

Pharming Group reports financial results for the first nine months of 2020

Continued solid performance and strong recovery of sales in Q3 2020

Delivered 9.2% increase in revenues, 19.8% increase in operating profit and 6.4% increase in net profit (59% increase on constant currency basis) year-on-year for the first nine months of 2020

Company has initiated the process for a secondary listing in the US on Nasdaq

Leiden, The Netherlands, 29 October 2020: Pharming Group N.V. (“Pharming” or “the Company”) (Euronext Amsterdam: PHARM) presents its (unaudited) financial report for the nine months and third quarter ended 30 September 2020.

Financial summary

<i>Amounts in €m except per share data</i>	Q3 2020	Nine months 2020	Nine months 2019	% Change
<i>Income Statement</i>				
Revenues	46.1	134.7	123.4	9.2%
Gross profit	41.3	120.0	107.1	12.0%
Operating profit	18.8	51.1	42.7	19.7%
Net profit	7.5	25.6	24.1	6.2%
<i>Balance Sheet</i>				
Cash & cash equivalents	156.1	156.1	64.4	142.4%
<i>Share Information</i>				
Earnings per share (€):				
- Undiluted	0.011	0.040	0.038	5.3%
- Fully diluted	0.010	0.035	0.036	(2.8%)

Financial highlights

- Delivered revenue of €134.7 million in the first nine months of 2020, a 9.2% increase year-on-year (nine months of 2019: €123.4 million).
- Quarter-on-quarter revenues strongly recovered, delivering an increase of 17.3% in Q3 2020 (24.7% at constant currency) compared with Q2 2020, demonstrating continued underlying growth in HAE patients using RUCONEST®, following a move to more online sales and marketing activities during the COVID-19 pandemic.
- US revenues increased 8% year-on-year to €129.3 million (nine months of 2019: €119 million).
- In Europe and the rest of world (RoW), revenues for the first nine months of 2020 increased 26% year-on-year to €5.4 million (nine months of 2019: €4.3 million), as the Company continues to build out its EU commercial infrastructure and expand into new territories following the re-acquisition of EU rights for RUCONEST® from Swedish Orphan Biovitrum (SOBI) in January 2020.
- Operating profit in the first nine months of 2020 increased 19.7% year-on-year to €51.1 million (nine months of 2019: €42.7 million).
- Other financial expenses totalling €18.3 million were affected by one-off payments of fees and penalties as a result of the final payment of the Orbimed loan facility in January 2020 (€4.5

million). In addition, as result of the sudden and significant decrease in the US dollar versus the Euro over the period and during Q3 in particular, significant negative currency effects (€9.0 million) were incurred on the cash reserves invested in US government securities and on the continuous inflow of mainly US dollars from revenues.

- Net profit increased 6.2% year-on-year to €25.6 million (nine months of 2019: €24.1 million), despite the negative currency effects as result of the US Dollar decrease versus the Euro. On a constant currency basis, net profit increased 59% to €34.6 million.
- Positive cashflows from operations continued during Q3 2020 (€14.1 million), resulting in a cash position of €156.1 million at 30 September 2020, despite significant negative currency effects incurred on cash reserves primarily invested in US dollar denominated US government securities and the payment of the final €2.5 million milestone to SOBI in Q3 2020.
- Equity position improved from €104.7 million at the end of December 2019 to €136.3 million at the end of September 2020.
- Other financial liabilities, which refer to the contingent consideration reserved for the final successful sales performance milestone of US\$25 million to Bausch Health, did not increase in the first nine months of 2020, as compared to the same period in 2019. As a result, the Company's estimation of the likelihood of paying this milestone in the future has not changed during the period.
- In the first nine months of 2020, a total of 6,732,152 new shares have been issued resulting from various exercises of options. The number of issued shares as of 30 September 2020 is 638,055,619. The fully diluted number of shares as of 29 October 2020 is 756,428,631.

Operational highlights

- On 10 August 2020, the Company announced the enrollment of the first patient in a randomised, controlled, investigator-initiated clinical trial in up to 150 patients for treatment with rC1INH of patients with confirmed COVID-19 infections hospitalised with related severe pneumonia at the University Hospital Basel in Basel, Switzerland. This trial continues to recruit and has since expanded to other centres in Switzerland and is in the last stages of preparation in centres in Mexico and Brazil.
- On 17 August 2020, the Company announced the publication of data in the peer-reviewed journal, *Frontiers in Immunology*, from a compassionate use programme of five patients with confirmed COVID-19 infections hospitalised with related severe pneumonia that were treated with rhC1INH at the University Hospital Basel, Switzerland. The publication is available on the Company's website: <https://www.pharming.com/news/pharming-announces-publication-data-compassionate-use-programme-ruconestr-covid-19-patients>

Post-period highlights

- On 21 October 2020, the Company announced that the European Commission has granted orphan drug designation for leniolisib for the treatment of activated phosphoinositide 3-kinase delta syndrome, based on a positive opinion from the Committee for Orphan Medicinal Products of the European Medicine Agency. The European Commission orphan drug designation provides certain regulatory procedural and financial incentives including, but not limited to, product market exclusivity for ten years in the EU following regulatory approval.

- On 29 October 2020, the Company announced it has initiated the process for a secondary listing in the US on Nasdaq via a Level 2 ADR programme, which does not include plans for any fundraising. The Company has not made any decisions regarding either the timing or the terms of the Level 2 ADR programme and there can be no certainty that the Nasdaq listing in the US will take place. An Extraordinary General Meeting of Shareholders will be held on 11 December 2020 for a proposal to amend the Company's Articles of Association to implement a one-tier Board structure in anticipation of the launch of the Level 2 ADR Programme and the associated Nasdaq listing. (Please see separate announcement today for further details regarding the EGM).
- The Nasdaq listing process does not include any plans for approvals of additional fund raising.
- Also announced today, with the US dollar being the dominant currency as a result of continuing positive cashflows in US dollars and investments in mainly dollar denominated US government securities, the Company will change its reporting currency from Euro to US dollar from 1 January 2021 onwards.

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®
- 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 are continuing to receive treatment
- As a result of halted recruitment, timelines for the pre-eclampsia and acute kidney injury studies are continuing to incur delays, subject to the return of recruitment
- Recruitment in the registration enabling trial for leniolisib has restarted and, subject to regulatory approval, we continue to expect the potential launch of leniolisib in H2 2022

Sijmen de Vries, Chief Executive Officer, commented:

"We are pleased to announce continued growth during the first nine months of 2020, demonstrating consistent progress, despite the impact of the COVID-19 pandemic on sales and marketing activities and a significant decrease in the US dollar versus the Euro. We remain focused on, and are delivering against, our strategy for long-term growth. This includes continued sales growth of RUCONEST® through increasing market share for the treatment of acute HAE attacks, indication expansion for rhC1INH and the development of new proteins from our recombinant technology platform, as well as in-licencing or acquiring new products to leverage our global commercial infrastructure.

"In the past four years, Pharming has transitioned into a profitable biopharmaceutical company with its own direct sales operations in the US and the EU to continue to expand our patient reach and an advancing pipeline. We believe the Company is well-positioned to continue to deliver significant value to both our patients and our stakeholders."

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[®], mainly driven by the US and expanded EU 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, severe pneumonia as a result of COVID-19 infection and support for investigators wishing to explore additional indications for rhC1INH
- Investment in the continuing registration-enabling study for leniolisib for APDS, leading to headline data mid 2021
- Investment in upscaling and IND enabling studies for α -glucosidase in Pompe 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.

About Pharming Group N.V.

Pharming Group N.V. is a global, commercial stage biopharmaceutical company developing innovative protein replacement therapies and precision medicines for the treatment of rare diseases and unmet medical needs.

The flagship of our portfolio is our recombinant human C1 esterase inhibitor, or rhC1INH, franchise. C1INH is a naturally occurring protein that downregulates the complement cascade in order to control swelling in affected tissues.

Our lead product, RUCONEST[®] is the first and only plasma-free rhC1INH protein replacement therapy. It is approved for the treatment of acute hereditary angioedema, or HAE, attacks. We are commercializing RUCONEST[®] in the United States, the European Union and the United Kingdom through our own sales and marketing organization, and the rest of the world through our distribution network.

We are also developing rhC1INH for subsequent indications, including pre-eclampsia, acute kidney injury and we also investigating the clinical efficacy of rhC1INH in COVID-19.

In addition, we are studying our oral precision medicine, leniolisib (a phosphoinositide 3-kinase delta, or PI3K delta, inhibitor), for the treatment of activated PI3K delta syndrome, or APDS, in a registration enabling Phase 2/3 study in the US and Europe.

Furthermore, we are also leveraging our transgenic manufacturing technology to develop next-generation protein replacement therapies most notably for Pompe disease, which program is currently in the preclinical stage.

Forward-looking Statements

This press release contains forward-looking statements, including with respect to timing and progress of Pharming's preclinical studies and clinical trials of its product candidates, Pharming's clinical and commercial prospects, Pharming's ability to overcome the challenges posed by the COVID-19 pandemic to the conduct of its business, and Pharming's expectations regarding its projected working capital requirements and cash resources, which statements are subject to a number of risks, uncertainties and assumptions, including, but not limited to the scope, progress and expansion of Pharming's clinical trials and ramifications for the cost thereof; and clinical, scientific, regulatory and technical developments. In light of these risks and uncertainties, and other risks and uncertainties that are described in Pharming's 2019 Annual Report and its report for the six months ended 30 June 2020, the events and circumstances discussed in such forward-looking statements may not occur, and Pharming's actual results could differ materially and adversely from those anticipated or implied thereby. Any forward-looking statements speak only as of the date of this press release and are based on information available to Pharming as of the date of this release.

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Pharming Group N.V.

Condensed Consolidated Interim Financial Statements (unaudited)
For the period ended 30 September 2020

- Condensed consolidated statement of profit or loss
- Condensed consolidated statement of comprehensive income
- Condensed consolidated balance sheet
- Condensed consolidated statement of cash flow

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 balance sheet in US Dollar
- Condensed consolidated statement of cash flows in US Dollar

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

Amounts in € '000	YTD 2020	YTD 2019
Revenues	134.714	123.358
Costs of sales	(14.694)	(16.278)
Gross profit	120.020	107.080
Other income	718	292
Research and development	(23.810)	(23.726)
General and administrative	(13.670)	(10.780)
Marketing and sales	(32.113)	(30.182)
Costs	(69.593)	(64.688)
Operating profit	51.145	42.684
Fair value gain (loss) on revaluation derivatives	131	(141)
Other financial income	581	769
Other financial expenses	(18.285)	(12.146)
Financial income and expenses	(17.573)	(11.518)
Share of net profits in associates using the equity method	195	439
Result before income tax	33.767	31.605
Income tax credit (expense)	(8.171)	(7.549)
Net profit for the year	25.596	24.056
Attributable to:		
Owners of the parent	25.596	24.056
Total net profit	25.596	24.056
Basic earnings per share (€)	0,040	0,038
Fully diluted earnings per share (€)	0,035	0,036

Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 September

Amounts in € '000	YTD 2020	YTD 2019
Net profit for the year	25.596	24.056
Currency translation differences	441	170
Items that may be subsequently reclassified to profit or loss	441	170
Other comprehensive income (loss), net of tax	441	170
Total comprehensive income (loss) for the year	26.037	24.226
Attributable to:		
Owners of the parent	26.037	24.226

Condensed Consolidated Balance Sheet
As at date shown

Amounts in €'000	30 September 2020	31 December 2019
Intangible assets	76.946	70.809
Property, plant and equipment	8.630	8.553
Right-of-use assets	7.882	5.979
Deferred tax assets	21.329	28.590
Investments accounted for using the equity method	5.682	5.508
Restricted cash	1.256	2.268
Non-current assets	121.725	121.707
Inventories	16.382	14.467
Trade and other receivables	26.446	25.737
Cash and cash equivalents	154.795	66.299
Current assets	197.623	106.503
Total assets	319.348	228.210
Share capital	6.381	6.313
Share premium	396.231	392.266
Legal reserves	4.242	3.718
Accumulated deficit	(270.601)	(297.618)
Shareholders' equity	136.253	104.679
Convertible bonds	121.744	-
Lease liabilities	6.549	4.363
Other financial liabilities	18.298	17.282
Non-current liabilities	146.591	21.645
Loans and borrowings	-	45.590
Derivative financial liabilities	138	268
Trade and other payables	34.622	36.247
Lease liabilities	1.744	1.946
Other financial liabilities	-	17.835
Current liabilities	36.504	101.886
Total equity and liabilities	319.348	228.210

Condensed Consolidated Statement of Cash Flow
For the period ended 30 September

Amounts in €'000	YTD 2020	YTD 2019
Operating result	51.145	42.684
<i>Non-cash adjustments:</i>		
Depreciation, amortisation, impairment	5.092	5.281
Accrued employee benefits	2.098	794
Release contract liabilities	-	(600)
Operating cash flows before changes in working capital	58.335	48.159
<i>Changes in working capital:</i>		
Inventories	(1.915)	5.779
Trade and other receivables	(709)	(9.740)
Payables and other current liabilities	(1.755)	4.882
Total changes in working capital	(4.379)	921
Changes in non-current assets, liabilities and equity	2.208	(1.354)
Cash generated from (used in) operations before interest and taxes	56.164	47.726
Interest received	581	801
Income taxes paid	(2.431)	(1.278)
Net cash flows generated from (used in) operating activities	54.314	47.249
Capital expenditure for property, plant and equipment	(1.376)	(1.724)
Investment intangible assets	(332)	(623)
Investment in associates	-	(2.503)
Acquisition of license	(8.447)	(17.908)
Net cash flows used in investing activities	(10.155)	(22.758)
Repayment on loans and borrowings	(49.914)	(23.460)
Proceeds of issued convertible bonds	122.682	-
Interest on convertible bond	(1.875)	-
Payment on contingent consideration	(18.135)	(17.635)
Interests on loans and leases	(850)	(6.794)
Payment of lease liabilities	(1.321)	-
Proceeds of equity and warrants	2.035	3.536
Net cash flows generated from (used in) financing activities	52.622	(44.353)
Increase (decrease) of cash	96.781	(19.862)
Exchange rate effects	(9.297)	2.736
Cash and cash equivalents at 1 January	68.567	81.515
Total cash and cash equivalents at 30 September	156.051	64.389

[Appendix: Main Condensed Consolidated Financial Statements reported in US dollars](#)

These statements are not part of the original Interim Financial Statements. The original Interim Financial Statements are reported in euros. In case of differences of interpretation between the Financial Statements in US dollars and the Financial Statements in euros, the Financial Statements in euros will prevail.

Condensed Consolidated Statement of Profit or Loss
For the period ended 30 September
in US Dollars

Amounts in \$ '000	YTD 2020	YTD 2019
Revenues	151.874	138.728
Costs of sales	(16.566)	(18.306)
Gross profit	135.308	120.422
Other income	810	328
Research and development	(26.842)	(26.682)
General and administrative	(15.411)	(12.123)
Marketing and sales	(36.204)	(33.943)
Costs	(78.457)	(72.748)
Operating profit	57.661	48.002
Fair value gain (loss) on revaluation derivatives*	147	(159)
Other financial income	655	865
Other financial expenses*	(20.614)	(13.659)
Financial income and expenses	(19.812)	(12.953)
Share of net profits in associates using the equity method	219	494
Result before income tax	38.068	35.543
Income tax credit (expense)	(9.212)	(8.490)
Net profit for the year	28.856	27.053
Attributable to:		
Owners of the parent	28.856	27.053
Total net profit	28.856	27.053
Basic earnings per share (\$)	0,045	0,043
Fully diluted earnings per share (\$)	0,039	0,040

Condensed Consolidated Balance Sheet in US Dollars
As at date shown

Amounts in \$ '000	30 September 2020	31 December 2019
Intangible assets	89.996	79.405
Property, plant and equipment	10.094	9.591
Right-of-use assets	9.219	6.705
Deferred tax assets	24.946	32.061
Investments accounted for using the equity method	6.646	6.177
Restricted cash	1.469	2.543
Non-current assets	142.370	136.482
Inventories	19.161	16.223
Trade and other receivables	30.931	28.862
Cash and cash equivalents	181.048	74.348
Current assets	231.140	119.433
Total assets	373.510	255.915
Share capital	7.463	7.079
Share premium	463.432	439.887
Legal reserves	4.962	4.169
Accumulated deficit	(316.494)	(333.749)
Shareholders' equity	159.363	117.386
Convertible bonds	142.391	-
Lease liabilities	7.660	4.893
Other financial liabilities	21.401	19.380
Non-current liabilities	171.452	24.273
Loans and borrowings	-	51.125
Derivative financial liabilities	161	301
Trade and other payables	40.494	40.648
Lease liabilities	2.040	2.182
Other financial liabilities	-	20.000
Current liabilities	42.695	114.256
Total equity and liabilities	373.510	255.915

Condensed Consolidated Statement of Cash Flows in US Dollars
For the period ended 30 September

Amounts in \$'000	YTD 2020	YTD 2019
Operating result	57.661	48.002
<i>Non-cash adjustments:</i>		
Depreciation, amortisation, impairment	5.741	5.939
Accrued employee benefits	2.365	893
Release contract liabilities	-	(674)
Operating cash flows before changes in working capital	65.767	54.160
<i>Changes in working capital:</i>		
Inventories	(2.159)	6.499
Trade and other receivables	(799)	(10.954)
Payables and other current liabilities	(1.979)	5.490
Total changes in working capital	(4.937)	1.035
Changes in non-current assets, liabilities and equity	2.489	(1.523)
Cash generated from (used in) operations before interest and taxes	63.319	53.672
Interest received	655	901
Income taxes paid	(2.741)	(1.437)
Net cash flows generated from (used in) operating activities	61.233	53.136
Capital expenditure for property, plant and equipment	(1.551)	(1.939)
Investment intangible assets	(374)	(701)
Investment in associates	-	(2.815)
Acquisition of license	(9.523)	(20.139)
Net cash flows used in investing activities	(11.448)	(25.594)
Repayment on loans and borrowings	(56.273)	(26.383)
Proceeds of issued convertible bonds	138.312	-
Interest on convertible bond	(2.114)	-
Payment on contingent consideration	(20.445)	(19.832)
Interests on loans and leases	(958)	(7.641)
Payment of lease liabilities	(1.489)	-
Proceeds of equity and warrants	2.294	3.977
Net cash flows generated from (used in) financing activities	59.327	(49.879)
Increase (decrease) of cash	109.112	(22.337)
Exchange rate effects	(3.486)	(563)
Cash and cash equivalents at 1 January	76.891	93.245
Total cash and cash equivalents at 30 September	182.517	70.345

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