

Pharming Reports on Financial Results for the First Half of 2018

Record revenue from product sales, up 96% on 2017

Pharming's first half year of net profitability

Expanding pipeline of new products plus new large indications and dosage forms for RUCONEST®

Leiden, The Netherlands, 26 July 2018: Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) presents its (unaudited) financial report for the six months ended 30 June 2018.

The Company will hold a conference call at 13:00 CEDT/ 07:00 EDT today: dial-in details can be found on page 8.

Operational Highlights

- Invested in commercial teams to meet continued underlying demand for RUCONEST® in the USA, driving growth and good patient retention rates
- FDA acceptance of supplemental Biologics License Application file for RUCONEST® for prophylaxis of HAE, with an action date set for 21 September 2018
- Announced new versions of small vial liquid and fast-dissolving dose forms for RUCONEST® in subcutaneous, intramuscular and 'virtually painless' intradermal versions for use in clinical studies starting later in 2018/early 2019
- Announced five studies ongoing or starting to expand the pipeline strongly:
 - An ongoing investigator-sponsored study of RUCONEST® in Basel, Switzerland in a double-blind, placebo-controlled trial in contrast-induced nephropathy, with top-line data expected in Q3 2018
 - A new Phase I/II study of rhC1INH in pre-eclampsia to be filed by Pharming shortly to start in Q4 2018
 - An ongoing investigator-sponsored study of RUCONEST® head-to-head against a competitor in a trial testing therapy failure rates in treating acute attacks of hereditary angioedema ("HAE"), with top-line data expected in Q4 2018
 - Initiation of an investigator-sponsored study of RUCONEST® to treat delayed graft function, a form of ischemic reperfusion injury, at the University of Wisconsin
 - A new in-house clinical trial of Pharming's proprietary recombinant human alphaglucosidase in Pompe disease to be filed early 2019

Financial Highlights

- Delivered net profitability for the half year
- Revenues from product sales for the half year increased by 96% to €59.1 million (HY 2017: €30.1 million, and Q2 2018 €29.8 million), as a result of continuing growth in revenue from US and EU product sales from increasing patient numbers
- Total revenues increased by 94% to €59.5 million (including €0.4 million of license revenue) from €30.6 million (including €0.5 million in license revenue) in HY 2017

- Operating results improved 288% to a profit of €16.3 million from €4.2 million in HY 2017, despite a considerable increase in manufacturing and clinical activities
- The net result was a profit of €6.4 million (HY 2017: loss of €30.2 million)
- The company's cash position increased from €60.0 million at year-end 2017 to €66.9 million at 30 June 2018 (up from €25.2 million at 30 June 2017), largely due to sales growth and the proceeds of option exercises by employees balanced by increased inventory manufacturing relating to restoring US inventories following significant free-of-charge emergency supplies to HAE patients as result of the pdC1INH supply crisis in Q4 2017 as well as increasing US sales and clinical and development costs

Sijmen de Vries, Chief Executive Officer, said:

"We are delighted with the further progress we have made expanding the reach of RUCONEST®, allowing more patients to access the clinical benefits of our product. We have continued net profitability in the second quarter of the year, which gives us the confidence and the financial resources to move forward with our new programs. With five studies underway or expected to initiate over the next six months, we anticipate significant strengthening of our pipeline."

Chief Executive Officer's comment

During the first half of the year, we continued to invest in the development of our commercial infrastructure in North America and Europe to drive the growth of new patients using our lead product, RUCONEST® (Recombinant Human C1 Esterase Inhibitor/ conestat alfa, or rhC1INH), for the treatment of HAE, as well as to manage the increased demand for the product. This strategic decision has significantly increased revenue and profit generation for the first half of the year compared to the first half of 2017. As a result, we have reported our first half year of net profitability significantly earlier than previously expected at the time of reacquiring the US commercial rights to RUCONEST® in December 2016.

Product sales for the half year increased by 96% to €59.1 million (HY 2017: €30.1 million). The positive sales momentum in the USA continued in Q2, following higher than expected sales in Q1 as a result of the shortage of a competitor product, with net sales of \$33.9 million in Q2 (\$34.3 million in Q1) despite stock level adjustments and a weakening in the exchange rate between US dollars and euros. As the clearest measure of the success of RUCONEST®, the number of patients using the product regularly in the USA has been increasing steadily since we reacquired the commercial rights. The growth rate, although affected in some periods by competitors' failures to supply their blood-derived products and consequent sudden increases in patients using RUCONEST®, has been fairly consistent.

Underlying sales volumes increased in Q2 (up by 8% compared with Q1). On a reported basis, Q2 sales were higher at €29.8 million compared with €29.3 million for Q1. This reflects good retention of the patients who switched to RUCONEST® following stabilisation of the competitor supply situation, and a slightly higher volume of EU and rest of the world ("RoW") sales.

Gross profits increased from €24.5 million in Q1 to €25.5 million in Q2, also reflecting slightly lower costs of goods balanced by the higher mix of lower-margin RoW sales.

Operating profit for the first half of the year was €16.3 million, of which €8.2 million was recorded in Q1 and €8.1 million in Q2. As previously guided, we have invested in expanding the pipeline for RUCONEST® and for our follow-up programs in Pompe disease and Fabry's disease, the costs of which

are reflected in a flat operating profit (and consequently net profit) for Q2. We expect to see the benefits of this investment in subsequent periods.

In January, we announced that the U.S. Food and Drug Administration (FDA) had accepted for review Pharming's supplemental Biologics License Application (sBLA) for RUCONEST® [Recombinant Human C1 Esterase Inhibitor/ conestat alfa] for routine prophylaxis to prevent attacks in adult and adolescent patients with HAE. The FDA indicated that the sBLA was sufficiently complete to permit a substantive review and has set an action date of 21 September 2018.

At our Capital Markets Briefing Day in June, we announced a number of exciting new pipeline developments which will build out Pharming's future from a company focused on RUCONEST® in HAE to a company with multiple products approved for commercial sale as well as a wide development franchise in several major unmet disease indications with very limited (if any) therapeutic options at present.

The highlights of these announcements were as follows:

- An ongoing investigator-sponsored study of RUCONEST® in Basel, Switzerland a double-blind, placebo-controlled trial of contrast-induced nephropathy which was initiated last year and is expected to report top-line data in Q3 2018.
- Pharming will file in Q3 for a new Phase I/II study of rhC1INH in treatment of pre-eclampsia to start in Q4 2018. Pre-eclampsia has no specific therapies at present, and affects 2.5 million pregnancies a year worldwide. Many women suffer from very severe cardiac and liver damage caused by the condition, and many pregnancies are either terminated or result in dangerously early deliveries.
- An ongoing investigator-sponsored head-to-head study of RUCONEST® in an open label clinical trial testing therapy failure rates (i.e. the need for re-dosing under either therapy) to treat an attack of hereditary angioedema, which is expected to be fully recruited in Q3, with top-line data expected in Q4 2018.
- Pharming has developed new versions of small vial liquid and fast-dissolving dosage forms for RUCONEST®, for use in subcutaneous and intramuscular versions and in an entirely new, intradermal version expected to be painless, starting with subcutaneous studies later in 2018/early 2019.
- An investigator-sponsored study of RUCONEST® to treat delayed graft function, a form of ischemic reperfusion injury, is being initiated at the University of Wisconsin. This study is not expected to read out until 2020 due to the long follow-up required.
- Pharming will take its new, highly-improved alpha-glucosidase PGN004 into the clinic in a Phase I/II study in Pompe disease in early 2019, with the timing depending only on final manufacturing filings. This new recombinant form of alpha-glucosidase, the enzyme which is deficient in patients with Pompe disease, has been developed with the same technology platform as RUCONEST® and is expected to have little or no immunogenicity, as well as high efficacy.
- A similar program with alpha-galactosidase for use in the related Fabry's disease has also been initiated and is expected to enter clinical development from 2H2020 onwards following ongoing process development and subsequent manufacturing runs.

Based on the continued momentum in sales volumes, underpinned by improving trends in identifying and diagnosing HAE patients, combined with better patient care and management practices, a focus on specialty pharmacy customers and subject to an FDA approval for prophylaxis of HAE, we expect to

continue to increase sales of RUCONEST® further. If that approval is granted, we expect the efficacy of RUCONEST® to be appealing to healthcare professionals and the patients they manage for complete management of their HAE condition. It will also be the only approved product for both prophylaxis and treatment of breakthrough HAE attacks. We will continue to control costs and investments to improve profitability and to allow us to drive sustainable long-term growth. We continue to expect additional positive results for the remainder of the year. No further financial guidance is provided.

Sijmen de Vries
Chief Executive Officer

Financial Summary

Amounts in €m, except per share data	HY 2018	HY 2017	% Change
<i>Income Statement</i>			
Product sales	59.1	30.1	96%
License fees and other income	0.4	0.5	(20%)
Revenue	59.5	30.6	94%
Gross Profit	50.0	27.0	85%
Net Operating Costs	(34.0)	(22.9)	48%
Operating Result	16.3	4.2	288%
Finance Costs	(9.0)	(34.5)	(74%)
Income Tax expense	(0.9)	-	n/a
Net Result	6.4	(30.2)	n/a
<i>Balance Sheet</i>			
Cash & marketable securities	66.9	25.2	165%
<i>Share Information</i>			
Earnings per share - undiluted	0.0105	(0.0635)	n/a
- fully diluted	0.0096	n/a	n/a

Revenues

Revenues from product sales increased slightly in euro terms from €29.3 million in Q1 to €29.8 million in Q2, Part of the reason for the higher than expected sales in Q1 was that some specialty pharmacies ordered precautionary replacement supplies after the supply failure of a rival company's blood-derived C1INH product. Underlying patient numbers continue to increase steadily, which we anticipate will be further enhanced as the effects of the enlarged sales and marketing teams become more visible later in the year, and if approval is given for RUCONEST® in prophylaxis of HAE by the FDA. The benefits of these increasing patient numbers should also be seen then. Direct sales in the EU and rest of the world improved to €1.4 million in Q2 from €1.3 million in Q1.

Other license fee income amounted to €0.2 million in Q2, which was in line with Q1. This license fee income reflects the release of accrued deferred license fees following receipt of €21.0 million upfront and milestone payments in 2010 and 2013 from SOBI and CSIPi.

Gross profit

Gross profit increased from €24.5 million Q1 to €25.5 million in Q2, reflecting the exchange improvements and the slightly reduced proportion of sales to SOBI.

Direct commercialisation by Pharming in Western Europe increased by over 150% between the first half of 2017 and the first half of 2018, and sales by our EU partner, SOBI, also showed an increase in the first half year of 2018.

Gross profit overall was up from €27.0 million in the first half of 2017 to €50.0 million in the first half of 2018.

Operating Costs

Operating costs increased to €34.0 million in the first half year of 2018 from €22.9 million in the same period of 2017. Research and development (R&D) costs were slightly higher in the second quarter, resulting from the increased activity around new indications and new forms of RUCONEST®, and General and Administrative costs remained flat across the second quarter, whilst marketing and sales costs were slightly higher in the second quarter due to increased direct commercialisation activities by Pharming in the US and in Western Europe.

Operating Result

As a result of the combination of the increase in gross profit and the increase in operating costs due to greater investment in clinical and sales and marketing activities, the operating profit in the first half decreased slightly from €8.2 million in the first quarter to €8.1 million in the second quarter, and €16.3 million overall for the half year.

Financial Income and Expenses

The net loss on financial income and expenses was €9.0 million (2017: loss of €34.5 million). The improvement is due almost entirely to the elimination of non-cash elements related to the now-cleared warrant and convertible instruments. The regular costs of repayments and effective interest under IFRS were €6.3 million, of which cash items were €5.4 million and non-cash items amounted to €0.9 million. The revaluation on the small number of outstanding warrants resulted in a loss of €1.2 million in the first half year (2017: loss of €1.2 million), mainly due to the effect of the larger increase in the share price on a much smaller number of warrants. The foreign currency exchange result, from revaluation of bank accounts and debt denominated in foreign currency, was a netloss of €0.5 million (2017: €2.8 million).

Income Tax Expense

The income tax expense relates to a provision of €0.9 million for corporate taxes expected on profits generated in our US subsidiary. These taxes have been set against accumulated net operating losses through a reduction of the deferred tax asset by the same amount.

Net Result

As a result of the above items, the accounting net result changed from a €30.2 million loss in the first half of 2017 to a net profit of €6.4 million in the first half of 2018. The improvement was related to strong growth in sales over the last 12 months and the elimination of the financial expenses associated with the refinance in 2017.

Cash and Cash Equivalents

The total cash and cash equivalent position (including restricted cash) increased by €6.9 million from €60.0 million at March 31, 2018 to €66.9 million at 30 June 2018 (and €25.2 million at the end of June 2017). The increase in cash is consistent with the underlying growth in product sales. From Q3 onwards, Pharming will be making quarterly repayments of its outstanding debt facility to Orbimed and so we expect cash to decrease slowly over the rest of the year.

Equity

The company's equity position increased to €40.7 million at the end of June 2018 (30 June 2017: €18.8 million), with the increase due to exercises of options and warrants as well as the net result.

Since the last reporting date of 31 December 2017, the company has issued a total of 27.7 million shares in connection with a number of exercises of options and warrants. The exercises resulted in total cash receipts of €6.9 million.

The number of issued shares as at 26 July 2018 is 610,411,871. The fully diluted number of shares as at 26 July 2018 is 657,296,716.

Performance of Pharming Shares

During the first half year, the Pharming stock price fluctuated around an average price of €1.33 per share. The half year-end price was €1.40 (30 June 2017: €0.31), with a high of €1.62 in January and a low of €1.15 in April 2018.

Outlook

For the remainder of 2018, the company expects:

- Continued growth in revenues from sales of RUCONEST®, mainly driven by the US operations
- Achievement of additional positive quarterly (operating and net) results throughout the remainder of the year
- Continued investment in the production of RUCONEST® in order to ensure continuity of supply to the growing markets in the US, Europe and the rest of the world
- Investment in RUCONEST® in prophylaxis of HAE (following approval) and in the development of new intramuscular and subcutaneous versions of RUCONEST®
- Investment in clinical trial development for RUCONEST® in other indications where the drug's unique properties may help solve large unmet medical needs.
- Continued investment in our pipeline programs in Pompe disease and Fabry's disease
- We will look to acquire additional development opportunities and assets as they occur
- Increasing marketing activity where profitable for Pharming

We will continue to support patients in all territories, as we continue to believe that RUCONEST® represents a fast, effective, reliable and safe therapy option for HAE patients.

No further financial guidance for 2018 is provided.

Statement of the Board of Management

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

The Board of Management

Sijmen de Vries, CEO
Bruno Giannetti, COO
Robin Wright, CFO

About Pharming Group N.V.

Pharming is a specialty pharmaceutical company developing innovative products for the safe, effective treatment of rare diseases and unmet medical needs. Pharming's lead product, RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of acute Hereditary Angioedema ("HAE") attacks in patients in Europe, the US, Israel and South Korea. The product is available on a named-patient basis in other territories where it has not yet obtained marketing authorization.

RUCONEST® is distributed by Pharming in Austria, France, Germany, Luxembourg, the Netherlands, the United Kingdom and the United States of America. Pharming holds commercialisation rights in Algeria, Andorra, Bahrain, Belgium, Ireland, Jordan, Kuwait, Lebanon, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates and Yemen. In some of these countries distribution is made in association with the HAEi Global Access Program (GAP).

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 distributed in Argentina, Colombia, Costa Rica, the Dominican Republic, Panama, and Venezuela by Cytobiotech, in South Korea by HyupJin Corporation and in Israel by Kamada.

RUCONEST® is also being examined for approval for the treatment of HAE in young children (2-13 years of age) and evaluated for various additional follow-on indications.

Pharming's technology platform includes a unique, GMP-compliant, validated process for the production of pure recombinant human proteins that has proven capable of producing industrial quantities of high quality recombinant human proteins in a more economical and less immunogenetic way compared with current cell-line based methods. Leads for enzyme replacement therapy ("ERT") for Pompe and Fabry's diseases are being optimized at present, with additional programs not involving ERT also being explored at an early stage at present.

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

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

Forward-looking Statements

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

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

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

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Conference call information

Today, Chief Executive Officer, Sijmen de Vries, and Chief Financial Officer, Robin Wright, will discuss the half year 2018 financial results with investors in a conference call at 13:00 CEDT/07:00 EDT. To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: +31(0)20 709 5189

From the UK: +44 (0)33 3300 0804

From Belgium: +32 (0)2 403 5814

From France: +33 (0)1 70 75 07 11

From Switzerland: +41 (0)22 580 9034

From the US: +1 6319131422

For further international dial-in numbers:

http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

Conference Call PIN: 33609588#

Slides can be found at: <https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=e7f59e4c1ddf177bc2b517980bb8c018c>

Presentation Password: 301238552

Pharming Group N.V.

Consolidated Interim Financial Statements (Unaudited)
For the first six months ended 30 June 2018

Consolidated statement of income

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of changes in equity

Notes to the consolidated interim financial statements

Appendix: Main Financial Statements reported in US dollars

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

Consolidated statement of income in US Dollar (unaudited)

Consolidated balance sheet in US Dollar (unaudited)

Consolidated Statement of Income
For the first six months ended 30 June

Amounts in €'000, except per share data	Notes	HY 2018	HY 2017
Product sales		59,051	30,109
License fees		403	536
Revenues	6	59,454	30,645
Costs of sales	7	(9,473)	(3,657)
Gross profit		49,981	26,988
Other income		300	167
Research and development		(12,013)	(9,154)
General and administrative		(5,242)	(2,628)
Marketing and sales		(16,736)	(11,140)
Costs	7	(33,991)	(22,922)
Operating result		16,290	4,233
Fair value gain (loss) on revaluation derivatives		(1,218)	(1,225)
Other financial income and expenses	4, 8	(7,785)	(33,226)
Financial income and expenses		(9,003)	(34,451)
Result before income tax		7,287	(30,218)
Income tax expense		(932)	-
Net result for the period		6,355	(30,218)
Attributable to:			
Owners of the parent		6,355	(30,218)
Total net result		6,355	(30,218)
Basic earnings per share (€)	14	0.0105	(0.0635)
Fully-diluted earnings per share (€)		0.0096	n/a

Consolidated Statement of Comprehensive Income
For the first six months ended 30 June

Amounts in €'000	Notes	HY 2018	HY 2017
Net result for the period		6,355	(30,218)
Currency translation differences	4	(160)	(672)
Items that may be subsequently reclassified to profit or loss		(160)	(672)
Other comprehensive income, net of tax		(160)	(672)
Total comprehensive income for the period		6,195	(30,890)
Attributable to: Owners of the parent		6,195	(30,890)

Consolidated Balance Sheet

As at date shown

Amounts in €'000	Notes	30 June 2018	31 December 2017
Intangible assets		55,843	56,631
Property, plant and equipment		8,291	8,234
Long term prepayment		1,865	2,296
Deferred tax asset		8,526	9,442
Restricted cash		1,366	1,336
Non-current assets		75,891	77,939
Inventories	9	23,162	18,334
Trade and other receivables		16,775	11,260
Cash and cash equivalents		65,539	58,657
Current assets		105,476	88,251
Total assets		181,367	166,190
Share capital		6,104	5,790
Share premium		387,760	370,220
Legal reserves		(1,098)	(938)
Accumulated deficit		(352,101)	(356,270)
Shareholders' equity	10	40,665	18,802
Loans and borrowings	11	47,860	58,684
Deferred license fees income		1,067	1,467
Finance lease liabilities		247	390
Other financial liabilities		27,155	28,319
Non-current liabilities		76,329	88,860
Loans and borrowings	11	35,174	21,962
Deferred license fees income		800	804
Derivative financial liabilities	12	1,382	8,301
Trade and other payables		26,754	27,198
Finance lease liabilities		263	263
Current liabilities		64,373	58,528
Total equity and liabilities		181,367	166,190

Consolidated Statement of Cash Flows
For the first six months ended 30 June

Amounts in €'000	HY 2018	HY 2017
Operating result	16,290	4,233
Non-cash adjustments:		
Depreciation, amortization	1,903	1,689
Accrued employee benefits	1,750	872
Deferred license fees	(403)	(536)
Operating cash flows before changes in working capital	19,540	6,258
Changes in working capital:		
Inventories	(4,829)	468
Trade and other receivables	(5,515)	(6,015)
Payables and other current liabilities	(444)	(1,792)
Total changes in working capital	(10,788)	(7,339)
Changes in non-current assets, liabilities and equity	814	(3,109)
Cash generated from (used in) operations before interest and taxes	9,566	(4,190)
Interest received	-	-
Net cash flows generated from (used in) operating activities	9,566	(4,190)
Capital expenditure for property, plant and equipment	(1,380)	(1,457)
Investment intangible assets	(634)	(598)
Net cash flows used in investing activities	(2,014)	(2,055)
Proceeds of loans and borrowings	-	89,139
Payments of transaction fees and expenses	-	(16,051)
Prepayments and interests on loans and borrowings	(7,622)	(73,399)
Proceeds of equity and warrants	6,907	284
Net cash flows generated from (used in) financing activities	(715)	(27)
Increase (decrease) of cash	6,837	(6,272)
Exchange rate effects	75	(620)
Cash and cash equivalents at 1 January	59,993	32,137
Total cash and cash equivalents at 30 June	66,905	25,245
Of which restricted cash	1,366	248
Cash and cash equivalents at 30 June	65,539	24,997

Consolidated Statement of Changes in Equity
For the first six months ended 30 June

Attributable to owners of the parent

Amounts in €'000	Notes	Number of shares	Share capital	Share Premium
Balance at 1 January 2017		455,587,312	4,556	301,876
Result for the period			-	-
Other comprehensive income			-	-
Total comprehensive income			-	-
Share-based compensation		-	-	-
Bonuses settled in shares		908,437	9	246
Shares issued for cash/conversion of bonds		26,432,796	264	7,306
Warrants exercised/ issued		1,000,000	10	1,479
Options exercised		-	-	-
Total transactions with owners recognized directly in equity		28,341,233	283	9,031
Balance at 30 June 2017		483,928,545	4,839	310,907
Balance at 1 January 2018		579,014,891	5,790	370,220
Result for the period			-	-
Other comprehensive income			-	-
Total comprehensive income			-	-
Share-based compensation			-	-
Bonuses settled in shares		961,114	10	354
Shares issued for cash/conversion of bonds		2,746,476	27	753
Warrants exercised/issued		10,348,502	103	3726
Options exercised		17,340,079	173	12,707
Total transactions with owners, recognized directly in equity		31,396,171	314	17,540
Balance at 30 June 2018		610,411,062	6,104	387,760

Attributable to owners of the parent

Amounts in €'000	Notes	Legal reserves	Accumulated Deficit	Total Equity
Balance at 1 January 2017		60	(279,025)	27,467
Result for the period		-	(30,218)	(30,218)
Other comprehensive income		(672)	-	(672)
Total comprehensive income		(672)	(30,218)	(30,890)
Share-based compensation		-	873	873
Bonuses settled in shares		-	-	255
Shares issued for cash/conversion of bonds		-	-	7,570
Warrants exercised/ issued		-	-	1,489
Options exercised		-	-	-
Total transactions with owners, recognized directly in equity		-	873	10,187
Balance at 30 June 2017		(612)	(308,370)	6,764
Balance at 1 January 2018		(938)	(356,270)	18,802
Result for the period		-	6,355	6,355
Other comprehensive income		(160)	-	(160)
Total comprehensive income		(160)	6,355	6,195
Share-based compensation		-	1,133	1,133
Bonuses settled in shares		-	-	364
Shares issued for cash/conversion of bonds		-	-	780
Warrants exercised/issued		-	-	3,829
Options exercised		-	(3,319)	9,562
Total transactions with owners, recognized directly in equity		-	(2,186)	15,668
Balance at 30 June 2018		(1,098)	(352,101)	40,665

Notes to the Consolidated Interim Financial Statements For the first six months ended 30 June

1. Company information

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

Darwinweg 24
2333 CR Leiden
The Netherlands

2. Basis of preparation

The consolidated interim financial statements for the six-month ended 30 June 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union and valid as of the balance sheet date.

3. Accounting policies

The Company has adopted the new IFRS 15 – Revenue from contracts with customers - as at January 1, 2018. The adoption of this new standard has no material impact on these interim financial statements. The Company also adopted the new IFRS 9 – Financial instruments – as at January 1, 2018. The adoption of this new standard has no material impact on these interim financial statements. Other accounting policies are consistent with those of the financial statements for the year ended 31 December 2017.

4. Estimates and judgements

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies were the same as those applied to the consolidated financial statements for the ended 31 December 2017 with one exception. The balance of the intercompany account between the parent and the US subsidiary Pharming Healthcare Inc. is now treated as a short-term cash balance in 2018, rather than informal capital as in previous years. Accordingly, any change in recorded value in the reporting currency will be taken as a gain or loss as the case may be to the income statement. This change reflects the fact that the company has moved to a normal transfer pricing mechanism in which this balance is short term in nature and not equity-like informal capital as in previous years. This impacts only the foreign exchange movement on net cash, as the large cash balances held in the US act as a natural hedge to movements in the recorded debt value due to movements in the exchange rate. In the first half year of 2018, a total amount of €1.6 million has been reported as a credit in the financial income and expenses, whereas in the first half year of 2017 a total amount of €2.0 million was reported as an expense in the currency translation differences under other comprehensive income for the period, because the balance was regarded at that time as informal capital and therefore not subject to foreign exchange movements. **This policy will be applied consistently going forward.**

5. Seasonality of operations

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

6. Segment information

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

Total revenues and gross profit per geographic segment for the first half year:

Amounts in € '000	HY 2018	HY 2017
Revenues:		
US	56,328	28,582
Europe	2,627	1,600
RoW	499	463
Total revenues	59,454	30,645
Gross profit:		
US	49,365	26,211
Europe	227	411
RoW	389	366
Total gross profit	49,981	26,988

7. Expenses by nature

Cost of product sales in the first half year of 2018 amounted to €9.5 million (HY 2017: €3.7 million). Inventory impairments amounted to an addition of €0.6 million in the first half of 2018 (2017: addition of €0.1 million). The impairment stems from the valuation of the inventories against lower net realizable value, related to reallocation of inventories to the different markets with different prices, based on sales forecasts by management and commercial partners, and clinical programmes.

Operating costs increased to €34.0 million (€33.7 million net of research credit grant income) from €22.9 million in the first half year of 2017. The increase is a result of the increased sales activities in the US, increased development costs for both our current product as the new pipeline, and increased cost for strengthening of supporting departments.

Employee benefits

Employee benefits are charged to research and development costs, general and administrative costs or marketing and sales costs based on the nature of the services provided.

Depreciation and amortization charges

Amounts in € '000	HY 2018	HY 2017
Property, plant and equipment	(480)	(266)
Intangible assets	(1,423)	(1,423)
Total depreciation and amortization	(1,903)	(1,689)

The increase of depreciation charges of property, plant and equipment in the first half year of 2018 compared to 2017 mainly relates to the new milk production site in Schaijk (NL).

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

8. Financial expenses

Amounts in € '000	HY 2018	HY 2017
Interest income	17	-
Interest expenses	(31)	(44)
Foreign currency results	(510)	2,761
Interest loans and borrowings	(6,306)	(12,157)
Contingent consideration	1,164	-
Settlement fees and expenses	(2,119)	(23,786)
Total other financial income and expenses	(7,785)	(33,226)

The reduction of the financial expenses is mainly related to the elimination of the large adjustments required under IFRS in respect of the non-equity elements of the refinancing of the old loans and the amortizing bonds by the new loan from Orbimed.

9. Inventories

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

Amounts in € '000	30 June 2018	31 December 2017
Finished goods	17,703	8,271
Work in progress	3,847	6,334
Raw materials	1,612	3,729
Balance at end of period	23,162	18,334

The inventory valuation at 30 June 2018 is stated net of a provision for obsolescence of €1.8 million (2017: €1.0 million) and €0.6 million (2017: €0.3 million) to write inventories down to their net realizable value.

Changes in the adjustment to net realizable value:

Amounts in € '000	Period to 30 June 2018	Year to 31 December 2017
Balance at 1 January	(336)	(642)
Reversal of (addition to) impairment for the period	(646)	90
Related to costs of product sales	345	207
Related to operating costs	-	9
Balance at end of period	(637)	(336)

In 2018, the addition to the impairment of €0.6 million was based on adjusted sales forecasts. Cost of inventories included in the cost of product sales in the first half year 2018 amounted €9.5 million (2016: €3.7 million). The main portion of inventories at 30 June 2018 has expiration dates starting beyond 2019 and is expected to be sold or used before expiration.

10. Equity

The Company's authorised share capital amounts to €8.0 million and is divided into 800,000,000 ordinary shares with a nominal value of €0.01 each. All 610,411,062 shares outstanding at 30 June 2018 have been fully paid-up. Other reserves include those reserves related to currency translation, share-based compensation expenses and other equity-settled transactions. In the first half year of 2018 a total of 31,396,171 new shares have been issued resulting from bonuses settled in shares, conversion of a convertible bond and warrants, and the exercise of options.

Please refer to the Consolidated statement of changes in equity.

11. Loans and borrowings

In 2017 the Company entered into a debt facility with Orbimed Royalty Opportunities II, LP of US\$100 million (€91.3 million) secured senior debt funding against 48 months promissory notes with interest of the sum of (i) the Applicable Margin of 11% plus (ii) the greater of (x) One-Month LIBOR and (y) 1.00%. Repayment of the loan will start in September 2018 in quarterly instalments. The Company has the option to prepay the loan before its maturity date. As further consideration for the facility, the lenders received a 4% warrant coverage (9,174,372 warrants) with a strike price of €0.455 representing the closing price of Pharming shares immediately prior to the closing date, plus a 2.5% commitment fee of the principal sum and an assignment fee on the maturity date of \$3.7 million. Other facility fees of €0.6 million have been deferred from the original loans. The warrants have been separated from the loan and recognised in Equity.

The Company, and its subsidiaries, have pledged all receivables, movable assets and intellectual property rights as security to the new lenders, in the same way as those assets were pledged to the original lenders.

In the first half year 2018 all 9,174,372 warrants have been exercised by the lender and have been converted into 6,315,235 ordinary shares.

Initial recognition and movements of the loan was as follows:

<i>Amounts in € '000</i>	Period to 30 June 2018	Year to 31 December 2017
Carrying value initial recognition		85,544
Carrying value at 1 January 2018	79,812	
Amortized costs	6,286	7,406
Interest paid	(5,384)	(5,726)
Revaluation loan	2,320	(7,412)
Carrying value at end of period	83,034	79,812
-/- current portion		(21,451)
Non-current portion		58,361

Ordinary Convertible Bonds

All of the Ordinary Convertible Bonds issued in 2016 have now been converted or redeemed in accordance with their terms.

Initial recognition and movements of the convertible bonds were as follows:

Amounts in € '000	Period to 30 June 2018	Year to 31 December 2017
Balance at 1 January	834	5,333
Amortized costs	19	1,251
Interest paid	-	(860)
Adjustment net present value	396	6,402
Redemption/conversion	(1,249)	(11,292)
Balance at end of period	-	834
-/- current portion	-	(511)
Non-current portion	-	323

12. Derivative financial liabilities

Derivative financial liabilities include conversion options embedded in borrowings and warrants issued in relation to the issue of equity and loans in 2013, 2015 and 2016. Derivative financial liabilities include the initial fair value of warrants as well as changes in the fair value of the warrants resulting from adjustments of their exercise prices.

In 2018 a total number of 4.9 million of warrants have been exercised out of the warrants with expiration date in 2021, with a total fair value of € 4.6 million.

Also in 2018, the ordinary convertible bond issued in 2016 has been converted or redeemed in accordance with their terms. A total amount with a fair value of € 2.6 million has been converted.

Movement of derivative financial liabilities can be summarized as follows:

Amounts in € '000	Period to 30 June 2018	Year to 31 December 2017
Balance at 1 January	8,301	9,982
Reclassification from equity		19,552
Fair value losses (gains) derivatives	244	40,284
Conversion into shares	(7,163)	(61,517)
Balance at end of period	1,382	8,301

Fair value gains and losses on derivatives have been presented within financial income and expenses.

13. Commitments and contingencies

There were no material changes to the commitments and contingent liabilities from those disclosed in Note 30 of the 2017 Annual Report.

14. Fully-diluted shares

The total number of outstanding shares at 30 June 2018 was 610,411,062. The weighted average shares outstanding over the first half year were 605,667,099. The basic earnings per share, based on the weighted average, was € 0.010 for the first half year 2018.

Since the reporting date, the company has issued 809 shares through the exercise of employee options. The number of issued shares as at 26 July 2018 is 610,411,871.

The composition of the number of shares and share rights outstanding as well as authorised share capital as at 30 June 2018 is provided in the following table.

	31 December 2017	Shares issued	Shares reserved	30 June 2018
Shares	579,014,891	31,396,171		610,411,062
Warrants	15,251,000	(14,028,289)		1,222,711
Options	54,901,629	(17,052,550)	(250,000)	37,599,079
Convertible bonds	2,746,476	(2,746,476)		-
LTIP	7,974,803	(961,114)	1,050,175	8,063,864
Issued	659,888,799			657,296,716
Available for issue	140,111,201			142,703,284
Authorised share capital	800,000,000			800,000,000

The composition of the number of shares and share rights outstanding as well as authorised share capital as per the date of these interim financial statements is provided in the following table.

	30 June 2018	Shares issued	Shares reserved	26 July 2018
Shares	610,411,062	809		610,411,871
Warrants	1,222,711			1,222,711
Options	37,599,079		(809)	37,598,274
LTIP	8,063,864			8,063,864
Issued	657,296,716			657,296,716
Available for issue	142,703,284			142,703,284
Authorised share capital	800,000,000			800,000,000

15. Events since the end of the reporting period

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

Appendix: Main Financial Statements reported in US dollars

Consolidated Statement of Income in US Dollars
For the first six months ended 30 June

Amounts in \$'000, except per share data	HY 2018	HY 2017
Product sales	71,459	32,662
License fees	488	581
Revenues	71,947	33,243
Costs of sales	(11,464)	(3,967)
Gross profit	60,483	29,276
Other income	362	182
Research and development	(14,537)	(9,930)
General and administrative	(6,343)	(2,851)
Marketing and sales	(20,253)	(12,085)
Costs	(41,133)	(24,866)
Operating result	19,712	4,592
Fair value gain (loss) on revaluation derivatives	(1,474)	(1,329)
Other financial income and expenses	(9,711)	(37,706)
Financial income and expenses	(11,185)	(39,035)
Result before income tax	8,527	(34,443)
Income tax expense	(1,128)	-
Net result for the period	7,399	(34,443)
Attributable to:		
Owners of the parent	7,399	(34,443)
Total net result	7,399	(34,443)
Basic earnings per share (\$)	0.012	(0.072)
Fully-diluted earnings per share (\$)	0.012	n/a

Consolidated Balance Sheet in US Dollars
As at date shown

Amounts in \$'000	30 June 2018	31 December 2017
Intangible assets	65,022	67,827
Property, plant and equipment	9,654	9,862
Long term prepayment	2,171	2,749
Deferred tax asset	9,928	11,309
Restricted cash	1,592	1,600
Non-current assets	88,367	93,347
Inventories	26,971	21,958
Trade and other receivables	19,533	13,487
Cash and cash equivalents	76,313	70,254
Current assets	122,817	105,699
Total assets	211,184	199,046
Share capital	7,108	6,935
Share premium	451,508	443,412
Legal reserves	(1,280)	(1,124)
Accumulated deficit	(409,986)	(426,703)
Shareholders' equity	47,350	22,520
Loans and borrowings	55,729	70,286
Deferred license fees income	1,242	1,757
Finance lease liabilities	288	467
Other financial liabilities	31,619	33,918
Non-current liabilities	88,878	106,428
Loans and borrowings	40,957	26,304
Deferred license fees income	932	962
Derivative financial liabilities	1,609	9,942
Trade and other payables	31,152	32,575
Finance lease liabilities	306	315
Current liabilities	74,956	70,098
Total equity and liabilities	211,184	199,046