PHARMING PUBLISHES FINANCIAL REPORT FIRST HALF YEAR 2011

Leiden, The Netherlands, August 4, 2011. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the first half year ended June 30, 2011.

HIGHLIGHTS

- Revenues and other income from continuing operations increased to €1.4 million (H1 2010: €0.1 million) due to recognition of license fee income and product sales following launch of Ruconest® in December 2010.
- Operating costs from continuing operations decreased to €9.1 million (H1 2010: €10.1 million). Operating cash outflows in the first half of 2011 amounted to €8.9 million compared to €10.0 million (H1 2010) of which €8.4 million in H1 2010 was from continuing operations and €1.6 million from discontinued operations. The €0.5 million net increase in cash outflow from continued operations is explained by €2.9 million less cash received from commercial partners, primarily related to a €3.0 million second quarter 2010 upfront payment from SOBI upon entering into a distribution agreement for Rhucin®, and the deferred payment of 2009 liabilities to early 2010 as a result of a limited cash position at year end 2009.
- Total net loss decreased to €8.0 million (H1 2010: €28.0 million).
- In the six months to June 30, 2011, net cash and cash equivalents, including restricted cash, increased to €11.0 million (December 31, 2010: €10.5 million). The €0.5 million increase largely reflects the net cash inflows from financing activities of €10.2 million and net operating cash outflows of €8.9 million. Post period we raised €3.2 million gross through a private placement with specialist investors.
- Roll-out of Ruconest® across Europe is progressing well and we continue to make progress with the US development. We and our partner, Santarus, are finalizing discussions with the FDA on the Phase III protocol to support the submission of a Biologics License Application. As previously discussed, changes to the study design will include a modification to the way the primary endpoint will be assessed and an increase in the number of study patients from 50 to approximately 75. We continue to expect that the Phase III study will be completed by the third quarter of 2012, which is within our original time estimate of 12 to 18 months. If approved, Rhucin® will be the first recombinant C1 inhibitor on the market, and could offer an attractive therapeutic option for patients with HAE.
- Agreement signed with MegaPharm for the commercialization of Ruconest® in Israel represents first step in global expansion of C1 Inhibitor franchise.

Chief Executive Officer, Sijmen de Vries, commented: "Throughout the first half of 2011 we have been focusing on addressing the FDA's refusal to file letter for Rhucin® and we continue to make progress. Concurrently, we have continued to seek and evaluate new sources of value creation and financing for the Company, including additional partnerships for our C1 inhibitor franchise and potential deals which utilise our validated, proprietary and low cost production platform. We were pleased to complete a private placement post the period against a backdrop of difficult market conditions. This raise significantly extends our runway into 2012."

(A conference call for analysts and press will be held at 11:00 CET, details provided below)

KEY FINANCIAL DATA

(in €million, except per share data)	Half year ended June 30, 2011 (unaudited)	Half year ended June 30, 2010 (unaudited)
Statement of financial position:		
Non-current assets (excluding restricted cash)	10.2	27.0
Cash and cash equivalents, net of bank overdrafts	11.0	9.8
Inventories and other current assets	8.6	12.4
Total assets	29.8	49.2
Total equity	4.1	11.4
Deferred license fees income	18.3	3.1
Convertible bonds	-	11.7
Other liabilities	7.4	23.0
Total equity and liabilities	29.8	49.2
Statement of income:		
Revenues and other income	1.4	0.1
Cost of revenues	(1.1)	-
Other operating costs	(9.1)	(10.1)
Financial income and expenses	0.2	(16.3)
Net loss from continuing operations	(8.6)	(26.3)
Net profit/(loss) from discontinued operations	0.6	(1.7)
Total net loss	(8.0)	(28.0)
Net loss attributable to equity owners of the parent	(7.9)	(28.0)
Net loss attributable to non-controlling interest	(0.1)	-
Statement of cash flows:		
Net cash used in operating activities	(8.9)	(10.0)
Net cash used in investment activities	(0.6)	-
Net cash from financing activities	10.2	18.3
Share data:		
Outstanding shares at the end of the period	461,116,470	304,953,323
Weighted average shares outstanding in the period	452,653,744	177,091,915
Basic and diluted net loss per share (€)	(0.02)	(0.16)

FINANCIAL RESULTS

Financial results for the first six months of this year showed significant increase in revenues compared with the equivalent period last year.

In the six months to June 30, 2011 the Company generated revenue and other income from continuing operations of €1.4 million (H1 2010: €0.1 million). This increase reflects the recognition of license fee income and product sales following launch of Ruconest® in December 2010. Costs associated with the revenues and other income amounted to €1.1 million.

Total operating costs from continuing operations decreased to €9.1 million (H1 2010: €10.1 million). The decrease partially reflects the timing of expenses, in particular related to the EU regulatory activities in the first half year of 2010 and a continuing emphasis on cost containment.

Financial income and expenses from continuing operations resulted in a €0.2 million profit (H1 2010: €16.3 million loss). Except for the derivative financial liability, which yielded a €0.3 million profit in the first half year of 2011, the anti-dilution provisions, convertible bonds and earn-out obligations were all settled in the second half of 2010 so that no further expenses were incurred in 2011.

Following liquidation of DNage early 2011, the Company deconsolidated the DNage entity from its statement of financial position, resulting in a one-time profit from discontinued operations of €0.6 million (H1 2010: €1.7 million loss).

Overall, the total net loss including the contribution of minority shareholders decreased to €8.0 million (H1 2010: €28.0 million). The net loss per share for the first half year decreased to €0.02 (H1 2010: €0.16).

FINANCIAL POSITION

In the six months to June 30, 2011, net cash and cash equivalents, including restricted cash, increased to €11.0 million (December 31, 2010: €10.5 million). The €0.5 million increase largely reflects the net cash inflows from financing activities of €10.2 million and net operating cash outflows of €8.9 million.

The full half year report for the period ended June 30, 2011 can be found on Pharming's website.

Conference call information
Today, Chief Executive Officer Sijmen de Vries and Chief Financial Officer Karl Keegan will present the first half 2011 results in a conference call for analysts and press at 11:00 CET. To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: 0800-265-8611 (toll-free) or +31 (0) 45-631-6902
From the UK: 0800-358-0886 (toll-free) or +44-207-153-2027

To view the presentation live during the call, please follow the below link:
http://event.on24.com/r.htm?e=343313&s=1&k=24DC284C4757B14F8A089F6E2567B5C2

Following a presentation of the results, the lines will be opened for a question and answer session. An audio cast of the conference calls will be available on Pharming's website shortly thereafter.

About Pharming Group NV
Pharming Group NV is developing innovative products for the treatment of unmet medical needs. Ruconest® (Rhucin® in non-European territories) is a recombinant human C1 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 (STO: SOBI). Rhucin® is partnered in North America with Santarus Inc (NASDAQ: SNTS) where the drug is undergoing Phase III clinical development. The product is also under development for follow-on indications, i.e. antibody-mediated rejection (AMR) and delayed graft function (DGF) following kidney transplantation. The advanced technologies of the Company include innovative platforms for the production of protein therapeutics and technology and processes for the purification and formulation of these products. 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.

Contact
Karl Keegan, CFO: T: +31 6 3168 0465

Financial Dynamics
Julia Phillips/ John Dineen: T: +44 (20)7 269 7193

INTERIM REPORT OF THE BOARD OF MANAGEMENT FOR THE HALF YEAR ENDED JUNE 30, 2011

Discussion of financial position and financial results

In early 2011, Pharming announced the discontinuation and subsequent deconsolidation of the DNage operations, which resulted in a one-time profit of €0.6 million in the first half of 2011 compared to a €1.7 million loss in the first half year of 2010. This also resulted in no further operating cash outflows for the DNage business in the six months ended June 30, 2011, compared to €1.6 million in the first half year of 2010.

Outlook

For the second half of 2011 the Company's main focus will be on building a strong financial position while rolling out Rhucin® across Europe through the partnership with SOBI. In addition, Pharming will continue to work on the development of other indications for its Rhucin® business and to find commercial partners for Rhucin® in other territories as well as for outlicensing its protein platform.

Related party transactions

There were no material changes in the nature, scale or scope of related party transactions in the first half of 2011 compared with the disclosures made in Note 30 of the 2010 consolidated financial statements published in the Annual Report 2010.

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 86-89 of the Annual Report 2010 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 June 30, 2011, Pharming will – both for the second half of 2011 and the period beyond – focus on managing liquidity risk through generating sufficient cash income 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, August 4, 2011

Board of Management

B.M.L. Giannetti, Chief Operations Officer
K.D. Keegan, Chief Financial Officer
R.R.D. Pijpstra, Chief Medical Officer
S. de Vries, Chief Executive Officer

PHARMING GROUP NV
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2011 (amounts in €'000)

	Note	June 30, 2011	December 31, 2010
Intangible assets		1,075	1,163
Property, plant and equipment	5.	9,110	6,702
Restricted cash	7.	1,103	176
Non-current assets		11,288	8,041
Inventories		7,913	9,013
Trade and other receivables	6.	684	9,932
Restricted cash	7.	247	-
Cash and cash equivalents	7.	9,658	10,302
Current assets		18,502	29,247
Total assets		**29,790**	**37,288**
Share capital	8.	18,445	17,450
Share premium	8.	223,488	219,220
Other reserves	8.	(237,848)	(225,806)
Shareholders' equity		4,085	10,864
Non-controlling interest	8.	-	(764)
Total equity		4,085	10,100
Deferred license fees income	9.	16,374	17,342
Other liabilities	10.	2,647	162
Non-current liabilities		19,021	17,504
Deferred license fees income	9.	1,936	1,936
Derivative financial liability	12.	208	573
Trade and other payables		3,450	7,101
Current portion of other liabilities	10.	1,090	74
Current liabilities		6,684	9,684
Total equity and liabilities		**29,790**	**37,288**

Notes on pages 12-19 are an integral part of these of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the half year ended June 30, 2011 (amounts in €'000, except per share data)

	Note	June 30, 2011	June 30, 2010
Continuing operations:			
Revenues		1,311	-
Cost of revenues		(1,094)	-
Gross profit		**217**	**-**
Income from grants		67	133
Other income		**67**	**133**
Research and development		(7,084)	(8,104)
General and administrative		(1,724)	(1,813)
Share-based compensation		(261)	(263)
Costs		**(9,069)**	**(10,180)**
Loss from operating activities	11.	**(8,785)**	**(10,047)**
Financial income	12.	365	-
Financial expenses	13.	(195)	(16,262)
Financial income and expenses		**170**	**(16,262)**
Net loss from continuing operations		**(8,615)**	**(26,309)**
Net profit/(loss) from discontinued operations	14.	643	(1,680)
Net loss		**(7,972)**	**(27,989)**
Attributable to:			
Net loss from continuing operations		(8,615)	(26,309)
Net profit/(loss) from discontinued operations		739	(1,680)
Owners of the parent		**(7,876)**	**(27,989)**
Net loss from continuing operations		-	-
Net profit/(loss) from discontinued operations		(96)	-
Non-controlling interest		**(96)**	**-**
Share information:			
Basic and diluted net loss per share (€)		(0.02)	(0.16)
Weighted average shares outstanding		452,653,744	177,091,915

Notes on pages 12-19 are an integral part of these of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended June 30, 2011 (amounts in €'000)

	June 30, 2011	June 30, 2010
Net loss	(7,972)	(27,989)
Foreign currency translation	(145)	329
Other comprehensive income, net of tax	(145)	329
Total recognized income and expense	**(8,117)**	**(27,660)**
Attributable to:		
Equity owners of the parent	(8,021)	(27,660)
Non-controlling interest	(96)	-

Notes on pages 12-19 are an integral part of these of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended June 30, 2011 (amounts in €'000)

	Note	June 30, 2011	June 30, 2010
Receipts from license partners		411	3,285
Receipts of Value Added Tax		445	798
Interest received		1	36
Receipts of grants		384	271
Other receipts		138	189
Payments of third party fees and expenses, including Value Added Tax		(6,753)	(10,960)
Net compensation paid to board members and employees		(1,977)	(1,986)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(1,517)	(1,531)
Other payments		-	(136)
Net cash flows used in operating activities		**(8,868)**	**(10,034)**
Purchase of property, plant and equipment		(555)	(34)
Deconsolidation of DNage		(40)	-
Net cash flows used in investing activities		**(595)**	**(34)**
Net proceeds of equity issued	8.	10,008	11,160
Gross proceeds convertible bonds issued		-	7,500
Receipt from financial lease transaction	10.	618	-
Payments of transaction fees and expenses		(66)	-
Payments of nominal interest convertible bonds		-	(375)
Payments of financial leases	10.	(401)	(24)
Net cash flows from financing activities		**10,159**	**18,261**
Net increase cash and cash equivalents		**696**	**8,193**
Exchange rate effects on cash and cash equivalents		(166)	(719)
Net cash and cash equivalents at January 1		10,478	2,338
Net cash and cash equivalents at June 30		**11,008**	**9,812**
Liquidity information			
Restricted cash (non-current)	7.	1,103	176
Restricted cash (current)	7.	247	-
Cash and cash equivalents	7.	9,658	32,528
Bank overdrafts	7.	-	(22,892)
Net cash and cash equivalents at June 30		**11,008**	**9,812**

Notes on pages 12-19 are an integral part of these of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended June 30, 2011 (amounts in €'000)

	Notes	Number of shares	Share capital	Share premium	Other reserves	Accu-mulated deficit	Share-holders' equity	Non-controlling interest	Total equity
Balance at January 1, 2010		**154,501,037**	**77,251**	**187,708**	**10,422**	**(262,068)**	**13,313**	**-**	**13,313**
Total recognized income and expense		-	-	-	329	(27,989)	(27,660)	-	(27,660)
Share-based compensation		-	-	-	263	-	263	-	263
Anti-dilution shares to be issued	8.	-	-	-	2,584	-	2,584	-	2,584
Interest payments settled in shares	8.	407,475	16	145	-	-	161	-	161
Shares issued in exchange of cash	8.	100,000,000	4,000	6,740	-	-	10,740	-	10,740
Bonds converted	8.	38,444,574	1,538	7,668	-	-	9,206	-	9,206
Warrants exercised	8.	11,600,237	464	2,304	-	-	2,768	-	2,768
Adjustment nominal value per share	8.	-	(71,071)	-	-	71,071	-	-	-
Balance at June 30, 2010		**304,953,323**	**12,198**	**204,565**	**13,598**	**(218,986)**	**11,375**	**-**	**11,375**
Balance at January 1, 2011		**436,261,010**	**17,450**	**219,220**	**15,407**	**(241,213)**	**10,864**	**(764)**	**10,100**
Total recognized income and expense		-	-	-	(145)	(7,972)	(8,117)	-	(8,117)
Share-based compensation		-	-	-	261	-	261	-	261
Deconsolidation of DNage	8.	-	-	-	-	-	-	764	764
Bonuses settled in shares	8.	515,837	21	82	-	-	103	-	103
Warrants exercised	8.	24,339,623	974	4,186	(4,186)	-	974	-	974
Balance at June 30, 2011		**461,116,470**	**18,445**	**223,488**	**11,337**	**(249,185)**	**4,085**	**-**	**4,085**

Notes on pages 12-19 are an integral part of these of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended June 30, 2011

1. Company information

Pharming Group NV ('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 in 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 2010. 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 August 3, 2011.

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. Pharming does not expect to generate sufficient cash from commercial activities to meet its entire working capital requirements for one year after the date of these condensed consolidated interim financial statements and therefore is partially dependent on financing arrangements with third parties to finance its ongoing obligations.

To enable continued operations for a period of at least 12 months after the date of these condensed consolidated interim financial statements, several sources available to raise additional working capital in the short and medium term have been outlined below:

1. Pharming's first priority is to enter into license agreements in respect of Rhucin® for territories not already covered through existing license agreements in Canada, the European Union, Iceland, Israel, Mexico, Norway, Switzerland, the United States of America and Turkey. Such agreement(s) ought to, inter alia, potentially result in an upfront cash payment;
2. In 2010 Pharming entered into a commercialization agreement with Santarus, Inc. ('Santarus'). Under the agreement the Company is entitled to receive up to US$35.0 million in cash upon achievement of certain clinical and commercial milestones, of which about US$15.0 million relates to milestones than can be achieved within one year after the date of these financial statements;
3. The Company also expects cash income from sales of Rhucin® inventories to license partners. However, due to the early stage commercialization cycle of Rhucin® the actual cash proceeds from these product sales are currently difficult to predict in terms of both volumes and timing;

4. Pharming's management is highly focused on generating additional operating cash flows through entering into one or more commercial agreements with third parties for the co-development of recombinant proteins beyond the current programs. These agreements would be structured similar to those entered into for Rhucin® in 2010 and therefore may result in receipt of substantial upfront and milestone payments;
5. Pharming may enter into a capital markets transaction, such as non-dilutive (debt/ lease) 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);
6. Pharming may use the SEDA to cover any deficits in the finance of its operations. Under the terms of the SEDA, Yorkville can invest a total of up to €30.0 million in a three year period until April 2012. Pharming has the right, but not the obligation, to call the funds in regular tranches. Until the date of these condensed consolidated interim financial statements, total cash received under the SEDA amounts to €8.9 million, resulting in €21.1 million funds still available. Pharming is entitled to call up to €0.4 million per tranche by issuing shares at a 5% discount to the market price, provided the market price of the shares is at least 20% above the €0.04 nominal value of the shares. Yorkville may also accept a single tranche exceeding €0.4 million. However, capital market transactions under item 5 may prohibit Pharming to execute transactions under the SEDA for a certain period of time;
7. 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;
8. Finally, the Company may be able to attract funds through divestment of individual assets or a group of assets. However, the outcome of such divestment activities is uncertain in view of economic conditions in general and the relatively small market for such specific assets in particular.

In case the Company is not able to attract sufficient additional cash from any or a combination of these items, 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.

Also, the Company's equity position of €4.1 million at June 30, 2011 may become negative in the course of 2011 or 2012 and this could limit the possibility to execute certain financing transactions.

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 2010.

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 in particular related to the property, plant and equipment as well as inventories.

As per June 30, 2011, the Company has capitalized rhC1INH product and milk with an aggregate carrying value of €7.9 million with additional investments anticipated in the second half of 2011 and the years

thereafter. These inventories are available for use in preclinical and clinical activities or sales through commercial activities. Estimates have been made with respect to the future use or sale of the product, taking into account current plans as well as expected preclinical and clinical programs. In doing so, best estimates have been made with respect to the timing of events in view of both the existing and expected lifetimes of the product involved.

Pharming at the end of the reporting period carried an aggregate amount of €9.1 million for property, plant and equipment. These assets are largely related to the production process of Rhucin® and as such the carrying value of these items are subject to projected use of Rhucin® inventories in preclinical and clinical actvities as well as sales, taking into account the anticipated lifetime of the items involved.

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

In the third quarter of 2010 Pharming signed a toll manufacturing agreement with Sanofi in order to increase the production capacity of Rhucin®, including up-scaling of the production process, and further decrease the cost of goods. As a result, the Company and Sanofi jointly invested approximately €4.8 million until the end of the first half year 2011, of which €2.8 million in the first half year of 2011. Limited investments are anticipated for the second half of 2011 until the assets are ready for its intended use.

6. Trade and other receivables

The €9.9 million of trade and other receivables at year end 2010 included an amount of €9.0 million in relation to the December 2010 transaction with Socius CG II, Ltd. ('Socius'). This amount was fully received early in 2011.

7. Net cash position and analysis of cash flows

The (movement in the) overall net cash position for the half year ended June 30, 2010 and June 30, 2011 is as follows:

Amounts in €'000	**2011**	**2010**
Non-current restricted cash	1,103	176
Current restricted cash	247	-
Cash and cash equivalents	9,658	32,528
Bank overdrafts	-	(22,892)
Balance at June 30	11,008	9,812
Balance at January 1	10,478	2,338
Net increase for the period	530	7,474

Restricted cash balances relate to banker's guarantees issued in relation to financial lease and rent commitments.

The main cash flow items for the first half year of 2010 and 2011 can be summarized as follows:

Amounts in €'000	June 30, 2011	June 30, 2010
Net cash flows used in operating activities	(8,868)	(10,034)
Net cash flows used in investing activities	(595)	(34)
Net cash flows from financing activities	10,159	18,261
Exchange rate effects on cash and cash equivalents	(166)	(719)
Net increase for the period	530	7,474

Supplemental disclosure cash flows from/(used in) discontinued operations
Total net cash flows used in operating activities in the first half of 2010 and 2011 included €1,612,000 and €nil respectively in relation to the discontinued operations from the DNage business unit. Net cash outflows used in investing activities from discontinued operations amounted to €nil in the first half of 2010 and €40,000 in the same period of 2011. Both in the first six months of 2010 and 2011, the DNage operations did not contribute to the financing cash flows.

Analysis
Excluding the €1.6 million of operating cash outflows related to discontinued operations in the first six months of 2010, Pharming's net cash flows used in operating activities in the first half of 2010 amounted to €8.4 million which is €0.5 million lower than €8.9 million net operating cash outflows in the same period of 2011. This decrease is explained by €2.9 million less cash received from commercial partners, primarily related to a €3.0 million second quarter 2010 upfront payment from Swedish Orphan Biovitrum International AB ('SOBI') upon entering into a distribution agreement for Rhucin, and the deferred payment of 2009 liabilities to early 2010 as a result of a limited cash position at year end 2009.

Cash flows used in investing activities were limited in the first half of 2010; the €0.6 million paid in the first two quarters of 2011 are mainly related to the investments in the Company's collaboration with Sanofi.

Cash flows from financing activities in the first six months of 2010 include €7.5 million cash proceeds from private bonds issued, €11.2 million net proceeds of the issuance of shares and nominal interest paid on bonds of €0.4 million. The first half year 2011 net cash inflows of €10.2 million include €10.0 million received from Socius in relation to the December 2010 transaction (€9.0 million) and the 2011 exercise of warrants (€1.0 million).

8. Total equity

Developments total equity first half year 2010
On March 30, 2010 the Company's shareholders approved to increase authorized share capital from 200 million to 400 million and to adjust the nominal value per share from €0.50 to €0.04. At 154,501,037 shares outstanding, the Company's share capital decreased with approximately €71.1 million with a corresponding increase of other reserves; the overall effect of the adjustment on total equity therefore was nil.

In addition, the Company issued 100 million shares at €0.12 per share with gross proceeds of €12.0 million. Total fees and expenses related to the transaction of €1,260,000 were charged to share premium so that the net effect on equity amounted to €10,740,000.

With respect to the 50,452,286 shares issued in relation to conversions, exercise of warrants and interest payment, reference is given to Note 13.

Anti-dilution shares related to commitments towards (public) bondholders accepting the public offer on outstanding bonds in the fourth quarter of 2009 under which – as long as at least €7.0 million of the bonds were outstanding – the issuance of shares as well as the pricing of such securities trigger a certain additional number of shares to be issued to these former bondholders. In the first half year of 2010, such rights have increased to 12,536,035 shares to be issued with an aggregate fair value of €2,584,000. This amount has been charged to Financial expenses in the statement of income (Note 13).

Developments total equity first half year 2011
In December 2010 the Company entered into an agreement with Socius under which Pharming issued €12.0 million debt notes and 24,339,623 warrants with a two year exercise period and an exercise price of €0.212. The warrants were paid for through issuance of interest-free debt notes Socius valued at €4.2 million with the remaining €1.0 million due in cash upon exercise. Socius exercised all 24,339,623 warrants in the first half of 2011 and accordingly paid a cash amount of €1.0 million.

In addition, the Company also transferred 515,837 shares to members of the Board of Management and employees in lieu of €0.1 million in bonus rights over the year 2010.

Following liquidation of DNage early 2011, the Company deconsolidated the entity and accordingly the year end 2010 negative non-controlling interest in the amount of €0.8 million, representing the share of third parties in the negative equity position of DNage, was removed.

9. Deferred license fees income

In 2010 the Company received various upfront and milestone payments in cash from existing and new partners, including €8.0 million from SOBI and €11.7 million from Santarus. The amounts received from SOBI are released to the statement of income in accordance with the remaining lifetime of the agreement following Market Approval for Rhucin in October 2010 and subsequent start of supplies. On the amount received from Santarus, the Company has to perform clinical, regulatory and commercial activities and accordingly the amount is released to the statement of income over the full lifetime of the agreement as of its effective date.

Aggregate receipts in 2010 amounted to €19,742,000 of which €465,000 was charged to the statement of income in the second half of 2010 with a remaining deferred income amount of €19,278,000 at year end 2010.

In the first half year of 2011 an amount of €968,000 was released to the statement of income so that the total amount of deferred income as per June 30, 2011 is €18,310,000. An amount of €1,936,000 to be released within one year after the end of the reporting period has been presented as a current liability with the remaining €16,374,000 classified as non-current liability.

10. Other liabilities

Total other liabilities increased from €0.2 million at year end 2010 to €3.7 million at June 30, 2011 following financial lease transactions entered into with respect to the investments in property, plant and equipment (see Note 5). As a result of these transactions the Company in the first half of 2011 received a €0.6 million refund for items already paid in the second half of 2010. Financial lease payments in the first half year of 2011 amounted to €0.4 million. The agreements have lifetimes of 3-9 years at effective interest rates from approximately 8-11%. An amount of €1.1 million expected to be paid in the year after the end of the reporting period has been presented as a current liability with the remaining €2.6 million due after June 30, 2012 classified as non-current liability.

11. Loss from operating activities

In the first half of 2011, the Company reported a loss from operating activities (from continuing operations) of €8.8 million compared to €10.0 million in the comparative period of 2010. The €1.2 million decrease reflects a

€0.2 million increase of gross profit due to recognition of license fee income and product sales following launch of Ruconest in December 2010 and a €1.0 million decrease of costs, which decrease primarily stems from costs incurred for Rhucin/Ruconest in Europe in the first six months of 2010.

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.

12. Financial income

Financial income in the first half of 2011 amounted to €0.4 million, which exclusively relates to the decrease in the fair value of a derivative financial liability. Both at year end 2010 and June 30, 2011 this represented a total number of 5,208,333 warrants outstanding with a maximum exercise price of €0.12 and an expiration date of December 31, 2012; the total fair value of these warrants decreased from €573,000 to €208,000. In the six months ended June 30, 2010 the fair value of this derivative financial liability increased with an amount of €9.0 million; the amount was charged to Financial expenses. A further description on the derivative financial liability has been provided in Note 13.

13. Financial expenses

Financial expenses of €16.3 million in the first half of 2010 decreased to €0.2 million in the same period of 2011. First half 2010 financial expenses largely related to €9.0 million costs in relation to the derivative portion of the 2010 bonds, the effective interest on convertible bonds of €3.1 million, a €2.6 million charge linked to an obligation to issue anti-dilution shares to former bondholders (see Note 8) and interest on earn-out obligations of €0.7 million. Except for the financial derivative liability, which decreased in value by €0.4 million in the first half year of 2011 (see Note 12), all other items referred to have been fully cleared in the second half of 2010 and thus no further expenses have been incurred in 2011. A more detailed description of these items has been provided further in this Note.

Other financial expenses decreased from €0.9 million in the first six months of 2010 to €0.2 million in the same period of 2010, which primarily reflects losses incurred on debts and bank overdrafts in United States dollars and interest on financial lease obligations.

Convertible bonds and derivative financial liability

The expenses incurred in relation to convertible bonds and the derivative financial liability in the first half of 2010 relate to financial instruments issued in October 2007 (‘Bonds 2007’) and January 2010 (‘Bonds 2010’); the Bonds 2010 include a derivative financial instrument which has been separately measured and presented (‘Derivative 2010’).

In 2007 Pharming issued the Bonds 2007 with a nominal value of €70.0 million and 6,875% nominal interest due in semi-annual interest payments. Until January 1, 2010, bonds notes with an aggregate nominal value of €59.1 million were cancelled through payment of cash and shares leaving €10.9 million outstanding at both January 1, 2010 and June 30, 2010. This outstanding balance was fully repaid in the second half of 2010.

On January 5, 2010 the Company announced it had secured a private convertible debt financing of €7.5 million carrying 9% interest per annum and a maturity date of December 31, 2010. The initial conversion price was set at €0.50. In addition, 15 million warrants were issued to the bondholders with an initial exercise price of €0.50 and an expiration date of December 31, 2012. The initial cash proceeds of €7,500,000 minus the €3,423,000 derivative portion carved out upon issuance of the Bonds 2010 (see further in this Note) resulted in an initial liability of €4,077,000. This initial liability accrued effective interest over the expected lifetime of the Bonds 2010, of which €1,657,000 was charged to the statement of income in the first half of 2010. Due to conversion of Bonds 2010 with a nominal value of €6.4 million in the second quarter of 2010 and payment of

first quarter 2010 interest, the Company issued an aggregate number of 38,852,049 shares with a total fair value of €9,367,000; an amount of €4,641,000 related to the debt portion of the Bonds 2010 (the remaining €4,726,000 related to the Derivative as outlined further in this document) and accordingly the liability at June 30, 2010 amounted to €1,093,000.

The initial conversion price and initial exercise price of the warrants issued in connection to the Bonds 2010 could have been reduced subject to the occurrence of certain events which also triggered issuance of additional warrants. As a result of these adjusting mechanisms, the Bonds 2010 include derivative elements with fluctuating fair values carried through profit or loss. Upon issuance of the Bonds 2010, the fair value of the Derivative 2010 amounted to €3,423,000, which has been carved out of the debt portion of the Bonds 2010. Due to the issuance of an additional 43,780,443 warrants and an adjustment of the maximum conversion price and exercise price to €0.12 between the issue date and June 30, 2010, the fair value of the Derivative 2010 increased to €4,881,000 at June 30, 2010. As a result, the increase in the fair value of the liability in the amount of €1,458,000 has been forwarded to Financial expenses in addition to the portion of the shares issued for Bonds 2010 conversions in the second quarter (€4,726,000) and the fair value of shares issued in relation to the exercise of warrants (€2,768,000) as explained below. Overall, the net effect of the derivative in the first half of 2010 amounted to €8,952,000 which has been recognised as Financial expenses.

The 58,780,443 warrants can be exercised cashless, which implies that a theoretical profit (based on a contractually agreed reference price) on a part of warrants exercised is forfeited in order to pay for shares transferred to the exercising party without any consideration (in cash or other assets). In the second quarter of 2010, bondholders had exercised 21,705,743 warrants for which Pharming transferred 11,600,237 shares at no consideration whereas 10,105,506 warrants forfeited. The 11,600,237 shares transferred had an aggregate fair value upon transfer of €2,768,000 which has been charged to Financial expenses.

Overall, movement of the carrying values of these instruments for the first half year ended June 30, 2010 then was as follows:

Amounts in €'000	Bonds 2007	Bonds 2010	Sub-total	Deriva-tive 2010	Total
Total carrying value at January 1, 2010	9,461	-	9,461	-	9,461
Proceeds convertible bonds issued	-	7,500	7,500	-	7,500
Fair value derivative portion upon issuance	-	(3,423)	(3,423)	3,423	-
Effective interest convertible bonds	1,473	1,657	3,130	-	3,130
Payment of nominal interest convertible bonds	(375)	-	(375)	-	(375)
Shares issued for bond conversions and interest payment	-	(4,641)	(4,641)	(4,726)	(9,367)
Shares issued for exercise of warrants	-	-	-	(2,768)	(2,768)
Fair value movement derivative (net loss)	-	-	-	8,952	8,952
Total carrying value at June 30, 2010	10,559	1,093	11,652	4,881	16,533

14. Net profit/(loss) from discontinued operations

On January 31, 2011 the shareholders of DNage B.V. ('DNage'), a 51% subsidiary, decided to put DNage into voluntary liquidation. Due to the events and circumstances following this decision, Pharming effectively lost control over the DNage entity and accordingly DNage has been deconsolidated as of then. As a consequence, all results associated with DNage as well as the result posted upon deconsolidation (due to the negative DNage equity at year end 2010 and as per deconsolidation date resulting in a first half year 2011 profit of €643,000) are presented as a result from discontinued operations in the statement of income for both the current period as well as the comparative period. This implies that all individual DNage items in the income statement have been reclassified to one line item but without having an impact on the total net loss. For the

first half year 2010, this implied that the original €405,000 of other income (from grants) decreased with €272,000 to €133,000 with costs of research and development decreasing with €1,952,000 from €10,056,000 to €8,104,000. The overall net effect of €1,680,000 has been presented a result from discontinued operations in the comparative results for the half year ended June 30, 2010.

DNage was declared bankrupt on February 22, 2011.

15. Operating segments

Following the early 2011 liquidation and subsequent deconsolidation of the DNage business unit as explained in Note 14, the Company has one operating segment remaining which is the recombinant proteins business unit.

16. Commitments and contingencies

In the first half year of 2011 there were no material changes to the commitments and contingent liabilities from those disclosed in Note 31 of the Annual Report 2010.

17. Events after the end of the reporting period

On July 21, 2011 the Company announced the issuance of 29 million ordinary shares for a cash consideration of €0.11 per share, or approximately €3.2 million in total, to new US based specialist investors. In addition, investors will be granted 20.3 million warrants with an exercise price of €0.11 per share, subject to shareholder approval of an increase of the authorized share capital (currently: 550 million shares) no later than at the Annual General Meeting in 2012. The warrants are exercisable for a period of 5 years starting on the first anniversary of the increase of the authorized share capital. As a result of this transaction, the 461,116,470 shares outstanding at June 30, 2011 increased to 490,116,470.