PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS FIRST QUARTER 2013

Leiden, The Netherlands, 16 May 2013. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the three months ended 31 March 2013.

FINANCIAL HIGHLIGHTS

- Revenues and other income decreased to €0.5 million (Q1 2012: €1.0 million)
- Operating costs decreased to €2.9 million (Q1 2012: €5.2 million), mainly as a result of the reduction of costs following the 2012 restructuring and lower direct project costs regarding Ruconest®
- Net financial expense increased to €3.0 million (Q1 2012: €1.9 million), mainly as a result of non-cash financial costs relating to the new €16.35 million convertible bond, while the 2012 costs related to the €8.0 million 2012 convertible bond
- The net loss decreased to €5.4 million from €6.5 million for Q1 2012
- Net cash outflows from operations decreased to €2.8 million (Q1 2012: €3.5 million) while net cash inflows from financing activities amounted to €15.3 million (including €16.0 million in relation to the issue of convertible bonds) and net cash inflows from investing activities amounted to €0.3 million received upon transfer of an intangible fixed asset
- Cash at the end of the first quarter of 2013 increased to €19.1 million (2012 FY: €6.3 million). The negative equity position decreased to €6.0 million from €7.7 million at year end 2012
- Reverse share split 10:1 approved at the EGM of 28 February 2013. The total number of shares as of today, 16 May 2013 is 168,909,635

OPERATIONAL HIGHLIGHTS

The European Medicines Agency (EMA) provided approval for Sanofi Chimie, Pharming's Contract Manufacturing Organization partner, to manufacture drug substance for Pharming's product Ruconest® at their Aramon (France) site. Pharming's ability to leverage the manufacturing process for Ruconest, a recombinant human C1 inhibitor approved for the treatment of angioedema attacks in patients with HAE (Hereditary Angioedema), represents a significant competitive advantage over manufacturers of plasma- (blood) derived products, which are dependent on blood donations.

During the quarter Pharming initated the planned downsizing of the Dutch operations. After the downsizing of the Dutch operations, which will be completed in the second quarter of this year and last years' close and sale of the US operations, the organization will consist of less than 40 FTE's (69 in Q1 2012).

FINANCIAL RESULTS

In the first quarter of 2013, the Company generated revenue and other income of €0.5 million (Q1 2012: €1.0 million). This decline is due to a decrease in orders from our EU partner Swedish Orphan Biovitrium (Sobi) for Ruconest® in the quarter, which is a reflection of the underlying slow increase in EU sales during the later part of 2012. Subsequently, ordering by Sobi has resumed in the second quarter. Costs of revenues amounted to € nil in Q1 2013 compared to €0.4 million in Q1 2012.

Total operating costs decreased by €2.3 million to €2.9 million in Q1 2013 from €5.2 million in the same period of 2012 as a result of cost reductions following the 2012 restructuring which was provided for in the 2012 annual accounts. In addition, direct project costs for the development and registration of the Company's lead product Ruconest® were lower as cost associated with clinical study 1310 have decreased.

On 16 January 2013, the Company entered into a 8.5% convertible bond transaction of €16.35 million convertible bonds plus 16,349,999 warrants that was approved at the EGM of 28 February 2013. The bonds are repayable in cash and/or in shares in seven installments until 1 October 2013. In the first quarter of 2013, the first installment was repaid in shares and pre-payment of the second installment took place, also in shares. With regards to these pay-backs, the Company issued a total of 31,217,168 shares. Total non-cash costs associated with these bonds amounted to €3.6 million,

As a result of the above items, net loss for the first quarter of 2013 decreased to €5.4 million from €6.5 million in the same period of 2012.

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) increased to €19.1 million at 31 March 2013 from €6.3 million at year end 2012. The increase follows from net cash outflows from operations of €2.8 million with net cash inflows from financing activities amounting to €15.3 million and net cash inflows from investing activities amounting to €0.3 million. Financing cash flows mainly result from the 2013 issue of convertible bonds which raised gross €16.0 million in cash.

NEGATIVE EQUITY

The Company has negative equity since December 2011. The negative equity position at 31 March 2013 amounts to €6.0 million, a decrease of €1.6 million compared to 31 December 2012. The decrease is a result of new equity issues related to the 2013 convertible bonds in the first quarter, partially offset by the net loss for the first quarter.
The negative equity position has in itself no immediate impact on the execution of Pharming's business plan, nor does it imply that the Company is legally required to issue new share capital. However, the Company is considering various options in order to reduce the negative equity and return to a positive equity position.

About RUCONEST® and Hereditary Angioedema

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

About Pharming Group NV

Pharming Group NV is developing innovative products for the treatment of unmet medical needs. RUCONEST® 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. RUCONEST is partnered with Santarus Inc (NASDAQ: SNTS) in North America where the and a BLA for RUCONEST was submitted to the FDA in April 2013. The product is also being evaluated for various follow-on indications. Pharming has a unique GMP compliant, validated platform for the production of recombinant human proteins that, with the EU approval of Pharming's rhC1 inhibitor, has proven capable of producing industrial volumes of high quality recombinant human protein in a significantly more economical way through low upfront capital investment and manufacturing costs, compared to current cell based technologies. Pharming now plans to utilise this platform for the development of rhFVIII for the treatment of Haemophilia A.

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

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

Contact
Sijmen de Vries, CEO: T: +31 71 524 7400

FTI Consulting
Julia Phillips/ John Dineen, T: +44 (0)207 269 7193

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PHARMING GROUP N.V.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2013 (unaudited - amounts in €'000)

	Note	31 March 2013	31 December 2012
Intangible assets		503	535
Property, plant and equipment	5	6,917	7,128
Restricted cash	8	176	732
Non-current assets		7,596	8,395
Inventories	6	2,216	2,101
Assets held for sale		-	242
Trade and other receivables	7	671	524
Restricted cash	8	803	309
Cash and cash equivalents	8	18,102	5,273
Current assets		19,576	8,449
Total assets		**29,388**	**16,844**
Share capital	9	1,321	10,092
Share premium		236,909	231,866
Other reserves		14,218	14,144
Accumulated deficit		(258,482)	(263,754)
Total equity		(6,034)	(7,652)
Deferred license fees income		13,010	13,495
Finance lease liabilities		1,826	1,961
Other liabilities		65	72
Non-current liabilities		14,901	15,528
Deferred license fees income		1,936	1,936
Derivative financial liabilities	10	2,732	1,215
Convertible bonds	11	9,548	-
Restructuring provision	12	847	1,232
Trade and other payables	13	4,493	3,690
Finance lease liabilities		965	895
Current liabilities		20,521	8,968
Total equity and liabilities		**29,388**	**16,844**

Notes on pages 10-16 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the three months ended 31 March 2013 (unaudited - amounts in €'000, except per share data)

	Note	31 March 2013	31 March 2012
Continuing operations:			
License fees		484	484
Product sales		-	394
Revenues		**484**	**878**
Costs of revenues		-	(394)
Gross profit		**484**	**484**
Income from grants		12	108
Other income		**12**	**108**
Research and development		(2,235)	(4,243)
General and administrative		(570)	(881)
Share-based compensation		(75)	(73)
Costs		**(2,880)**	**(5,197)**
Loss from operating activities	14	**(2,384)**	**(4,605)**
Financial income	15	745	298
Financial expenses	16	(3,793)	(2,178)
Financial income and expenses		**(3,048)**	**(1,880)**
Net loss		**(5,432)**	**(6,485)**
Attributable to:			
Net loss from continuing operations		(5,432)	(6,485)
Owners of the parent		**(5,432)**	**(6,485)**
Share information:			
Basic and diluted net loss per share (€)		(0.05)	(0.12)
Weighted average shares outstanding		119,043,488	53,756,203

Notes on pages 10-16 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2013 (unaudited - amounts in €'000)

	31 March, 2013	31 March, 2012
Net loss	**(5,432)**	**(6,485)**
Foreign currency translation	0	(58)
Other comprehensive income, net of tax	**(5,432)**	**(58)**
Total recognized income and expense	**(5,432)**	**(6,543)**
Attributable to:		
Equity owners of the parent	(5,432)	(6,543)

Notes on pages 10-16 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 31 March 2013 (unaudited - amounts in €'000)

	Note	31 March 2013	31 March 2012
Receipts from license partners		-	389
Receipts of Value Added Tax		171	245
Interest received		-	18
Receipts of grants		-	72
Other receipts		-	64
Payments of third party fees and expenses, including Value Added Tax		(1,664)	(2,813)
Net compensation paid to board members and employees		(487)	(813)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(389)	(632)
Restructuring payments	12	(385)	-
Net cash flows used in operating activities	8	**(2,754)**	**(3,470)**
Proceeds from sale of assets		262	-
Purchase of property, plant and equipment		-	(121)
Net cash flows provided by/(used in) investing activities	8	**262**	**(121)**
Proceeds of convertible bonds issued	11	16,023	8,000
Payments of transaction fees and expenses		(569)	(447)
Payments of finance lease liabilities		(187)	(191)
Net cash flows from financing activities	8	**15,267**	**7,362**
Increase cash		**12,775**	**3,771**
Exchange rate effects on cash		2	(22)
Cash at 1 January	8	6,314	5,065
Cash at 31 March		**19,091**	**8,814**
Cash composition:			
Restricted cash (non-current)		176	917
Restricted cash (current)		803	309
Cash and cash equivalents		18,102	7,588
Cash at 31 March		**19,091**	**8,814**

Notes on pages 10-16 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2013 (unaudited - amounts in €'000)

	Note	Number of shares	Share capital	Share premium	Other reserves	Accu-mulated deficit	Share-holders' equity	Non-controlling interest	Total equity
Balance at 1 January 2012		**51,011,647**	**20,405**	**224,495**	**12,325**	**(258,413)**	**(1,188)**	**-**	**(1,188)**
Total recognized income and expense		-	-	-	(58)	(6,485)	(6,543)	-	(6,543)
Share-based compensation		-	-	-	73	-	73	-	73
Bonuses settled in shares	9	395,021	158	117	-	-	275	-	275
Repayments of bonds 2012	9	4,743,700	1,897	1,931	-	-	3,828	-	3,828
Balance at 31 March 2012		**56,150,368**	**22,460**	**226,543**	**12,340**	**(264,898)**	**(3,555)**	**-**	**(3,555)**
Balance at 1 January 2013		**100,918,910**	**10,092**	**231,866**	**14,144**	**(263,754)**	**(7,652)**	**-**	**(7,652)**
Total recognized income and expense		-	-	-		(5,432)	(5,432)	-	(5,432)
Share-based compensation		-	-	-	75	-	75	-	75
Repayments & pre-installment of 2013 Bonds	9,11	31,217,168	1,932	5,043	-	-	6,975	-	6,975
Adjustment nominal value per share	9	-	(10,703)	-	-	10,703	-	-	-
Balance at 31 March 2013		**132,136,078**	**1,321**	**236,909**	**14,219**	**(258,483)**	**(6,034)**	**-**	**(6,034)**

Notes on pages 10-16 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended 31 March 2013

1. Company information

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

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

2. Basis of presentation

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

These condensed consolidated interim financial statements have not been reviewed or audited and are based on IFRS as adopted by the European Union. The Board of Management has approved these condensed consolidated interim financial statements on 15 May 2013.

Going Concern Assessment

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

Based on the above assessment, the Company has concluded that funding of its operations for a period of at least one year after the date of the signing of these condensed consolidated interim financial statements is realistic and achievable. In arriving at this conclusion, the following main items and assumptions have been taken into account:

- cash and cash equivalents as per the date of these financial statements;
- the anticipated receipt of US$5.0 million in cash upon acceptance by the U.S. FDA of the BLA filing. Such acceptance is expected in the third quarter of 2013; and
- the Company's net operating cash outflows, its investments in (in)tangible assets as well as its financing payments for one year after the end of the financial statements.

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

- under the Equity Working Capital Facility of €10.0 million, the Company has the ability, if and when needed, to utilise the remaining balance of €5.1 million until expiration of the Equity Working Capital Facility on August 1, 2014. The timing and proceeds from future tranches is subject to various parameters that are partially or entirely beyond control of the Company. However, it is noted that the Company cannot make any draw downs under the Equity Working Capital Facility until the 2013 Bonds (as described in Note 12) have been fully paid back at the end of the third quarter of 2013;
- proceeds from the exercise of warrants or options outstanding;
- capital raised by means of an additional capital markets transaction, such as non-dilutive (debt) financing, issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. the share price in relation to the nominal value per share), availability of assets to secure debt transactions as well as approvals of boards and/or shareholders (e.g. to issue additional shares); and

- receipts from existing or new license partners, other than cash proceeds of US$5.0 million upon acceptance by the U.S. FDA of the BLA filing as described earlier in this Note.

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

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

As per the date of these condensed consolidated interim financial statements, with regards to its ability to generate operating cash flows from product sales and/or license fee payments, the following material uncertainties (individually or combined) have been identified which may cast significant doubt about the Company's future ability to continue as a going concern:
- acceptance by the U.S. FDA of the BLA filing and the subsequent receipt of US$5.0 million from our US partner Santarus; and/or
- receipt of a US marketing authorization by the U.S. FDA and the subsequent receipt of US$20.0 million from our US partner Santarus (payment triggered upon the earlier of first commercial sale of Ruconest in the US or 90 days following receipt of U.S. FDA approval); and/or
- the commercial success of Ruconest in the US.

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

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

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

3. Summary of significant accounting policies

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

Significant accounting estimates and judgments

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

Property, plant and equipment

At the end of the first quarter of 2013, Pharming has property, plant and equipment with a net carrying value of €6.9 million. These assets are dedicated to the production of Rhucin inventories (€5.9 million) and other corporate purposes (€1.0 million). It is assumed these asset groups will continue to be used in ongoing production, research and development or general and administrative activities over its anticipated lifetime. The carrying value of these assets may be impaired in case of a decision to cancel and/or defer certain activities, as per the going concern assessment in Note 2.

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

Derivative financial liabilities
At 31 March 2013, the Company has presented derivative financial liabilities with a carrying value of €2.7 million. These liabilities primarily represent the fair values of warrants issued, the conversion right of the 2013 convertible bonds and the fair value of the shares to be issued for repayment of the seond tranche of the 2013 convertible bond. These fair values are based on models using assumptions with respect to, amongst others, the exercise of the warrants on or before maturity dates as well as (historical) volatility. Actual share price developments may trigger exercise of these warrants on a different moment than anticipated in the model and also cause transfer of assets to warrant holders under conditions that are (much) more or (much) less favorable than anticipated at 31 March 2013. As a result, the difference between the value of assets transferred to warrant right holders upon exercise and the carrying value at 31 March 2013 as charged to the statement of income may be material.

Share price developments may also result in the warrants expiring unexercised while the fair value of warrants unexercised may fluctuate (significantly) until expiration. Fair value changes of warrant rights unexercised between 31 March 2013 and subsequent reporting dates are charged to the statement of income.

4. Cyclicality

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

5. Property, plant and equipment

The carrying value of Pharming's property, plant decreased from €7.1 million at year end 2012 to €6.9 million at 31 March 2013 due to depreciation of these assets.

6. Inventories

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

7. Trade and other receivables

The increase of trade and other receivables to €0.7 million at 31 March 2013 from €0.5 million at 31 December 2012 mainly results from an increase in value added tax receivable and an increase in prepaid expenses.

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

The overall net cash position for the three months ended 31 March 2013 and 31 March 2012 is as follows:

Amounts in €'000	31 March 2013	31 March 2012
Non-current restricted cash	176	917
Current restricted cash	803	309
Cash and cash equivalents	18,102	7,588
Balance at 31 March	19,081	8,814
Balance at 1 January	6,314	5,065
Increase for the period	12,767	3,749

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

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

Amounts in €'000	31 March 2013	31 March 2012
Net cash flows used in operating activities	(2,754)	(3,470)
Net cash flows provided by/(used in) investing activities	262	(121)
Net cash flows from financing activities	15,267	7,362
Exchange rate effects on cash	2	(22)
increase for the period	12,767	3,749

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

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

Cash flows from financing activities of €15.3 million in the first quarter of 2013 largely stems from the €16.0 million received in relation to the issue of the 2013 convertible bonds, while financing payments totalling €0.7 related to transaction fees and expenses and payment of finance leasing terms. In the first quarter of 2012 the €7.4 million cash flows from financing activities follow receipt of €8.0 million in relation to the issue of the 2012 convertible bonds net of payment of transaction fees and expenses (€0.6 million).

9. Equity

Main developments total equity in the first quarter of 2013

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

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

Under the 2013 convertible loan agreement which is described in more detail in Note 11, Pharming issued a total number of 31,217,168 shares to 2013 bond holders, of which 15,582,302 shares are a prepayment as per 31 March

2013 for an installment due in April 2013.

Main developments total equity in the first quarter of 2012
Pharming in the first quarter issued a total of 4,743,700 shares with an aggregate fair value of €3.8 million to holders of 2012 Bonds.

The Company also transferred an aggregate number of 395,021 shares to members of the Board of Management and employees in lieu of €0.3 million in bonus rights for the year 2011.

10. Derivative financial liabilities

Derivative financial liabilities recognized in the first quarter of 2013 related to 16,349,999 warrants issued in relation to the 2013 Bonds (Note 11) and conversion rights on the 2013 Bonds with the initial fair value of these items upon recognition amounting to €1,161,000 and €223,000 or €1,384,000 in total. In addition, the fair value of the liability in shares regarding repayment of the second tranche was valued at 31 March 2013 at €878,000 and all outstanding warrants were revalued for accounting purposes at 31 March 2013.

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

Amounts in €'000	**2013**	**2012**
Carrying value at 1 January	1,215	1,171
Initial recognition upon issue	1,384	1,148
Fair value of shares for repayment second tranche 2013 Bonds	878	-
Fair value gains derivatives	(745)	(164)
Carrying value at 31 March	2,732	2,155

Fair value gains have been presented within financial income.

11. Convertible bonds

2013 Convertible bond
On 16 January 2013, the Company announced it had entered into a €16.35 million private convertible bonds transaction ('2013 Bonds') carrying 8.5% annual interest. In connection with this convertible bond transaction, the Company issued 16.35 million warrants with an exercise price of €0.03. The net proceeds of the 2013 convertible bonds issue amounted to €15.1 million, after deduction of a 2% discount and transaction costs of €950,000. This transaction included an advance payment of 180 million shares valued at €4,860,000. The convertible bond is repayable in 7 installments until 1 October 2013. The 2013 convertible bond transaction was approved at the EGM of 28 February 2013.

For accounting purposes, the convertible bond portion is recognized at the aggregate value of the value received minus the fair value of the derivative financial liabilities and the portion of transaction fees and expenses allocated to the convertible bond. Pre(payments) of the monthly installment plus interest can take place either in cash or in shares. Until 31 March 2013, the first tranche was repaid in shares and the pre-installment of the second tranche was also settled in shares. Based on the conditions of the convertible loan agreement, this has resulted in transfer of shares for a value higher than if such a repayment had taken place in cash. Accordingly, a transaction loss of €2.0 million was incurred in the first quarter of 2013.

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

Amounts in €'000

Received in cash	16,023
Fair value of warrants issued	(1,161)
Fair value of conversion right	(223)
Transaction fees and expenses	(868)
Carrying value initial recognition	13,771
Effective interest	756
Fair value of shares issued for installment in the first quarter of 2013	(4,221)
Result bond settlements	2,035
Fair value of shares issued for pre-installment in the first quarter of 2013	(2,793)
Carrying value 31 March	9,548

Effective interest and the result on bonds settlements of €2.8 million in total have been charged to financial expenses (Note 16).

12. Restructuring provision

In the course of 2012, Pharming announced the closure of the US cattle facilities and a restructuring of its Dutch operations. A restructuring provision was created for the costs related to the severance payments and other employee-related costs. The full amount of the provision is scheduled for payment in 2013.

13. Trade and other payables

Trade and other payables balances increased from €3.7 million at year end 2012 to €4.5 million at 31 March 2013 mainly as a result of costs associated with Study 1310.

14. Loss from operating activities

In the first quarter of 2013, the Company reported a loss from operating activities €2.4 million compared to €4.6 million in the same period of 2012. The €2.2 million decrease is a mainly a result of lower human capital costs (€0.9 million) following the reduction of the number of employees, mostly through the restructuring in 2012 and lower costs associated with Study 1310 (€0.9 million) as well as other cost-savings (€0.4 million).

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

15. Financial income

Financial income in the first quarter of 2013 and 2012 amounted to €0.7 million and €0.3 million, respectively, which exclusively related to the decreases in the fair value of derivative financial liabilities (Note 10).

16. Financial expenses

Financial expenses of €3.8 million in the first quarter of 2013 were mainly related the 2013 Bonds and to other items such as foreign currency results and interest on finance leases. The financial expenses of €2.2 million in the same period of 2012 are mainly associated with 2012 Bonds.

17. Operating segments

The Company has one operating segment remaining which is the recombinant proteins business unit.

18. Commitments and contingencies

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

19. Events after the end of the reporting period

Subsequent to the end of the reporting period up to and inclusive 15 May 2013 the Company issued a total of 36,773,577 shares of which 36,254,967 shares relate to the 2013 Bonds and 518,590 shares relate to bonus payments in shares for senior staff members, which excludes the members of the Board of Management.

As a result of these issues, the total outstanding number of shares at 15 May 2013 amounts to 168,909,635.

The authorized number of shares of the Company is 450 million with fully diluted shares as per 15 May 2013 summarized as follows (in millions):

Shares	168.9
Warrants	24.2
Options	2.5
Long Term Incentive Plan	0.5
Total	196.1