

Pharming Reports on Financial Results for the First Half of 2017

Record revenue from product sales up 617% on 2016 marks

Pharming's first half year of operational profitability

Investment in commercial infrastructure to drive long-term sales growth

Leiden, The Netherlands, 27 July 2017: Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) presents its (unaudited) financial report for the six months ended 30 June 2017.

The Company will hold a conference call at 13:00 CEDT/ 07:00 EDT today; dial-in details can be found on page 7.

Operational Highlights

- Accelerated the delivery of operating profitability as a result of strategic decision to reacquire commercial rights to RUCONEST® in North America
- Positive EMA amendment to the marketing authorization in Europe to allow self-administration of RUCONEST® for HAE attacks with a new custom-designed RUCONEST® Administration Kit
- Integration of the Ruconest North America business acquired from Valeant Pharmaceuticals International, inc. in December 2016 into Pharming is on track, with full transition of services from Valeant completed
- Completed investment in expanding US commercialization team
- Successfully refinanced company debt on more favourable commercial terms in order to recover dilutive share capital and release short and medium term cash to invest in accelerating commercialization

Financial Highlights

- Revenues from product sales for the half year increased by 617% to €30.1 million (HY 2016: €4.2 million), as a result of the combined effect of receiving all of the revenue from US product sales (instead of the previous 30% supply share of net sales) and increasing patient numbers and product sales
- Total revenues increased by 477% to €30.6 million (including €0.5 million of license revenue) from €5.3 million (including €1.1 million in license revenue) in HY 2016
- Operating results improved to a profit of €4.2 million from a loss of €6.2 million in HY 2016, despite a considerable increase in commercialization activities, especially in the US
- The net result was a loss of €30.2 million (HY 2016: loss of €6.7 million), mainly as a result of non-cash financing expenses required to be shown under IFRS associated with the extinction of the Amortising Convertible Bonds 2017/2018 and replacement of the previous debt facility
- The company's cash position decreased from €32.1 million at year-end 2016 to €25.2 million at 30 June 2017 (up from €21.7 million at 30 June 2016), largely due to late payments by debtors of revenues relating to US sales.

Sijmen de Vries, CEO, said:

"We are delighted with a second quarter of profitable operations, even after increased costs as we finish our integration and infrastructure investments. Now that our capital position is properly secured following the refinancing in May/July 2017, we can look forward to more stable growth as the big one-off accounting costs have been taken in this quarter."

Chief Executive Officer's Comment

Our strategic decision to re-acquire the commercial rights to sell RUCONEST® in North America has significantly increased revenue and profit generation for the first half of the year compared to the first half of 2016.

Product sales for the half year increased by 617% to €30.1 million (HY 2016: €4.2 million). The positive sales momentum in the US continued in Q2, following higher than expected sales in Q1, with net sales of \$15.3 million in Q2 (\$15.5 million in Q1) despite stock level adjustments.

Combined with ongoing growth in the number of US patients entering our full patient care plan, RUCONEST® SOLUTIONS, and new European patients starting RUCONEST® therapy with our recently introduced EU home use kit, we expect sales to increase in H2.

Our strategy of increasing market access in the US with our sales, market access, nursing and patient management teams, and in the EU with continued expansion of our direct commercialization efforts, is driving the growth in new patients using RUCONEST®. As previously announced, marketing costs have increased as a direct result of hiring additional US personnel and start-up investments in marketing activities.

Underlying sales volumes somewhat increased in Q2. On a reported basis, however, Q2 sales were slightly reduced to €14.9 million, from €15.2 million in Q1, reflecting the adverse movement in exchange rates (the dollar weakened against the euro). This was offset by a better performance in the EU and the Rest of the World (RoW) sales, which were up from €0.7 million in Q1 to €0.9 million in Q2.

Gross profits reduced in line with the reduction in sales expressed in euros from €13.8 million in Q1 to €13.2 million in Q2, also reflecting slightly higher costs of goods and the higher mix of lower-margin RoW sales. We remain focused on increasing efficiency and controlling costs.

Operating profit for the first half of the year was €4.2 million, of which €3.9 million was recorded in Q1. As previously guided, we have invested in expanding the US sales and marketing team and making further significant investments in our market presence especially in the USA, the costs of which are reflected in a lower operating profit for Q2. We expect to see the benefits of this investment in subsequent periods.

In March, the European Commission adopted the Commission Implementing Decision to amend the marketing authorisation for RUCONEST® to include self-administration using the RUCONEST® Administration Kit. This decision allows for self-administration of RUCONEST® for acute hereditary angioedema (HAE) attacks by adolescents and adults with a new custom-designed RUCONEST® Administration Kit in the comfort and privacy of their own homes or at any other place they choose, without the necessity of a healthcare professional (HCP) being present. The Administration Kit is now available for use in various EU markets, following approval of the Educational Materials by the local authorities in those markets.

In May, we announced a major refinancing of most of the financial instruments taken out in order to complete the acquisition of the commercialization rights to RUCONEST® from Valeant Pharmaceuticals International, Inc. ("Valeant") (NYSE/TSX: VRX). Pharming completed a new US\$100 million finance agreement with Orbimed Advisors. The new facility has been used to redeem the Amortizing Convertible Bonds due 2017/2018 and to refinance the Company's senior debt facility with Silicon Valley Bank and Kreos Capital, together with the associated prepayment fees, legal fees and other costs of the transaction. The loan, initially structured as a bridge facility, was replaced last week by a full loan

agreement with a maturity date of July 2021 under the same terms and conditions. This refinance enabled the company to recover 115 million shares, which had been set aside to meet conversions of the Amortizing Convertible Bonds, thereby removing the risk of 24% dilution from conversion of these Bonds from existing shareholders. At the same time, we were able to lower the cash cost of the debt overall and to reduce significantly the non-cash accounting effects of the Amortizing Bonds, which amounted to almost €8 million in Q1 2017 alone.

As expected, net profit was impacted by the one-off legal, accounting and other professional services costs resulting from the refinancing in May, which amounted to €16.1 million before non-cash financing expenses required to be shown under IFRS associated with the extinction of the Amortising Convertible Bonds 2017/2018 and replacement of the old debt facility.

Based on the increased momentum in sales volumes, underlying improving trends in identifying and diagnosing patients, combined with better patient care and management practices, and a focus on specialty pharmacy customers, we expect to further increase sales. We will continue to control costs and investments to improve profitability and drive sustainable long-term growth. We continue to expect additional positive operating 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 2017	HY 2016	% Change
<i>Income Statement</i>			
Product sales	30.1	4.2	617%
License fees	0.5	1.1	(55%)
Revenue	30.6	5.3	477%
Gross Profit	27.0	3.3	718%
Costs	22.9	9.7	136%
Operating Result	4.2	(6.2)	168%
<i>Balance Sheet</i>			
Cash & marketable securities	25.2	21.7	16%
<i>Share Information</i>			
Earnings per share	(0.063)	(0.016)	

Revenues

Revenues from product sales reduced slightly from €15.2 million in Q1 to €14.9 million in Q2, (although overall sales increased to €30.1 million in Q2 2017 from €4.2 million in 2016), as a result of stock level adjustments. Part of the reason for the higher than expected sales in Q1 was that some specialty pharmacies ordered precautionary replacement supplies after the stock-out of a rival product. Underlying patient numbers continue to increase steadily, which we anticipate will be further enhanced as the effects of the new sales and marketing teams become more visible later in the year,

and the benefits of these increasing patient numbers should also be seen then. Direct sales in the EU improved to €0.3 million in Q2 from €0.1 million in Q1.

Other license fee income amounted to €0.3 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, Salix and CSIPi.

Gross profit

Gross profit decreased from €13.8 million Q1 to €13.2 million in Q2, reflecting the exchange differences and the slightly greater proportion of lower margin RoW sales.

Direct commercialisation by Pharming in Western Europe increased by over 150% between the first and second quarters and sales to our EU partner, SOBI, also showed a slight increase in the first half year of 2017. Gross profit was up from €3.3 million in the first half of 2016 to €27.0 million in the first half of 2017.

Operating Costs

Operating costs increased to €22.9 million in the first half year of 2017 from €9.7 million in the same period of 2016. Research and development (R&D) costs and General and Administrative costs remained flat across the second quarter, whilst marketing and sales costs increased as expected from €3.9 million in the first quarter of 2017 to €7.2 million in the second quarter. These costs are 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 reduction in gross profit and the increase of operating costs due to increased investment in sales and marketing activities, the operating profit in the first half increased slightly from €3.9 million in the first quarter to €4.2 million overall for the half year.

Financial Income and Expenses

The net loss on financial income and expenses was €34.5 million (2016: loss of €0.5 million). The loss is almost entirely the result of the refinancing, and is largely composed of non-cash elements. The one-off (amortised) costs of the extinguished financial instruments were €23.8 million, of which €16.1 million was in cash and paid out of the proceeds of the new loan facility, with €7.7 million in non-cash adjustments. The regular costs of repayments and effective interest under IFRS and were €12.2 million, of which cash items were €1.9 million and non-cash items amounted to €10.3 million. The revaluation on the warrants resulted in a loss of €1.2 million in the first half year (2016: gain of €0.5 million) mainly due to the effect of the increase in the share price on early warrant series. The foreign currency exchange result, from revaluation of bank accounts and debt denominated in foreign currency, was a gain of €2.7 million (2016: €nil).

Net Result

As a result of the above items, the accounting net loss increased from €5.7 million in the first quarter of 2016 to €30.2 million in the first half of 2017. The increase of the net loss was related to the financial expenses associated with the refinance, and was entirely covered by the loan taken out in that refinance, so that operational cash was essentially unaffected.

Cash and Cash Equivalents

The total cash and cash equivalent position (including restricted cash) decreased by €6.9 million from €32.1 million at year-end 2016 to €25.2 million at the end of June 2017. The decrease in cash is temporary and was due to late payment by debtors of revenues relating to US sales. From Q3 onwards, all US distribution will be directly managed by Pharming and cash receipts from sales are expected to be better timed as result.

Equity

The company's equity position amounted to €6.8 million at the end of June 2017 (31 December 2016: €27.5 million), with the reduction due to one-off mainly non-cash financing expenses leading to a net loss.

Since the reporting date, the company has issued a total of 21,692,213 shares in connection with a number of exercises of warrants. The exercises resulted in total cash receipts of €5.6 million with an additional exercise of €1.6 million worth of warrants exercised cashlessly, resulting in 3,509,929 shares saved relative to the number of shares in the exercised warrants.

The number of issued shares as at 26 July 2017 is 505,620,758.

Performance of Pharming Shares

During the first half year, the Pharming stock price fluctuated around an average price of €0.29 per share. The half year-end price was €0.31 (30JUN2016: €0.19), with a high of €0.366 in January and a low of €0.21 in the same month. Since the end of the period, the price has increased further.

Outlook

For the remainder of 2017, the company expects:

- Increasing sales and continued positive operating results
- Investment in the production of RUCONEST® in order to ensure continuity of supply.
- Assessment of the clinical trial results for RUCONEST® in prophylaxis of HAE by the US FDA and the development of other versions of RUCONEST®
- Increasing marketing activity where this can be profitable for Pharming, in addition to our current territories of Austria, France, Germany, United Kingdom and the Netherlands.
- We will continue to support all our marketing partners everywhere in order to enable the maximisation of the sales and distribution potential of RUCONEST® for patients in all territories, as we continue to believe that RUCONEST® represents a fast, effective, reliable and safe therapy option for HAE patients
- We will also continue to invest in new pipeline programs in Pompe Disease and Fabry Disease.

No further financial guidance for 2017 is provided.

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 commercialized by Pharming in Algeria, Andorra, Austria, Bahrain, Belgium, France, Germany, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, the Netherlands, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, the United Arab Emirates, the United Kingdom, the United States of America and Yemen.

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 Cytobiotek, in South Korea by HyupJin Corporation and in Israel by Megapharm.

RUCONEST® is also being investigated in a Phase II clinical trial 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.

Pharming has declared that the Netherlands is its "Home Member State" pursuant to the amended article 5:25a paragraph 2 of the Dutch Financial Supervision Act.

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 2017 financial results with investors in a conference call at 13:00 CET. 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 USA: toll: +1 6319131422 / toll free: +1 855 85 70686

For further international dial in numbers:

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

Conference Call PIN: 73525858#

Slides can be found at: <https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=ec313beab11666c48f575fea6a991433f>

Presentation Password: 301196457

Pharming Group N.V.

Consolidated Interim Financial Statements (Unaudited)
For the first six months ended 30 June 2017

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

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

Amounts in €'000, except per share data	Notes	HY 2017	HY 2016
Product sales		30,109	4,170
Release of deferred license fee income		536	1,104
Revenues	6	30,645	5,274
Costs of product sales		(3,745)	(1,795)
Inventory impairments		88	(209)
Costs of sales	7	(3,657)	(2,004)
Gross profit		26,988	3,270
Other income		167	195
Research and development		(9,154)	(7,029)
General and administrative		(2,628)	(2,049)
Marketing and sales		(11,140)	(598)
Costs	7	(22,922)	(9,676)
Operating result		4,233	(6,211)
Fair value gain/(loss) on revaluation derivatives		(1,225)	455
Other financial income and expenses	8	(33,226)	(978)
Financial income and expenses		(34,451)	(523)
Result before income tax		(30,218)	(6,734)
Income tax expense		-	-
Net result for the period		(30,218)	(6,734)
Attributable to:			
Owners of the parent		(30,218)	(6,734)
Total net result		(30,218)	(6,734)
Basic earnings per share (€)		(0.063)	(0.016)

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

Amounts in €'000	HY 2017	HY 2016
Net result for the period	(30,218)	(6,734)
Currency translation differences	(672)	(1)
Items that may be subsequently reclassified to profit or loss	(672)	(1)
Other comprehensive income, net of tax	(672)	(1)
Total comprehensive income for the period	(30,890)	(6,735)
Attributable to:		
Owners of the parent	(30,890)	(6,735)

Consolidated Balance Sheet

As at date shown

Amounts in €'000	Notes	30 June 2017	31 December 2016
Intangible assets		55,855	56,680
Property, plant and equipment		7,104	6,043
Long term prepayment		2,644	1,622
Restricted cash		248	248
Non-current assets		65,851	64,593
Inventories	9	17,473	17,941
Trade and other receivables		18,645	12,630
Cash and cash equivalents		24,997	31,889
Current assets		61,115	62,190
Total assets		126,966	126.783
Share capital		4,839	4,556
Share premium		310,907	301,876
Legal reserves		(612)	60
Accumulated deficit		(308,370)	(279,025)
Shareholders' equity	10	6,764	27,467
Loans and borrowings (more than one year)	11	78,628	40,395
Deferred license fees income		1,867	2,270
Finance lease liabilities		572	599
Other provisions		4,674	4,674
Non-current liabilities		85,741	47,938
Loans and borrowings (less than one year)	11	11,028	26,136
Deferred license fees income		811	943
Derivative financial liabilities	12	7,354	9,982
Trade and other payables		15,002	14,054
Finance lease liabilities		266	263
Current liabilities		34,461	51,378
Total equity and liabilities		126,966	126.783

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

Amounts in €'000	HY 2017	HY 2016
Operating result	4,233	(6,211)
Non-cash adjustments:		
Depreciation, amortization	1,689	316
Accrued employee benefits	872	914
Deferred license fees	(536)	(1,104)
Operating cash flows before changes in working capital	6,258	(6,084)
Changes in working capital:		
Inventories	468	(3,132)
Trade and other receivables	(6,015)	(2,330)
Payables and other current liabilities	(1,792)	3,214
Total changes in working capital	(7,339)	(2,247)
Changes in non-current assets, liabilities and equity	(3,109)	(258)
Net cash flows used in operating activities	(4,190)	(8,590)
Capital expenditure for property, plant and equipment	(1,457)	(752)
Investment intangible assets	(598)	-
Net cash flows used in investing activities	(2,055)	(752)
Proceeds of debt loans and borrowings	89,139	-
Payments of transaction fees	(16,051)	-
Repayments and interest on loans	(73,399)	(536)
Proceeds of equity and warrants	284	-
Net cash flows from financing activities	(27)	(536)
Increase (decrease) of cash	(6,272)	(9,878)
Exchange rate effects	(620)	(293)
Cash and cash equivalents at 1 January	32,137	31,843
Total cash at 30 June	25,245	21,672
Of which restricted cash	248	270
Cash and cash equivalents at 30 June	24,997	21,402

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 2016		411,971,790	4,120	283,396
<i>Result for the period</i>			-	-
<i>Other comprehensive income</i>			-	-
Total comprehensive income			-	-
<i>Share-based compensation</i>		-	-	-
<i>Bonuses settled in shares</i>		533,584	5	121
<i>Shares issued for cash</i>		-	-	-
<i>Warrants exercised/ issued</i>		50,000	1	11
<i>Options exercised</i>		-	-	-
Total transactions with owners recognized directly in equity		583,584	6	132
Balance at 30 June 2016		412,555,374	4,126	283,528
Balance at 1 January 2017		455,587,312	4,556	301,876
<i>Result for the period</i>			-	-
<i>Other comprehensive income</i>			-	-
Total comprehensive income			-	-
<i>Share-based compensation</i>		-	-	-
<i>Bonuses settled in shares</i>		908,437	9	246
<i>Shares issued in connection with Bonds</i>		26,432,796	264	7,306
<i>Warrants exercised</i>		1,000,000	10	188
<i>Warrants issued</i>		-	-	1,291
<i>Options exercised</i>		-	-	-
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

Attributable to owners of the parent

Amounts in €'000	Notes	Legal reserves	Accumulated Deficit	Total Equity
Balance at 1 January 2016		66	(263,743)	23,839
<i>Result for the period</i>		-	(6,734)	(6,734)
<i>Other comprehensive income</i>		-	-	-
Total comprehensive income		-	(6,734)	(6,734)
<i>Share-based compensation</i>		-	914	914
<i>Bonuses settled in shares</i>		-	-	126
<i>Shares issued in connection with Bonds</i>		-	-	-
<i>Warrants exercised/ issued</i>		-	-	12
<i>Options exercised</i>		-	-	-
Total transactions with owners, recognized directly in equity		-	914	1,052
Balance at 30 June 2016		66	(269,563)	18,157
Balance at 1 January 2017		60	(279,025)	27,467
<i>Result for the period</i>		-	(30,218)	(30,218)
<i>Other comprehensive income</i>		(672)	-	(672)
Total comprehensive income		(672)	(30,218)	(30,890)
<i>Share-based compensation</i>		-	873	873
<i>Bonuses settled in shares</i>		-	-	255
<i>Shares issued for cash</i>		-	-	7,570
<i>Warrants exercised</i>		-	-	198
<i>Warrants issued</i>		-	-	1,291
<i>Options exercised</i>		-	-	-
Total transactions with owners, recognized directly in equity		-	873	10,187
Balance at 30 June 2017		(612)	(308,370)	6,764

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

These consolidated interim financial statements for the six-month ended 30 June 2017 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 2016, 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 accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2016.

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 2016.

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 per geographic segment for the first half year:

Amounts in € '000	HY 2017	HY 2016
US	28,582	4,072
Europe	1,600	948
RoW	463	254
Total revenues	30,645	5,274

7. Expenses by nature

Cost of product sales in the first half year of 2017 amounted to €3.7 million (HY 2016: €1.8 million). Inventory impairments amounted to an addition of €0.1 million in the first half of 2017 (2016: addition of €0.2 million). The impairment stems from the valuation of the inventories against lower net realisable 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. Actual sales can differ from these forecasts.

Operating costs increased to €22.9 million from €9.7 million in the first half year of 2016. The increase is a result of the start-up of the new sales organization in the US and the increased costs of R&D activities related to further improvements to administrate the product.

Employee benefits

Employee benefits are charged to Research and development costs or General and administrative costs or Marketing and Sales costs based on the nature of the services provided.

Depreciation and amortisation charges

Amounts in € '000	HY 2017	HY 2016
Property, plant and equipment	(266)	(290)
Intangible assets	(1,423)	(26)
Total	(1,689)	(316)

The decrease of depreciation charges of property, plant and equipment in the first half year of 2017 compared to 2016 stems from fully depreciated items. In the first half year of 2017 an amount of €240k was charged to research and development costs (HY 2016: €230k) and €25k to general and administrative expenses (HY 2016: €60k).

Amortisation charges of intangible assets have been mainly allocated to marketing & sales costs in the statement of income.

8. Financial expenses

Amounts in € '000	HY 2017	HY 2016
Interest income	-	5
Interest expenses	(44)	(54)
Foreign currency results	2,761	11
Interest loans and borrowings	(12,157)	(940)
Settlement fees and expenses Amortizing Bonds	(14,665)	-
Settlement fees and expenses loans	(9,121)	-
Total	(33,226)	(978)

The increase of the financial expenses is mainly related to the refinancing of the old loans and the Amortizing bonds by the new loan from Orbimed. The total cash paid, for redemption fees of the Amortizing bonds, prepayment fees of the loans and paid interest, was €17.6 million and €15.6 million was non-cash. From the proceeds of the new loan of Orbimed a total of €16.1 million was paid for the redemption and prepayment fees.

9. Inventories

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

	30 June 2017	31 December 2016
Amounts in € '000		
Finished goods	8,108	9,731
Work in progress	6,336	5,103
Raw materials	3,029	3,107
Balance at end of period	17,473	17,941

The inventory valuation at 30 June 2017 is stated net of a provision of €0.7 million (2016: €0.5 million) to write inventories down to their net realisable value.

Changes in the adjustment to net realisable value:

	30 June 2017	31 December 2016
Amounts in € '000		
Balance at 1 January	(642)	(462)
Reversal of (addition to) impairment for the year	(190)	(547)
Related to costs of product sales	143	362
Related to operating costs	9	5
Balance at end of period	(680)	(642)

In 2017, the addition of €0.2 million was based on adjusted sales forecasts. The impaired amount related to operating costs used for investigational medicinal product drugs in clinical studies. Cost of inventories included in the cost of product sales in the first half year 2017 amounted €3.7 million (2016: €1.8 million). The main portion of inventories at 30 June 2017 has expiration dates starting beyond 2018 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 483,928,545 shares outstanding at 30 June 2017 have been fully paid-up. Other reserves include those reserves related to currency translation, share-based compensation expenses and other equity-settled transactions. Please refer to the Consolidated statement of changes in equity.

11. Loans and borrowings

On 15 May 2017, the Company entered into a new debt facility with Orbimed Royalty Opportunities II, LP to raise \$100 million (€91.3 million). The new debt facility has been used to redeem the Amortizing Convertible Bonds due 2017/2018 and to refinance the Company's senior debt facility with Silicon Valley Bank and Kreos Capital, together with the associated prepayment fees and the legal and other costs of the transaction. The loan, initially structured as a bridge facility 15 May 2017, was replaced on 20 July 2017 by a full loan agreement with a maturity date of 20 July 2021 under the same terms and conditions. The fees for the early repayment of \$80.5 million (€73.5 million) for the old loans and the Amortizing Bond before maturity amounted to \$13.9 million (€12.7 million) and were recognised as financial expenses. The expenses associated with the new facility itself, including bridge loan interest, legal and other advisory fees, comprised the balance of €4.8 million.

Under the terms and conditions of the new debt facility, the Lenders provided an amount 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 and starts 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. The warrant strike price was increased from the maximum originally announced because of the increasing price of Pharming shares prior to closing of the loan. 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.

Initial recognition and movements of the loans were as follows:

	Orbimed	KREOS	SVB
Amounts in € '000			
Principal amount	91,333	21,147	16,346
Fair value of warrants issued	(1,309)	(941)	(732)
Transaction fees and expenses	(3,336)	(1,439)	(1,175)
Carrying value initial recognition	86,688	18,767	14,439
Amortised costs	-	184	144
Carrying value at 31 December 2016	-	18,951	14,583
Amortised costs	1,569	1,087	849
Interest paid	-	(726)	(678)
Prepayment	-	(24,401)	(18,898)
Release of remaining amortised costs	-	5,089	4,144
Revaluation loan	(3,511)	-	-
Carrying value at 30 June 2017	84,746	-	-

Amortizing bonds

On 7 December 2016, the Company issued amortizing bonds for a principal amount of €45.0 million (or US\$47.7 million), which after costs of €7.3 million, including investors fees of €5.0 million, has produced proceeds of approximately €37.7 million. In connection to the issue of the amortizing bonds the Company also incurred transaction fees and expenses of €2.3 million in total which has been allocated to the amortizing bonds, the derivative financial liabilities and the financial expenses based on their relative weight in the €40.0 million as received and accordingly an amount of €1.6 million was charged to the carrying value of the amortizing bonds, €0.2 million to financial expenses and €0.5 million to equity. The amortizing bonds had been repaid with the proceeds of the new debt facility of Orbimed on 15 May 2017.

The investors received a total of 63,380,282 warrants in connection with this financing. The warrants have been separated from the bonds and recognised in equity. The transaction was approved at the Extraordinary General Meeting of shareholders that was held on 25 October 2016.

For accounting purposes, the amortizing bonds were initially recognized at amortised cost (i.e. the aggregate value of the value received minus the fair value of the derivative financial liabilities and the portion of transaction fees and expenses allocated to the bond). Payments of the monthly instalment could take place either in cash or shares.

Initial recognition and movements of the amortizing bonds were as follows: €'000

Received in cash	40,000
Fair value of warrants issued	(8,009)
Fair value of conversion right	(3,866)
Transaction fees and expenses	(1,611)
Carrying value initial recognition	26,514
Effective interest convertible bonds	1,150
Carrying value at 31 December 2016	27,664
Effective interest convertible bonds	7,806
Release of remaining amortised costs	9,530
Payments of instalments bonds	(9,104)
Redemption bonds	(35,896)
Carrying value at 30 June 2017	-

Ordinary Convertible Bonds

Following an announcement in November 2016, the Company issued €12.5 million private ordinary convertible bonds ('Ordinary Bonds') carrying 8.5% annual interest in December 2016. The Ordinary Bonds are redeemable at the Company's option at par after 3 years, if in a period of 30 consecutive trading days the volume weighted average price of the Shares is 30% above the conversion price, unless the holders elect to convert their Ordinary Bonds instead of being redeemed.

The holders may request redemption at par of any unredeemed or unconverted Bonds on maturity. The investors received a total of 8,830,982 warrants in connection with this financing. The warrants have been separated from the Bonds and recognised in equity.

In connection to the issue of the Ordinary Bonds, the Company also incurred transaction fees and expenses of €1.3 million in total of which have been allocated to the Ordinary Bonds, the derivative financial liabilities and the financial expenses based on their relative weight in the €12.5 million as received and accordingly an amount of €0.6 million was charged to the carrying value of the Ordinary Bonds, €0.6 million to financial expenses and €0.1 million to equity.

For accounting purposes, the convertible bond portion was initially recognized at amortised cost. Payments of the bi-yearly interest takes place in cash.

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

Amounts in € '000	Period to 30 June 2017	Year to 31 December 2016
Balance at 1 January	5,333	-
Initial recognition	-	5,230
Amortised costs	847	103
Interest paid	(500)	-
Redemption	(770)	-
Balance at end of period	4,910	5,333
Non-current portion	(4,025)	(4,448)
Current portion	885	885

The Loans and borrowings for 2017 and 2016 can be summarised as follows:

Amounts in € '000	30 June 2017	31 December 2016
Loans from banks	84,746	33,534
Amortizing bonds	-	27,664
Convertible bonds	4,910	5,333
Total balance end of the period	89,656	66,531
Current portion of the long-term loans due within one year	(11,028)	(26,136)
Non-current portion of long-term loans	78,628	40,395

The remaining lifetimes of the loans and borrowings are no longer than 5 years.

12. Derivative financial liabilities

Derivative financial liabilities include conversion options embedded in borrowings and warrants issued in relation to the issue of equity and the loans in 2013 and 2015.

In 2016, the Company issued bonds which consist of a conversion option related to the repayment in shares. For more information, please refer to note 11 Loans and Borrowings. The conversion option is recognised as liability and separated from the bonds.

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.

Movement of derivative financial liabilities can be summarised as follows:

Amounts in € '000	Period to 30 June 2017	Year to 31 December 2016
Balance at 1 January	9,982	953
Initial recognition upon issue	-	9,439
Release conversion right Amortizing Bond	(3,939)	
Fair value losses (gains) derivatives	1,311	(404)
Exercise of warrants	-	(6)
Balance at end of period	7,354	9,982

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

13. Commitments and contingencies

Beside the new loan agreement with Orbimed Advisors, there were no other material changes to the commitments and contingent liabilities from those disclosed in Note 28 of the 2016 Annual Report.

14. Fully-diluted shares

The total number of outstanding shares at 30 June 2017 was 483,928,545.

Since the reporting date, the company has issued a total of 21,692,213 shares in connection with a number of exercises of warrants. The exercises resulted in total cash receipts of €5.6 million with an additional exercise of €1.6 million worth of warrants exercised cashlessly, resulting in 3,509,929 shares saved relative to the number of shares in the exercised warrants.

The number of issued shares as at 26 July 2017 is 505,620,758.

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

	27 July 2017
Shares	505,620,758
Warrants	77,513,140
Options	50,304,588
LTIP	7,742,937
Issued	641,181,423
Available for issue	158,818,577
Authorised share capital	800,000,000

15. Events since the end of the reporting period

On 20 July 2017, Pharming completed its refinancing with a single permanent US\$100 million debt facility on improved commercial terms, as described in Note 11.

Since the reporting date, the company has also issued shares in connection with exercises of warrants, as described in Note 14.