| Other financial income | 9 | 1.121 | 506 |
| Other financial expenses | 9 | (7.741) | (6.767) |
| **Financial income and expenses** | | **(6.536)** | **(6.269)** |
| **Share of net profits in associates using the equity method** | 10 | **121** | **299** |
| **Result before income tax** | | **25.896** | **18.662** |
| Income tax credit (expense) | | (7.753) | (5.068) |
| **Net result for the year** | | **18.143** | **13.594** |
| **Attributable to:** | | | |
| Owners of the parent | | 18.143 | 13.594 |
| **Total net result** | | **18.143** | **13.594** |
| Basic earnings per share (€) | 15 | 0,029 | 0,022 |
| Fully-diluted earnings per share (€) | 15 | 0,025 | 0,020 |

The notes are an integral part of these interim financial statements

## Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June

| Amounts in € '000 | HY 2020 | HY 2019 |
|---|---|---|
| **Net result for the year** | **18.143** | **13.594** |
| Currency translation differences | 35 | (200) |
| **Items that may be subsequently reclassified to profit or loss** | **35** | **(200)** |
| **Other comprehensive income (loss), net of tax** | **35** | **(200)** |
| **Total comprehensive income (loss) for the year** | **18.178** | **13.394** |
| **Attributable to:** | | |
| Owners of the parent | 18.178 | 13.394 |

The notes are an integral part of these interim financial statements

## Condensed Consolidated Balance Sheet
As at date shown

| Amounts in € '000 | notes | 30 June 2020 | 31 December 2019 |
|---|---|---|---|
| Intangible assets | 16 | 77.219 | 70.809 |
| Property, plant and equipment | | 8.748 | 8.553 |
| Right-of-use assets | | 5.284 | 5.979 |
| Deferred tax assets | 17 | 22.582 | 28.590 |
| Investments accounted for using the equity method | 10 | 5.616 | 5.508 |
| Restricted cash | | 2.272 | 2.268 |
| **Non-current assets** | | **121.721** | **121.707** |
| Inventories | 11 | 16.223 | 14.467 |
| Trade and other receivables | | 26.386 | 25.737 |
| Cash and cash equivalents | | 152.782 | 66.299 |
| **Current assets** | | **195.391** | **106.503** |
| **Total assets** | | **317.112** | **228.210** |
| Share capital | | 6.377 | 6.313 |
| Share premium | | 396.033 | 392.266 |
| Legal reserves | | 3.809 | 3.718 |
| Accumulated deficit | | (278.650) | (297.618) |
| **Shareholders' equity** | 12 | **127.569** | **104.679** |
| Convertible bonds | 13 | 123.222 | - |
| Lease liabilities | 14 | 4.133 | 4.363 |
| Other financial liabilities | | 18.298 | 17.282 |
| **Non-current liabilities** | | **145.653** | **21.645** |
| Loans and borrowings | 13 | - | 45.590 |
| Derivative financial liabilities | | 185 | 268 |
| Trade and other payables | | 42.158 | 36.247 |
| Lease liabilities | | 1.547 | 1.946 |
| Other financial liabilities | | - | 17.835 |
| **Current liabilities** | | **43.890** | **101.886** |
| **Total equity and liabilities** | | **317.112** | **228.210** |

The notes are an integral part of these interim financial statements

## Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June

Attributable to owners of the parent

| Amounts in € '000 | notes | Number of shares (in '000) | Share capital | Share premium |
|---|---|---|---|---|
| **Balance at 1 January 2019 as reported in HY report** | | **621.501** | **6.215** | **387.525** |
| Result for the year | | - | - | - |
| Other comprehensive income (loss) for the half-year | | - | - | - |
| **Total comprehensive income (loss) for the half-year** | | **-** | **-** | **-** |
| Legal reserves development expenses | | - | - | - |
| Share-based compensation | | - | - | - |
| Bonuses settled in shares | | 3 | - | 3 |
| Shares issued for cash | | 1.635 | 16 | 228 |
| Warrants exercised/ issued | | 180 | 1 | 158 |
| Options exercised | | 2.564 | 25 | 1.396 |
| **Total transactions with owners, recognised directly in equity** | | **4.382** | **42** | **1.785** |
| **Balance at 30 June 2019** | | **625.883** | **6.257** | **389.310** |

| | | | | |
|---|---|---|---|---|
| **Balance at 1 January 2020** | | **631.323** | **6.313** | **392.266** |
| Result for the half-year | | - | - | - |
| Other comprehensive income (loss) for the half-year | | - | - | - |
| **Total comprehensive income (loss) for the half-year** | | **-** | **-** | **-** |
| Legal reserves development expenses | | - | - | - |
| Share-based compensation | | - | - | - |
| Bonuses settled in shares | 12 | - | - | - |
| Value of conversion rights on convertible bonds | 14 | - | - | - |
| Shares issued for cash | 12 | 2.061 | 21 | 1.389 |
| Warrants exercised/ issued | 12 | - | - | - |
| Options exercised | 12 | 4.319 | 43 | 2.378 |
| **Total transactions with owners, recognised directly in equity** | | **6.380** | **64** | **3.767** |
| **Balance at 30 June 2020** | | **637.703** | **6.377** | **396.033** |

The notes are an integral part of these interim financial statements

Attributable to owners of the parent

| Amounts in € '000 | notes | Legal reserves | | Accumulated deficit | Total equity |
|---|---|---|---|---|---|
| | | Capitalized development cost | Translation reserve | | |
| **Balance at 1 January 2019 as reported in HY report** | | **2.237** | **(590)** | **(333.636)** | **61.751** |
| Result for the year | | - | - | 13.594 | 13.594 |
| Other comprehensive income (loss) for the half-year | | - | (200) | - | (200) |
| **Total comprehensive income (loss) for the half-year** | | **-** | **(200)** | **13.594** | **13.394** |
| Legal reserves development expenses | | 310 | - | (310) | - |
| Share-based compensation | | - | - | 1.350 | 1.350 |
| Bonuses settled in shares | | - | - | - | 3 |
| Shares issued for cash | | - | - | (244) | - |
| Warrants exercised/ issued | | - | - | - | 159 |
| Options exercised | | - | - | (588) | 833 |
| **Total transactions with owners, recognised directly in equity** | | **310** | **-** | **208** | **2.345** |
| **Balance at 30 June 2019** | | **2.547** | **(790)** | **(319.834)** | **77.490** |

| | | | | | |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | **4.347** | **(629)** | **(297.618)** | **104.679** |
| Result for the half-year | | - | - | 18.143 | 18.143 |
| Other comprehensive income (loss) for the half-year | | - | 35 | - | 35 |
| **Total comprehensive income (loss) for the half-year** | | **-** | **35** | **18.143** | **18.178** |
| Legal reserves development expenses | | 56 | - | (56) | - |
| Share-based compensation | | - | - | 1.391 | 1.391 |
| Bonuses settled in shares | 12 | - | - | - | - |
| Value of conversion rights on convertible bonds | 14 | - | - | 1.405 | 1.405 |
| Shares issued for cash | 12 | - | - | (1.410) | - |
| Warrants exercised/ issued | 12 | - | - | - | - |
| Options exercised | 12 | - | - | (505) | 1.916 |
| **Total transactions with owners, recognised directly in equity** | | **56** | **-** | **825** | **4.712** |
| **Balance at 30 June 2020** | | **4.403** | **(594)** | **(278.650)** | **127.569** |

The notes are an integral part of these interim financial statements

## Condensed Consolidated Statement of Cash Flow
For the period ended 30 June

| Amounts in €'000 | HY 2020 | HY 2019 |
|---|---|---|
| **Operating result** | **32.311** | **24.632** |
| | | |
| *Non-cash adjustments:* | | |
| Depreciation, amortisation, impairment | 3.122 | 2.794 |
| Accrued employee benefits | 1.391 | 1.350 |
| Release contract liabilities | - | (400) |
| **Operating cash flows before changes in working capital** | **36.824** | **28.376** |
| | | |
| *Changes in working capital:* | | |
| Inventories | (1.756) | 4.610 |
| Trade and other receivables | (649) | (7.379) |
| Payables and other current liabilities | 5.828 | 170 |
| **Total changes in working capital** | **3.423** | **(2.599)** |
| | | |
| Changes in non-current assets, liabilities and equity | (33) | (605) |
| | | |
| **Cash generated from (used in) operations before interest and taxes** | **40.214** | **25.172** |
| | | |
| Income taxes paid | (50) | (625) |
| | | |
| **Net cash flows generated from (used in) operating activities** | **40.164** | **24.547** |
| | | |
| Capital expenditure for property, plant and equipment | (1.035) | (1.216) |
| Investment intangible assets | (230) | (521) |
| Investment in associates | (13) | (2.503) |
| Acquisition of license | (7.939) | - |
| | | |
| **Net cash flows used in investing activities** | **(9.217)** | **(4.240)** |
| | | |
| Repayment on loans and borrowings | (49.914) | (15.533) |
| Proceeds of issued convertible bonds | 122.682 | - |
| Payment on contingent consideration | (18.135) | (17.635) |
| Interests on loans and leases | (720) | (4.830) |
| Payment of lease liabilities | (1.402) | (619) |
| Interest received | 479 | 475 |
| Proceeds of equity and warrants | 1.916 | 992 |
| | | |
| **Net cash flows generated from (used in) financing activities** | **54.906** | **(37.150)** |
| | | |
| **Increase (decrease) of cash** | **85.853** | **(16.843)** |
| Exchange rate effects | 634 | 593 |
| Cash and cash equivalents at 1 January | 68.567 | 81.515 |
| | | |
| **Total cash and cash equivalents at 30 June** | **155.054** | **65.265** |

The notes are an integral part of these interim financial statements

## 1. *Company information*

Pharming Group N.V. is a limited liability public company which is listed on Euronext Amsterdam (PHARM), with its headquarters and registered office located at:

Darwinweg 24
2333 CR Leiden
The Netherlands

## 2. *Basis of preparation*

The consolidated interim financial statements for the six-month ended 30 June 2020 have been prepared in accordance with Accounting Standard IAS 34, *Interim financial reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which 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.

## 3. *Accounting policies*

Accounting policies are consistent with those of the financial statements for the year ended 31 December 2019.

## 4. *Estimates and judgements*

The preparation of interim financial statements in conformity with IFRS 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. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

## 5. *Going concern*

In preparing and finishing the interim financial statements the Board of Management of Pharming has assessed the Company's ability to fund its operations for a period of at least eighteen months after the date the interim financial statements are issued. Based upon the assessment on a going concern basis, the Company has concluded that funding of its operations for a period of eighteen months, after the date the interim financial statements are issued, is realistic and achievable. Overall, based on the outcome of this assessment, the interim financial statements have been prepared on a going concern basis.

## 6. *Seasonality of operations*

Seasonality has no material impact on Company's interim financial statements.

## 7. *Segment information*

The Board of Management is the chief operating decision-maker. The Board of Management considers the business from both a geographic and product perspective. From a product perspective, the Company's business is almost exclusively related to the recombinant human C1 esterase inhibitor business. From a geographic perspective, the Company is operating in the areas: the US, Europe and Rest of the World (RoW). The Board of Management primarily measures revenues to assess the performance of the operating areas. Costs and assets are not allocated to the geographic areas.

Total revenues and gross profit per geographic segment for the period ended 30 June:

| Amounts in € '000 | HY 2020 | HY 2019 |
|---|---|---|
| **Revenues:** | | |
| US | 84.982 | 75.018 |
| Europe | 3.158 | 2.105 |
| RoW | 453 | 812 |
| **Total revenues** | **88.593** | **77.935** |
| **Gross profit:** | | |
| US | 77.068 | 66.194 |
| Europe | 1.282 | 202 |
| RoW | 385 | 583 |
| **Total gross profit** | **78.735** | **66.979** |

## 8. *Expenses by nature*

Cost of sales in the first half year of 2020 amounted to €9.9 million (HY 2019: €11.0 million). Inventory impairments amounted to a release of € (0.3) million in the first half of 2020 (2019: addition of €0.5 million). The impairment stems from the valuation of the inventories against lower net realisable value, related to reallocation of inventories to the different markets with different prices, based on sales forecasts by management and commercial partners, and clinical programmes.

Operating costs increased to €46.9 million from €42.5 million in the first half year of 2019. The increase is a result of the increased sales activities in the US, increased development costs for both our current product as the new pipeline, and increased cost for strengthening of supporting departments.

### *Employee benefits*

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.

*Depreciation and amortisation charges*

| Amounts in € '000 | HY 2020 | HY 2019 |
|---|---|---|
| Property, plant and equipment | (840) | (679) |
| Right-of-use assets | (784) | (674) |
| Intangible assets | (1.759) | (1.440) |
| **Total** | **(3.383)** | **(2.793)** |

The depreciation on right-of-use assets relates to leased buildings and cars.

The amortisation of the intangible assets mainly relates to the re-acquired US commercialisation rights and are allocated to marketing and sales costs in the statement of income.

## 9. *Financial expenses*

| Amounts in € '000 | HY 2020 | HY 2019 |
|---|---|---|
| Foreign currency results | 634 | - |
| Interest income | 487 | 475 |
| Contingent consideration | - | 31 |
| **Other financial income** | **1.121** | **506** |
| Foreign currency results | - | (208) |
| Interest loans and borrowings | (449) | (6.229) |
| Exit fees and expenses | (3.672) | - |
| Interest on convertible bonds | (1.944) | - |
| Other interest expenses | (382) | (330) |
| Contingent consideration | (1.216) | - |
| Other financial expenses | (78) | - |
| **Other financial expenses** | **(7.741)** | **(6.767)** |
| | | |
| **Total other financial income and expenses** | **(6.620)** | **(6.261)** |

The exit fees and expenses relate to the repayment in full of the loan from Orbimed Royalty Opportunities II, LP.

*10. Share of net profits in associates using the equity method*

On April 7th, 2019 Pharming Group, through its 100% subsidiary Pharming Technologies B.V., has taken a 43,85% stake in BioConnection B.V. through conversion of EUR 2.6 million of existing credits ("prepayments") and EUR 2.5 million of cash payment for a total of EUR 5.1 million.

In the Board of Management's judgement, the investment in BioConnection constitutes an investment in an unconsolidated structured entity, 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 favour 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 became 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 Other financial liabilities.

The carrying amount of this investment has changed as follows:

| Amounts in € '000 | 30 June 2020 | 31 December 2019 |
|---|---|---|
| **Balance at 1 January** | **5.508** | **-** |
| Carrying value initial recognition | - | 5.078 |
| Recognition of financial guarantee | - | 221 |
| Amortization of financial guarantee | (13) | (20) |
| Profit (loss) for the period | 121 | 229 |
| **Balance at end of period** | **5.616** | **5.508** |

## *11. Inventories*

Inventories include batches of RUCONEST® drug substance and product and skimmed milk available for production of RUCONEST®.

The inventory valuation at 30 June 2020 of €16.2 million (31 December 2019: €14.5 million) is stated net of a provision for impairment of €0.4 million (31 December 2019: €0.4 million) and net of a provision for obsolescence of €0 million (31 December 2019: €0.4 million).

| Amounts in € '000 | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Finished goods | 8.436 | 10.320 |
| Work in progress | 5.037 | 1.843 |
| Raw materials | 2.750 | 2.304 |
| **Balance at end of period** | **16.223** | **14.467** |

Changes in the adjustment to net realisable value:

| Amounts in € '000 | Period to 30 June 2020 | Period to 31 December 2019 |
|---|---|---|
| **Balance at 1 January** | **(830)** | **(927)** |
| Addition to provision | (536) | (1.010) |
| Release of provision | 797 | 328 |
| Usage of provision | 164 | 779 |
| **Balance at end of period** | **(405)** | **(830)** |

The main portion of inventories at 30 June 2020 has expiration dates starting beyond 2021 and is expected to be sold or used before expiration.

## *12. Equity*

The Company's authorised share capital increased by 10% to €8.8 million and is divided into 880,000,000 ordinary shares with a nominal value of €0.01 each. All 637.703.008 shares outstanding at 30 June 2020 have been fully paid-up. Other reserves include those reserves related to currency translation, share-based compensation expenses and other equity-settled transactions. In the first half year of 2020 a total of 6.379.541 new shares have been issued resulting from conversion of warrants, the issuance of LTIP shares, and the exercise of options.

Please refer to the condensed consolidated statement of changes in equity.

## *13. Loans and borrowings*

In 2017, the Company entered into a debt facility with Orbimed Royalty Opportunities II, LP to raise US$100 million (€91.3 million at 2017 exchange rate).

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. The warrants have been separated from the loan and recognised in equity. On repayment of the loan on January 25, 2020 the Company had to pay an exit fee of 5%.

Movements of the loan were as follows:

| Amounts in € '000 | Period to 30 June 2020 | Period to 31 December 2019 |
|---|---|---|
| **Carrying value at 1 January** | **45.590** | **72.502** |
| Amortised costs (financial income and expenses) | 449 | 11.255 |
| Interest paid (cash flow) | (346) | (8.419) |
| Repayment and exit fee | (46.140) | (31.406) |
| Revaluation loan | 447 | 1.658 |
| **Carrying value at end of period** | **-** | **45.590** |
| - Current portion | - | 45.590 |
| - Non-current portion | - | - |

## *14. Convertible bonds*

In January 2020, the Company offered €125 million of 5-year convertible bonds. The net proceeds of the issue of the bonds were used to redeem the balance of approximately US$ 51 million of the loan with Orbimed Advisors in full, and the remaining balance of the net proceeds will also be used to support capital expenditure in relation to the expansion of the commercialisation and manufacturing infrastructure of the Company and also serve as funding for the launch of Pharming's recently acquired leniolisib product, as well as for additional acquisitions/in-licensing opportunities.

The bonds were issued at par and carry a coupon of 3.00% per annum payable semi-annually in arrears in equal instalments. Unless previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on 21 January 2025. The Bonds will be convertible into ordinary shares of the Company with an initial conversion price of €2.0028, which represented a premium of 40% above the volume weighted average price (VWAP) of an ordinary Pharming share on Euronext Amsterdam between opening of trading on the launch date and the pricing of the Bonds (which was €1.4306). This initial conversion price may be subject to customary adjustment provisions as set out in the terms and conditions of the Bonds. The number of ordinary shares initially underlying the Bonds is 62,412,622, representing 9.9% of the Company's current issued share capital.

These bonds are listed on the Frankfurt Exchange (Börse Frankfurt: PHARMING GRP 20/25 CV).

The convertible bonds comprise of two components. The first component is a financial liability, which represents Pharming's 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 Pharming Group N.V. '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 asoociated equity conversion option ( IAS 32 paragraph 31).

Movements of the convertible bonds were as follows:

| Amounts in € '000 | Period to 30 June 2020 |
|---|---|
| **Balance at 1 January** | - |
| Carrying value initial recognition | 121.277 |
| Interest paid (cash flow) | - |
| Amortization transaction cost | 301 |
| Accrued interest | 1.644 |
| **Carrying value at end of period** | **123.222** |

### *15. Fully-diluted shares*

The total number of outstanding shares at 30 June 2020 was 637.703.008. The weighted average shares outstanding over the first half year were 634.155.889. The basic earnings per share, based on the weighted average, was € 0.029 for the first half year 2020.

For the first six month of 2020 and 2019, the basic and fully diluted profit per share were:

| Amounts in € '000 | HY 2020 | HY 2019 |
|---|---|---|
| Net profit (loss) attributable to equity owners of the parent (in €'000) | 18.143 | 13.594 |
| **Weighted average shares outstanding (in '000)** | **634.156** | **623.157** |
| Basic profit (loss) per share (in €) | 0,029 | 0,022 |
| **Weighted average fully-diluted shares outstanding (in '000)** | **738.277** | **666.094** |
| Fully-diluted profit per share (in €) | 0,025 | 0,020 |

Since the reporting date, the company has issued 40.000 shares through the exercise of employee options. The number of issued shares as at 30 July 2020 is 637.743.008.
The composition of the number of shares and share rights outstanding as well as authorised share capital as at 30 June 2020 is provided in the following table:

| | 31 December 2019 | Shares issued | Shares reserved | 30 June 2020 |
|---|---|---|---|---|
| Issued shares | 631.323.467 | 6.379.541 | - | 637.703.008 |
| Warrants | 208.944 | - | - | 208.944 |
| Options | 40.327.537 | (3.840.107) | - | 36.487.430 |
| Convertible bonds | - | - | 62.412.622 | 62.412.622 |
| LTIP | 7.644.971 | (3.513.263) | - | 4.131.708 |
| **Fully-diluted shares** | **679.504.919** | **(973.829)** | **62.412.622** | **740.943.712** |
| Available for issue | 120.495.081 | 80.973.829 | (62.412.622) | 139.056.288 |
| **Authorised share capital** | **800.000.000** | **80.000.000** | **-** | **880.000.000** |

| | 30 June 2020 | Shares issued | Shares reserved | 30 July 2020 |
|---|---|---|---|---|
| Issued shares | 637.703.008 | 40.000 | - | 637.743.008 |
| Warrants | 208.944 | - | - | 208.944 |
| Options | 36.487.430 | (40.000) | (131) | 36.447.299 |
| Convertible bonds | 62.412.622 | - | - | 62.412.622 |
| LTIP | 4.131.708 | - | - | 4.131.708 |
| **Fully-diluted shares** | **740.943.712** | **-** | **(131)** | **740.943.581** |
| Available for issue | 139.056.288 | - | 131 | 139.056.419 |
| **Authorised share capital** | **880.000.000** | **-** | **-** | **880.000.000** |

### *16. Intangible Assets*

In 2020 intangible assets increased mainly as result of the payment of €7.5 million, related to the reacquisition of the EU commercial rights, formerly owned by SOBI.

### *17. Deferred tax assets*

The changes in the deferred tax asset can be summarised as the result of the payment of the contingent consideration of €16.5 million, leading to a tax effect of €4.1 million, and in addition taxable profits realised during H1 2020.

### *18. Events since the end of the reporting period*

There have been no significant changes or material events since the reporting date.

## Appendix: Main Condensed Consolidated Interim Financial Statements reported in US dollars

### Condensed Consolidated Statement of Income in US Dollars
For the period ended 30 June

| Amounts in $ '000 | HY 2020 | HY 2019 |
|---|---|---|
| **Revenues** | **97.827** | **88.152** |
| Costs of sales | (10.885) | (12.392) |
| **Gross profit** | **86.942** | **75.760** |
| Other income | 525 | 167 |
| Research and development | (17.658) | (16.827) |
| General and administrative | (9.846) | (7.739) |
| Marketing and sales | (24.283) | (23.500) |
| Costs | (51.787) | (48.066) |
| **Operating result** | **35.680** | **27.861** |
| Fair value gain (loss) on revaluation derivatives | 93 | (9) |
| Other financial income | 1.237 | 572 |
| Other financial expenses | (8.252) | (7.654) |
| Financial income and expenses | (6.922) | (7.091) |
| Share of net profits in associates using the equity method | 134 | 338 |
| **Result before income tax** | **28.892** | **21.108** |
| Income tax credit (expense) | (8.561) | (5.732) |
| **Net result for the year** | **20.331** | **15.376** |
| Attributable to: | | |
| Owners of the parent | 20.331 | 15.376 |
| **Total net result** | **20.331** | **15.376** |
| Basic earnings per share ($) | 0,032 | 0,025 |
| Fully-diluted earnings per share ($) | 0,028 | 0,023 |

Condensed consolidated Balance Sheet in US Dollars
As at date shown

| Amounts in $ '000 | 30 June 2020 | 31 December 2019 |
|---|---|---|
| Intangible assets | 86.532 | 79.405 |
| Property, plant and equipment | 9.803 | 9.591 |
| Right-of-use assets | 5.921 | 6.705 |
| Deferred tax assets | 25.305 | 32.061 |
| Investments accounted for using the equity method | 6.293 | 6.177 |
| Restricted cash | 2.547 | 2.543 |
| **Non-current assets** | **136.401** | **136.482** |
| Inventories | 18.180 | 16.223 |
| Trade and other receivables | 29.568 | 28.861 |
| Cash and cash equivalents | 171.208 | 74.348 |
| **Current assets** | **218.956** | **119.432** |
| **Total assets** | **355.357** | **255.915** |
| Share capital | 7.146 | 7.079 |
| Share premium | 443.794 | 439.887 |
| Legal reserves | 4.268 | 4.169 |
| Accumulated deficit | (312.255) | (333.749) |
| **Shareholders' equity** | **142.954** | **117.387** |
| Convertible bonds | 138.082 | - |
| Lease liabilities | 4.632 | 4.893 |
| Other financial liabilities | 20.505 | 36.643 |
| **Non-current liabilities** | **163.219** | **24.273** |
| Loans and borrowings | - | 51.125 |
| Derivative financial liabilities | 207 | 301 |
| Trade and other payables | 47.244 | 40.647 |
| Lease liabilities | 1.733 | 2.182 |
| Other financial liabilities | - | 20.000 |
| **Current liabilities** | **49.184** | **94.484** |
| **Total equity and liabilities** | **355.357** | **255.915** |

Condensed consolidated Statement of Cash Flows in US Dollars
For the period ended 30 June

| Amounts in $'000 | HY 2020 | HY 2019 |
|---|---|---|
| **Operating result** | **35.680** | **27.861** |
| | | |
| *Non-cash adjustments:* | | |
| Depreciation, amortisation, impairment | 3.447 | 3.160 |
| Accrued employee benefits | 1.536 | 1.527 |
| Release contract liabilities | - | (452) |
| **Operating cash flows before changes in working capital** | **40.663** | **32.096** |
| | | |
| *Changes in working capital:* | | |
| Inventories | (1.939) | 5.214 |
| Trade and other receivables | (717) | (8.346) |
| Payables and other current liabilities | 6.435 | 192 |
| **Total changes in working capital** | **3.779** | **(2.940)** |
| | | |
| Changes in non-current assets, liabilities and equity | (36) | (684) |
| | | |
| **Cash generated from (used in) operations before interest and taxes** | **44.406** | **28.472** |
| | | |
| Income taxes paid | (55) | (707) |
| | | |
| **Net cash flows generated from (used in) operating activities** | **44.351** | **27.765** |
| | | |
| Capital expenditure for property, plant and equipment | (1.143) | (1.375) |
| Investment intangible assets | (254) | (589) |
| Investment in associates | (14) | (2.832) |
| Acquisition of license | (8.767) | - |
| | | |
| **Net cash flows used in investing activities** | **(10.178)** | **(4.796)** |
| | | |
| Repayment on loans and borrowings | (55.117) | (17.569) |
| Proceeds of issued convertible bonds | 135.470 | - |
| Payment on contingent consideration | (20.025) | (19.947) |
| Interests on loans and leases | (795) | (5.463) |
| Payment of lease liabilities | (1.548) | (700) |
| Interest received | 529 | 538 |
| Proceeds of equity and warrants | 2.116 | 1.122 |
| | | |
| **Net cash flows generated from (used in) financing activities** | **60.630** | **(42.020)** |
| | | |
| **Increase (decrease) of cash** | **94.803** | **(19.051)** |
| Exchange rate effects | 2.061 | 123 |
| Cash and cash equivalents at 1 January | 76.891 | 93.245 |
| | | |
| **Total cash and cash equivalents at 30 June** | **173.755** | **74.317** |

--Ends--