Pharming Reports on Financial Results for the First Eight Months of 2016

Leiden, The Netherlands, 03 October 2016: Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) announces its (unaudited) financial report for the eight months ended 31 August 2016. These financial statements are being published to provide all shareholders and investors with the most current financial information in order to enable a full understanding of the implications of the Company's recently announced deal to acquire the commercialization rights to RUCONEST® in North America from its partner Valeant and the related proposed financing activity.

These results do not replace the quarterly report for the first nine months of 2016, which is due to be published on 27 October 2016.

Highlights

- Sales of RUCONEST® for the period to 31 August were up 48% overall compared to the six months to 30 June 2016, so that sales in the two months of July and August alone were higher than the whole of the first quarter this year.
- Sales in the US to 31 August up by approximately 28% compared to the same period last year, and up 43% compared to the first half year of 2016.
- Gross Profit increased by 24% relative to the same period last year, and up 42% compared to the first half year of 2016.

Financial Review

Amounts in €m, except per share data	First 8 months 2016	First 8 months 2015	% Change	H1 2016	% Change
Income Statement					
Product sales	6.2	5.6	*11%*	4.2	*48%*
License fees	1.5	1.5	-	1.1	*36%*
Revenue	7.7	7.1	*8%*	5.3	*45%*
Gross Profit	4.7	3.8	*24%*	3.3	*42%*
Costs	(13.2)	(12.0)	*(10%)*	(9.7)	*(36%)*
Operating Result	(8.3)	(8.1)	*(3%)*	(6.2)	*(34%)*
Balance Sheet					
Cash & marketable securities	18.1	35.4	*(49%)*	21.7	*(17%)*
Share Information					
Earnings per share	(0.022)	(0.014)	*(36%)*	(0.016)	*(38%)*

Pro Forma Financial Review

If the Valeant transaction had been completed before January 1, 2016, the highlights of our eight month results would have been significantly different. Overall, the Company would have been much closer to profitability in this period. We show below an approximate *pro forma* set of numbers for comparison and illustrative purposes only:

Amounts in €m (unaudited) except per share data	Actual YTD 2016	*Pro Forma* YTD 2016	% Net Change	*Pro Forma* 1H 2016	% Net Change*
Income Statement					
Product sales	6.2	17.7	*186%*	12.4	*195%*
License fees	1.5	0.7	*(53%)*	1.1	-
Revenue	7.7	18.4	*139%*	13.5	*155%*
Gross Profit	4.7	15.4	*228%*	11.5	*248%*
Costs	(13.0)	(18.6)	*(43)%*	(14.7)	*52%*
Operating Result	(8.3)	(3.2)	*61%*	(3.1)	*50%*
Balance Sheet					
Cash & marketable securities	18.1	23.6	*30%*	26.3	*21%*
Share Information					
Earnings per share	(0.022)	(0.013)	*42%*	(0.013)	*19%*

**On the basis of the results for the first six months ended 30 June 2016, announced on 28 July 2016.*

Please note that this pro forma summary represents Pharming management estimates as well as actual figures and has not been independently verified by the Company's auditors. These numbers may be subject to change if the current financial plans should change.

- These results show a marked improvement from the 30 June *pro forma* results which were reported at the time of the acquisition announcement, with annualized sales levels based on July and August of €31.8 million versus €24.8 million based on 1H2016 results.
- At the operating result level, the 30 June *pro forma* resulted in a loss of €3.1 million for 1H2016, compared with a €3.2 million loss for the total *pro forma* period of eight months to August.
- It can be calculated that if the current July and August level of sales had been achieved on average for all eight months of the year to date, the total sales for the period would have been €21.2 million instead of €17.7 million, and as a result an extra €3.0 million gross profit would have been achieved. This would have resulted in an almost break-even result at operating level for the period.

CEO's Commentary

After a relatively modest start to sales of RUCONEST® (recombinant C1 esterase inhibitor, 50 IU/kg) in 2016, revenue growth during the first two months of the third quarter has significantly increased. Sales efforts in the US drove this growth.

Income from product sales increased 48% from €4.2 million in the first half of 2016 to €6.2 million in eight month period to 31 August 2016, with sales of RUCONEST® in the US up from €1.5 million in the first quarter and €2.0 million in the second quarter to €1.5 million in the two months (July, August), which equates to a quarterly rate of €2.3 million on an average basis and represents a strong performance. Gross profits from sales has also continued to increase; from €3.3 million in the first half of 2016 to €4.7 million in the first eight month period as a result of improving US sales. We continue to keep pressure on cash expenditure, despite the improvement, resulting in resource management improvement in the first eight months of 2016 compared with the same period in 2015, despite much greater research and development (R&D) activity.

On 9 August 2016, the Company announced that it has entered into a definitive agreement to acquire all North American commercialisation rights to its own product RUCONEST® (recombinant human C1 esterase inhibitor), including all rights in the US, Mexico and Canada, from Valeant Pharmaceuticals International, Inc. ("Valeant") (NYSE/TSX: VRX). Under the terms of the agreement, Pharming will pay Valeant an upfront fee of US$60 million upon Closing, which is expected during the fourth quarter this year. In addition, over the coming years the Company will make one-time-only (self-funding) payments to Valeant on the achievement of a small number of specific sales milestones events, totalling a maximum of US$65 million. The specific details of these self-funding additional transaction terms are not disclosed for commercial reasons. The transaction is subject to Pharming obtaining adequate financing over the coming weeks prior to Closing.

Based on our financial results for the first eight months of 2016, we expect that both sales and gross profits will continue to improve during the remainder of the year and that investments in R&D will continue to increase gradually. Subject to closing the acquisition of the North American rights for RUCONEST and if sales of Ruconest are maintained at the levels seen in the third quarter of 2016 to date, we would expect to become profitable at the operating level during 2017. No further financial guidance for 2016 or 2017 is currently provided

Sijmen de Vries
Chief Executive Officer

Operational Review

- Acquisition of Rights to RUCONEST® from Valeant

Since the US Food and Drug Administration ("FDA") approval of RUCONEST® on 16 July, 2014, US net product sales have grown from $0.8 million in 2014 to an annualized rate of approximately $33 million on the basis of the first two months of the third quarter of 2016 within the US acute hereditary angioedema ("HAE") market of around $840 million. Recently RUCONEST® demonstrated good positive data for prophylaxis in patients with HAE. If approved for this indication, RUCONEST® will have access to this additional market, also worth almost $700 million. RUCONEST®, therefore, has the potential to be the only recombinant C1 esterase inhibitor product approved to target both the acute market and the HAE prophylaxis market.

- *Structure of the Deal*

Under the terms of the agreement, Pharming will pay Valeant an upfront fee of US$60 million upon Closing, which is expected during the fourth quarter of 2016. In addition, over the coming years the Company will make one-time-only (self-funding) payments to Valeant on achievement of a small number of specific sales milestones events, totalling a maximum of US$65 million. The specific details of these self-funding additional transaction terms are not disclosed for commercial reasons. The transaction is subject to Pharming obtaining adequate financing via a financing round to obtain sufficient new capital over the coming weeks.

- *Growth of sales force and supplementary marketing efforts crucial for success*

To ensure a seamless transition, Pharming anticipates that Valeant's dedicated RUCONEST® sales force, a total of 11 people, will accept offers to join Pharming to continue the RUCONEST® sales effort in the US. The Company also plans to increase the size of this sales force to drive growth in US product sales, together with increased investments in medical science liaison personnel and additional marketing activities, including patient advocacy programmes and the provision of significant unconditional support for the HAEA (the US HAE patients association) and its programmes, as well as HAE centers of excellence in the US.

Valeant and Pharming will work closely on the transition for customers and HAE patients under a transition services agreement entered into at the same time as the transaction. This will enable Pharming to replace core functions currently undertaken by Valeant and its contractors in a timely manner.

Financial Highlights

Revenues

Revenues from product sales slightly increased in the first eight months of 2016 to €6.2 million from €5.6 million in the same period in 2015, as a result of increased US product sales. RUCONEST® sales in the US amounted to €5.0 million compared to €3.9 million in 2015; RUCONEST® sales in the EU & RoW amounted to €1.2 million compared to €1.8 million in 2015, as a result of SOBI adjusting inventory levels in Q1 2016.

Outside the US, revenue was 71% higher at the eight month stage than at the half year stage, showing a significantly improved performance in direct sales by Pharming and sales by our EU partner SOBI.

Other license fee income amounted to €1.5 million, which was in line with 2015. This license fee income reflects the release of accrued deferred license fees following the receipt of €21.0 million upfront and milestone payments in 2010 and 2013 from SOBI, Salix and CSIPI. It should be noted that the remaining license fee income related to Salix and Santarus which has not been released by the date of Closing of the acquisition will be released immediately and deducted from the acquisition cost in determining the level of intangible asset acquired. This is expected to be €4.7 million.

Gross Profit

Gross profit increased by €0.9 million to €4.7 million in the first eight months of 2016 compared with the same period in 2015, mainly as a result of an improving mix between US product sales, direct sales and sales by our EU partner SOBI. Compared with the first half of 2016, gross profit was up from €3.3 million to €4.7 million in the eight month period, an improvement of 42% in only two months.

Operating Costs

Operating costs increased to €13.2 million in the first eight months of 2016 from €12.0 million in the same period in 2015. Within this increase, R&D costs increased by €0.8 million to €9.6 million in the period, mainly due to costs for the expansion of our R&D site in the Netherlands and increased R&D activities related to process development costs for the new projects.

General and administrative costs increased by €0.3 million to €2.8 million in the first eight months of 2016 as a result of new hires.

Marketing and sales costs increased slightly in the first eight months of 2016 to €0.8 million compared to €0.7 million for the same period in 2015. These costs are for direct commercialization activities by Pharming in Germany, Austria, the Netherlands and support to other countries (outside US and EU).

Operating Result

As a result of the combination of the increase in gross profit and the increase of operating costs due to increased investment in new programs, the operating loss of €8.3 million in the first eight months of 2016 was only slightly increased relative to last year's loss for the same period (€8.1 million), despite the significant increase in R&D activity since then.

Financial Income and Expenses

The 2016 net loss on financial income and expenses was €1.0 million, compared with a (mainly non-cash) net gain of €2.5 million in 2015. This is predominantly due to the gain on revaluation of warrants of €2.3 million in 2015 and the interest expense in 2016 of €1.3 million on the loans and the interest expense on finance lease liabilities of €0.1 million. The gains on revaluation of warrants, which represented the bulk of last year's gain, represented only €0.3 million part of this year's loss, but are non-cash gains accounted for in accordance with IFRS which cannot actually be realized.

Net Result

As a result of the above items, the accounting net loss increased from €5.5 million in the first eight months of 2015 to €9.2 million in the same period in 2016. The increase of the net loss was mainly related to the increase in financial expenses as a result of interest on the loans and reduced non-cash income from revaluation of derivatives.

Cash and Cash Equivalents

The total cash and cash equivalent position (including restricted cash) decreased by €13.7 million from €31.8 million at year-end 2015 to €18.1 million at the end of August 2016. The decrease in cash mainly relates to increased R&D spend, offset by an increase in trade and current liabilities. In 2015, the change in cash balances was offset by entering into a US$17 million, four year straight debt (working capital) facility with Oxford Finance and Silicon Valley Bank and was mainly related to the build up of inventories. Cash at the end of the second quarter of 2016 was €21.7 million, and the decrease since then is mainly attributable to inventory costs for the most recent batches of RUCONEST® and the pre-payment of supply prices to our fill&finish partner BioConnection.

Equity

The Company's equity position amounted to €16.0 million at the end of August 2016 (31 December 2015: €23.8 million), mainly due to the net loss and the share-based compensation. In addition, it should be noted that the Company still has a significant amount of deferred license fee income (August 2016: €8.5 million) regarding non-refundable license fees received in 2010 and 2013 which will be recognised in the statement of income over the term of the license agreements involved, except that if the acquisition closes, the amount of €4.73 million will be released immediately from the deferred license fee revenue and used to defray the value of the acquired assets.

The number of outstanding issued shares at 31 August 2016 was 412,555,374 and at October 2, 2016 was 412,605,374.

Performance of Pharming Shares

During the first eight months of the year, Pharming's stock price fluctuated around an average price of €0.24 per share. The period-end price was €0.23 (31 August 2015: €0.30), with a high of €0.31 in March and a low of €0.17 occurring in June.

Outlook

For the remainder of 2016, the Company expects:

- Completion of the financing round to enable closing of the acquisition of the North American commercialization rights to RUCONEST® from Valeant, with the associated payment of $60 million (approximately €53.4 million)
- Investment in the production of RUCONEST® in order to ensure continuity of supply to the growing markets in the US, Europe and the rest of the world.
- Assessment of the Phase II clinical trial results for RUCONEST® in prophylaxis of HAE with the US FDA and EMA and the continued development and expansion of RUCONEST®.
- We will also continue to invest carefully in the new pipeline programs in Pompe Disease and Fabry Disease, as well as additional development opportunities and assets as these occur.
- Increasing marketing activity where this can be profitable for Pharming, in addition to our current territories of Austria, Germany and the Netherlands. From October, we will begin operations in the UK and France, followed by Belgium, Spain and Portugal, once reimbursement has been obtained where necessary.
- We will continue to support all our global marketing partners in order to enable the maximization 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 available to HAE patients.

Subject to acquisition of the North American commercialization rights to RUCONEST and maintenance of the current average level of sales of the product seen in the US in the third quarter of 2016 so far, we expect to achieve profitability at the operating level in the course of 2017. No further financial guidance for 2016 or 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 and rest of the world. 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 Austria, Germany and The Netherlands. From October 1, 2016, Pharming will also commercialize the product in Algeria, Andorra, Bahrain, Belgium, France, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates, United Kingdom 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 the United States by Valeant Pharmaceuticals International, Inc. (NYSE: VRX/TSX: VRX), following Valeant's acquisition of Salix Pharmaceuticals, Ltd.

RUCONEST® is distributed in Argentina, Colombia, Costa Rica, the Dominican Republic, Panama and Venezuela by Cytobioteck, 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 Shanghai Institute of Pharmaceutical Industry ("SIPI"), 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 SIPI and are funded by SIPI. 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.

Contact

Sijmen de Vries, CEO: T: +31 71 524 7400
Robin Wright, CFO : T: +31 71 524 7432

FTI Consulting

Julia Phillips/ Victoria Foster Mitchell, T: +44 203 727 1136

Pharming Group N.V.

Consolidated Interim Financial Statements (Unaudited)
For the first eight months ended 31 August 2016

Consolidated Statement of Income
For the first eight months ended 31 August

Amounts in €'000, except per share data	Notes	YTD 2016	YTD 2015
Product sales		6,196	5,663
Release of deferred license fee income		1,471	1,471
Revenues	6	**7,667**	**7,134**
Costs of product sales		(2,794)	(3,508)
Inventory impairments		(209)	200
Costs of sales	7	**(3,003)**	**(3,308)**
Gross profit		**4,664**	**3,826**
Other income		**242**	**93**
Research and development		(9,596)	(8,792)
General and administrative		(2,757)	(2,469)
Marketing and sales		(803)	(734)
Costs	7	**(13,156)**	**(11,995)**
Operating result		**(8,250)**	**(8,076)**
Fair value gain (loss) on revaluation derivatives		306	2,302
Other financial income and expenses		(1,301)	240
Financial income and expenses		**(995)**	**2,542**
Result before income tax		**(9,245)**	**(5,534)**
Income tax expense		-	-
Net result for the period		**(9,245)**	**(5,534)**
Attributable to:			
Owners of the parent		(9,245)	(5,534)
Total net result		**(9,245)**	**(5,534)**
Basic and diluted earnings per share (€)		(0.022)	(0.014)

Consolidated Statement of Comprehensive Income
For the first eight months ended 31 August

Amounts in €'000	YTD 2016	YTD 2015
Net result for the period	(9,245)	(5,534)
Currency translation differences	(2)	4
Items that may be subsequently reclassified to profit or loss	(2)	4
Other comprehensive income, net of tax	(2)	4
Total comprehensive income for the period	(9,247)	(5,530)
Attributable to:		
Owners of the parent	(9,247)	(5,530)

Consolidated Balance Sheet
As at date shown

Amounts in €'000	Notes	31 August 2016	31 December 2015
Intangible assets		689	724
Property, plant and equipment		5,917	5,661
Restricted cash		270	200
Long term prepayment	8	1,000	-
Non-current assets		**7,876**	**6,585**
Inventories	9	18,842	16,229
Trade and other receivables		4,921	3,220
Cash and cash equivalents		17,802	31,643
Current assets		**41,565**	**51,092**
Total assets		**49,441**	**57,677**
Share capital		4,126	4,120
Share premium		283,528	283,396
Legal reserves		64	66
Accumulated deficit		(271,727)	(263,743)
Shareholders' equity	10	**15,991**	**23,839**
Loans and borrowings	11	8,990	11,757
Deferred license fees income		6,376	7,808
Finance lease liabilities		718	798
Non-current liabilities		**16,084**	**20,363**
Loans and borrowings	12	5,653	3,047
Deferred license fees income		2,167	2,207
Derivative financial liabilities	13	642	953
Trade and other payables		8,645	7,005
Finance lease liabilities		259	263
Current liabilities		**17,366**	**13,475**
Total equity and liabilities		**49,441**	**57,677**

Consolidated Statement of Cash Flows
For the first eight months ended 31 August

Amounts in €'000	YTD 2016	YTD 2015
Operating result	**(8,250)**	**(8,076)**
Non-cash adjustments:		
Depreciation, amortization	405	352
Accrued employee benefits	1,261	1,814
Deferred license fees	(1,471)	(1,471)
Operating cash flows before changes in working capital	**(8,055)**	**(7,381)**
Changes in working capital:		
Inventories	(2,613)	(2,216)
Trade and other receivables	(1,701)	(3,241)
Payables and other current liabilities	1,636	(831)
Total changes in working capital	**(2,678)**	**(6,288)**
Changes in non-current assets, liabilities and equity	**(738)**	**256**
Net cash flows used in operating activities	**(11,471)**	**(13,413)**
Capital expenditure for property, plant and equipment	(893)	(616)
Divestments of assets	-	2
Net cash flows used in investing activities	**(893)**	**(614)**
Proceeds of debt loans	-	15,524
Payments of transaction fees and expenses	-	(608)
Payments of finance lease liabilities	-	(12)
Repayments of loans	(1,096)	(150)
Net cash flows from financing activities	**(1,096)**	**14,754**
Increase (decrease) of cash	**(13,460)**	**727**
Exchange rate effects	(311)	273
Cash and cash equivalents at 1 January	31,843	34,385
Total cash at 31 August	**18,072**	**35,385**
Of which restricted cash	270	200
Cash and cash equivalents at 31 August	**17,802**	**35,185**

Consolidated Statement of Changes in Equity
For the first eight months ended 31 August

Attributable to owners of the parent

Amounts in €'000	Notes	Number of shares	Share capital	Share Premium
Balance at 1 January 2015		407,686,599	4,077	282,260
Result for the period			-	-
Other comprehensive income			-	-
Total comprehensive income			-	-
Share-based compensation		-	-	-
Bonuses settled in shares		523,813	5	168
Shares issued for cash			-	-
Warrants exercised/ issued			-	-
Options exercised		56,250	-	3
Total transactions with owners recognized directly in equity		580,063	5	171
Balance at 31 August 2015		408,266,662	4,082	282,431
Balance at 1 January 2016		411,971,790	4,120	283,396
Result for the period			-	-
Other comprehensive income			-	-
Total comprehensive income			-	-
Share-based compensation		-	-	-
Bonuses settled in shares	10	533,584	5	121
Shares issued for cash		-	-	-
Warrants exercised/ issued		50,000	1	11
Options exercised		-	-	-
Total transactions with owners, recognized directly in equity		583,584	6	132
Balance at 31 August 2016		412,555,374	4,126	283,528

Attributable to owners of the parent

Amounts in €'000	Notes	Legal reserves	Accumulated Deficit	Total Equity
Balance at 1 January 2015		36	(256,530)	29,843
Result for the period		-	(5,534)	(5,534)
Other comprehensive income		4	-	4
Total comprehensive income		4	(5,534)	(5,530)
Share-based compensation		-	1,814	1,814
Bonuses settled in shares		-	-	173
Shares issued for cash		-	-	-
Warrants exercised/ issued		-	-	-
Options exercised		-	-	3
Total transactions with owners, recognized directly in equity		-	1,814	1,990
Balance at 31 August 2015		41	(260,250)	26,303
Balance at 1 January 2016		66	(263,743)	23,839
Result for the period		-	(9,245)	(9,245)
Other comprehensive income		(2)	-	(2)
Total comprehensive income		(2)	(9,245)	(9,247)
Share-based compensation		-	1,261	1,261
Bonuses settled in shares	10	-	-	126
Shares issued for cash		-	-	-
Warrants exercised/ issued		-	-	12
Options exercised		-	-	-
Total transactions with owners, recognized directly in equity		-	1,261	1,399
Balance at 31 August 2016		64	(271,727)	15,991

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 eight months ended 31 August 2016 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 2015, which have been prepared in accordance with with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committtee (IFRS IC) interpretations applicable to companies reporting under IFRS as adopted by the European Union and valid as of the balance sheet date.

Going concern assessment

In preparing and finalising the consolidated interim financial statements for the eight months ended 31 August 2016, The Board of Management of Pharming has, , 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 one year after the date of signing of these consolidated interim financial statements is realistic and achievable.

3. *Accounting policies*

Compared to the financial statements for the year ended 31 December 2015, the Company haschanged the consolidated statement of cash flows from the direct method to the indirect method. The main difference is the presentation and determination of cash flows from operating activities. Under the indirect method the figure is produced by adjusting the profit and loss by removing the effects of non-cash items and changes in working capital. The Company has chosen the operating result as a starting point for the reconciliation because most of the other elements in the net result have a non-cash nature. This way the statement properly reflects the cash flows.
The reasons for the Company for this change are: Clear reconciliation with income statement through operating result, and balance sheet through working capital changes, more relevant information about the Company's cash flow and more consistency with market standards.
Besides the above mentioned, the accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2015.

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 apllied to the consolidated financial statements for the ended 31 December 2015.

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 RUCONEST® business. From a geographic perspective, the Company is operating in two main segments: the US, and the Rest of the World (Europe & RoW). The Board of Management primarily measures revenues to assess the performance of the operating segments, because prices for RUCONEST® are not in its control, and therefore it can not influence gross profit. Costs and assets are not allocated to the geographic segments.

Total revenues per geographic segment for the first eight months:

Amounts in €'000 (unaudited)	YTD to 31 August 2016	First Six months to 30 June 2016	Change	YTD to 31 August 2015
USA:				
Product Sales	4,968	3,504	1,464	3,918
Deferred License Revenue released	758	568	190	757
Total	**5,726**	**4,072**	**1,654**	**4,675**
Europe & RoW:				
Product Sales	1,227	666	561	1,745
Deferred License Revenue released	714	536	178	714
Total	**1,941**	**1,202**	**739**	**2,459**
Total Revenue	**7,667**	**5,274**	**2,393**	**7,134**

7. *Expenses by nature*

Cost of product sales in the first eight months of 2016 amounted to €2.8 million (YTD 2015: €3.5 million). Inventory impairments amounted to an addition of €0.2 million (2015: reversal 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 €13.2 million from €12.0 million in the first eight months of 2015. The increase is a result of the increased costs for the new R&D sites in France and the Netherlands and increased R&D activities in the Netherlands.

In the first eight months of 2016, Research and Development costs increased by €0.8 million compared to the same period in 2015 and amounted to €9.6 million, General and Administrative costs increased to €2.8 million from €2.5 million in the same period in 2015 and Marketing and Sales costs increased by €0.1 million to €0.8 million in the same period in 2015.

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	YTD 2016	YTD 2015
Property, plant and equipment	(370)	(317)
Intangible assets	(35)	(35)
Total	**(405)**	**(352)**

The increase of depreciation charges of property, plant and equipment in the first eight months of 2016 as compared to 2015 stems from investments.

Amortisation charges of intangible assets have been fully allocated to research and development costs in the statement of income; for property, plant and equipment, in the first eight months of 2016 an amount of €302k was charged to research and development costs (YTD 2015: €244k) and €68k to general and administrative expenses (YTD 2015: €73k).

8. Long term prepayment

The Long term prepayment is part of a new manufacturing agreement with BioConnection B.V. and represents two of a total of four instalments, each of €500,000. BioConnection may decide at its sole discretion to lower the total amount of the last 2 instalments that are due in 2017. The prepayment will be settled by Bioconnection for paying for Drug Product batches in the future. The Company does not expect to settle the instalments within 1 year.

9. Inventories

Inventories include batches RUCONEST® and skimmed milk produced and available for conversion to RUCONEST®.

Amounts in €'000	31 August 2016	31 December 2015
Finished goods	9,939	11,397
Work in progress	6,820	3,232
Raw materials	2,083	1,600
Balance at end of period	**18,842**	**16,229**

The inventory valuation at 31 August 2016 is stated net of a provision of €0.4 million (2015: €0.5 million) to write inventories down to their net realisable value.

Changes in the adjustment to net realisable value:

Amounts in € '000	31 August 2016	31 December 2015
Balance at 1 January	(462)	(1,691)
Reversal of (addition to) impairment for the year	(230)	247
Related to costs of product sales	291	548
Related to operating costs	5	434
Balance at end of period	**(396)**	**(462)**

In 2016, the addition of €0.2 million was based on adjusted sales forecasts. The impaired amount related to operating costs was used for investigational medicinal product drugs in clinical studies.

Cost of inventories included in the cost of product sales in the first eight months of 2016 amounted €2.8 million (2015: €3.5 million). The vast majority of inventories at 31 August 2016 has expiration dates starting beyond 2018 and is expected to be sold or used before expiration.

10. Equity

The Company transferred an aggregate number of 533,584 shares to members of the Board of Management and employees in lieu of bonus rights for the year 2015.

A total of 50,000 warrants were exercised in exchange for 50,000 shares.

11. Loans and borrowings

On 20 July 2015, the Company entered into a straight debt financing with Oxford Finance LLC and Silicon Valley Bank (the Lenders).

Under the terms and conditions of the agreement, the Lenders provide USD17 million (net €15.5 million) secured senior debt funding against 48 months' promissory notes with a 7.02% fixed interest per annum. The initial 12 months of the notes are interest payments only, followed by monthly re-payment of the notes in a 36 months' straight amortization scheme. In 2016 the total amount of interest was €1.3 million.

As further consideration for the facility, the Lenders have received 2,315,517 warrants (amounting to a 3.95% warrant coverage) with a strike price of €0.29, representing the average closing price of Pharming shares over the last ten days prior to the date of the loan, and a final payment on maturity (1 July 2019) of 9% of the principal sum. Other facility fees of €0.6 million have been deferred from the original loans.

The Company and its subsidiaries have pledged all of its receivables, tangible assets and intellectual property rights as collateral security to the Lenders.

After initial recognition at fair value, the carrying amount of the loan is restated at each reporting date.

In case of a change in the underlying cash flows, the carrying amount of the loan is restated to the net present value of the underlying cash flows discounted at the effective interest rates of 12.2% and 13.1%.

The Loans can be summarised as follows:

Amounts in € '000	31 August 2016	31 December 2015
Loans from banks	14,643	14,804
Current portion of the long-term loans due within one year	(5,653)	(3,047)
Portion of long-term loans due after one year	8,990	11,757

The remaining lifetimes of the loans are less than 5 years.

12. Derivative financial liabilities

Derivative financial liabilities relate to financial instruments and include warrants issued in relation to the issue of equity. Derivative financial liabilities include the initial fair value of the 4,253,125 warrants issued in connection with the private placements in October 2013 and the Loan and Security Agreement with Oxford Finance LLC and Silicon Valley Bank, as well as changes in the fair value of the warrants resulting from adjustments of their exercise prices. All outstanding warrants were revalued for accounting purposes at 31 August 2016.

Movement of derivative financial liabilities can be summarised as follows:

Amounts in € '000	Period to 31 August 2016	Year to 31 December 2015
Balance at 1 January	953	4,266
Initial recognition upon issue	-	590
Fair value losses (gains) derivatives	(306)	(3,380)
Exercise of warrants	(5)	(523)
Balance at end of period	**642**	**953**

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

13. Commitments and contingencies

In the first eight months of 2016, the Company entered into a Manufacture and Service Agreement with BioConnection for the fill & finish of RUCONEST® (Drug Product), placebo and other products. In July 2016, the Company entered into a Manufacturing Service Agreement with Therapure, Inc. of Canada with respect to process development for one of the Company's new programs.

There were no other material changes to the commitments and contingent liabilities from those disclosed in Note 28 of the 2015 Annual Report.

14. Fully-diluted shares

The total number of outstanding shares at 2 October 2016 is 412,605,374.

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.

	2 October 2016
Shares	412,605,374
Warrants	4,203,125
Options	43,300,672
LTIP	5,092,396
Issued	**465,201,567**
Available for issue	184,798,433
Authorised share capital	**650,000,000**

15. Events since the end of the reporting period

The Company has announced that it will hold an extraordinary general meeting of shareholders on 5 October 2016, at which the Board of Management is proposing that the Authorised Share Capital be increased by 150 million new shares to ensure to enable the financing associated with the acquisition of North American rights to Ruconest® to succeed.

Apart from this, there have been no significant events since the end of the reporting period which are not already explained in the text of this report.