PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS FOR THE FIRST NINE MONTHS OF 2014

Leiden, The Netherlands, 30 October 2014. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the nine months ended 30 September 2014.

FINANCIAL HIGHLIGHTS

- Revenues from product sales increased to €2.2 million, as a result of underlying demand in the EU markets (9M 2013: €0.6 million).
- Revenues from license fees decreased to €1.6 million (9M 2013: €5.4 million) due to the receipt of a US$5 million milestone in 2013.
- Operating costs increased by €1.6 million to €10.9 million (9M 2013: €9.3 million) mainly as a result of increasing activities, including the start of a Phase II clinical study of Ruconest® for prophylaxis for HAE, and the expenses of the (non-cash) share-based compensation
- Net financial expenses amounted to €9.2 million (9M 2013: €7.4 million). The increase is due to the (non-cash) revaluation of our warrants resulting from the strong increase in our share price during 9M 2014.
- Loss from operating activities increased by €6.0 million to €9.7 million, as a result of the receipt of a US$5 million milestone payment in 2013, the increase of operating costs of €1.6 million and a €0.5 million impairment on inventory, reflecting the current low yield on EU sales.
- Total net loss increased by €7.8 million to €18.9 million (9M 2013: €11.1 million), as a result of the €6.0 million increase of loss of operating activities and the €1.8 million increase in the (non- cash) financial expenses.
- Cash outflows from operations increased by €6.6 million to €13.7 million during 9M 2014 (9M 2013: €7.1 million), mainly as a result of the €7.3 million increase in manufacturing activities for Ruconest®, ahead of the anticipated US launch in 4Q 2014.
- Cash at the end of the first nine months of 2014 increased to €23.8 million (2013 FY: €19.2 million).
- The equity position increased from €5.0 million at year end 2013 to €15.9 million, mainly as a result of the private equity placement of net €14.0 million in April 2014 and the exercise of warrants.
- The net profit in third quarter was €1.3 million. The net loss from operating activities in the third quarter of €4.2 million was more than compensated by the (non-cash) gain in financial income and expenses of €5.2 million during the third quarter. This (non- cash) gain stems from a correction of €2.4 million in the accounting of the fair value of warrants at 30 June 2014 and the decrease of the fair value of the same warrants of €2.8 million in 3Q 2014. The operating costs of €4.7 million in 3Q included the (non-cash) costs for the share-based compensation of €1.3 million and costs for the start of a Phase II clinical study of Ruconest® as prophylaxis for HAE of €0.3 million.

OPERATIONAL HIGHLIGHTS

- US partner Salix Pharmaceuticals Inc. is preparing to launch Ruconest® during 4Q 2014 having received approval from the FDA for Ruconest® on 16 July 2014.
- A US$20 million milestone payment from Salix will become payable within 30 days after the first commercial sale of Ruconest® in the US or within 90 days since FDA approval.
- New product leads for enzyme replacement therapy products in Pompe's, Fabry's and Gaucher's diseases, as well as Factor VIII and Factor IX for Haemophilia A and B were acquired through the acquisition of certain assets of TRM SASU for €0.5 million in cash.

- A Phase II clinical study of Ruconest® for prophylaxis of Hereditary Angioedema was announced. Salix and Pharming will equally share the costs of the study. On FDA approval for prophylaxis of HAE an undisclosed milestone will become payable by Salix to Pharming.

POST-PERIOD HIGHLIGHT

- Pharming and Swedish Orphan Biovitrum amended and extended the Ruconest® Distribution Agreement. Pharming is in the process of initiating directly commercialization of Ruconest® in Austria, Germany and the Netherlands. Sales through such direct commercialization are anticipated to increase the yield of EU sales.

Sijmen de Vries, Chief Executive Officer of Pharming, commented: "During this first nine months of 2014 we prepared for US market entry by investing in building inventories of Ruconest®. At the same time, we strengthen the balance sheet with a "sub-10%" private placement to institutional investors that yielded €14.7 million, which ensured that we were able to co- invest to develop our main asset Ruconest® for additional indications, such as the start of the Phase II clinical study in prophylaxis of HAE. In addition, we announced our involvement in direct commercialization activities in Austria, Germany and Netherlands.

We have executed on the next step of our strategic plan to leverage our unique production platform through the acquisition of product leads for additional enzyme replacement therapies in orphan diseases such as Pompe, Fabry and Gaucher's disease and additional leads to Factor VIII for Haemophilia A, to further support the collaboration with Sinopharm's SIPI. Following the FDA approval of Ruconest® in the USA, we are looking forward to the launch of Ruconest® during Q4 and the receipt of the US$20 million milestone from Salix. In addition we will receive 30 % of US net sales, up to $100 million annual sales. For annual US net sales in excess of US$100 million this will stepwise increase up to 40 % of net sales. These proceeds, together with the start of direct commercialization of Ruconest® in Austria, Germany and Netherlands, should begin to drive profitable sales revenues from 2015 onwards and should help us meet our aim of future financial sustainability."

FINANCIAL RESULTS

In the first nine months of 2014, the Company generated revenue from sales of Ruconest® of €2.2 million (9M 2013: €0.6 million). The increase in revenue from sales reflects the underlying increased demands for Ruconest® in the EU markets, compared to 9M 2013. Costs of revenues amounted to €2.6 million (2013: €0.4) including impairments of inventories amounting to €0.5 million. Licensing fees decreased to €1.6 million (9M 2013: €5.4 million) as a result of last year's receipt of a US$5 million payment by our US partner Santarus (now Salix Pharmaceuticals: NASDAQ: SLXP "Salix").

Loss from operating activities increased to €9.7 million (9M 2013 €3.7 million), predominantly as a result of the receipt of the one- off milestone payment of US$5 million in 2013, the increase of operating costs and a €0.5 million impairment on inventory, reflecting the current low yield on EU sales.

Financial income and expenses increased to €9.2 million (9M 2013: €7.4 million), as a result of the (non-cash) increase of the fair value of our outstanding warrants, reflecting the increase of our share price in 9M 2014; while the 9M 2013 costs were related to the January 2013 €16.35 million convertible bond.

As a result of the above items, the net loss for the first nine months of 2014 increased to €18.9 million from €11.1 million in the same period of 2013.

Cash outflows from operations increased by €6.6 million to €13.7 million in 3Q 2014 (9M 2013: €7.1 million), mainly as a result of the increase in manufacturing activities for Ruconest®, ahead of the anticipated US launch in 4Q 2014.

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) increased to €23.8 million at 30 September 2014 from €19.2 million at year end 2013. The increase is a result of net cash outflows from operations of €13.7 million and €0.5 million used in investing activities, with net cash inflows from financing activities amounting to €19.4 million and net cash outflows from financing activities amounting to €0.6 million.

Financing cash inflows mainly result from the proceeds of the private equity placement of €14.7 million in April 2014 and the exercise of (2012 and 2013) warrants during 9M 2014, which yielded €4.7 million in cash.

EQUITY POSITION

The equity position increased by €10.9 million versus year-end 2013 (€5.0 million) to €15.9 million (9M 2013: €1.6 million negative).

Pharming continues to monitor the development of its equity standing under International Financial Reporting Standards (IFRS). Notably, the Company reports that the negative equity position at the end of 2011 was mainly caused by the inability to recognize the €19.7 million upfront payments and milestones received from Sobi and Santarus as equity (at 30 September 2014 the deferred license fees income amounted to €12.8 million).

The number of outstanding shares as of 30 October 2014 is 407,686,599 and the fully diluted number of shares is 475.9 million

FINANCIAL GUIDANCE 2014

As result of the continuing regulatory review process in Turkey, the prevailing unrest in Israel and the announcement of direct commercialization by Pharming in Austria, Germany and Netherlands, revenues from Ruconest® sales for 2014 (not including US sales) are now expected to increase from €1.0 million in 2013 to €2.8 million, instead of the previously expected €3.0 million.

No additional financial guidance is provided.

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 the USA, Israel, all 27 EU countries plus Norway, Iceland and Liechtenstein. Ruconest® is commercialized by Pharming in Austria, Germany and Netherlands. Ruconest® is distributed by Swedish Orphan Biovitrum AB (publ) (SS: SOBI) in the other EU countries and in Azerbaijan, Belarus, Georgia, Iceland, Kazakhstan, Liechtenstein, Norway, Russia, Serbia and Ukraine.
Ruconest® is partnered with Salix Pharmaceuticals Inc. (NASDAQ: SLXP) in North America.
Ruconest® is also being investigated in a randomized Phase II clinical trial for prophylaxis of HAE and evaluated for various additional 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. Leads for enzyme replacement therapy in Pompe's, Fabry's and Gaucher's diseases are under early evaluation.The platform is 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 utilize this platform for the development of rh-FVIII 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 NINE MONTHS ENDED 30 SEPTEMBER 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2014 (unaudited - amounts in €'000)

		30 September 2014	31 December 2013
Intangible assets		321	405
Property, plant and equipment	5	5,776	6,228
Restricted cash	8	176	176
Non-current assets		6,273	6,809
Inventories	6	9,191	4,763
Trade and other receivables	7	1,667	860
Restricted cash	8	-	2,008
Cash and cash equivalents	8	23,632	16,968
Current assets		34,490	24,599
Total assets		**40,763**	**31,408**
Share capital		4,077	3,346
Share premium		282,261	254,901
Other reserves		16.525	14,874
Accumulated deficit		(286,982)	(268,111)
Total equity	9	15,881	5,010
Deferred license fees income		10,572	12,222
Finance lease liabilities		1,076	1,207
Other liabilities		22	44
Non-current liabilities		11,670	13,473
Deferred license fees income		2,200	2,200
Derivative financial liabilities	10	4,682	4,147
Trade and other payables	11	5,868	5,812
Finance lease liabilities		462	766
Current liabilities		13,212	12,925
Total equity and liabilities		**40,763**	**31,408**

Notes on pages 11-15 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the nine months ended 30 September 2014 (unaudited - amounts in €'000, except per share data)

	Note	30 September 2014	30 September 2013
Continuing operations:			
License fees		1,650	5,353
Product sales		2,193	614
Revenues		**3,843**	**5,967**
Costs of product sales		(2,189)	(419)
Inventory impairments		(474)	-
Gross profit		**1,180**	**5,548**
Income from grants		92	79
Other income		**92**	**79**
Research and development		(9,165)	(7,554)
General and administrative		(1,770)	(1,754)
Costs		**(10,935)**	**(9,308)**
Result from operating activities	12	**(9,663)**	**(3,681)**
Financial income	13	144	588
Financial expenses	14	(9,352)	(8,002)
Financial income and expenses		**(9,208)**	**(7,414)**
Net result from continuing operations		**(18,871)**	**(11,095)**
Attributable to:			
Net result from continuing operations		(18,871)	(11,095)
Owners of the parent		**(18,871)**	**(11,095)**
Share information:			
Basic and diluted net loss per share (€)		(0.05)	(0.06)
Weighted average shares outstanding		388,245,868	175,368,600

Notes on pages 11-15 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2014 (unaudited - amounts in €'000)

	30 September 2014	30 September 2013
Net result	**(18,871)**	**(11,095)**
Currency translation differences	-	-
Items that will be subsequently reclassified to profit or loss	**-**	**-**
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**(18,871)**	**(11,095)**
Attributable to:		
Equity owners of the parent	(18,871)	(11,095)

Notes on pages11-15 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2014 (unaudited - amounts in €'000)

	Note	30 September 2014	30 September 2013
Receipts from license partners		1,651	4,804
Receipts of Value Added Tax		712	572
Interest received		136	6
Other receipts		283	848
Payments of third party fees and expenses, including Value Added Tax		(5,471)	(8,708)
Payments of third party manufacturing expenses		(7,684)	(347)
Net compensation paid to board members and employees		(1,707)	(1,460)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(1,604)	(1,585)
Restructuring payments		-	(1,245)
Net cash flows used in operating activities	8	**(13,684)**	**(7,115)**
Proceeds from sale of assets		-	262
Purchase of property, plant and equipment		(500)	(21)
Net cash flows provided by/(used in) investing activities	8	**(500)**	**241**
Proceeds of convertible bonds issued		-	16,023
Proceeds of equity and warrants issued		19,375	-
Payments of transaction fees and expenses		(697)	(1,368)
Payments of finance lease liabilities		(139)	(478)
Net cash flows from financing activities	8	**18,539**	**14,177**
Increase cash		**4,355**	**7,303**
Exchange rate effects on cash		301	(123)
Cash at 1 January	8	19,152	6,314
Cash at 30 September		**23,808**	**13,494**
Cash composition:			
Restricted cash (non-current)		176	176
Restricted cash (current)		-	618
Cash and cash equivalents		23,632	12,700
Cash at 30 September		**23,808**	**13,494**

Notes on pages 11-15 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2014 (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 2013		**100,918,910**	**10,092**	**231,866**	**14,144**	**(263,754)**	**(7,652)**	**(7,652)**
Loss for the period		-	-	-	-	(11,095)	(11,095)	(11,095)
Other comprehensive income for the period		-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(11,095)**	**(11,095)**	**(11,095)**
Share-based compensation		-	-	-	224	-	224	224
Bonuses settled in shares	9	1,281,777	12	176	-	-	188	188
Repayments of bonds 2013	9	127,369,529	2,896	13,824	-	-	16,720	16,720
Warrants exercised		300,000	3	19	-	-	22	22
Adjustment nominal value per share		-	(10,704)	-	-	10,704	-	-
Total transactions with owners, recognized directly in equity		**128,951,306**	**(7,793)**	**14,019**	**224**	**10,704**	**17,154**	**17,154**
Balance at 30 September 2013		**229,870,216**	**2,299**	**245,885**	**14,368**	**(264,145)**	**(1,593)**	**(1,593)**
Balance at 1 January 2014		**334,655,224**	**3,346**	**254,901**	**14,874**	**(268,111)**	**5,010**	**5,010**
Loss for the period		-	-	-	-	(18,871)	(18,871)	(18,871)
Other comprehensive income for the period		-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(18,871)**	**(18,871)**	**(18,871)**
Share-based compensation		-	-	-	1,651	-	1,651	1,651
Bonuses settled in shares		963,066	10	440	-	-	450	450
Shares issued for cash	9	30,000,000	300	13,704	-	-	14,004	14,004
Warrants exercised/ issued	9	42,012,059	420	13,213	-	-	13,633	13,633
Options exercised		56,250	1	3	-	-	4	4
Total transactions with owners, recognized directly in equity		**73,031,375**	**731**	**27,360**	**1,651**	**-**	**29,742**	**29,742**
Balance at 30 September 2014		**407,686,599**	**4,077**	**282,261**	**16,525**	**(286,982)**	**15,881**	**15,881**

Notes on pages 11-15 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine months ended 30 September 2014

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 do not include all of the information required for full annual financial statements and should be read in conjunction with Pharming's Annual Report 2013. 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. The Board of Management has approved these condensed consolidated interim financial statements on 29 October 2014.

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

Based on the above assessment, the Company has concluded that funding of its operations for a period of well in excess of one year after the date of the signing of these 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 of approximately €22.9 million as per the date of these financial statements (30 October 2014);
- the projected, however undisclosed sales revenues for the period involved, related to the markets in which the Company already has market approval;
- the Company's operating cash outflows, its investments in (in)tangible assets for one year after the end of the financial statements; The cash outflow is expected to increase as a result of the increase in manufacturing expenses;
- the anticipated receipt of US$20.0 million in cash from our US partner Salix following the recent market approval of Ruconest® by the U.S. FDA

Pharming has not taken into account other potential sources of cash income, including, but not limited to the following:

- proceeds from the exercise of warrants or options outstanding as per the date of these condensed consolidated financial interim statements;
- capital raised by means of an additional capital markets transaction, such as non-dilutive (debt) financing, issuance of equity or a combination thereof.
- other receipts from existing or new license partners.

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 financial statements is largely affected by its ability to increase product sales and/or license fee payments from both existing and new partnerships to generate positive cash flows in the future.

With regards to its ability to generate operating cash flows from product sales and/or license fee payments, the following uncertainties (individually or combined) have been identified:

- the commercial success of Ruconest® in the US,
- the commercial success of Ruconest® in the EU.

Overall, based on the outcome of this assessment, these 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 in the period beyond 12 months as per the date of these financial statements.

3. Summary of significant accounting policies

The applied accounting principles are consistent with those as described in Pharming's Annual Report 2013.

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 nine months of 2014, Pharming has property, plant and equipment with a net carrying value of €5.8 million. These assets are dedicated to the production of Ruconest® inventories (€4.6 million) and other corporate purposes (€1.2 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.

Inventories

At the end of the first nine months of 2014, the Company has capitalized Ruconest® product and milk with an aggregate net carrying value of €9.2 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 sales projections. 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.

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 pre-clinical and clinical activities are subject to availability of sufficient financial resources.

Derivative financial liabilities
At 30 September 2014, the Company has presented derivative financial liabilities with a carrying value of €4.7 million. These liabilities primarily represent the fair values of warrants issued. 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 September 2014. As a result, the difference between the value of assets transferred to warrant right holders upon exercise and the carrying value at 30 September 2014 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 September 2014 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 €6.2 million at year end 2013 to €5.8 million at 30 September 2014 due to depreciation of these assets.

6. Inventories

Pharming's inventories increased from €4.8 million at 31 December 2013 to €9.2 million at 30 September 2014.

7. Trade and other receivables

The increase of trade and other receivables to €1.7 million at 30 September 2014 from €0.9 million at 31 December 2013 mainly results from an increase in trade receivables of €0.3 million and other receivables of €0.5 million related to the investing activities.

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

The overall net cash position for the first nine months ended 30 September 2014 and 30 September 2013 is as follows:

Amounts in €'000	30 September 2014	30 September 2013
Non-current restricted cash	176	176
Current restricted cash	-	618
Cash and cash equivalents	23,632	12,700
Balance at 30 September	23,808	13,494
Balance at 1 January	19,152	6,314
Increase for the period	4,656	7,180

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

The main cash flow items for the first nine months of 2014 and 2013 can be summarized as follows:

Amounts in €'000	30 September 2014	30 September 2013
Net cash flows used in operating activities	(13,684)	(7,115)
Net cash flows provided by/(used in) investing activities	(500)	241
Net cash flows from financing activities	18,539	14,177
Exchange rate effects on cash	301	(123)
increase for the period	4,656	7,180

Cash flows used in operating activities increased by €6.6 million, which is entirely related to the increase of third party manufacturing expenses, regarding the build-up of Ruconest® inventories.

In the third quarter of 2014 investing activities took place of €0.5 million for the purchase of assets in France. Cash flows provided by investing activities of €0.2 million in the first nine months of 2013 concerns the sale of an intangible asset.

In the first nine months of 2014 the €18.5 million cash flows from financing activities following receipt of €14.0 million in relation of the private equity placement, receipt of €4.6 million in relation to the exercise of warrants and payments of finance lease liabilities of €0.1 million. Cash flows from financing activities of €14.2 million in the first nine months of 2013 largely stems from the €16.0 million received in relation to the issue of the 2013 convertible bonds, while financing payments totaling €1.8 million related to transaction fees and expenses and payment of finance leasing terms.

9. Equity

Main developments total equity in the first nine months of 2014

During the first nine months of 2014 Pharming received an additional inflow of cash of €4.6 million from the exercise of 42,012,059 warrants.

On 21 April 2014, Pharming entered into a private equity placement of €14,7 million for which it issued 30 million shares against €0.49 representing the average closing price of the shares over the last five trading days preceding the placement. In addition, the Company issued 21,000,000 warrants with a lifetime of 2 years and an exercise price of €0.57 to the investors. The transaction costs for this placement amounted to €696,500.

The Company also transferred an aggregate number of 963,066 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2013 and FDA approval.

Main developments total equity in the first nine months 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 127,369,529 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.

10. Derivative financial liabilities

The changes in derivative financial liabilities in the first nine months of 2014 related to 21,000,000 warrants with an exercise price of €0.57, issued in relation to the April 2014 private equity placement and adjustments of the fair value of outstanding warrants and the exercise of warrants during the first nine months. All outstanding warrants were revalued for accounting purposes at 30 September 2014.

Derivative financial liabilities recognized in the first nine months of 2013 related to 16,349,999 warrants issued in relation to the 2013 Bonds 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 September 2014.

Movement of derivative financial liabilities for the first nine months of 2014 and 2013 can be summarized as follows:

Amounts in €'000	**2014**	**2013**
Carrying value at 1 January	4,147	1,215
Initial recognition upon issue	5,544	1,384
Fair value losses (gains) derivatives	9,521	(671)
Exercise of warrants	(14,530)	-
Carrying value at 30 September	4,682	1,928

Fair value losses/ (gains) have been presented respectively within financial income and expenses.

11. Trade and other payables

Trade and other payables balances increased from €5.8 million at year end 2013 to €5.9 million at 30 September 2014 mainly as a result of more trade payables in relation to manufacturing expenses associated with the production of (Ruconest®) inventories and less other payables.

12. Result from operating activities

In the first nine months of 2014, the Company reported a loss from operating activities of €9.7 million compared to €3.7 million in the same period of 2013. The €6.0 million increase is mainly a result of receipt of the one- off milestone payment of US$5 million in 2013, the increase of the operating costs and a €0.5 million impairment on inventories, reflecting the current low yield on EU sales.

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.

13. Financial income

Financial income in the first nine months of 2014 and 2013 amounted to €0.1 million and €0.6 million, respectively, which in 2013 exclusively related to the decreases in the fair value of derivative financial liabilities and in 2014 related to interest on cash.

14. Financial expenses

In 2014 financial expenses increased to €9.4 million (9M 2013: €8.0 million), as a result of the (non-cash) increase of the fair value of our outstanding warrants, reflecting the increase of our share price in 9M 2014. Financial expenses of €8.0 million in the first nine months of 2013 were mainly related the 2013 Bonds and to other items such as foreign currency results and interest on finance leases.

15. Operating segments

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

16. Commitments and contingencies

In the first nine months of 2014, there were no material changes to the commitments and contingent liabilities from those disclosed in Note 30 of the 2013 Annual Report.

17. Events after the end of the reporting period

The total number of outstanding shares at 30 October 2014 amounts to 407,686,599.

The authorized number of shares of the Company is 550 million with fully diluted shares as per 30 October 2014 summarized as follows (in millions):

Shares	407.7
Warrants	26.4
Options	37.5
Long Term Incentive Plan	4.3
Total	475.9