

SECURITY NOTE

PHARMING GROUP N.V.

*(a limited liability company incorporated under the laws of the Netherlands,
with its corporate seat in Leiden)*

Admission to listing and trading of newly issued ordinary shares with a nominal value of €0.01 per share

This security note (the **Security Note**) is published in connection with the admission to listing and trading of 102,564,103 ordinary shares in the capital of Pharming Group N.V. (**Pharming** or the **Company**, which shall, where the context so requires, include one or more of its subsidiaries) with a nominal value of €0.01 per share (the **New Shares**). The New Shares have been issued on 11 October 2013 pursuant to a private placement with certain institutional investors at an issue price of €0.117 per New Share (the **Issue Price**), representing a discount of 10% to the closing price of the ordinary shares of Pharming on 8 October 2013 (the **Private Placement**).

In this Security Note, any reference to **Shares** shall refer to ordinary shares of the Company, including the New Shares, outstanding from time to time (unless indicated otherwise herein). The Shares outstanding immediately prior to the Private Placement are listed and traded on Euronext Amsterdam under the symbol "PHARM" and ISIN Code NL0010391025. Application will be made to admit the New Shares to listing and trading on Euronext Amsterdam. Pharming expects that listing and trading in the New Shares on Euronext Amsterdam will commence on 15 October 2013. Any investment in the Shares involves significant risks. These risks are described in Chapter 1 "Risk Factors Relating to the Shares" beginning on page 4 of this Security Note and in Chapter 1 "Risk Factors Relating to Pharming" beginning on page 3 of the Registration Document (as defined below).

The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**). The New Shares were offered and sold (i) outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and (ii) inside the United States in reliance on Regulation D under the Securities Act (**Regulation D**). The New Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Security Note constitutes a security note for the purpose of article 6 of Regulation 809/2004/EC as amended from time to time and has been prepared pursuant to article 5:2 of the Financial Markets Supervision Act (*Wet op het financieel toezicht* (the **AFS**)) and the rules promulgated thereunder. This Security Note has been approved by and filed with the *Stichting Autoriteit Financiële Markten* (the **AFM**).

This Security Note may only be used in connection with the admission to listing and trading of the New Shares on Euronext Amsterdam and constitutes a prospectus in accordance with Directive 2003/71/EC, as amended from time to time, when supplemented by the registration document for the purpose of article 4 of Regulation 809/2004/EC as amended from time to time, dated 16 October 2012 (the **Registration Document**) and the summary, dated 14 October 2013 (the **Summary**), each of which has been approved and filed with the AFM (the **Prospectus**).

Capitalised terms used, but not defined herein, have the meaning as assigned to them in the Registration Document.

14 October 2013

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1. RISK FACTORS RELATING TO SHARES

Investing in the Shares involves a high degree of risk. Investors should carefully consider the risks relating to the Shares described below, all of the other information set forth in this Security Note before deciding to invest in any of the Shares and the risks relating to the Company described in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document. If any of the events or developments described below or in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document occurs, Pharming's business, financial condition or results of operations could be negatively affected. In that case, the trading price of the Shares could decline, and investors could lose all or part of their investment in the Shares.

The risks listed below and the risks described in Chapter 1 "Risk Factors Relating to Pharming" of the Registration Document do not necessarily comprise all risks associated with investments in the Shares, but take into account those which are known to the Company and which the Company considers material. Additional risks and uncertainties not presently known to Pharming or that the Company currently deems immaterial may also have a material adverse effect on its business, results of operations or financial condition and could negatively affect the price of the Shares.

Pharming may be partially dependent on external funding if it is not able to generate sufficient cash from product revenues and milestone achievements to meet its working capital requirements beyond the 12 month's period following the date of this Security Note.

As described in Chapter 4 "Capitalisation and Indebtedness" of this Security Note under "Working Capital Statement", the proceeds from the Private Placement, combined with the existing cash reserves ensure that Pharming's working capital is sufficient for its present requirements, that is, for at least 12 months following the date of this Security Note.

Therefore, beyond the 12 months' period following the date of this Security Note, Pharming may be partially dependent on financing arrangements with third parties. The ability of Pharming to attract external funding is (*inter alia*) dependent on the external market conditions (equity and/or debt) and the Company's ability to generate cash inflows from development of sufficient revenues from sales in the EU through its commercialisation partners, especially through SOBI, and the approval by the FDA of Ruconest® and the subsequent receipt of US\$20.0 million from Santarus (payment is triggered upon the earlier of first commercial sale of Ruconest® in the US or 90 days following receipt of FDA approval) and subsequent revenues generated from sales of Ruconest® in the US, Canada and Mexico and the ability to leverage its transgenic platform through commercialisation deals.

Pharming has thus far incurred losses in each year since incorporation and anticipates that it will continue to incur losses for the foreseeable future. These losses have arisen mainly from costs incurred in research and development of Pharming's products and general and administrative expenses.

This above description replaces and updates the first two paragraphs of the risk factor "*The Company may be dependent on external funding in the future*" on page 7 of the Registration Document.

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

Investors will face dilution as a result of the issuance of the New Shares, the exercise of already issued or newly issued options and/or warrants for Shares and future issuances of Shares. The effects of dilution may reduce potential earnings per Share and subsequently the market price of the Shares. The impact of dilution may also be that each individual Share will be worth less in terms of proportionate ownership and voting rights.

Future sales, or the possibility of future sales, of a substantial amount of Shares may depress the price of the Shares.

Future sales of Shares, or the perception that such sales will occur, could cause a decline in the market price of the Shares. Pharming cannot predict whether substantial numbers of Shares will be sold in the open market. In particular, there can be no assurance that the current shareholders will not reduce their holdings of Shares. Future sales of Shares could be made by shareholders or through a capital increase undertaken by the Company for additional working capital, to fund an acquisition or for another purpose. A sale of a substantial number of Shares, or the perception that such sale could occur, could materially and adversely affect the market price of the Shares and could also impede Pharming's ability to raise capital through the issue of equity securities in the future.

The market price of the Shares may be volatile and investors may not be able to sell Shares at or above the price paid for by them.

The market price of the Shares is subject to many factors, including the liquidity of the market for the Shares, the public opinion about general economic and market conditions and the public sentiment about the biotech industry. In addition, the market price of the Shares could fluctuate substantially due to any of the risks described in the Registration Document materialising or the sale of large blocks of Shares. Moreover, stocks of life science companies who currently are not profitable, such as Pharming, and stock markets in general, have from time to time experienced extreme price and volume fluctuations that may be unrelated or disproportional to the operational performance of particular companies. Because of all these different factors, the market price of the Shares has been, and may be in the future, highly volatile.

The Issue Price which was agreed between Pharming and the investors pursuant to the Private Placement is based on a number of factors and may not be indicative of future performance. The market price for the Shares may fall below the Issue Price.

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

The shareholders of Pharming will generally have pre-emptive rights to subscribe for a pro-rata amount of any New Shares issued by Pharming. These rights, however, are subject to certain provisions of the Articles of Association and may be restricted or even excluded by a resolution of its Management Board, subject to the approval of its Supervisory Board. See Chapter 7 "Description of Share Capital and Corporate Governance" of the Registration Document and Chapter 7 "Description of Share Capital" of this Security Note.

Pharming does not intend to pay dividends for the foreseeable future.

Pharming does not intend to pay any dividends for the foreseeable future. Payment of future dividends to shareholders will effectively be at the discretion of the Management Board, subject to the approval of the Supervisory Board after taking into account various factors including Pharming's business prospects, cash requirements, financial performance and new product development. In addition, payment of future dividends may be made only if Pharming's shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Articles of Association. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares.

If securities or industry analysts do not publish research or reports about Pharming's business, or if they change their recommendations regarding the Shares adversely, the price and/or trading volume of the Shares could decline.

The trading market for the Shares may be influenced by the research and reports that industry or securities analysts publish about Pharming or Pharming's business. Currently there are several institutions which publish research reports on the Company, including ROTH Capital Partners, LLC. If one or more of the analysts who cover Pharming or Pharming's industry downgrade the Shares, the market price of the Shares would likely decline. If one or more of these analysts ceases coverage of Pharming or fails to regularly publish reports on Pharming, the Company could lose visibility in the financial markets, which could cause the market price and/or trading volume of the Shares to decline.

2. IMPORTANT INFORMATION

No person is or has been authorised to give any information or to make any representation in connection with the New Shares, other than as contained in this Security Note, and, if given or made, any other information or representation must not be relied upon as having been authorised by Pharming. The delivery of this Security Note at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Security Note is correct as of any time since its date.

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

Notice to Investors

The distribution of this Security Note may be restricted by law in certain jurisdictions. Persons in possession of this Security Note are required to inform themselves about and to observe any such restrictions.

This Security Note may not be used for, or in connection with, and does not constitute, any offer to sell, or a solicitation of an offer to buy, Shares or any other securities issued by the Company.

The New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the US or any other US regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the New Shares or the accuracy or adequacy of this Security Note. Any representation to the contrary is a criminal offence in the US.

Presentation of Financial and Other Information

Certain figures contained in this Security Note have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Security Note may not conform exactly to the total figure given for that column or row.

All references in this Security Note to "euros" or "€" are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU. All references to "US dollars", "US\$" or "\$" are to the lawful currency of the US.

Documents Incorporated by Reference

The Registration Document and the Summary, as well as Pharming's audited consolidated financial statements for the year ended 31 December 2010, pages 45-90 and page 96, Pharming's audited consolidated financial statements for the year ended 31 December 2011, pages 47-88 and page 98, Pharming's audited consolidated financial statements for the year ended 31 December 2012, pages 48-107 and page 118-119, Pharming's unaudited report for the first half year ended 30 June 2012 with comparative figures for the first half year ended 30 June 2011 and Pharming's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013, pages 4-17, are incorporated by reference into this Security Note. The information contained in these documents that is not incorporated, is either not relevant for investors or is covered elsewhere in the Prospectus. No other documents or information form part of, or are incorporated by reference into, this Security Note. A copy of the Prospectus and the other documents incorporated by reference into this Security Note may be obtained free of charge for the life of the Registration Document by sending a request in writing at:

Darwinweg 24, 2333 CR Leiden, the Netherlands and are also available via www.pharming.com
(<http://pharming.com/index.php?act=inv>).

3. RECENT EVENTS

Since the date of the Registration Document, the following important events occurred.

Results of Pivotal Phase III Clinical Study with Ruconest®

On 7 November 2012 Pharming announced that their pivotal Phase III clinical study (**Study 1310**) to evaluate the safety and efficacy of Ruconest® met the primary endpoint of time to beginning of symptom relief. This positive result of Study 1310 has triggered a US\$10.0 million milestone payment from Santarus, that was paid in November 2012.

Repayment of €16.35 Million Convertible Bond

In January 2013 Pharming entered into a €16.35 million convertible bond agreement (the **2013 Bonds**) (net proceeds €15.3 million) of which redemptions take place in seven equal tranches. All tranches have been redeemed at the date of this Security Note. Five of these tranches have been redeemed in Shares and two tranches were repaid in cash.

Reverse Share Split

On 28 February 2013 Pharming announced that the Articles of Association were to be amended effecting a 10:1 reverse share split and a reduction of the nominal value of the combined Shares. Pursuant to this reverse share split, every ten Shares with a nominal value of EUR 0.01 each have been combined into one Share with a nominal value of EUR 0.10 each, and the nominal value of these new Shares have been reduced to EUR 0.01 each.

EMA Approval of New Manufacturing Site for Ruconest®

Pharming announced on 28 March 2013 that it has received approval from the EMA for Sanofi Chimie to manufacture drug substance for Pharming's product Ruconest® at their Aramon (France) site. Sanofi Chimie is acting as Pharming's Contract Manufacturing Organisation. The approval of the production site by EMA allows Pharming to supply the European market and future other markets with Ruconest® from drug substance produced by Sanofi Chimie.

Filing and Review

On 17 April 2013 Pharming and Santarus announced the submission of a BLA to the FDA to obtain marketing approval for Ruconest® for the treatment of acute attacks of Hereditary Angio-Edema (HAE). The FDA has accepted the BLA for Ruconest® on 18 June 2013; this event triggered a US\$5 million milestone payment by Santarus. Pursuant to the Prescription Drug User Fee Act guidelines, Santarus and Pharming expect that the FDA will complete its review or otherwise respond to the Ruconest® BLA by 16 April 2014.

Results of Clinical Studies with Ruconest®

Pharming announced on 23 May 2013 that Ruconest® has been shown to have a beneficial effect as a donor pre-treatment therapy in an animal model of kidney transplantation. The results of the study were presented at the American Transplant Congress in Seattle, Washington.

On 25 June 2013 Pharming and Santarus announced that new data from a pivotal Phase III clinical study with Ruconest® were featured in a poster presentation at the European Academy of Allergy and Clinical Immunology & World Allergy Organization World Allergy & Asthma Congress in Milan, Italy. The data indicate that the time to beginning of relief of symptoms in patients experiencing an acute attack of HAE was statistically significantly shorter with Ruconest® compared with placebo.

Strategic Collaboration with Shanghai Institute of Pharmaceutical Industry

Pharming has entered into a strategic collaboration in China with Shanghai Institute of Pharmaceutical Industry (**SIPI**), a Sinopharm Company, for the development, manufacturing and commercialisation of new products at SIPI based on the Pharming technology platform. This was announced by Pharming on 1 July 2013. In addition, Pharming has granted SIPI an exclusive license to commercialise Ruconest® in China. SIPI paid Pharming €1.26 million gross upfront for the collaboration and will pay a total of €0.84 million gross technology transfer related milestones associated with the implementation of the first technology transfer of Ruconest® (conestat alfa).

Strategic Restructuring

In 2012, Pharming announced the closure of the US cattle facilities and a restructuring of its Dutch operations. This strategic restructuring has been completed. The total costs related to the severance payments and other employee-related costs amounted to €1,245 million and have been paid during the first half year of 2013.

Major Shareholders

As far as Pharming can ascertain, based on information from the public register of the AFM, the following shareholders have an actual or potential interest in Pharming's share capital/voting rights of more than the minimum notification threshold of 3%, calculated on the basis of the outstanding share capital prior to the issuance of the New Shares. There may be other shareholders who have an interest in Pharming's share capital/voting rights of more than 3% which have failed to notify this to the AFM.

Shareholder	Notification Date	(Direct/Indirect/Potential) Interest in Pharming's Share Capital or Voting Rights on the Notification Date		
		Total	Direct / Indirect %	Potential %
Kingsbrook Opportunities GP LLC	4 October 2013	13,167,894 warrants		9.97
Broadfin Capital, LLC	29 July 2013	10,024,504 Shares/ voting rights	4.38	
Broadfin Healthcare Master Fund, Ltd	29 July 2013	10,024,504 Shares/ voting rights	4.38 (Shares)	4.38 (voting rights)
Kingdon Capital Management LLC	1 July 2013	9,500,005 Shares/ voting rights	4.52	
J.E. Flynn (indirect through Deerfield Management Company, L.P.)	16 May 2013	9,678,475 Shares/ voting rights	5.73	

The shareholders listed above have the same voting rights as other holders of Shares. None of the members of the Management Board and Supervisory Board and none of the major shareholders or former major shareholders, save for Kingsbrook Opportunities GP LLC, Broadfin Healthcare Master Fund, Ltd, Kingdon Capital Management, LLC, J.E. Flynn (indirect through Deerfield Management Company,

L.P.), Capital Ventures International and Empery Asset Management, LP, have subscribed for New Shares. In addition, Sabby Healthcare Volatility Master Fund, Ltd, Sphera Global Healthcare Fund and Nyenburgh Holding B.V. have acquired an interest in the Private Placement which must be reported to the AFM.

4. CAPITALISATION AND INDEBTEDNESS

The financial information in the table below has been extracted from Pharming's unaudited management accounts dated 31 August 2013. This table should be read together with the information in Chapter 4 "Operating and Financial Review" of the Registration Document and Pharming's consolidated financial statements incorporated by reference therein.

Capitalisation and Indebtedness

(€ in thousands)	31 August 2013
	Unaudited
<u>Capitalisation</u>	
Total current debt	10,157
Total non-current debt	15,398
Total Financial Indebtedness¹	25,555
Share capital	2,299
Share premium	245,885
Other reserves	(249,001)
Shareholders' equity	(817)
<u>Indebtedness</u>	
Restricted cash	814
Cash	13,212
Liquidity	14,026
Current financial receivables	915
Deferred license fees income	(1,936)
Derivative financial liabilities	(1,837)
Convertible bonds	(2,218)
Trade and other payables	(3,526)
Finance lease liabilities	(640)
Current Financial Debt	(10,157)
Net Current Financial Indebtedness	4,784
Deferred license fees income	(13,464)
Finance lease liabilities	(1,881)
Other non-current debts	(53)
Non-current Financial Indebtedness	(15,398)
Net Financial Indebtedness	(10,614)

At 31 August 2013, the actual net asset value per Share (based on Shareholders' equity) was negative €0.004.

See Chapter 4 "Operating and Financial Review – Contractual Obligations" of the Registration Document for information about certain contingent obligations of the Company.

¹ These liabilities have not been secured or guaranteed.

Working Capital Statement

Pharming's working capital is sufficient for its present requirements, that is, for at least 12 months following the date of this Security Note.

Since the date of the Registration Document, Pharming's cash flow position has improved resulting in a clean working capital statement. The main factors that have contributed to this improvement are:

- the receipt of €11.3 million net proceeds from the Private Placement;
- the receipt of €1.1 million net proceeds from our Chinese partner SIPI, following the signing of our strategic collaboration in July 2013;
- the receipt of US\$5 million from our US partner Santarus, following acceptance by the FDA of our BLA filing for Ruconest® in June 2013;
- the receipt of €15.3 million net proceeds from the 2013 Bonds in January 2013; and
- cost savings resulting from the strategic restructuring implemented by Pharming in the second half of 2012 and in the first six months of 2013 which savings shall amount to circa €2 million in the coming 12 months following the date of this Security Note.

Financial and Trading Update

There has been no significant change in the financial and trading position of Pharming since 31 August 2013, save for:

- the redemption in cash of the seventh and final tranche (on 01 October 2013) of the 2013 Bonds; and
- the increase of shareholders equity pursuant the issuance of the New Shares from €0.8 million negative to €10.5 million positive.

This statement replaces and updates the statement included on page 13-14 under "Financial and Trading Update" of the Registration Document.

5. USE OF PROCEEDS

The Company intends to raise €12 million of gross proceeds from the issue of the New Shares. The total expenses in connection with the issue of the New Shares are estimated at around €0.7 million, comprising an advisory fee payable to *inter alia* ROTH Capital Partners, LLC of 4.5% of the gross proceeds of the issuance of the New Shares and other external fees relating to the drafting of legal documentation and the issue of this Security Note and the Summary.

Pharming intends to use the net proceeds from the issuance of the New Shares primarily for:

- the ongoing regulatory activities with respect to Ruconest® in the US;
- financing of outsourced downstream processing commitments with respect to the manufacturing of Ruconest®, resulting in build-up of finished goods inventories;
- co-financing (with Santarus) of a US clinical trial with Ruconest® for prophylaxis of HAE; and
- general corporate purposes, including the continuation of business development initiatives.

6. THE ISSUE

Private Placement

On 11 October 2013 Pharming issued the New Shares at the Issue Price, representing a discount of 10% to the closing price of the Shares on 8 October 2013.

In addition, Pharming issued warrants, which entitle the Investors to acquire up to 25.6 million Shares (the **2013-II Warrants**). The 2013-II Warrants will be exercisable during five years at an exercise price of €0.135, subject to adjustment.

The issue of the New Shares has resulted in a reduction of the exercise price of the warrants which were issued in connection with the 2013 Bonds (the **2013-I Warrants**) from €0.30 to €0.117.

Admission to Listing and Trading

Application will be made to admit the New Shares to listing and trading on Euronext Amsterdam. Pharming expects that the New Shares will be admitted to trading on 15 October 2013.

Dilution

The dilution resulting from the issuance of the New Shares amounts to 45% (or 49% on a fully diluted basis).

7. DESCRIPTION OF SHARE CAPITAL

General

Pharming's business was commenced by a company incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), by deed executed on 11 November 1988 under the name GENFARM B.V. GENFARM B.V. was ultimately renamed to Pharming Group B.V. On 29 May 1997 Pharming was converted from a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) into a public company with limited liability (*naamloze vennootschap*). Pharming trades under the name Pharming and is registered with the Chamber of Commerce of The Hague under number 28048592. The corporate seat of the Company is in Leiden, the Netherlands. The Articles of Association were last amended on 5 March 2013 before Mr. D.F.M.M. Zaman, civil law notary in the Netherlands. The amendment enabled a reverse stock split by combining 10 Shares with a nominal value of EUR 0.01 each to one new Share with a nominal value of EUR 0.10, followed by a reduction of such nominal value to EUR 0.01 per Share.

Set out below is an overview of outstanding Shares, options and warrants as well as a brief summary of certain provisions of the Articles of Association and a description of Pharming's compliance with the Dutch corporate governance code. The summary does not purport to give a complete overview and should be read in conjunction with the Articles of Association, together with relevant provisions of Dutch law, and does not constitute legal advice regarding these matters and should not be considered as such.

Share Capital

Authorised and Issued Share Capital

At the date of this Security Note, the authorised share capital of Pharming amounts to €4,5 million, divided into 450 million ordinary shares, with a nominal value of €0.01 each. There are currently 332,434,319 ordinary shares (in this Security Note referred to as Shares) issued and outstanding.

At the date of this Security Note, the following warrants to acquire Shares are outstanding.

	Outstanding number of warrants	Exercise price	Exercise period (until)
2011 Warrants	2.030,000	€0.071675	15 July 2017
2012-I Warrants	2,109,424	€0.071675	7 February 2017
2012-II Warrants	3,457,750	€0.071675	10 September 2017
2013-I Warrants	16,349,999	€0.117	4 March 2018
2013-II Warrants	25,641,026	€0.135	11 October 2018

Form and Trading of Shares

Shares are either in registered form (*aandelen op naam*) or in bearer form (*aandelen aan toonder*). The Shares in bearer form are embodied in one global certificate and are traded through the book-entry facilities of Euroclear Netherlands. No share certificates are issued. The Company is responsible for keeping a shareholders' register.

Currently, neither the Company nor any of its subsidiaries holds any shares in Pharming's capital. All shares that are outstanding as of the date of this Security Note are fully paid up.

Summary of the Articles of Association

The following description summarises certain provisions of the Articles of Association, as currently in force. This summary does not purport to be complete, and is subject to, and qualified in its entirety by reference to the Articles of Association, as well as to the relevant provisions of Dutch law.

Right of Attendance and Voting Rights

With respect to the right to attend general meetings of shareholders and the right to exercise voting rights in such meetings, the Company shall consider as shareholders holders of Shares named in a written statement of a financial institution in which statement the financial institution states (i) the number of Shares held by such shareholder (ii) that the Shares form part of the collective depot of such financial institution, (iii) that the shareholder named in the statement is a participant in the collective depot to the extent of the number of Shares stated and (iv) that the shareholder named in the statement shall keep such capacity at least until after the meeting, provided that this statement is deposited at the offices of the Company prior to the meeting. The convocation notice for a general meeting of shareholders shall state the date on which the statement must ultimately be deposited. Subject date cannot be a date prior to the seventh day prior to the date of the meeting.

Pursuant to Dutch company law, the Management Board shall set a registration date on the 28th day before the day of the meeting. If the Management Board has determined a registration date, the statement of the financial institution referred to above shall only have to include that the Shares mentioned in the statement formed part of the collective depot of the financial institution involved at the registration date and that the person mentioned in the statement was a participant in that collective depot at the registration date for the number of Shares mentioned.

Holders of registered Shares that do not form part of a *girodepot* or collective depot must inform the Company in writing of their intention to attend the general meeting of shareholders at the place referred to in the convocation notice, at the latest seven days prior to the date of the meeting. Unless a registration date has been determined, they can exercise the rights in question at the meeting only in respect of registered Shares which are registered in their names both on the day referred to above and on the day of the meeting.

Those entitled to attend general meetings of shareholders shall only be authorised to attend and to address the general meetings of shareholders, either in person or by proxy authorised in writing, if they have announced to the Management Board in writing at least four days prior to the meeting, that they intend to attend the meeting in person, or that they shall be represented by proxy. The convocation notice shall state such requirement.

Each Share confers the right to cast one vote.

Dividends

The Company may distribute dividends only in so far as its shareholders' equity exceeds the amount of its paid-up and called-in capital increased by the reserves which are required to be maintained pursuant to Netherlands company law. Under the Articles of Association, the Management Board, subject to the approval of the Supervisory Board, may annually determine to set aside as reserves part or all of the distributable profit of the Company with respect to the preceding financial year. To the extent that the annual profit has not been reserved, it will be distributed as a dividend on the Shares. Upon receipt of a proposal from the Management Board, which has been approved by the Supervisory Board, the general meeting of shareholders may resolve to make a dividend payment in whole or in part in Shares instead of in cash.

At a general meeting of shareholders, the shareholders may also resolve to make payments out of the distributable reserves of the Company upon receipt of a proposal thereto from the Management Board, which is subject to approval by the Supervisory Board.

The Management Board may, upon the approval of the Supervisory Board, distribute interim dividends.

The right of any shareholder to receive dividends shall be terminated if such dividends are not claimed within five years from the date on which this dividend became payable.

Amendment of the Articles of Association, Dissolution and Liquidation

A resolution of the general meeting of shareholders to amend the Articles of Association or to dissolve the Company may only be adopted upon a proposal of the Management Board which has been approved by the Supervisory Board.

In the event of dissolution of the Company pursuant to a resolution of the general meeting of shareholders, the members of the Management Board will be responsible for the liquidation of the business of the Company and the Supervisory Board will be responsible for supervision thereof.

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses will be distributed pro rata (based on the nominal amount of the Shares held) to the holders of Shares.

Issuance of Shares and Rights to Subscribe for Shares

The Management Board has the authority to issue Shares or grant rights to subscribe for Shares if and insofar as the Management Board has been designated by the general meeting of shareholders as the authorised corporate body for this purpose and subject to the approval of the Supervisory Board. Such a designation may be effective for a specified period of up to five years and may be renewed for additional periods not exceeding five years. The Management Board has been granted such a designation concerning all the authorised and issued share capital of the Company until 26 May 2014. This period may be extended by an amendment of the Articles of Association, or by a resolution of the general meeting of shareholders for a period not exceeding five years in each case.

Upon expiration of this authority of the Management Board, the issuance of Shares or the granting of rights to subscribe for Shares shall require a resolution of the general meeting of shareholders (unless another corporate body has been designated by the general meeting of shareholders). A resolution by the general meeting of shareholders to issue Shares or to grant rights to subscribe for Shares or to designate another corporate body as being competent to do so may only be adopted upon a proposal of the Management Board, which proposal is subject to the approval of the Supervisory Board.

Pre-emptive Rights

Under the Articles of Association, each holder of Shares generally has a pre-emptive right to subscribe to its pro rata portion of any issue of Shares or grant of rights to subscribe for Shares, except for certain issuances to employees and issuances for non-cash consideration. The Management Board has the authority to restrict or exclude the rights of pre-emption for a period not exceeding five years, if and insofar as the Management Board has been designated by the general meeting of shareholders as the authorised corporate body for this purpose and subject to the approval of the Supervisory Board. The Management Board has been granted such authorisation until 26 May 2014. This period may be extended by an amendment of the Articles of Association, or by a resolution of the general meeting of shareholders for a period not exceeding five years in each case.

Upon expiration of this authority of the Management Board, the right to restrict or exclude pre-emptive rights shall require a resolution of the general meeting of shareholders (unless another corporate body

has been designated by the general meeting of shareholders). A resolution by the general meeting of shareholders to restrict or exclude pre-emptive rights or to designate another corporate body as being competent to do so may only be adopted upon a proposal of the Management Board, which proposal is subject to the approval of the Supervisory Board.

Reduction of Share Capital

Upon a proposal by the Management Board, which has been approved by the Supervisory Board, the general meeting of shareholders may reduce the issued share capital of the Company by cancellation of Shares held by the Company or by reducing the nominal value of Shares, subject to certain statutory provisions.

Acquisition of Shares by the Company

Subject to the authorisation of the general meeting of shareholders and the approval of the Supervisory Board and subject to certain conditions imposed by Dutch company law, the Company may acquire fully paid-up Shares in its own share capital, but only for no consideration or if: (i) the distributable equity is at least equal to the purchase price; and (ii) the nominal value of the shares in its capital or depository receipts thereof which the company acquires, holds or holds on lien or which are held by a subsidiary does not exceed one-tenth of the issued capital.

The Management Board has been granted such authorisation until 26 May 2014.

No voting rights may be exercised on Shares held by the Company. The Management Board may decide to transfer such Shares. The shareholders of the Company do not have a pre-emptive right on such transfers.

Dividend Policy

Pharming currently intends to retain future earnings, if any, to finance the growth and development of its business. As a result, the Company does not anticipate paying any dividends for the foreseeable future.

Pharming's dividend policy will, however, be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Management Board, subject to approval of the Supervisory Board, after taking into account various factors including Pharming's business prospects, cash requirements, financial performance and the requirements of Dutch law. Under Dutch law, payment of dividends may be made only if the shareholders' equity exceeds the sum of the called up and paid-in share capital plus the reserves required to be maintained by law and by the Articles of Association.

Obligations of Shareholders to Make a Public Offer

The European Directive on Takeover Bids (2004/25/EC) has been implemented in Dutch legislation in the AFS. Pursuant to the AFS, a shareholder who has acquired 30% of the Shares or of voting rights attached to the Shares has the obligation to launch a public offer for all Shares and depository receipts issued for shares (if any). The legislation also applies to persons acting in concert who jointly acquire substantial control.

Squeeze Out Procedures

A shareholder who for his own account holds at least 95% of Pharming's issued capital may institute proceedings against Pharming's other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*, the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The

Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary upon advice of one or more experts.

An offeror under a public offer is also entitled to start such a squeeze out procedure before the Enterprise Chamber within three months after the offer period, if following the public offer he holds at least 95% of the shares (or class of shares) to which the offer relates, representing at least 95% of the voting rights carried by the shares to which the offer relates. Where the offer is made on a mandatory basis (as described above), the offer price is in principle deemed to be a reasonable price, which has to be accepted by minority shareholders. Where the offer is made on a voluntary basis, the offer price is considered reasonable if the offeror has acquired at least 90% of the shares (or class of shares) to which the offer relates. The Enterprise Chamber, however, may instruct one or more experts to determine the price.

Following a public offer, each remaining minority shareholder is entitled to demand a sale of its shares to the offeror if the offeror has acquired at least 95% of the shares (or class of shares) to which the offer relates, representing at least 95% of the voting rights carried by those shares. The same rules as for squeeze out proceedings initiated by the offeror apply to the determination of the price.

8. TAXATION

The following is a general summary and the tax consequences as described here may not apply to a holder of New Shares. Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of New Shares in his particular circumstances.

Dutch taxation

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of New Shares. It does not purport to describe every aspect of taxation that may be relevant to a particular Holder of New Shares. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this taxation summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary also assumes that Pharming is organised, and that its business will be conducted, in the manner outlined in this Security Note. A change to such organisational structure or to the manner in which Pharming conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Security Note. The law upon which this summary is based, is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Where in this Dutch taxation paragraph reference is made to a "Holder of New Shares", that concept includes, without limitation:

1. an owner of one or more New Shares who in addition to the title to such New Shares, has an economic interest in such New Shares;
2. a person who or an entity that holds the entire economic interest in one or more New Shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more New Shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in New Shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

Taxes on income and capital gains

Resident Holders of New Shares

General

The summary set out in this section "Taxes on income and capital gains - Resident Holders of New Shares" applies only to a Holder of New Shares who is a "Dutch Individual" or a "Dutch Corporate Entity".

For the purposes of this section, a Holder of New Shares is a "Dutch Individual" if it satisfies the following tests:

- a. he is an individual;

- b. he is resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or he has elected to be treated as a resident of the Netherlands for Dutch income tax purposes;
- c. his New Shares and any benefits derived or deemed to be derived therefrom have no connection with his past, present or future employment, if any; and
- d. his New Shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in Pharming within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in Pharming, such interest forms part of a substantial interest, or a deemed substantial interest, in Pharming if any one or more of the following circumstances is present:

- 1. Such person – either alone or, in the case of an individual, together with his partner (*partner*), if any or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) – owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent. or more of Pharming's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of Pharming's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or profit participating certificates (*winstbewijzen*) relating to five per cent. or more of Pharming's annual profit or to five per cent. or more of Pharming's liquidation proceeds.
- 2. Such person's shares, profit participating certificates or rights to acquire shares in Pharming are held by him or deemed to be held by him following the application of a non-recognition provision.
- 3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in Pharming.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

If a Holder of New Shares is an individual and if he satisfies test b., but does not satisfy test c. and/or test d., his Dutch income tax position is not discussed in this Security Note. If a Holder of New Shares is an individual who does not satisfy test b., please refer to the section "Taxes on income and capital gains – Non-resident Holders of New Shares".

For the purposes of this section a Holder of New Shares is a "Dutch Corporate Entity" if it satisfies the following tests:

- i. it is a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax in respect of benefits derived from its New Shares;
- ii. it is resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;
- iii. it is not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and
- iv. it is not an investment institution (*beleggingsinstelling*) as defined in article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If a Holder of New Shares is not an individual and if it does not satisfy any one or more of these tests, with the exception of test ii., its Dutch corporation tax position is not discussed in this Security Note. If a Holder of New Shares is not an individual that does not satisfy test ii., please refer to the section "Taxes on income and capital gains – Non-resident Holders of New Shares".

Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise

Any benefits derived or deemed to be derived by a Dutch Individual from New Shares, including any capital gain realised on the disposal of such New Shares, that are attributable to an enterprise from which such Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities

Any benefits derived or deemed to be derived by a Dutch Individual from New Shares, including any gain realised on the disposal of such New Shares, that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), are generally subject to Dutch income tax at progressive rates.

A Dutch Individual may, *inter alia*, derive, or be deemed to derive, benefits from New Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if any benefits to be derived from his New Shares, whether held directly or indirectly, are intended, in whole or in part, as remuneration for activities performed by him or by a person who is a connected person to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Other Dutch Individuals

If a Holder of New Shares is a Dutch Individual whose situation has not been discussed before in this section "Taxes on income and capital gains – Resident Holders of New Shares", benefits from his New Shares are taxed annually as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4 per cent. per annum of his "yield basis" (*rendementsgrondslag*), generally to be determined at the beginning of the year, to the extent that such yield basis exceeds the "exempt net asset amount" (*heffingvrij vermogen*) for the relevant year. The deemed benefit is currently taxed at the rate of 30 per cent. The value of his New Shares forms part of his yield basis. Actual benefits derived from his New Shares, including any gain realised on the disposal of such New Shares, are not as such subject to Dutch income tax.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by, and yield basis for benefits from savings and investments of, a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dutch Corporate Entities

Any benefits derived or deemed to be derived by a Dutch Corporate Entity from New Shares, including any gain realised on the disposal thereof, are generally subject to Dutch corporation tax, except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Non-resident Holders of New Shares

The summary set out in this section "Taxes on income and capital gains – Non-resident Holders of New Shares" applies only to a Holder of New Shares who is a Non-resident Holder of New Shares.

For the purposes of this section, a Holder of New Shares is a "Non-resident Holder of New Shares" if it satisfies the following tests:

- a. it is neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if he is an individual, he has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;
- b. its New Shares and any benefits derived or deemed to be derived from such New Shares have no connection with its past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);
- c. its New Shares do not form part of a substantial interest or a deemed substantial interest in Pharming within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise; and
- d. if it is not an individual, no part of the benefits derived from its New Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the circumstances under which New Shares form part of a substantial interest or a deemed substantial interest in Pharming.

If a Holder of New Shares satisfies test a., but does not satisfy any one or more of tests b., c., and d., its Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Security Note.

A Non-resident Holder of New Shares will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived from its New Shares, including any capital gain realised on the disposal thereof, except if:

1. it derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if he is an individual, or other than as a holder of securities, if it is not an individual and such enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its New Shares are attributable to such enterprise; or
2. he is an individual and he derives benefits from New Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the circumstances under which the benefits derived from New Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dividend withholding tax

General

Pharming is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by it.

The concept "dividends distributed by Pharming" as used in this section "Dutch Taxation" includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of New Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of New Shares issued by Pharming to a Holder of New Shares or an increase of the par value of New Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of Pharming's shareholders has resolved in advance to make such repayment and (b) the par value of the New Shares concerned has been reduced by an equal amount by way of an amendment to Pharming's articles of association.

Dutch Individuals and Dutch Corporate Entities

A Dutch Individual (other than an individual who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes), or a Dutch Corporate Entity, can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund in the form of a negative assessment of Dutch income tax or Dutch corporation tax, as applicable, insofar as such dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, as applicable.

Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by Pharming. A Holder of New Shares who receives proceeds therefrom shall *not* be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in New Shares or similar instruments, comparable to its interest in New Shares prior to the time the composite transaction was first initiated.

An individual who is not resident or deemed to be resident in the Netherlands, but who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes, may be eligible for relief from Dutch dividend withholding tax on the same conditions as an individual who is a Non-resident Holder of New Shares, as discussed below.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by Pharming".

See the section "Taxes on income and capital gains – Resident Holders of New Shares" for a description of the terms Dutch Individual and Dutch Corporate Entity.

Non-resident Holders of New Shares

Relief

If a Non-resident Holder of New Shares is resident in the non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by Pharming. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*).

In addition, a Non-resident Holder of New Shares that is not an individual is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it is, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and it is not transparent for tax purposes according to the tax law of such state;
2. any one or more of the following threshold conditions are satisfied:
 - a. at the time the dividend is distributed by Pharming, it holds shares representing at least five per cent of Pharming's nominal paid up capital; or
 - b. it has held shares representing at least five per cent of Pharming's nominal paid up capital for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by Pharming; or
 - c. it is connected with Pharming within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); or
 - d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) holds at the time the dividend is distributed by Pharming, New Shares representing at least five per cent. of Pharming's nominal paid up capital;
3. it is not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area, under the terms of a double taxation treaty concluded with a third State; and
4. it does not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between the Netherlands and the country of residence of the Non-resident Holder of New Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by Pharming. If a Non-resident Holder of New Shares is resident in a Member State of the European Union with which the Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if such holder owns five per cent. of the voting rights in Pharming.

Credit

If a Non-resident Holder of New Shares is subject to Dutch income tax or Dutch corporation tax in respect of any benefits derived or deemed to be derived from its New Shares, including any capital gain realized

on the disposal thereof, it can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund pursuant to a negative tax assessment if and to the extent the dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, respectively.

See the section "Dividend withholding tax – Dutch Individuals and Dutch Corporate Entities" for a description of the term beneficial owner.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by Pharming".

See the section "Taxes on income and capital gains – Non-resident Holders of New Shares" for a description of the term Non-resident Holder of New Shares.

See the section "Taxes on income and capital gains – Non-resident Holders of New Shares" for a description of the circumstances under which a Non-resident Holder of New Shares is subject to Dutch income tax or Dutch corporation tax.

Gift and inheritance taxes

If a Holder of New Shares disposes of New Shares by way of gift, in form or in substance, or if a Holder of New Shares who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (i) the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (ii) the donor made a gift of New Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of New Shares made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the Holder of New Shares in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of New Shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of New Shares or the performance by Pharming of its obligations under such documents, or (iii) the transfer of New Shares.

9. GENERAL INFORMATION

Available Information

Pharming publishes its annual accounts, accompanied by an annual report and an auditor's report, within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year. In addition, the Company publishes quarterly financial statements.

The annual accounts must be signed by all members of the Management Board and the Supervisory Board. The annual reports (comprising the annual accounts, an annual report and an auditor's report) and the half-yearly reports and quarterly reports upon their publication can be inspected by Pharming's shareholders without charge at its head office in Leiden, during regular business hours.

Copies of the annual reports for the years ended 31 December 2011 and 2012, its report for the half year period ended 30 June 2013, the Articles of Association and the Prospectus may be obtained free of charge for the life of the Registration Document by sending a request in writing to Pharming at its business address: Darwinweg 24, 2333 CR Leiden, the Netherlands and are also available on www.pharming.com (<http://pharming.com/index.php?act=inv>) for the life of the Registration Document.

The Prospectus will also be available to investors on the website of the AFM at www.afm.nl and through the Euronext Amsterdam website at www.euronext.com.

Corporate Information

Pharming Group N.V. is a public company with limited liability, incorporated on 11 November 1988 under the laws of the Netherlands, and is registered with the Trade Register of the Chamber of Commerce of The Hague under number 28048592 and has its corporate seat in Leiden, the Netherlands. The Company's business address is Darwinweg 24, 2333 CR Leiden, the Netherlands, its website is www.pharming.com and its telephone number is +31 (0)71 5247400.

Corporate Resolutions

On 8 October 2013, the Management Board, with the approval of the Supervisory Board, which was given on 8 October 2013, resolved to issue the New Shares and resolved to exclude the related pre-emptive rights of the existing holders of Shares (see Chapter 7 "Description of Share Capital – Summary of the Articles of Association – Issuance of Shares and Rights to Subscribe for Shares" of this Security Note).

Share Trading Information

The Shares are listed and traded on Euronext Amsterdam and are cleared through the book-entry facilities of Euroclear Netherlands, only. The address of Euroclear Netherlands is: Herengracht 459-469, 1017 BS Amsterdam.

The Shares are traded under the following characteristics:

ISIN Code: NL0010391025

Common Code: 089615275

Amsterdam Security Code: 37701

Euronext Amsterdam Symbol: PHARM

Paying Agent

ABN AMRO Bank N.V. is the Paying Agent with respect to the Shares. The address of the Paying Agent is:

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1000 EA Amsterdam
The Netherlands

Advisors

Loyens & Loeff N.V. acted as Dutch counsel for Pharming in connection with the issuance of the New Shares.

ROTH Capital Partners, LLC acted as lead placement agent to Pharming in this transaction.

ISSUER

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