PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS FIRST HALF YEAR 2013

Leiden, The Netherlands, 1 August 2013. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the six months ended 30 June 2013.

FINANCIAL HIGHLIGHTS

- Revenues and other income increased to €4.9 million (H1 2012: €1.8 million), mainly a result of achieving the milestone of FDA acceptance for review of the BLA for Ruconest® which triggered a US$ 5 million payment by our US partner Santarus
- Operating costs decreased to €6.3 million (H1 2012: €12.3 million), mainly as a result of the reduction of costs following the 2012 restructuring and lower direct project costs regarding Ruconest®
- Financial income and expenses increased to €5.9 million (H1 2012: €3.2 million), mainly as a result of non-cash financial costs relating to the new €16.35 million convertible bond, while the 2012 costs mainly related to the €8.0 million 2012 convertible bond
- The net loss decreased to €7.2 million from €16.6 million for H1 2012
- Net cash outflows from operations decreased to €7.5 million (H1 2012: €8.2 million) while net cash inflows from financing activities amounted to €14.8 million (including €16.0 million in relation to the issue of convertible bonds) and net cash inflows from investing activities amounted to €0.2 million received upon transfer of an intangible fixed asset
- Cash at the end of the first half year of 2013 increased to €13.9 million (2012 FY: €6.3 million). The negative equity position decreased to €0.6 million from €7.7 million at year end 2012
- A reverse share split 10:1 was approved at the EGM of 28 February 2013. The total number of shares as of today, 1 August 2013 is 229,042,869.

OPERATIONAL HIGHLIGHTS

- Biologics License Application (BLA) for Ruconest® accepted for filing by the US Food and Drug Administration (FDA)
    - Santarus and Pharming are seeking U.S. marketing approval of Ruconest® for the treatment of acute angioedema attacks in patients with hereditary angioedema (HAE)
    - Santarus and Pharming expect the FDA will complete its review or otherwise respond to the Ruconest® BLA by 16 April 2014.
- European Medicines Agency (EMA) provided approval for Sanofi Chimie, Pharming's Contract Manufacturing Organization partner, to manufacture drug substance for Pharming's product Ruconest® at their Aramon (France) site, completing an important up-scaling of the production capacity that will allow for future significant economies of scale
- New data from a pivotal Phase III clinical study (Study 1310) of Ruconest® for the treatment of acute angioedema attacks in patients with hereditary angioedema (HAE) featured in a poster presentation at the European Academy of Allergy and Clinical Immunology (EAACI) & World Allergy Organization (WAO) World Allergy & Asthma Congress in Milan, Italy
- Results of a study demonstrating that Ruconest® has been shown to have a beneficial effect as a donor pre-treatment therapy in an animal model of kidney transplantation was presented at the American Transplant Congress in Seattle, Washington

- On 1 July 2013, the Company announced that it had entered into a strategic collaboration in China with Shanghai Institute of Pharmaceutical Industry (SIPI), a Sinopharm Company, for the development, manufacture and commercialisation of new products at SIPI, funded by SIPI upto IND stage, based on the Pharming technology platform. In addition, Pharming has also granted SIPI an exclusive license to commercialise Ruconest® (conestat alfa) in China.

Sijmen De Vries, Chief Executive of Pharming commented: "During the first six months of 2013 we have continued to build on the positive momentum experienced in the closing months of 2012 - during which time we announced positive top-line phase III results for Ruconest® in acute HAE and received a related milestone payment of US$10 million from Santarus. I am particularly pleased to note the FDA's acceptance for review of the BLA for Ruconest®, a pivotal event for Pharming and one that represents the most significant step to date in our efforts to obtain marketing approval for Ruconest® in the U.S. I am also delighted to note the post period announcement of our strategic collaboration with SIPI in China for the development, manufacture and commercialisation of new products based on the Pharming technology platform. This collaboration represents our first step towards leveraging the Pharming technology platform and, combined with SIPI's capabilities, will represent an important source of future products and provides access to the fastest growing pharmaceutical market in the world; China."

FINANCIAL RESULTS

In the first half year of 2013, the Company generated revenue and other income of €4.9 million (H1 2012: €1.8 million). This increase results from the achievement of a milestone of US$ 5 million from our US partner Santarus for FDA acceptance for review of our BLA for Ruconest. Product sales in H1 2013 amounted to €0.2 million compared to €0.8 million in H1 2012. The decline is due to a decrease in orders for Ruconest® from our EU partner Swedish Orphan Biovitrium (Sobi) which is a reflection of the underlying slow increase in EU sales. Costs of revenues amounted to € nil in H1 2013 compared to €0.8 million in H1 2012. In H1 2012, there was an inventory impairment of €2.2 million, while there were no impairments in H1 2013.

Total operating costs in the the first half year of 2013 decreased to €6.3 million from €12.3 million in the same period in 2012. Research and development costs decreased by €4.2 million to €5.0 million in H1 2013 from €9.2 million H1 2012, which reflects reduced human capital costs following the restructuring in 2012, as well as lower costs related to Study 1310 as well as other cost savings. General and administrative costs decreased by €0.5 million to €1.1 million in H1 2013 compared to H1 2012, mainly as a result of the restructuring in 2012. In H1 2013, there were no impairment charges while these amounted to €1.2 million in H1 2012 operating costs.

On 16 January 2013, the Company entered into a 8.5% convertible bond transaction of €16.35 million convertible bonds plus 16,349,999 warrants that was approved at the EGM of 28 February 2013. The bonds are repayable in cash and/or in shares in seven installments until 1 October 2013. In the first half year of 2013, four installments were repaid in shares. With regards to these pay-backs, the Company issued a total of 107,742,342 shares in H1 2013. Total non-cash costs associated with these bonds amounted to €6.5 million. Financial income in H1 2013 amounted to €1.0 million compared to €2.0 million in H1 2012. Financial income is non-cash in both periods and is exclusively related to decreases in the fair value of derivative financial liabilities.

As a result of the above items, net loss for the first six months of 2013 decreased to €7.2 million from €16.5 million in the same period of 2012.

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) increased to €13.9 million at 30 June 2013 from €6.3 million at year end 2012. The increase follows from net cash outflows from operations of €7.5 million with net cash inflows from financing activities amounting to €14.8 million and net cash inflows from investing activities amounting to €0.2 million. Financing cash flows mainly result from the 2013 issue of convertible bonds which raised gross €16.0 million in cash.

NEGATIVE EQUITY

The Company has negative equity since December 2011. The negative equity position at 30 June 2013 amounts to €0.6 million, a decrease of €7.1 million compared to 31 December 2012. The decrease is a result of new equity issues related to the 2013 convertible bonds in H1 2013, partially offset by the net loss for the period.

The negative equity position has in itself no immediate impact on the execution of Pharming's business plan, nor does it imply that the Company is legally required to issue new share capital. However, the Company is considering various options in order to reduce the negative equity and return to a positive equity position.

Conference call information
Today, Chief Executive Officer Sijmen de Vries will discuss the financial results for the first half of 2013 in a conference call at 10:00am (CET). To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: 31 (0) 45 631 6902
From the UK: 44 (0) 207 153 2027
(Conference ID: 4634352)

About RUCONEST® and Hereditary Angioedema
RUCONEST (INN conestat alfa) is a recombinant version of the human protein C1 esterase inhibitor, and is produced with Pharming's proprietary transgenic technology. RUCONEST is approved in Europe for the treatment of acute angioedema attacks in patients with HAE, a genetic disorder in which the patient is deficient in or lacks a functional plasma protein C1 esterase inhibitor, resulting in unpredictable and debilitating episodes of intense swelling. The swelling may occur in one or more anatomical areas, including the extremities, face, trunk, genitals, abdomen and upper airway. The frequency and severity of HAE attacks vary and are most serious when they involve laryngeal edema, which can close the upper airway and cause death by asphyxiation. According to the U.S. Hereditary Angioedema Association, epidemiological estimates for HAE range from one in 10,000 to one in 50,000 individuals. RUCONEST is an investigational drug in the U.S. and has been granted orphan drug designation by the FDA both for the treatment of acute attacks of HAE and for prophylactic treatment of HAE.

About Pharming Group NV
Pharming Group NV is developing innovative products for the treatment of unmet medical needs. RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of angioedema attacks in patients with HAE in all 27 EU countries plus Norway, Iceland and Liechtenstein, and is distributed in the EU by Swedish Orphan Biovitrum. RUCONEST® is partnered with Santarus, Inc. (NASDAQ: SNTS) in North America and a Biologics License Application (BLA) for RUCONEST® is under review by the U.S. Food and Drug Administration. The product is also being evaluated for various follow-on indications. Pharming has a unique GMP compliant, validated platform for the production of recombinant human proteins that has proven capable of producing industrial volumes of high quality recombinant human protein in a more economical way compared to current cell based technologies. In July 2013, the Platform was partnered with Shanghai Institute for Pharmaceutical Industry (SIPI), a Sinopharm Company, for joint global development of new products. Pre- clinical development and manufacturing will take place at SIPI and are funded by SIPI. Pharming and SIPI initially plan to utilise this platform for the development of rhFVIII for the treatment of Haemophilia A. Additional information is available on the Pharming website, www.pharming.com.

This press release contains forward looking statements that involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from the results, performance or achievements expressed or implied by these forward looking statements.

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PHARMING GROUP N.V.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

Consolidated Statement of Financial Position

Consolidated Statement of Income

Consolidated Statement of Comprehensive Income

Consolidated Statement of Cash Flows

Consolidated Statement of Changes in Equity

Notes to the Condensed Consolidated Interim Financial Statements

INTERIM REPORT OF THE BOARD OF MANAGEMENT FOR THE HALF YEAR ENDED 30 JUNE 2013

Discussion of financial position and financial results

Pharming's net loss for the first half year of 2013 amounted to €7.2 million compared to €16.6 million in the same period of 2012. The €9.4 million decreased loss is largely explained by:

- increased licence fee revenvues of €3.7 million as Pharming achieved the milestone of FDA acceptance for review of its BLA filing for Ruconest,
- reduction of operating expenses of €4.8 million as a result of, amongst others, reduced clinical costs and reduced human capital costs and other cost savings,
- the lack of any impairment costs, which affected the H1 2012 costs by €3.4 million,
- increased net financial expenses of €2.7 million, mainly reflecting the higher financial costs associated with the 2013 convertible bonds issue.

The Company's cash position (including restricted cash) increased from €6.3 million at year end 2012 to €13.9 million at 30 June 2013; cash flows used in operating activities of in total €7.5 million were more than compensated by net financing cash inflows of €14.8 million (of which €16.0 million proceeds of convertible bonds issued).

Outlook

During the second half of 2013, the Company's main focus will be on the US registration process of Ruconest, on broadening of the Ruconest application and on preparation for the US commercialization.

Auditor's involvement

The content of these condensed consolidated interim financial statements has not been audited or reviewed by an external auditor.

Risks and uncertainties

Note 32 on pages 101-104 of the Annual Report 2012 include an extensive overview of the Company's (financial) risk management.

With reference to the Going Concern Assessment in Note 2 of the condensed consolidated interim financial statements for the half year ended 30 June 2013, Pharming will – both for the second half of 2013 and the period beyond – focus on managing liquidity risk through preserving cash and generating sufficient additional cash to fund its operations.

Responsibility statement

The Board of Management of the Company hereby declares that to the best of their knowledge, the condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the Interim Report of the Board of Management gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het Financieel toezicht*).

Leiden, 1 August 2013

Board of Management

B.M.L. Giannetti, Chief Operations Officer
S. de Vries, Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013 (unaudited - amounts in €'000)

		30 June 2013	31 December 2012
Intangible assets		470	535
Property, plant and equipment	5	6,734	7,128
Restricted cash	8	608	732
Non-current assets		7,812	8,395
Inventories	6	2,168	2,101
Assets held for sale		-	242
Trade and other receivables	7	5,446	524
Restricted cash	8	247	309
Cash and cash equivalents	8	13,049	5,273
Current assets		20,910	8,449
Total assets		**28,722**	**16,844**
Share capital	9	2,102	10,092
Share premium		243,270	231,866
Other reserves		14,293	14,144
Accumulated deficit		(260,263)	(263,754)
Total equity		(598)	(7,652)
Deferred license fees income		12,526	13,495
Finance lease liabilities		1,860	1,961
Other liabilities		58	72
Non-current liabilities		14,444	15,528
Deferred license fees income		3,136	1,936
Derivative financial liabilities	10	1,837	1,215
Convertible bonds	11	6,364	-
Restructuring provision	12	2	1,232
Trade and other payables	13	2,733	3,690
Finance lease liabilities		804	895
Current liabilities		14,876	8,968
Total equity and liabilities		**28,722**	**16,844**

Notes on pages 11-17 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the six months ended 30 June 2013 (unaudited - amounts in €'000, except per share data)

	Note	30 June 2013	30 June 2012
Continuing operations:			
License fees		4,712	968
Product sales		193	798
Revenues		**4,905**	**1,766**
Costs of revenues		-	(837)
Inventory impairments		-	(2,194)
Gross profit		**4,905**	**(1,265)**
Income from grants		52	130
Other income		**52**	**130**
Research and development		(5,030)	(9,251)
General and administrative		(1,128)	(1,675)
Impairment charges		-	(1,173)
Share-based compensation		(150)	(172)
Costs		**(6,308)**	**(12,271)**
Loss from operating activities	14	**(1,351)**	**(13,406)**
Financial income	15	983	1,953
Financial expenses	16	(6,846)	(5,108)
Financial income and expenses		**(5,863)**	**(3,155)**
Net loss		**(7,214)**	**(16,561)**
Attributable to:			
Net loss from continuing operations		(7,214)	(16,561)
Owners of the parent		**(7,214)**	**(16,561)**
Share information:			
Basic and diluted net loss per share (€)		(0.05)	(0.29)
Weighted average shares outstanding		150,540,551	57,665,932

Notes on pages 11-17 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013 (unaudited - amounts in €'000)

	30 June, 2013	30 June, 2012
Net loss	**(7,214)**	**(16,561)**
Foreign currency translation	0	66
Other comprehensive income, net of tax	**(7,214)**	**66**
Total recognized income and expense	**(7,214)**	**(16,495)**
Attributable to:		
Equity owners of the parent	(7,214)	(16,495)

Notes on pages11-17 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013 (unaudited - amounts in €'000)

	Note	30 June 2013	30 June 2012
Receipts from license partners		-	841
Receipts of Value Added Tax		392	587
Interest received		-	18
Receipts of grants		-	72
Other receipts		-	214
Payments of third party fees and expenses, including Value Added Tax		(4,534)	(6,509)
Net compensation paid to board members and employees		(921)	(1,783)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(1,147)	(1,625)
Restructuring payments	12	(1,245)	-
Net cash flows used in operating activities	8	**(7,455)**	**(8,185)**
Proceeds from sale of assets		262	-
Purchase of property, plant and equipment		(21)	(574)
Net cash flows provided by/(used in) investing activities	8	**241**	**(574)**
Proceeds of convertible bonds issued	11	16,023	8,000
Payments of transaction fees and expenses		(915)	(529)
Payments of finance lease liabilities		(309)	(382)
Net cash flows from financing activities	8	**14,799**	**7,089**
Increase cash		**7,585**	**(1,670)**
Exchange rate effects on cash		5	-
Cash at 1 January	8	6,314	5,065
Cash at 30 June		**13,904**	**3,395**
Cash composition:			
Restricted cash (non-current)		608	856
Restricted cash (current)		247	309
Cash and cash equivalents		13,049	2,230
Cash at 30 June		**13,904**	**3,395**

Notes on pages 11-17 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013 (unaudited - amounts in €'000)

	Note	Number of shares	Share capital	Share premium	Other reserves	Accu-mulated deficit	Share-holders' equity	Total equity
Balance at 1 January 2012		**51,011,647**	**20,405**	**224,495**	**12,325**	**(258,413)**	**(1,188)**	**(1,188)**
Total recognized income and expense		-	-	-	66	(16,561)	(16,495)	(16,495)
Share-based compensation		-	-	-	172	-	172	172
Bonuses settled in shares	9	395,021	158	117	-	-	275	275
Repayments of bonds 2012	9	17,492,597	5,079	3,998	-	-	9,077	9,077
Adjustment nominal value per share		-	(18,752)	-	-	18,752	-	-
Balance at 30 June 2012		**68,899,265**	**6,890**	**228,610**	**12,563**	**(256,222)**	**(8,159)**	**(8,159)**
Balance at 1 January 2013		**100,918,910**	**10,092**	**231,866**	**14,144**	**(263,754)**	**(7,652)**	**(7,652)**
Total recognized income and expense		-	-	-	-	(7,214)	(7,214)	(7,214)
Share-based compensation		-	-	-	149	-	149	149
Bonuses settled in shares		1,281,777	13	176	-	-	189	189
Repayments of 2013 Bonds	9,11	107,742,342	2,699	11,209	-	-	13,908	13,908
Warrants exercised		300,000	3	19	-	-	22	22
Adjustment nominal value per share	9	-	(10,705)	-	-	10,705	-	-
Balance at 30 June 2013		**210,243,029**	**2,102**	**243,270**	**14,293**	**(260,263)**	**(598)**	**(598)**

Notes on pages 11-17 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended 30 June 2013

1. Company information

Pharming Group N.V. ('Pharming' or 'the Company') is a limited liability public company which is listed on NYSE Euronext Amsterdam, with its headquarters and registered office located at:
Darwinweg 24
2333 CR Leiden
The Netherlands

Pharming focuses on the development, production and commercialization of human therapeutic proteins to be used as highly innovative therapies. The Company's products are aimed at treatments for genetic disorders and surgical and traumatic bleeding. Pharming's technologies include novel transgenic platforms for the production of biopharmaceuticals, as well as technology and processes for the purification and formulation of these biopharmaceuticals.

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting). As permitted by IAS 34, the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Pharming's Annual Report 2012. In addition, the notes to these condensed consolidated interim financial statements are presented in a condensed format.

These condensed consolidated interim financial statements have not been reviewed or audited and are based on IFRS as adopted by the European Union. The Board of Management has approved these condensed consolidated interim financial statements on 31 July 2013.

Going Concern Assessment
The Board of Management of Pharming has, upon preparing and finalizing these condensed consolidated interim financial statements, assessed the Company's ability to fund its operations for a period of at least one year after the date of these condensed consolidated interim financial statements.

Based on the above assessment, the Company has concluded that funding of its operations for a period of at least one year after the date of the signing of these condensed consolidated interim financial statements is realistic and achievable. In arriving at this conclusion, the following main items and assumptions have been taken into account:
- cash and cash equivalents as per the date of these financial statements;
- the receipt of US$5.0 million in cash from Santuarus in the third quarter of 2013 following acceptance by the U.S. FDA of the BLA filing for Ruconest;
- the anticipated receipt of €1.2 million in cash from Shanghai Institute of Pharmaceutical Industry following the signing of our strategic collaboration; and
- the Company's net operating cash outflows, its investments in (in)tangible assets as well as its financing payments for one year after the end of the financial statements;
- other potential sources of cash income.

These other potential sources of cash income are, including but not limited to, the following:
- under the Equity Working Capital Facility of €10.0 million, the Company has the ability, if and when needed, to utilise the remaining balance of €5.1 million until expiration of the Equity Working Capital Facility on 1 August 2014. The timing and proceeds from future tranches is subject to various parameters that are partially or entirely beyond control of the Company.

However, it is noted that the Company cannot make any draw downs under the Equity Working Capital Facility until the 2013 Bonds (as described in Note 12) have been fully paid back at the end of the third quarter of 2013;
- proceeds from the exercise of warrants or options outstanding;
- capital raised by means of an additional capital markets transaction, such as non-dilutive (debt) financing, issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. the share price in relation to the nominal value per share), availability of assets to secure debt transactions as well as approvals of boards and/or shareholders (e.g. to issue additional shares); and
- receipts from existing or new license partners, other than cash proceeds of US$5.0 million upon acceptance by the U.S. FDA of the BLA filing as described above.

In addition, the Company may decide to cancel and/or defer certain activities in order to limit cash outflows until sufficient funding is available to resume them. Deferrals substantially relate to the timing of manufacturing-related and/or planned future clinical development activities for additional indications carried out on the initiative of Pharming.

Notwithstanding the above, the Board of Management of the Company emphasizes that the funding of the Company's operations beyond one year after these condensed consolidated interim financial statements is largely affected by its ability to generate operating cash flows from product sales and/or license fee payments from both existing and new partnerships.

As per the date of these condensed consolidated interim financial statements, with regards to its ability to generate operating cash flows from product sales and/or license fee payments, the following material uncertainties (individually or combined) have been identified which may cast significant doubt about the Company's future ability to continue as a going concern:
- receipt of a US marketing authorization by the U.S. FDA and the subsequent receipt of US$20.0 million from our US partner Santarus (payment triggered upon the earlier of first commercial sale of Ruconest in the US or 90 days following receipt of U.S. FDA approval); and/or
- the commercial success of Ruconest in the US.

This indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

In case the Company is ultimately not able to generate such operating cash inflows, it may ultimately enter into bankruptcy and/or sell all or a part of its assets. Such an event could have a material impact on the carrying value of, in particular, property, plant and equipment as well as inventories.

Overall, based on the outcome of this assessment, these condensed consolidated interim financial statements have been prepared on a going concern basis. Notwithstanding their belief and confidence that Pharming will be able to continue as a going concern, the Board of Management emphasizes that the actual cash flows for various reasons may ultimately (significantly) deviate from their projections. Therefore, in a negative scenario (actual cash inflows less than projected and/or actual cash outflows higher than projected) the going concern of the Company could be at risk.

3. Summary of significant accounting policies

The applied accounting principles are consistent with those as described in Pharming's Annual Report 2012.

Significant accounting estimates and judgments
The preparation of financial statements requires judgments and estimates that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Property, plant and equipment
At the end of the first half year of 2013, Pharming has property, plant and equipment with a net carrying value of €6.7 million. These assets are dedicated to the production of Rhucin inventories (€5.8 million) and other corporate purposes (€0.9 million). It is assumed these asset groups will continue to be used in ongoing production, research and development or general and administrative activities over its anticipated lifetime. The carrying value of these assets may be impaired in case of a decision to cancel and/or defer certain activities, as per the going concern assessment in Note 2.

Inventories
At the end of the first half year of 2013, the Company has capitalized Ruconest® product and milk with an aggregate net carrying value of €2.2 million. The Company has planned for additional inventory investments after the end of the reporting period. These inventories are available for use in commercial, preclinical and clinical activities. Estimates have been made with respect to the ultimate use or sale of the product, taking into account current and expected preclinical and clinical programs for both the HAE project and other indications of Ruconest as well as anticipation of market approval(s). In doing so, best estimates have been made with respect to the timing of such events in view of both the existing and expected lifetimes of the product involved.
As per the going concern assessment in Note 2, due to the early stage commercialization cycle of Ruconest the actual cash proceeds from these product sales are currently difficult to predict in terms of volumes, timing and reimbursement amounts. In addition, further inventory investments and execution of preclinical and clinical activities are subject to availability of sufficient financial resources.

Derivative financial liabilities
At 30 june 2013, the Company has presented derivative financial liabilities with a carrying value of €1.8 million. These liabilities primarily represent the fair values of warrants issued and the conversion right of the 2013 convertible bonds. These fair values are based on models using assumptions with respect to, amongst others, the exercise of the warrants on or before maturity dates as well as (historical) volatility. Actual share price developments may trigger exercise of these warrants on a different moment than anticipated in the model and also cause transfer of assets to warrant holders under conditions that are (much) more or (much) less favorable than anticipated at 30 June 2013. As a result, the difference between the value of assets transferred to warrant right holders upon exercise and the carrying value at 30 June 2013 as charged to the statement of income may be material.

Share price developments may also result in the warrants expiring unexercised while the fair value of warrants unexercised may fluctuate (significantly) until expiration. Fair value changes of warrant rights unexercised between 30 June 2013 and subsequent reporting dates are charged to the statement of income.

4. Cyclicality

In view of the Company's line of business, revenues and cash income from operating activities are subject to the timing of entering into commercial activities as well as the underlying mechanisms of the deal structure (e.g. achievement of milestones). Expenses incurred for research and development activities as well as their associated cash flows highly depend on the phase of research or development. Such items may vary significantly from period

to period (i.e. from quarter to quarter) due to the timing and extent of commercial activities as well as research and development activities and are partially beyond control of the Company.

5. Property, plant and equipment

The carrying value of Pharming's property, plant decreased from €7.1 million at year end 2012 to €6.7 million at 30 June 2013 due to depreciation of these assets.

6. Inventories

Pharming's inventories increased from €2.1 million at 31 December 2012 to €2.2 million at 30 June 2013.

7. Trade and other receivables

The increase of trade and other receivables to €5.4 million at 30 June 2013 from €0.5 million at 31 December 2012 mainly results from the US$ 5 million milestone receivable from Santarus, following FDA acceptance of our BLA filing for Ruconest and from the receivable of €1.2 million from SIPI following signing of the strategic collaboration.

8. Restricted cash, cash and cash equivalents, cash flows

The overall net cash position for the first half year ended 30 June 2013 and 30 June 2012 is as follows:

Amounts in €'000	30 June 2013	30 June 2012
Non-current restricted cash	608	856
Current restricted cash	247	309
Cash and cash equivalents	13,049	2,230
Balance at 30 June	13,904	3,395
Balance at 1 January	6,314	5,065
Increase for the period	7,590	(1,670)

Restricted cash represent the value of banker's guarantees issued with respect to (potential) commitments towards third parties and are primarily related to finance lease liabilities and rent.

The main cash flow items for the first half year of 2013 and 2012 can be summarized as follows:

Amounts in €'000	30 June 2013	30 June 2012
Net cash flows used in operating activities	(7,455)	(8,185)
Net cash flows provided by/(used in) investing activities	241	(574)
Net cash flows from financing activities	14,799	7,089
Exchange rate effects on cash	5	-
increase for the period	7,590	(1,670)

Cash flows used in operating activities decreased by €0.7 million, which is largely explained by reduction of operating expenses and timing of payments.

Cash flows provided by investing activities of €0.3 million in the first half year of 2013 concerns sale of an intangible asset, while the cash used in investing activities in the same period of 2012 related to payment of manufacturing equipment acquired in 2011.

Cash flows from financing activities of €14.8 million in the first half year of 2013 largely stems from the €16.0 million received in relation to the issue of the 2013 convertible bonds, while financing payments totalling €1.2 million related to transaction fees and expenses and payment of finance leasing terms. In the first half year of 2012 the €7.1 million cash flows from financing activities follow receipt of €8.0 million in relation to the issue of the 2012 convertible bonds net of payment of transaction fees and expenses (€0.9 million).

9. Equity

Main developments total equity in the first half year of 2013
On 28 February 2013, the EGM approved a 10:1 reverse split of the Company's stock and a subsequent reduction of the nominal share value from €0.10 to €0.01. This lead to a reduction of share capital of €10.7 million which was offset against accumulated deficit. Therefore, the overall effect of this on shareholders' equity is nil.

All numbers of shares mentioned in these interim financial statements have been adjusted retro-actively for the reverse split where applicable.

Under the 2013 convertible loan agreement which is described in more detail in Note 11, Pharming issued a total number of 107,742,342 shares to 2013 bond holders.

The Company also transferred an aggregate number of 1,281,777 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2012.

Main developments total equity in the first half year of 2012
Pharming in the first half of 2012 issued a total of 17,492,597 shares with an aggregate fair value of €9.1 million to holders of 2012 Bonds.

The Company also transferred an aggregate number of 395,021 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2011.

At the Annual General Meeting of shareholders of 14 May 2012, it was decided to reduce the nominal value of the shares from €0.04 to €0.01, as a result of which the Company's share capital decreased by €18.8 million and the accumulated deficit increased with the same amount.

10. Derivative financial liabilities

Derivative financial liabilities recognized in the first half year of 2013 related to 16,349,999 warrants issued in relation to the 2013 Bonds (Note 11) and conversion rights on the 2013 Bonds with the initial fair value of these items upon recognition amounting to €1,161,000 and €223,000 or €1,384,000 in total. In addition, all outstanding warrants were revalued for accounting purposes at 30 June 2013.

Movement of derivative financial liabilities for the first half year of 2013 and 2012 can be summarized as follows:

Amounts in €'000	**2013**	**2012**
Carrying value at 1 January	1,215	1,171
Initial recognition upon issue	1,384	1,148
Fair value gains derivatives	(762)	(1,953)
Carrying value at 30 June	1,837	366

Fair value gains have been presented within financial income.

11. Convertible bonds

2013 Convertible bond

On 16 January 2013, the Company announced it had entered into a €16.35 million private convertible bonds transaction ('2013 Bonds') carrying 8.5% annual interest. In connection with this convertible bond transaction, the Company issued 16.35 million warrants with an exercise price of €0.03. The net proceeds of the 2013 convertible bonds issue amounted to €15.1 million, after deduction of a 2% discount and transaction costs of €950,000. This transaction included an advance payment of 18 million shares valued at €4,860,000. The convertible bond is repayable in 7 installments until 1 October 2013. The 2013 convertible bond transaction was approved at the EGM of 28 February 2013.

For accounting purposes, the convertible bond portion is recognized at the aggregate value of the value received minus the fair value of the derivative financial liabilities and the portion of transaction fees and expenses allocated to the convertible bond. Pre(payments) of the monthly installment plus interest can take place either in cash or in shares. Until 30 June 2013, four tranches were repaid in shares. Based on the conditions of the convertible loan agreement, this has resulted in transfer of shares for a value higher than if such a repayment had taken place in cash. Accordingly, a transaction loss of €4.1 million was incurred in the first half of 2013.

Movement of the 2013 Bonds in the first half of 2013 can be summarized as follows:

Amounts in €'000

Received in cash	16,023
Fair value of warrants issued	(1,161)
Fair value of conversion right	(223)
Transaction fees and expenses	(868)
Carrying value initial recognition	13,771
Effective interest	2,422
Fair value of shares issued for installment in the first half of 2013	(13,946)
Result bond settlements	4,117
Carrying value 30 June	6,364

Effective interest and the result on bonds settlements of €6.5 million in total have been charged to financial expenses (Note 16).

12. Restructuring provision

In the course of 2012, Pharming announced the closure of the US cattle facilities and a restructuring of its Dutch operations. A restructuring provision was created for the costs related to the severance payments and other employee-related costs. These amounts have been paid during the first half of 2013.

13. Trade and other payables

Trade and other payables balances decreased from €3.7 million at year end 2012 to €2.7 million at 30 June 2013 mainly as a result of a decrease of a number of accrued liabilities.

14. Loss from operating activities

In the first half year of 2013, the Company reported a loss from operating activities €1.4 million compared to €13.4 million in the same period of 2012. The €12.0 million decrease is mainly a result of increased revenues through the Santarus milestone of US$5.0 million and lower human capital costs (€0.9 million) following the reduction of the number of employees, mostly through the restructuring in 2012, and lower costs associated with Study 1310 (€0.9 million) as well as other cost-savings (€0.4 million).

As explained in Note 4, Pharming operates in an industry in which revenues and expense are to some extent varying based on the timing of events such as entering into commercial agreements, achievement of milestones or the phase of research or development. These activities are partially beyond control of the Company.

15. Financial income

Financial income in the first half year of 2013 and 2012 amounted to €1.0 million and €2.0 million, respectively, which exclusively related to the decreases in the fair value of derivative financial liabilities (Note 10).

16. Financial expenses

Financial expenses of €6.8 million in the first half year of 2013 were mainly related the 2013 Bonds and to other items such as foreign currency results and interest on finance leases. The financial expenses of €5.1 million in the same period of 2012 are mainly associated with 2012 Bonds.

17. Operating segments

The Company is active in one operating segment which is the recombinant proteins business segment.

18. Commitments and contingencies

In the first half year of 2013 there were no material changes to the commitments and contingent liabilities from those disclosed in Note 31 of the 2012 Annual Report.

19. Events after the end of the reporting period

On 25 July 2013, the Company repaid the fifth tranche of the 2013 convertible bond, amounting to €2.4 million, in cash.

The total number of outstanding shares at 1 August 2013 amounts to 229,042,869.

The authorized number of shares of the Company is 450 million with fully diluted shares as per 1 August 2013 summarized as follows (in millions):

Shares	229.0
Warrants	23.9
Options	4.8
Long Term Incentive Plan	1.3
Total	259.0