Pharming Group reports strong financial results for the first half of 2019

Delivered 31% increase in revenue, 51% increase in operating profit and 60% increase in net profit year-on-year

Delivered 21% increase in revenue, with increases in operating profit and net profit compared to Q1 2019

Increased investment in pipeline to support long-term growth

***Leiden, The Netherlands*, 25 July 2019:** Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) presents its (unaudited) interim financial report for the first half year ended 30 June 2019.

The Company will hold a conference call at 13:00 CET / 07:00 EST today: dial-in details can be found on pages 4 and 5.

Financial summary

6 months to 30 June

Amounts in €m except per share data	*2019 1st Half*	*2018 1st Half *restated*	*% Change*
Income Statement			
Revenues	77.9	59.5	*31%*
Gross profit	67.0	50.0	*34%*
Operating result	24.6	16.3	*51%*
Net result	13.6	8.5*	*60%*
Balance Sheet			
Cash & marketable securities	65.3	66.9	*(2%)*
Share Information			
Earnings per share (€): - Undiluted	0.022	0.014*	*57%*
- Fully diluted	0.020	0.013*	*54%*

* *After restatement on the basis set out above and in Note 4 to the Financial Statements in the Annual Report 2018.*

Financial highlights

- The Company made record revenues in the first half year, an increase of 31% to €77.9 million, from €59.5 million for the same period last year. Comparing the two first quarters of this year, the increase was approximately 21% to €42.7 million, in the second quarter compared with €35.2 million during the first quarter of this year.
- US net product sales increased 33% year-on-year to €75.0 million (H1 2018: €56.3 million), and 21% quarter on quarter to €40.9 million from €33.7 million in the first quarter of 2019, reflecting strong growth despite a more competitive marketplace. In Europe and the rest of the world, product sales for the first six months of 2019 were flat at €2.5 million (H1 2018: €2.5 million), mainly due to increased competition in certain Eastern European markets after competitor product launches, balanced by limited growth for Pharming direct markets which are affected by national revenue caps.

- Operating profits rose by 51% to €24.6 million, compared to €16.3 million in the same period last year, reflecting an improvement in gross margin and better cost controls. Increased expenditure on our pre-eclampsia and Acute Kidney Injury studies relative to the first quarter, on production of our alpha-glucosidase product for Pompe disease and on capacity improvements led to lower 2% growth in operating profit quarter on quarter, from €12.2 million in Q1 2019 to €12.4 million in Q2 2019.
- Net profit increased by 60% to €13.6 million, compared to €8.5 million for H1 2018. Quarter on quarter, the increase was in line with that on operating profit from €6.7 million in the first quarter to €6.9 million in the second quarter.
- Positive cashflows during the quarter were driven by strong revenue, generating almost €10 million above the cash required for operating costs. This was then reduced by the quarterly instalment of €7.7 million of the principal amount of the Company's outstanding loan including associated fees and the (one- off) strategic investment of €2.5 million in our fill & finish partner Bioconnection, and the costs of capacity improvements. The net effect of investment and deleveraging resulted in a stable cash position to €65.3 million, down slightly from €66.5 million at 31 March 2019 (and €66.9 million at 30 June 2018).
- The equity position improved from €61.8 million at the end of December 2018 to €77.5 million at the end of the first half of 2019 (H1 2018: €39.8 million), reflecting the net result for the period.
- Right-of-use assets in the non-current assets section of the balance sheet, and lease liabilities under current and non-current liabilities, show the effects of new disclosures of items acquired under leases under the new financial standard IFRS 16. These changes have had no material net effect on operating results during the quarter.
- Other financial liabilities, which refers to the contingent consideration for the milestones, reflects the payment of the first successful sales performance milestone in March 2019 and the revised probability and timing for paying the last milestone. The next milestone will appear in current liabilities once it is certain of being incurred, which is expected to happen later this year.
- Since the last reporting date of 15 May 2019, the Company has issued or reserved for issue a total of 2,467,074 shares in connection with a number of exercises of options under the current schemes, and has committed a further 15,414,026 shares under the existing approved employee option and long term incentive plan programs. The number of issued shares as at 25 July 2019 is 626,798,839. The fully diluted number of shares as at 25 July 2019 is 681,535,016.

Sijmen de Vries, Chief Executive Officer, commented:

"We are pleased to report strong results today, demonstrating continued growth in a period of intense competition. Pharming's revenue and profit performance confirm our in-market strategy as we see continued growth from existing and new patients requesting or being prescribed RUCONEST® as their preferred breakthrough therapy as well as medication for acute hereditary angioedema (HAE) attacks. We expect this underlying demand for the product to continue to drive sales growth as we enter the second half of the year. As a result of this demand and the regular need to provide ad hoc supplies in various EU markets following temporary shortages of plasma derived products, we are now seeing short term pressure on supplies of product for the European market. This pressure will be eliminated upon validation of our new production facility, expected during Q1 next year. We are doing everything possible in the mean time to minimize this issue.

In addition, we are making good progress in our pipeline. Following approval from the Dutch investigating centre's ethics committee, we are working to commence our clinical study of the

effects of our recombinant human C1 esterase inhibitor (RUCONEST®) in patients with pre-eclampsia.
We expect to initiate a second major clinical trial with RUCONEST® in the second half of the year to treat acute kidney injury in patients undergoing percutaneous coronary interventions accompanied by contrast-enhanced examinations. An announcement will be made once this study has been approved to begin by the relevant authorities.

While the solid growth performance of RUCONEST® in HAE is the engine room of Pharming's profitable underlying business, we see very large growth potential in these new indications, each of which addresses a separate currently-unmet medical need with sales potential well over $1 billion. Together with our next protein replacement therapy product for Pompe disease and a later one for Fabry disease, these offer prospects for a very bright future for Pharming and all its stakeholders."

Outlook

For the remainder of 2019, the Company expects:

- Continued growth in revenues from sales of RUCONEST®, mainly driven by the USA and European operations.
- Maintenance of positive quarterly net earnings during the year.
- Continued investment in the expansion of production of RUCONEST® in order to ensure continuity of supply to the growing markets in the US, Europe, China and the Rest of the World.
- Investment in clinical trials for pre-eclampsia and acute kidney injury, and support for investigators wishing to explore additional indications for RUCONEST®
- Re-evaluation of the most advantageous new routes of administration while we focus on supplying all patients looking to receive RUCONEST® therapy.
- Investment in development of the new pipeline programs in Pompe disease and Fabry's disease, and purchase or license of other new development opportunities and assets.
- Increasing marketing activity where this can be profit-enhancing for Pharming.
- Supporting all our teams and marketing partners in order to enable the maximisation of the sales and distribution potential of RUCONEST® for patients in all territories.

Statement of the Board of Management

The Board of Management declares that to the best of its knowledge and in accordance with applicable reporting principles, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Pharming, and the half-year report incorporated in this press release includes a fair review of the development and performance of the business and the position of the Company, together with additional information on certain risks associated with the expected development of the Company.

Board of Management:
Sijmen de Vries, CEO
Bruno Giannetti, COO
Robin Wright, CFO

About Pharming Group N.V.

Pharming is a specialty pharmaceutical company developing innovative products for the safe, effective treatment of rare diseases and unmet medical needs. Pharming's lead product, RUCONEST® (conestat alfa) is a recombinant human C1 esterase inhibitor approved for the treatment of acute Hereditary Angioedema ("HAE") attacks in patients in Europe, the US, Israel and South Korea. The product is available on a named-patient basis in other territories where it has not yet obtained marketing authorization.

RUCONEST® is distributed by Pharming in Austria, France, Germany, Luxembourg, the Netherlands, the United Kingdom and the United States of America. Pharming holds commercialisation rights in Algeria, Andorra, Bahrain, Belgium, Ireland, Jordan, Kuwait, Lebanon, Morocco, Oman, Portugal, Qatar, Syria, Spain, Switzerland, Tunisia, United Arab Emirates and Yemen. In some of these countries distribution is made in association with the HAEi Global Access Program (GAP).

RUCONEST® is distributed by Swedish Orphan Biovitrum AB (publ) (SS: SOBI) in the other EU countries, and in Azerbaijan, Belarus, Georgia, Iceland, Kazakhstan, Liechtenstein, Norway, Russia, Serbia and Ukraine.

RUCONEST® is distributed in Argentina, Colombia, Costa Rica, the Dominican Republic, Panama, and Venezuela by Cytobioteck, in South Korea by HyupJin Corporation and in Israel by Kamada.

RUCONEST® is also being examined for approval for the treatment of HAE in young children (2-13 years of age) and evaluated for various additional follow-on indications.

Pharming's technology platform includes a unique, GMP-compliant, validated process for the production of pure recombinant human proteins that has proven capable of producing industrial quantities of high quality recombinant human proteins in a more economical and less immunogenetic way compared with current cell-line based methods. Leads for enzyme replacement therapy ("ERT") for Pompe and Fabry's diseases are being optimized at present, with additional programs not involving ERT also being explored at an early stage at present.

Pharming has a long-term partnership with the China State Institute of Pharmaceutical Industry ("CSIPI"), a Sinopharm company, for joint global development of new products, starting with recombinant human Factor VIII for the treatment of Haemophilia A. Pre-clinical development will take place to global standards at CSIPI and are funded by CSIPI. Manufacturing for the Chinese market and to provide additional supply for Pharming will take place at CSIPI's affiliate, the Chengdu Institute of Biological Products Co. Ltd. Clinical development will be shared between the partners with each partner taking the costs for their territories under the partnership.

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.

For further public information, 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
LifeSpring Life Sciences Communication
Leon Melens, Tel: +31 6 53 81 64 27

Conference call information

From the Netherlands:	+31 207095189
	Toll-Free: 08004050000
From the UK:	+44 3333000804
	Toll-Free: 08003589473
From Belgium:	+32 24035814
	Toll-Free: 080029913
From France:	+33 170750711
	Toll-Free: 0800946608
From Switzerland:	+41 225809034
	Toll-Free: 0800721298
From the US:	+1 6319131422
	Toll-Free: +1 855 85 70686

For other numbers, please see:
http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

Conference call PIN: 63072535#

Presentation link:
https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=e1d8b2e7bd72c6e5d446d5109b80d36e8

Presentation Password: 301295111

Pharming Group N.V.

Consolidated Interim Financial Statements (unaudited)
For the first six months ended 30 June 2019

- Consolidated statement of income
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated statement of cash flows

Notes to the consolidated interim financial statements

Appendix: Main Financial Statements reported in US dollars

(This appendix is not part of the Consolidated Interim Financial Statements)

- Consolidated statement of income in US Dollar
- Consolidated balance sheet in US Dollar
- Consolidated statement of cash flows in US Dollar

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Consolidated Statement of Income

For the first six months ended 30 June

Amounts in € '000	notes	HY 2019	HY 2018 restated *
Revenues	7	**77,935**	**59,454**
Costs of sales	8	**(10,956)**	**(9,473)**
Gross profit		**66,979**	**49,981**
Other income		**148**	**300**
Research and development		(14,877)	(12,013)
General and administrative		(6,842)	(5,242)
Marketing and sales		(20,776)	(16,736)
Costs	8	**(42,495)**	**(33,991)**
Operating result		**24,632**	**16,290**
Fair value gain (loss) on revaluation derivatives		(8)	(1,218)
Other financial income	9	506	1,181
Other financial expenses *	9	(6,767)	(6,802)
Financial income and expenses		**(6,269)**	**(6,839)**
Share of net profits in associates using the equity method	10	**299**	
Result before income tax		**18,662**	**9,451**
Income tax credit (expense)		(5,068)	(932)
Net result for the year		**13,594**	**8,519**
Attributable to:			
Owners of the parent		13,594	8,519
Total net result		**13,594**	**8,519**
Basic earnings per share (€)	15	0.022	0.014
Fully-diluted earnings per share (€)	15	0.020	0.013

* Prior year's interim financial statements for the first six months have been restated, as disclosed in note 6

The notes are an integral part of these interim financial statements

Consolidated Statement of Comprehensive Income

For the first six months ended 30 June

Amounts in € '000	HY 2019	HY 2018 restated *
Net result for the year	**13,594**	**8,519**
Currency translation differences	(200)	(160)
Items that may be subsequently reclassified to profit or loss	**(200)**	**(160)**
Other comprehensive income (loss), net of tax	**(200)**	**(160)**
Total comprehensive income (loss) for the year	**13,394**	**8,359**
Attributable to:		
Owners of the parent	13,394	8,359

* Prior year's interim financial statements for the first six months have been restated, as disclosed in note 6

The notes are an integral part of these interim financial statements

Consolidated Balance Sheet
As at date shown

Amounts in € '000	notes	30 June 2019	31 December 2018
Non-current assets			
Intangible assets		51,516	52,435
Property, plant and equipment		8,758	8,402
Right-of-use assets	11	6,264	-
Long-term prepayments		-	2,006
Deferred tax assets		31,286	35,082
Investments accounted for using the equity method	10	5,377	-
Restricted cash		1,379	1,204
Total non-current assets		**104,580**	**99,129**
Current assets			
Inventories	12	12,705	17,315
Trade and other receivables		24,624	17,814
Cash and cash equivalents		63,886	80,311
Total current assets		**101,215**	**115,440**
Total assets		**205,795**	**214,569**

Equity			
Share capital		6,257	6,215
Share premium		389,310	387,525
Legal reserves		1,757	1,647
Accumulated deficit		(319,834)	(333,636)
Shareholders' equity	13	**77,490**	**61,751**
Non-current liabilities			
Loans and borrowings	14	25,262	37,267
Deferred tax liabilities		55	87
Contract liabilities		267	667
Lease liabilities	11	4,745	164
Other financial liabilities		32,003	32,034
Total non-current liabilities		**62,332**	**70,219**
Current liabilities			
Loans and borrowings	14	33,607	35,235
Contract liabilities		800	800
Derivative financial liabilities		127	228
Trade and other payables		29,438	28,589
Lease liabilities	11	2,001	263
Other financial liabilities		-	17,484
Total current liabilities		**65,973**	**82,599**
Total equity and liabilities		**205,795**	**214,569**

The notes are an integral part of these interim financial statements

Consolidated Statement of Changes in Equity

For the first six months ended 30 June

Attributable to owners of the parent

Amounts in € '000	notes	Number of shares (in '000)	Share capital	Share premium
Balance at 1 January 2018 as reported in HY report		579,015	5,790	370,220
Restatement 2017 *				(6,402)
Balance at 1 January 2018 after restatement		579,015	5,790	363,818
Result for the year			-	-
Other comprehensive income (loss) for the year			-	-
Total comprehensive income (loss) for the year			-	-
Share-based compensation			-	-
Bonuses settled in shares		961	10	354
Shares issued for cash/ conversion of bonds		2,746	27	753
Warrants exercised/ issued		10,349	103	3,726
Options exercised		17,340	174	12,707
Total transactions with owners, recognised directly in equity		**31,396**	**314**	**17,540**
Balance at 30 June 2018		**610,411**	**6,104**	**381,358**
Restatement 2018	6			(384)
Balance at 30 June 2018 after restatement		**610,411**	**6,104**	**380,974**
Balance at 1 January 2019		**621,501**	**6,215**	**387,525**
Result for the year			-	-
Other comprehensive income (loss) for the year			-	-
Total comprehensive income (loss) for the year			-	-
Legal reserves development expenses			-	-
Share-based compensation		-	-	-
Bonuses settled in shares	13	3	-	3
Shares issued for cash/ conversion of bonds	13	1,635	16	228
Warrants exercised/ issued	13	180	1	158
Options exercised	13	2,564	25	1,396
Total transactions with owners, recognised directly in equity		**4,382**	**42**	**1,785**
Balance at 30 June 2019		**625,883**	**6,257**	**389,310**

* restatement as reported in the financial statements 2018

The notes are an integral part of these interim financial statements

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Attributable to owners of the parent

Amounts in € '000	notes	Legal reserves	Accumulated deficit	Total equity
Balance at 1 January 2018 as reported in HY report		(938)	(356,270)	**18,802**
Restatement 2017 *			3,710	(2,692)
Balance at 1 January 2018 after restatement		(938)	(352,560)	**16,110**
Result for the year		-	6,355	**6,355**
Other comprehensive income (loss) for the year		(160)	-	**(160)**
Total comprehensive income (loss) for the year		**(160)**	**6,355**	**6,195**
Share-based compensation		-	1,133	**1,133**
Bonuses settled in shares		-	-	**364**
Shares issued for cash/ conversion of bonds		-	-	**780**
Warrants exercised/ issued		-	-	**3,829**
Options exercised		-	(3,319)	**9,562**
Total transactions with owners, recognised directly in equity		**-**	**(2,186)**	**15,668**
Balance at 30 June 2018		**(1,098)**	**(348,391)**	**37,973**
Restatement 2018	6		2,164	1,780
Balance at 30 June 2018 after restatement		**(1,098)**	**(346,227)**	**39,753**
Balance at 1 January 2019		**1,647**	**(333,636)**	**61,751**
Result for the year		-	13,594	**13,594**
Other comprehensive income (loss) for the year		(200)	-	**(200)**
Total comprehensive income (loss) for the year		**(200)**	**13,594**	**13,394**
Legal reserves development expenses		310	(310)	**-**
Share-based compensation		-	1,350	**1,350**
Bonuses settled in shares	13	-	-	**3**
Shares issued for cash/ conversion of bonds	13	-	(244)	**-**
Warrants exercised/ issued	13	-	-	**159**
Options exercised	13	-	(588)	**833**
Total transactions with owners, recognised directly in equity		**310**	**208**	**2,345**
Balance at 30 June 2019		**1,757**	**(319,834)**	**77,490**

* restatement as reported in the financial statements 2018

The notes are an integral part of these interim financial statements

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Consolidated Statement of Cash Flows

For the first six months ended 30 June

Amounts in €'000	HY 2019	HY 2018
Operating result	**24,632**	16,290
Non-cash adjustments:		
Depreciation, amortisation, impairment	2,794	1,903
Accrued employee benefits	1,350	1,750
Release contract liabilities	(400)	(403)
Operating cash flows before changes in working capital	**28,376**	**19,540**
Changes in working capital:		
Inventories	4,610	(4,829)
Trade and other receivables	(7,379)	(5,515)
Payables and other current liabilities	170	(444)
Total changes in working capital	**(2,599)**	**(10,788)**
Changes in non-current assets, liabilities and equity	(605)	814
Cash generated from (used in) operations before interest and taxes	**25,172**	**9,566**
Interest received	475	-
Income taxes paid	(625)	-
Net cash flows generated from (used in) operating activities	**25,022**	**9,566**
Capital expenditure for property, plant and equipment	(1,216)	(1,380)
Investment intangible assets	(521)	(634)
Investment in associates	(2,503)	-
Net cash flows used in investing activities	**(4,240)**	**(2,014)**
Repayment on loans and borrowings	(15,533)	(2,238)
Payment on contingent consideration	(17,635)	-
Interests on loans	(4,830)	(5,384)
Principle element of lease payments	(619)	-
Proceeds of equity and warrants	992	6,907
Net cash flows generated from (used in) financing activities	**(37,625)**	**(715)**
Increase (decrease) of cash	**(16,843)**	**6,837**
Exchange rate effects	593	75
Cash and cash equivalents at 1 January	81,515	59,993
Total cash and cash equivalents at 30 June	**65,265**	**66,905**

The notes are an integral part of these interim financial statements

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*

The consolidated interim financial statements for the six-month ended 30 June 2019 have been prepared in accordance with Accounting Standard 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 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS as endorsed by the European Union and valid as of the balance sheet date.

3. *Accounting policies*

The Company has adopted the new IFRS 16 *Leases* as at January 1, 2019. The impact of this new standard has been disclosed in Note 11. Other accounting policies are consistent with those of the financial statements for the year ended 31 December 2018.

4. *Estimates and judgements*

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

5. *Seasonality of operations*

Seasonality has no material impact on Company's interim financial statements.

6. *Restatement*

The Company restated prior year's interim financial statements due to an adjustment in the accounting of the convertible bond. The accounting for the conversion of the convertible bond appeared to be inappropriate and has been adjusted accordingly. For the first six months of the year 2018, the restated net result becomes €8.5 million, an improvement of the net result of €2.2 million compared to the previously reported results.
The impact on the consolidated statement of income for the first six months of 2018 is as follows:

Amounts in € '000	HY 2018 as reported	Restatement	HY 2018 restated
Operating result	**16,290**	**-**	**16,290**
Fair value gain (loss) on revaluation derivatives	(1,218)	-	(1,218)
Other financial income	1,181	-	1,181
Other financial expenses	(8,966)	2,164	(6,802)
Financial income and expenses	**(9,003)**	**2,164**	**(6,839)**
Result before income tax	**7,287**	**2,164**	**9,451**
Income tax credit (expense)	(932)	-	(932)
Net result for the year	**6,355**	**2,164**	**8,519**
Attributable to:			
Owners of the parent	6,355	2,164	8,519
Total net result	**6,355**	**2,164**	**8,519**
Basic earnings per share (€)	0.011	0.003	0.014
Fully-diluted earnings per sahreBasic earnings per share (€)	0.010	0.003	0.013

This restatement has no impact on the full year's financial statements 2018. The restatement had already been adjusted in the fourth quarter 2018 and reported in the Annual Report 2018.

7. *Segment information*

The Board of Management is the chief operating decision-maker. The Board of Management considers the business from both a geographic and product perspective. From a product perspective, the Company's business is almost exclusively related to the recombinant human C1 esterase inhibitor business. From a geographic perspective, the Company is operating in the areas: the US, Europe and Rest of the world (RoW). The Board of Management primarily measures revenues to assess the performance of the operating areas. Costs and assets are not allocated to the geographic areas.

Total revenues and gross profit per geographic segment for the first half year:

Amounts in € '000	HY 2019	HY 2018
Revenues:		
US	75,018	56,328
Europe	2,105	2,627
RoW	812	499
Total revenues	**77,935**	**59,454**
Gross profit:		
US	66,194	49,365
Europe	202	227
RoW	583	389
Total gross profit	**66,979**	**49,981**

8. *Expenses by nature*

Cost of sales in the first half year of 2019 amounted to €11.0 million (HY 2018: €9.5 million). Inventory impairments amounted to an addition of €0.5 million in the first half of 2019 (2017: addition of €0.6 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.

Operating costs increased to €42.5 million from €34.0 million in the first half year of 2018. The increase is a result of the increased sales activities in the US, increased development costs for both our current product as the new pipeline, and increased cost for strengthening of supporting departments.

Employee benefits

Employee benefits are charged to research and development costs, general and administrative costs or marketing and sales costs based on the nature of the services provided.

Depreciation and amortisation charges

Amounts in € '000	HY 2019	HY 2018
Property, plant and equipment	(679)	(480)
Right-of-use assets	(674)	-
Intangible assets	(1,440)	(1,423)
Total	**(2,793)**	**(1,903)**

The depreciation on right-of-use assets relates to the adoption of IFRS 16 *Leases.* See Note 11

The increase of depreciation charges of property, plant and equipment in the first half year of 2019 compared to 2018 mainly relates to new milk production facilities in the Netherlands.
The amortisation of the intangible assets mainly relates to the re-acquired US commercialisation rights and are allocated to marketing and sales costs in the statement of income.

9. *Financial expenses*

Amounts in € '000	2019	2018 restated*
Interest income	475	17
Contingent consideration	31	1,164
Other financial income	**506**	**1,181**
Foreign currency results	(208)	(510)
Interest loans and borrowings	(6,229)	(6,306)
Settlement fees and expenses *	-	45
Other interest expenses	(330)	(31)
Other financial expenses	**(6,767)**	**(6,802)**
Total other financial income and expenses	**(6,261)**	**(5,621)**

* Prior year's interim financial statements have been restated, as disclosed under note 6

The increase of other interest expenses mainly relates to the interest of lease liabilities under IFRS 16.

10. *Share of net profits in associates using the equity method*

On April 7th 2019 Pharming Group, through its 100% subsidiary Pharming Technologies B.V., has taken a 43,85% stake in BioConnection B.V. through conversion of EUR 2.6 million of existing credits ("prepayments") and EUR 2.5 million of cash payment for a total of EUR 5.1 million.
BioConnection B.V. is a Dutch contract manufacturing organisation which offers flexible state-of-the-art development and GMP-compliant manufacturing services for sterile drug products.
BioConnection B.V. manufactures the sterile sealed vials of Pharming's product Ruconest from the purified drug substance.
Pharming Group's accounting policy for its indirect investment in BioConnection B.V. is the equity method. This means that this investment will be recognized at cost, EUR 5.1 million, which will be subsequently increased or decreased to recognise Pharming's share of the profit or loss of BioConnection B.V. after the date of acquisition, April 7, 2019.

The carrying amount of this investment has changed as follows after the date of acquisition:

Amounts in € '000	Period to 30 June 2019
Balance at 1 January	-
Carrying value initial recognition	5,078
Profit (loss) for the period	299
Balance at end of period	**5,377**

11. IFRS 16 adoption

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.

As part of the Company's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Company also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- hindsight has been used in determining the lease term

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Under IFRS 16 the Company recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in operating expenses.

Under IFRS 16 the Company separates the total amount of cash paid for leases that are on balance sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

The implication of IFRS 16 to leases classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities.

The table below sets out the adjustments recognised at the date of initial application of IFRS 16:

Amounts in € '000	31 December 2018 as reported	Impact of IFRS 16 adoption	1 January 2019 as restated
Non-current assets			
Right-of-use assets	-	4,883	4,883
Total impact on assets	-	**4,883**	**4,883**
Current liabilities			
Lease liabilities	164	1,500	1,664
Non-current liabilities			
Lease liabilities	263	3,383	3,646
Total impact on liabilities	427	**4,883**	**5,310**

Of the total right-of-use assets of €4.9 million recognized at 1 January 2019, €4.3 million related to leases of property and €0.6 million to cars.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019:

Amounts in € '000	
Operating lease commitments disclosed under IAS 17 at 31 December 2018	8,457
Short-term, low value and service commitments straight-line expensed under IFRS 16	(1,951)
Effect of discounting	(1,623)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	427
Lease liabilities recognised at 1 January 2019	5,310

The adoption of IFRS 16 resulted in a decrease in operating expenses and an increase in depreciation and interest expenses in the statement of income, compared to IAS 17. During the first six months ended 30 June 2019, the Company recognized under IFRS 16 the following amounts in the consolidated statement of income:

Amounts in € '000	HY 2019
Depreciation	674
Interest expenses	307
Total	981

On 1 June 2019 the Company entered into a new rental agreement for the head office, with a initial recognition of €2.0 million.

12. Inventories

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

Amounts in € '000	30 June 2019	31 December 2018
Finished goods	7,588	15,949
Work in progress	3,589	661
Raw materials	1,528	705
Balance at end of period	**12,705**	**17,315**

The inventory valuation at 30 June 2018 is stated net of a provision for obsolescence of €1.1 million (31 December 2018: €1.5 million) and €0.6 million (31 December 2018: €0.4 million) to write inventories down to their net realisable value.
Changes in the adjustment to net realisable value:

Amounts in € '000	Period to 30 June 2019	Period to 31 December 2018
Balance at 1 January	(435)	(336)
Reversal of (addition to) impairment for the year	(496)	(1,604)
Related to costs of product sales	328	1,455
Related to operating costs	23	50
Balance at end of period	**(580)**	**(435)**

In 2019, the addition to the impairment of €0.5 million was based on adjusted forecasts for sales.

Cost of inventories included in the cost of product sales in the first half year 2019 amounted €11.0 million (2018: €9.5 million). The main portion of inventories at 30 June 2019 has expiration dates starting beyond 2020 and is expected to be sold or used before expiration.

13. Equity

The Company's authorised share capital amounts to €8.0 million and is divided into 800,000,000 ordinary shares with a nominal value of €0.01 each. All 625,883,015 shares outstanding at 30 June 2019 have been fully paid-up. Other reserves include those reserves related to currency translation, share-based compensation expenses and other equity-settled transactions. In the first half year of 2019 a total of 4,381,777 new shares have been issued resulting from conversion of warrants, the issuance of LTIP shares, and the exercise of options. 2,474,230 new shares were issued for related parties.

Please refer to the consolidated statement of changes in equity.

14. Loans and borrowings

In 2017, the Company entered into a debt facility with Orbimed Royalty Opportunities II, LP to raise US$100 million (€91.3 million at 2017 exchange rate).

Under the terms and conditions of this debt facility, the lenders provided an amount of US$100 million secured senior debt funding against 48 months promissory notes with interest of the sum of (i) the Applicable Margin of 11% plus (ii) the greater of (x) One-Month LIBOR and (y) 1.00%. Quarterly repayment of the loan has been started in September 2018. The Company has the option to prepay the loan before its maturity date. As further consideration for the facility, the lenders received a 4% warrant coverage (9,174,372 warrants) with a strike price of €0.455 representing the closing price of Pharming shares immediately prior to the closing date, plus a 2.5% commitment fee of the principal sum and an assignment fee on the maturity date of US$3.7 million. The warrants have been separated from the loan and recognised in equity. On repayment of the loan, the Company has to pay an exit fee of 5%.

The Company, and its subsidiaries, have pledged all receivables, movable assets and intellectual property rights as security to the lenders.

Movements of the loan were as follows:

Amounts in € '000	Period to 30 June 2019	Period to 31 December 2018
Carrying value at 1 January	**72,502**	**80,725**
Amortised costs (financial income and expenses)	6,229	14,281
Interest paid (cash flow)	(4,830)	(11,063)
Repayment and exit fee	(15,533)	(15,137)
Revaluation loan	501	3,696
Carrying value at end of period	**58,869**	**72,502**
- Current portion	33,607	35,235
- Non-current portion	25,262	37,267

15. Fully-diluted shares

The total number of outstanding shares at 30 June 2019 was 625,883,015. The weighted average shares outstanding over the first half year were 623,156,974. The basic earnings per share, based on the weighted average, was € 0.022 for the first half year 2019.

For the fist six month of 2019 and 2018, the basic and fully diluted profit per share were:

	HY 2019	HY 2018 restated*
Net profit (loss) attributable to equity owners of the parent (in €'000)	13,594	8,519
Weighted average shares outstanding (in '000)	623,157	605,667
Basic profit (loss) per share (in €)	0.022	0.014
Weighted average fully-diluted shares outstanding (in '000)	666,094	661,979
Fully-diluted profit per share (in €)	0.020	0.013

* Prior year's interim financial statements for the first six months have been restated, as disclosed in note 6

The composition of the number of shares and share rights outstanding as well as authorised share capital as at 30 June 2019 and at the date of these financial statements is provided in the following tables:

	31 December 2018	Shares issued	Shares reserved	30 June 2019
Issued shares	621,501,238	4,381,777		625,883,015
Warrants	448,944	(180,000)		268,944
Options	34,320,956	12,591,405		46,912,361
LTIP	7,381,586	1,022,937		8,404,523
Fully-diluted shares	**663,652,724**	**17,816,119**		**681,468,843**
Available for issue	136,347,276			118,531,157
Authorised share capital	**800,000,000**			**800,000,000**

	30 juni 2019	Shares issued	Shares reserved	25 July 2019
Issued shares	625,883,015	852,651	63,173	626,798,839
Warrants	268,944	-		268,944
Options	46,912,361	(849,651)		46,062,710
LTIP	8,404,523	-		8,404,523
Fully-diluted shares	**681,468,843**	**3,000**	**63,173**	**681,535,016**
Available for issue	118,531,157			118,464,984
Authorised share capital	**800,000,000**			**800,000,000**

16. Events since the end of the reporting period

There have been no significant changes or material events since the reporting date.

Appendix: Main Financial Statements reported in US dollars

These statements are not part of the original Interim Financial Statements. The original Interim Financial Statements are reported in euros. In case of differences of interpretation between the Financial Statements in US dollars and the Financial Statements in euros, the Financial Statements in euros will prevail.

Exchange rate EUR/USD used:

- Statement of income HY 2018: 1.2101
- Statement of income HY 2019: 1.1311
- Balance sheet 31 December 2018: 1.1439
- Balance sheet 30 June 2019: 1.1387
- Cash flow HY 2018: 1.2101
- Cash flow HY 2019: 1.1311
- Cash balance as per 1 January 2018: 1.1911
- Cash balance as per 30 June 2018: 1.1644

Consolidated Statement of Income in US Dollars

For the first six months ended 30 June

Amounts in $ '000	HY 2019	HY 2018 restated *
Revenues	**88,152**	**71,945**
Costs of sales	**(12,392)**	**(11,463)**
Gross profit	**75,760**	**60,482**
Other income	**167**	**363**
Research and development	(16,827)	(14,537)
General and administrative	(7,739)	(6,343)
Marketing and sales	(23,500)	(20,252)
Costs	**(48,066)**	**(41,132)**
Operating result	**27,861**	**19,713**
Fair value gain (loss) on revaluation derivatives *	(9)	(1,474)
Other financial income	572	1,429
Other financial expenses *	(7,654)	(8,231)
Financial income and expenses	**(7,091)**	**(8,276)**
Share of net profits in associates using the equity method	**338**	-
Result before income tax	**21,108**	**11,437**
Income tax credit (expense)	(5,732)	(1,128)
Net result for the year	**15,376**	**10,309**
Attributable to:		
Owners of the parent	15,376	10,309
Total net result	**15,376**	**10,309**
Basic earnings per share ($)	0.025	0.017
Fully-diluted earnings per share ($)	0.023	0.016

* Prior year's interim financial statements for the first six months have been restated, as disclosed in note 6

Consolidated Balance Sheet in US Dollars

As at date shown

Amounts in $ '000	30 June 2019	31 December 2018
Non-current assets		
Intangible assets	58,661	59,980
Property, plant and equipment	9,973	9,611
Right-of-use assets	7,133	-
Long-term prepayments	-	2,295
Deferred tax assets	35,625	40,130
Investments accounted for using the equity method	6,123	-
Restricted cash	1,570	1,377
Total non-current assets	**119,085**	**113,393**
Current assets		
Inventories	14,468	19,807
Trade and other receivables	28,039	20,377
Cash and cash equivalents	72,747	91,868
Total current assets	**115,254**	**132,052**
Total assets	**234,339**	**245,445**
Equity		
Share capital	7,125	7,109
Share premium	443,307	443,290
Legal reserves	2,001	1,884
Accumulated deficit	(364,195)	(381,646)
Shareholders' equity	**88,238**	**70,637**
Non-current liabilities		
Loans and borrowings	28,765	42,630
Deferred tax liabilities	63	100
Contract liabilities	304	763
Lease liabilities	5,403	188
Other financial liabilities	36,442	36,643
Total non-current liabilities	**70,977**	**80,324**
Current liabilities		
Loans and borrowings	38,268	40,304
Contract liabilities	911	915
Derivative financial liabilities	145	261
Trade and other payables	33,521	32,703
Lease liabilities	2,279	301
Other financial liabilities	-	20,000
Total current liabilities	**75,124**	**94,484**
Total equity and liabilities	**234,339**	**245,445**

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

Amounts in $'000	HY 2019	HY 2018
Operating result	**27,861**	**19,713**
Non-cash adjustments:		
Depreciation, amortisation, impairment	3,160	2,303
Accrued employee benefits	1,527	2,118
Release contract liabilities	(452)	(488)
Operating cash flows before changes in working capital	**32,096**	**23,646**
Changes in working capital:		
Inventories	5,214	(5,844)
Trade and other receivables	(8,346)	(6,674)
Payables and other current liabilities	192	(537)
Total changes in working capital	**(2,940)**	**(13,055)**
Changes in non-current assets, liabilities and equity	(684)	984
Cash generated from (used in) operations before interest and taxes	**28,472**	**11,575**
Interest received	538	-
Income taxes paid	(707)	-
Net cash flows generated from (used in) operating activities	**28,303**	**11,575**
Capital expenditure for property, plant and equipment	(1,375)	(1,670)
Investment intangible assets	(589)	(767)
Investment in associates	(2,832)	-
Net cash flows used in investing activities	**(4,796)**	**(2,437)**
Repayment on loans and borrowings	(17,569)	(2,708)
Payment on contingent consideration	(19,948)	-
Interests on loans	(5,463)	(6,515)
Principle element of lease payments	(700)	-
Proceeds of equity and warrants	1,122	8,358
Net cash flows generated from (used in) financing activities	**(42,558)**	**(865)**
Increase (decrease) of cash	**(19,051)**	**8,273**
Exchange rate effects	123	(2,223)
Cash and cash equivalents at 1 January	93,245	71,854
Total cash and cash equivalents at 30 June	**74,317**	**77,904**

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