PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS FIRST HALF YEAR 2014

Leiden, The Netherlands, 31 July 2014. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the six months ended 30 June 2014.

FINANCIAL HIGHLIGHTS

- Revenues and other income decreased to €2.5 million (1H 2013: €4.9 million). This reflects last year's receipt of a one-off US$5 million payment by our US partner Santarus (now Salix Pharmaceuticals: NASDAQ: SLXP "Salix"). Revenues from product sales increased to €1.4 million (1H 2013: €0.2 million).
- Operating costs remained constant at €6.2 million (1H 2013: €6.3 million).
- Loss from operating activities increased by €4.0 million to €5.4 million, predominantly as a result of the receipt of the US$5 million milestone in 2013.
- Net financial (non-cash) expenses amounted to €14.8 million (1H 2013: €6.8 million). The increase is a result of the revaluation of our warrants caused by the strong increase of our share price during 1H 2014. For more details on this, please refer to Note 10 on page 15 of the (attached) condensed consolidated interim financial statements for 1H 2014.
- Total net loss (financial expenses and loss from operating expenses) increased by €12.9 million to €20.1 million (1H 2013: €7.2 million), mainly as result of the increased (non-cash) financial expenses.
- Cash at the end of the first half of 2014 increased to €26.4 million (2013 FY: €19.2 million).
- The equity position increased from €5.0 million at year end 2013 to €12.2 million, mainly as a result of the private equity placement of net €14.0 million in April 2014 and the exercise of warrants.
- The total number of shares as of today, 31 July 2014 is 407,053,249.

OPERATIONS

- Our Israeli commercialization partner, MegaPharm Ltd (MegaPharm), received marketing approval for Ruconest® (recombinant human C1 inhibitor) for the treatment of angioedema attacks in patients with hereditary angioedema (HAE) in Israel.
- The US Food and Drug Administration (FDA) extended the Ruconest® BLA Prescription Drug User Fee Act (PDUFA) Action Date by three months to July 16, 2014

POST-PERIOD HIGHLIGHT

- On July 16, 2014, the US FDA approved Ruconest® for the treatment of angioedema attacks in patients with hereditary angioedema (HAE). A US$20 million milestone payment from Salix will become payable upon the first commercial sale of Ruconest® in the US.

Sijmen de Vries, Chief Executive Officer of Pharming commented: "Earlier this month we announced the US FDA approval for Ruconest®, the first and only recombinant protein replacement therapy for the treatment of acute attacks of angioedema in patient with HAE. Inhibition of C1 esterase is the gold standard for HAE treatment and our US pivotal phase III study has confirmed that Ruconest® demonstrates best-in-class efficacy and the cleanest safety profile of all other treatment options. The approval represents an important addition to the available treatment options for the US HAE patient population and the most significant achievement to date for Pharming. We are now working intensively with our US partner Salix to make Ruconest® available to US HAE patients as soon as feasible. Ahead of that, during the first six months of 2014 we focused on preparing for US market entry by investing in building up inventories of Ruconest®, such

that we can now benefit from receiving 30% of net sales of Salix for the supply of Ruconest® in the US. In addition, in April, we strengthened the balance sheet with a "sub-10%" private placement to institutional investors that yielded €14.7 million which ensured that we can now also co-invest to develop our main asset Ruconest® for additional indications, such as Prophylaxis of HAE and, in addition, evaluate options to get directly involved in commercialization activities in certain markets.".

FINANCIAL RESULTS

In the first half year of 2014, the Company generated revenue from sales of Ruconest® of €1.4 million and deferred licensing fees of €1.1 million, totaling to €2.5 million (1H 2013: €4.9 million). The increase in revenue from sales reflects the underlying increased demands for Ruconest® in the EU markets, compared to 1H 2013. Costs of revenues amounted to €1.4 million (2013: €nil). Impairments of inventories amounted to €0.4 million, reflecting the low yield from EU sales in combination with the current cost of manufacturing, absent economies of scale.

Loss from operating activities increased to €5.4 million (1H 2013 €1.4 million), predominantly as result of the receipt of the one-off milestone payment of US$5 million in 2013.

Financial income and expenses increased to €14.7 million (1H 2013: €5.9 million), as a result of the (non-cash) increase of the fair value of our outstanding warrants, reflecting the increase of our share price in 1H 2014; while the 1H 2013 costs were related to the €16.35 million convertible bond.

As a result of the above items, the net loss for the first half year of 2014 increased to €20.1 million from €7.2 million in the same period of 2013.

Cash outflows from operations increased by €3.5 million to €11.0 million in 1H 2014 (1H 2013: €7.5 million), mainly as result of the increase in manufacturing activities for Ruconest®, ahead of the anticipated US launch in 2H 2014.

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) increased to €26.4 million at 30 June 2014 from €19.2 million at year end 2013. The increase follows from net cash outflows from operations of €11.0 million with net cash inflows from financing activities amounting to €19.1 million and net cash outflows from financing activities amounting to €0.8 million. Financing cash inflows mainly result from the proceeds of the private equity placement of €14.7 million and the 2013 exercise of warrants which yielded €4.4 million in cash.

EQUITY POSITION

The equity position increased by €7.2 million versus year-end 2013 (€5.0 million) to €12.2 million (1H 2013: €0.6 million negative).

Pharming continues to review its financial and liquidity position with the aim to further improve its equity standing under International Financial Reporting Standards (IFRS). Notably, the Company reports that the negative equity position at the end of 2011 was mainly caused by the inability to recognize the €19.7 million upfront payments and milestones received from Sobi and Santarus as equity (at 30 June 2014 the deferred license fees income amounted to €13.3 million).

The number of outstanding shares as of today, 31 July 2014, is 407,053,249 and the fully diluted number of shares is 465.6 million

FINANCIAL GUIDANCE 2014

Following the recent FDA approval for Ruconest®, Pharming expects the receipt of a US$20 million milestone from Salix on first commercial sale of Ruconest® in the USA during 2H 2014.

Pharming expects revenues from Ruconest® (not including US sales) of €3.0 million.
No additional financial guidance is provided.

About Pharming Group NV

Pharming Group NV is developing innovative products for the treatment of unmet medical needs. RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of angioedema attacks in patients with HAE in the USA, Israel, all 27 EU countries plus Norway, Iceland and Liechtenstein. RUCONEST® is distributed in the EU by Swedish Orphan Biovitrum. RUCONEST® is partnered with Salix Pharmaceuticals Inc. (NASDAQ: SLXP) in North America. 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 has proven capable of producing industrial volumes of high quality recombinant human protein in a more economical way compared to current cell based technologies. In July 2013, the platform was partnered with Shanghai Institute for Pharmaceutical Industry (SIPI), a Sinopharm Company, for joint global development of new products. Pre- clinical development and manufacturing will take place at SIPI and are funded by SIPI. Pharming and SIPI initially plan to utilize this platform for the development of 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

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Conference call information

Today, Chief Executive Officer Sijmen de Vries will discuss the first half 2014 results in a conference call for 10:00 am (CET). To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands:	+31(0)20 713 2998
From the UK:	+44(0)20 7784 1036
From Belgium:	+32(0)2 400 6864
From France:	+33(0)1 76 77 22 30
From Germany:	+49(0)69 2222 10620
From Switzerland:	+41(0)22 567 5432

Conference ID: 1598319

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PHARMING GROUP N.V.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM REPORT OF THE BOARD OF MANAGEMENT FOR THE HALF YEAR ENDED 30 JUNE 2014

Discussion of financial position and financial results

Pharming's net loss for the first half year of 2014 amounted to €20.1 million compared to €7.2 million in the same period of 2013. The €12.9 million increased loss is largely explained by:

- decreased license fee revenues of €3.6 million, as result of the receipt of a US$5 million milestone for FDA acceptance for review of its BLA filing for Ruconest® in 2013;
- increased net financial expenses of €8.0 million, mainly as a result of the (non-cash) increase of the fair value of the outstanding and exercised warrants, reflecting the increase of our share price in 1H 2014, while the 1H 2013 costs were related to the €16.35 million convertible bond.

The Company's cash position (including restricted cash) increased from €19.2 million at year end 2013 to €26.4 million at 30 June 2014; cash flows used in operating activities of in total €11.0 million were more than compensated by net financing cash inflows of €18.3 million (of which €19.1 million proceeds of equity and warrants issued).

Outlook

Following from the recent FDA approval for Ruconest®, during the second half of 2014, the Company's main focus will be supporting our US partner Salix with the US commercial launch of Ruconest®. The earlier of the first commercial sale of Ruconest® or 90 days following receipt of U.S. FDA approval will trigger a US$20 million milestone payment by Salix.

In addition Pharming and Salix intend to initiate a Phase II trial with Ruconest® for Prophylaxis of HAE.

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 31 on pages 99-102 of the Annual Report 2013 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 30 June 2014, Pharming will – both for the second half of 2014 and the period beyond – focus on managing liquidity risk through preserving cash and generating sufficient additional cash 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, 31 July 2014

Board of Management

B.M.L. Giannetti, Chief Operations Officer
S. de Vries, Chief Executive Officer

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

		30 June 2014	31 December 2013
Intangible assets		340	405
Property, plant and equipment	5	5,988	6,228
Restricted cash	8	176	176
Non-current assets		6,504	6,809
Inventories	6	6,934	4,763
Trade and other receivables	7	1,301	860
Restricted cash	8	-	2,008
Cash and cash equivalents	8	26,255	16,968
Current assets		34,490	24,599
Total assets		**40,994**	**31,408**
Share capital		4,054	3,346
Share premium		281,216	254,901
Other reserves		15,173	14,874
Accumulated deficit		(288,253)	(268,111)
Total equity	9	12,190	5,010
Deferred license fees income		11,122	12,222
Finance lease liabilities		1,190	1,207
Other liabilities		29	44
Non-current liabilities		12,341	13,473
Deferred license fees income		2,200	2,200
Derivative financial liabilities	10	10,509	4,147
Trade and other payables	11	3,282	5,812
Finance lease liabilities		472	766
Current liabilities		16,463	12,925
Total equity and liabilities		**40,994**	**31,408**

Notes on pages 11-16 are an integral part of these condensed consolidated interim financial statements.

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

	Note	30 June 2014	30 June 2013
Continuing operations:			
License fees		1,100	4,712
Product sales		1,439	193
Revenues		**2,539**	**4,905**
Costs of product sales		(1,436)	-
Inventory impairments		(364)	-
Gross profit		**739**	**4,905**
Income from grants		66	52
Other income		**66**	**52**
Research and development		(5,256)	(5,109)
General and administrative		(967)	(1,199)
Costs		**(6,223)**	**(6,308)**
Loss from operating activities	12	**(5,418)**	**(1,351)**
Financial income	13	94	983
Financial expenses	14	(14,818)	(6,846)
Financial income and expenses		**(14,724)**	**(5,863)**
Net loss from continuing operations		**(20,142)**	**(7,214)**
Attributable to:			
Net loss from continuing operations		(20,142)	(7,214)
Owners of the parent		**(20,142)**	**(7,214)**
Share information:			
Basic and diluted net loss per share (€)		(0.05)	(0.05)
Weighted average shares outstanding		378,710,017	150,540,551

Notes on pages 11-16 are an integral part of these condensed consolidated interim financial statements.

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

	30 June 2014	30 June 2013
Net loss	**(20,142)**	**(7,214)**
Currency translation differences	-	-
Items that will be subsequently reclassified to profit or loss	**-**	**-**
Other comprehensive income, net of tax	**(20,142)**	**(7,214)**
Total comprehensive income	**(20,142)**	**(7,214)**
Attributable to:		
Equity owners of the parent	(20,142)	(7,214)

Notes on pages11-16 are an integral part of these condensed consolidated interim financial statements.

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

	Note	30 June 2014	30 June 2013
Receipts from license partners		1,080	-
Receipts of Value Added Tax		480	392
Interest received		81	-
Other receipts		283	-
Payments of third party fees and expenses, including Value Added Tax		(3,310)	(4,187)
Payments of third party manufacturing expenses		(7,364)	(347)
Net compensation paid to board members and employees		(1,110)	(921)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(1,150)	(1,147)
Restructuring payments		-	(1,245)
Net cash flows used in operating activities	8	**(11,010)**	**(7,455)**
Proceeds from sale of assets		-	262
Purchase of property, plant and equipment		-	(21)
Net cash flows provided by/(used in) investing activities	8	**-**	**241**
Proceeds of convertible bonds issued		-	16,023
Proceeds of equity and warrants issued		19,125	-
Payments of transaction fees and expenses		(697)	(915)
Payments of finance lease liabilities		(139)	(309)
Net cash flows from financing activities	8	**18,289**	**14,799**
Increase cash		**7,279**	**7,585**
Exchange rate effects on cash		-	5
Cash at 1 January	8	19,152	6,314
Cash at 30 June		**26,431**	**13,904**
Cash composition:			
Restricted cash (non-current)		176	608
Restricted cash (current)		-	247
Cash and cash equivalents		26,255	13,049
Cash at 30 June		**26,431**	**13,904**

Notes on pages 11-16 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014 (unaudited - amounts in €'000)

	Note	Number of shares	Share capital	Share premium	Other reserves	Accu-mulated deficit	Share-holders' equity	Total equity
Balance at 1 January 2013		**100,918,910**	**10,092**	**231,866**	**14,144**	**(263,754)**	**(7,652)**	**(7,652)**
Loss for the period		-	-	-	-	(7,214)	(7,214)	(7,214)
Other comprehensive income for the period								
Total comprehensive income for the period								
Share-based compensation		-	-	-	149	-	149	149
Bonuses settled in shares	9	1,281,777	13	176	-	-	189	189
Repayments of bonds 2013	9	107,742,342	2,699	11,209	-	-	13,908	13,908
Warrants exercised		300,000	3	19	-	-	22	22
Adjustment nominal value per share		-	(10,705)	-	-	10,705	-	-
Total transactions with owners, recognized directly in equity								
Balance at 30 June 2013		**210,243,029**	**2,102**	**243,270**	**14,293**	**(260,263)**	**(598)**	**(598)**
Balance at 1 January 2014		**334,655,224**	**3,346**	**254,901**	**14,874**	**(268,111)**	**5,010**	**5,010**
Loss for the period		-	-	-	-	(20,142)	(20,142)	(20,142)
Other comprehensive income for the period								
Total comprehensive income for the period								
Share-based compensation		-	-	-	299	-	299	299
Bonuses settled in shares		367,217	4	186	-	-	190	190
Shares issued for cash	9	30,000,000	300	13,704	-	-	14,004	14,004
Warrants exercised	9	40,312,559	404	12,425	-	-	12,829	12,829
Options exercised		18,750	-	-	-	-	-	-
Total transactions with owners, recognized directly in equity								
Balance at 30 June 2014		**405,353,750**	**4,054**	**281,216**	**15,173**	**(288,253)**	**(12,190)**	**(12,190)**

Notes on pages 11-16 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended 30 June 2014

1. Company information

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

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

2. Basis of presentation

These condensed consolidated interim financial statements 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 2013. In addition, the notes to these condensed consolidated interim financial statements are presented in a condensed format.

These condensed consolidated interim financial statements have not been reviewed or audited and are based on IFRS as adopted by the European Union. The Board of Management has approved these condensed consolidated interim financial statements on 30 July 2014.

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

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

- cash and cash equivalents of approximately €25.1 million as per the date of these financial statements (31 July 2014);
- the projected, however undisclosed sales revenues for the period involved, related to the markets in which the Company already has market approval;
- the Company's operating cash outflows, its investments in (in)tangible assets as well as its financing payments for one year after the end of the financial statements; The cash outflow is expected to increase as a result of the increase in manufacturing expenses;
- the anticipated receipt of US$20.0 million in cash from our US partner Salix following the recent market approval of Ruconest® by the U.S. FDA (payment triggered upon the earlier of first commercial sale of Ruconest® in the US or 90 days following receipt of U.S. FDA approval);

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

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

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

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

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

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

Overall, based on the outcome of this assessment, these financial statements have been prepared on a going concern basis. Notwithstanding their belief and confidence that Pharming will be able to continue as a going concern, the Board of Management emphasizes that the actual cash flows for various reasons may ultimately (significantly) deviate from their projections. Therefore, in a negative scenario (actual cash inflows less than projected and/or actual cash outflows higher than projected) the going concern of the Company could be at risk in the period beyond 12 months as per the date of these financial statements.

3. Summary of significant accounting policies

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

Significant accounting estimates and judgments

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

Property, plant and equipment
At the end of the first half year of 2014, Pharming has property, plant and equipment with a net carrying value of €6.0 million. These assets are dedicated to the production of Ruconest® inventories (€4.7 million) and other corporate purposes (€1.3 million). It is assumed these asset groups will continue to be used in ongoing production, research and development or general and administrative activities over its anticipated lifetime.

Inventories
At the end of the first half year of 2014, the Company has capitalized Ruconest® product and milk with an aggregate net carrying value of €6.9 million. The Company has planned for additional inventory investments after the end of the reporting period. These inventories are available for use in commercial, preclinical and clinical activities. Estimates have been made with respect to the ultimate use or sale of the product, taking into account current and expected preclinical and clinical programs for both the HAE project and other indications of Ruconest® as well as sales projections. In doing so, best estimates have been made with respect to the timing of such events in view of both the existing and expected lifetimes of the product involved.

Due to the early stage commercialization cycle of Ruconest® the actual cash proceeds from these product sales are currently difficult to predict in terms of volumes, timing and reimbursement amounts. In addition, further inventory investments and execution of pre-clinical and clinical activities are subject to availability of sufficient financial resources.

Derivative financial liabilities
At 30 June 2014, the Company has presented derivative financial liabilities with a carrying value of €10.5 million. These liabilities primarily represent the fair values of warrants issued. These fair values are based on models using assumptions with respect to, amongst others, the exercise of the warrants on or before maturity dates as well as (historical) volatility. Actual share price developments may trigger exercise of these warrants on a different moment than anticipated in the model and also cause transfer of assets to warrant holders under conditions that are (much) more or (much) less favorable than anticipated at 30 June 2014. As a result, the difference between the value of assets transferred to warrant right holders upon exercise and the carrying value at 30 June 2014 as charged to the statement of income may be material.

Share price developments may also result in the warrants expiring unexercised while the fair value of warrants unexercised may fluctuate (significantly) until expiration. Fair value changes of warrant rights unexercised between 30 June 2014 and subsequent reporting dates are charged to the statement of income.

4. Cyclicality

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

5. Property, plant and equipment

The carrying value of Pharming's property, plant decreased from €6.2 million at year end 2013 to €6.0 million at 30 June 2014 due to depreciation of these assets.

6. Inventories

Pharming's inventories increased from €4.8 million at 31 December 2013 to €6.9 million at 30 June 2014.

7. Trade and other receivables

The increase of trade and other receivables to €1.3 million at 30 June 2014 from €0.9 million at 31 December 2013 mainly results from an increase in trade receivables of €0.3 million and other receivables of €0.1 million.

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

The overall net cash position for the first half year ended 30 June 2014 and 30 June 2013 is as follows:

Amounts in €'000	30 June 2014	30 June 2013
Non-current restricted cash	176	608
Current restricted cash	-	247
Cash and cash equivalents	26,255	13,049
Balance at 30 June	26,431	13,904
Balance at 1 January	19,152	6,314
Increase for the period	7,279	7,590

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

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

Amounts in €'000	30 June 2014	30 June 2013
Net cash flows used in operating activities	(11,010)	(7,455)
Net cash flows provided by/(used in) investing activities	-	241
Net cash flows from financing activities	18,289	14,799
Exchange rate effects on cash	-	5
increase for the period	7,279	7,590

Cash flows used in operating activities increased by €3.5 million, which is entirely to the increase of third party manufacturing expenses, related to the build-up of Ruconest® inventories.

In the first half year of 2014 no investing activities took place. Cash flows provided by investing activities of €0.3 million in the first half year of 2013 concerns sale of an intangible asset.

In the first half year of 2014 the €18.3 million cash flows from financing activities following receipt of €14.0 million in relation of the private equity placement, receipt of €4.4 million in relation to the exercise of warrants and payments of finance lease liabilities of €0.1 million. Cash flows from financing activities of €14.8 million in the first half year of 2013 largely stems from the €16.0 million received in relation to the issue of the 2013 convertible bonds, while financing payments totaling €1.2 million related to transaction fees and expenses and payment of finance leasing terms.

9. Equity

Main developments total equity in the first half year of 2014
During the first half year of 2014 Pharming received an additional inflow of cash of €4.4 million from the exercise of 40,312,559 warrants.

On 21 April 2014, Pharming entered into a private equity placement of €14,700,000 for which it issued 30,000,000 shares against €0.49 representing the average closing price of the shares over the last five trading days preceding the placement. In addition, the Company issued 21,000,000 warrants with a lifetime of 2 years and an exercise price of €0.57 to the investors. The transaction costs for this placement amounted to €696,500.

The Company also transferred an aggregate number of 367,217 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2013.

Main developments total equity in the first half year 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, Pharming issued a total number of 107,742,342 shares to 2013 bond holders.

The Company also transferred an aggregate number of 1,281,777 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2012.

10. Derivative financial liabilities

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

Derivative financial liabilities recognized in the first half year of 2013 related to 16,349,999 warrants issued in relation to the 2013 Bonds and conversion rights on the 2013 Bonds with the initial fair value of these items upon recognition amounting to €1,161,000 and €223,000 or €1,384,000 in total. In addition, 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 30 June 2014.

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

Amounts in €'000	**2014**	**2013**
Carrying value at 1 January	4,147	1,215
Initial recognition upon issue	5,544	1,384
Fair value losses (gains) derivatives	14,766	(762)
Exercise of warrants	(13,948)	-
Carrying value at 30 June	10,509	1,837

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

11. Trade and other payables

Trade and other payables balances decreased from €5.8 million at year end 2013 to €3.3 million at 30 June 2014 mainly as a result of less trade payables in relation to manufacturing expenses associated with the production of (Ruconest®) inventories.

12. Loss from operating activities

In the first half year of 2014, the Company reported a loss from operating activities of €5.4 million compared to €1.4 million in the same period of 2014. The €4.0 million increase is mainly a result of receipt of the one- off milestone payment of US$5 million in 2013.
As explained in Note 4, Pharming operates in an industry in which revenues and expense are to some extent varying based on the timing of events such as entering into commercial agreements, achievement of milestones or the phase of research or development. These activities are partially beyond control of the Company.

13. Financial income

Financial income in the first half year of 2014 and 2013 amounted to €0.1 million and €1.0 million, respectively, which in 2013 exclusively related to the decrease in the fair value of derivative financial liabilities and in 2014 related to interest on cash.

14. Financial expenses

In 2014 financial expenses increased to €14.8 million (1H 2013: €6.8 million), as a result of the (non-cash) increase of the fair value of the outstanding and exercised warrants, reflecting the increase of the share price in 1H 2014. Financial expenses of €6.8 million in the first half year of 2013 were mainly related the 2013 Bonds and to other items such as foreign currency results and interest on finance leases.

15. Operating segments

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

16. Commitments and contingencies

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

17. Events after the end of the reporting period

On 16 July 2014, the Company received the FDA approval for Ruconest® for the treatment of acute attacks of hereditary angioedema, US partner Salix Pharmaceuticals Inc. intend to launch the product during 2H2014.

The total number of outstanding shares at 31 July 2014 amounts to 407,053,249.

The authorized number of shares of the Company is 550 million with fully diluted shares as per 31 July 2014 summarized as follows (in millions):

Shares	407.0
Warrants	26.4
Options	27.9
Long Term Incentive Plan	4.3
Total	465.6