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

Leiden, The Netherlands, 28 July 2016: Pharming Group N.V. ("Pharming" or "the Company") (Euronext Amsterdam: PHARM) announces its (unaudited) financial report for the six months ended 30 June 2016.

The Company will hold a conference call at 10:00 CET today, dial-in details can be found on page 7.

Highlights

- Sales of RUCONEST® up 63% overall in second quarter relative to first quarter, so that sales in the first half of 2016 sales were slightly ahead of the first half of 2015
- Sales in the USA up by approximately 33% in the second quarter compared with the first quarter
- Gross Profit increased by 14% for the half year compared with the first half of 2015
- Strongly Positive Results from Phase II study of RUCONEST® for prophylaxis of HAE
- Pharming agrees to market RUCONEST directly in 21 more EU and Middle East countries in amendment with SOBI

CEO's Commentary

After a relatively modest start to sales of RUCONEST® (recombinant C1 esterase inhibitor, 50 IU/kg) in 2016, sales trends during the second quarter improved again. More consistent sales efforts in the US, recovering from the impact of a significant reorganization of the Valeant sales force in Q4 2015, and a modest expansion in our EU direct commercialization efforts drove these improvements. Pharming is continually looking for ways to improve sales performance in the USA and the rest of the world in cooperation with our partners.

Income from sales increased 63% from €1.6 million in the first quarter to €2.6 million in the second quarter, with sales in the USA up from €1.5 million in the first quarter to €2.0 million in the second quarter. This represents a good half year, and exceeds the first half of 2015 when the major wholesalers in the USA were ramping up their stocking levels of RUCONEST® to meet increasing demand. Gross profits from sales continue to increase as well; from €1.6 million in the first quarter to €1.7 million in the second quarter of 2016 as result of the changing mix between US sales and sales in the EU by Swedish Orphan Biovitrum ("SOBI") and by Pharming. We continued to keep pressure on cash expenditure despite the improvement, resulting in resource management improvement in the first half of 2016 compared with the first half of 2015.

During March, the European Commission adopted the CHMP recommendation to include the treatment of hereditary angioedema ("HAE") attacks in adolescents and to remove the requirements for rabbit IgE testing that previously formed part of the EU label for RUCONEST®. The CHMP also noted that the importance of favorable effects of RUCONEST® is further supported by the continued availability of supply of RUCONEST® (produced by recombinant technology) in comparison to supply from blood donor plasma that may vary, and that as it is not a blood derived product RUCONEST® carries no potential risk of exposure to blood-borne pathogens.

We continue to make good progress in developing our pipeline to produce the next generation of therapies from our platform. Our first program lead for Pompe disease is now entering its next stage of pre-clinical testing and process development with the second program for Fabry Disease following by approximately six months. We will be announcing details of these programs and the timetable of their clinical development later this year.

After the end of the period we updated our distribution agreement with SOBI. As of 1 October this year, Pharming will commercialize RUCONEST® directly in a further 21 countries. SOBI had not yet begun significant sales efforts in most of these countries. The countries include the major EU markets of the UK, France and Spain, and a number of countries across Europe and the Middle East which do not yet have optimal access to therapies for HAE. In some of these countries we will continue to act in partnership with the HAEi Global Access Program.

Earlier this month we also announced positive results from a Phase 2 clinical study of RUCONEST® for prophylaxis in patients with HAE. In the study, RUCONEST® showed a clinically relevant and statistically significant reduction in attack frequency for both the twice-weekly (p-value <0.0001) and once-weekly (p-value = 0.0004) treatment regimens as compared with placebo. The secondary endpoint showed a response rate of up to 96% in the twice weekly treated per protocol group of patients, corroborating reports from day-to-day use of RUCONEST. At present, there is only one product formally approved for treatment of prophylaxis of HAE in the USA, and the market is expected to be around $800 million in 2017. This represents a huge potential market for RUCONEST®, which if approved would be the only product approved for both acute attacks and prophylactic therapy. More detail is given below.

Based on our financial results for the first half 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, following the sales trends. No further financial guidance is provided

Sijmen de Vries
Chief Executive Officer

Operational Review

- Pharming announced positive results from a Phase 2 clinical study of RUCONEST® (recombinant C1 esterase inhibitor, 50 IU/kg) for prophylaxis in patients with hereditary angioedema (HAE). In the study, RUCONEST® showed a clinically relevant and statistically significant reduction in attack frequency for both the twice-weekly and once-weekly treatment regimens as compared with placebo.

		Placebo	RUCONEST®	RUCONEST®
Intent-to-Treat Analysis			Once/week	Twice/week
(n=32)	**Primary: Mean number of attacks**	**7.2**	**4.4**	**2.7**
	Confidence Interval (95%)	5.8-8.6	3.1-5.6	1.8-3.7
	p-value		*0.0004*	*p<0.0001*
(n=31)	**Secondary: % Patients with more than 50% reduction in attack frequency**		**42%**	**74%**
	Confidence Interval (95%)		26-59	57-86
Per Protocol Analysis				
(n=23)	**Mean number of attacks**	**7.5**	**3.8**	**2**
	Confidence Interval (95%)	6.0-9.0	2.5-5.1	1.3-2.7
	p-value		*p<0.0001*	*p<0.0001*
(n=23)	**% Patients with more than 50% reduction in attack frequency**		**57%**	**96%**
	Confidence Interval (95%)		37-74	79-99

- Pharming and SOBI agreed an amendment to their distribution agreement which resulted in Pharming taking over responsibility for marketing RUCONEST® 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, effective October 1st, 2016.
- In March 2016, the European Commission adopted the CHMP recommendation to include the treatment of HAE attacks in adolescents with HAE and to remove the requirements for rabbit IgE testing that formed part of the EU label for RUCONEST®.
- In February, Pharming and Cytobioteck announced an extension of their distribution agreement for RUCONEST® to cover additional Central and Latin American countries.

Financial Review

Amounts in €m, except per share data	HY 2016	HY 2015	%Change
Income Statement			
Product sales	4.2	4.1	*2%*
License fees	1.1	1.1	-
Revenue	5.3	5.2	*2%*
Gross Profit	3.3	2.9	*14%*
Costs	9.7	9.0	*8%*
Operating Result	(6.2)	(6.1)	*2%*
Balance Sheet			
Cash & marketable securities	21.7	25.0	*-13%*
Share Information			
Earnings per share	(0.016)	(0.009)	

Financial Highlights

Revenues

Revenues from product sales slightly increased in the first half year of 2016 to €4.2 million from €4.1 million in 2015, as a result of increased US product sales. RUCONEST® sales in the US amounted to €3.5 million compared to €3.0 million in 2015, sales in the EU and ROW amounted to €0.7 million compared to €1.1 million in 2015, as a result of SOBI adjusting inventory levels in Q1. Compared with the first quarter of 2016, the second quarter was up approximately 33% in the USA, with sales of approximately €2.0 million compared to €1.5 million in the first quarter, and 63% overall, to €2.6 million from €1.6 million in the first quarter.

Other license fee income amounted to €1.1 million, which was in line with 2015. This license fee income reflects the release of accrued deferred license fees following receipt of €21.0 million upfront and milestone payments in 2010 and 2013 from SOBI, Salix and SIPI.

Gross Profit

Gross profit increased by €0.4 million to €3.3 million in the first half year of 2016, mainly as a result of an improving mix between US product sales, direct sales and sales by EU partner SOBI. Compared with the first quarter of 2016, gross profit was up from €1.6m to €1.7m in the second quarter.

Operating Costs

Operating costs increased to €9.7 million in the first half year of 2016 from €9.0 million in 2015. Research and development (R&D) costs increased by €0.5 million to €7.0 million in the first half year of 2016, mainly due to costs for the expansion of our R&D site in France and increased R&D activities in the Netherlands.

General and administrative costs increased by €0.2 million to €2.0 million in the first half year of 2016 as a result of new hires and increased consultancy costs.

Marketing and sales costs remained the same in 2016 at €0.6 million. 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 €6.2 million in the first six months of 2016 was only slightly increased relative to last year's loss for the first half year (€6.1 million), despite the significant increase in R&D activity since then.

Financial Income and Expenses

The 2016 (mainly non-cash) net loss on financial income and expenses was €0.5 million, compared with a net gain of €2.6 million in 2015. This is mainly due to the gain on revaluation of warrants of €0.5 million, the interest expense of the loans of €0.9 million and the interest expense on finance lease liabilities of €0.1 million. The gains or losses on revaluation of warrants which represented the bulk of last year's gain and part of this year's loss 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 (mainly non-cash) accounting net loss increased from €3.5 million in the first half of 2015 to €6.7 million in the first half of 2016. The increase of the net loss was mainly related to the decrease in financial income and expenses as a result of expenses from 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 €10.1 million from €31.8 million at year-end 2015 to €21.7 million at the end of June 2016. The decrease in cash is equal to change during the first half of 2015 and mainly relates to increased R&D spend offset by an increase in trade and current liabilities. In 2015, the decrease of cash was mainly related to the build up of inventories. Cash at the end of Q1 2016 was €27.7 million, and the decrease since then is mainly attributable to inventory costs for the most recent batches of RUCONEST®.

Equity

The Company's equity position amounted to €18.2 million at the end of June 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 has a significant amount of deferred license fee income (June 2016: €8.9 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.

The number of outstanding shares at 30 June 2016 and at July 28, 2016 was 412,555,374.

Performance of Pharming Shares

During the first half year, the Pharming stock price fluctuated around an average price of €0.21 per share. The half year-end price was €0.19 (30JUN2015: €0.30), with a high of €0.24 in April and a low of €0.17 occurring in June.

Outlook

For the remainder of 2016, the Company expects:

- Investment in the production of RUCONEST® in order to ensure continuity of supply to the growing markets in the USA, Europe and the rest of the world.
- Assessment of the clinical trial results for RUCONEST® in prophylaxis of HAE with the US FDA and EMA and the development of this product and other versions of RUCONEST®.
- We will also continue to invest carefully in the new pipeline programs in Pompe Disease and Fabry Disease, and other new 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, France and Spain as well as other countries which have been obtained from SOBI under the agreement amendment.
- We will continue to support all our marketing partners everywhere 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 acting, effective, reliable and safe therapy option available to HAE patients.

No further financial guidance for 2016 is provided.

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 a description of certain risks associated with the expected development of the Company.

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

Conference call information

Today, Chief Executive Officer Sijmen de Vries and Chief Financial Officer Robin Wright will discuss the half year 2016 financial results in a conference call at 10:00am (CET). To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: +31(0)20 703 8261
From the UK: +44 (0)20 3043 2025
From Belgium: +32 (0)2 400 6926
From France: +33 (0)1 76 77 22 57
From Germany: +49 (0)69 2222 25568
From Switzerland: +41 (0)22 567 5750

Conference ID: 7933174

Pharming Group N.V.

Consolidated Interim Financial Statements (Unaudited)
For the first six months ended 30 June 2016

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

Amounts in €'000, except per share data	Notes	HY 2016	HY 2015
Product sales		4,170	4,131
Release of deferred license fee income		1,104	1,104
Revenues	6	**5,274**	**5,235**
Costs of product sales		(1,795)	(2,551)
Inventory impairments		(209)	200
Costs of sales	7	**(2,004)**	**(2,351)**
Gross profit		**3,270**	**2,884**
Other income		**195**	**34**
Research and development		(7,029)	(6,565)
General and administrative		(2,049)	(1,794)
Marketing and sales		(598)	(621)
Costs	7	**(9,676)**	**(8,980)**
Operating result		**(6,211)**	**(6,062)**
Fair value gain/(loss) on revaluation derivatives		455	2,302
Other financial income and expenses		(978)	273
Financial income and expenses		**(523)**	**2,575**
Result before income tax		**(6,734)**	**(3,487)**
Income tax expense		-	-
Net result for the period		**(6,734)**	**(3,487)**
Attributable to:			
Owners of the parent		(6,734)	(3,487)
Total net result		**(6,734)**	**(3,487)**
Basic earnings per share (€)		(0.016)	(0.009)

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

Amounts in €'000	HY 2016	HY 2015
Net result for the period	(6,734)	(3,487)
Currency translation differences	(1)	3
Items that may be subsequently reclassified to profit or loss	(1)	3
Other comprehensive income, net of tax	(1)	3
Total comprehensive income for the period	(6,735)	(3,484)
Attributable to:		
Owners of the parent	(6,735)	(3,484)

Consolidated Balance Sheet
As at date shown

Amounts in €'000	Notes	30 June 2016	31 December 2015
Intangible assets		698	724
Property, plant and equipment		5,875	5,661
Restricted cash		270	200
Long term prepayment		500	-
Non-current assets		**7,343**	**6,585**
Inventories	8	19,361	16,229
Trade and other receivables		5,550	3,220
Cash and cash equivalents		21,414	31,643
Current assets		**46,325**	**51,092**
Total assets		**53,668**	**57,677**
Share capital		4,126	4,120
Share premium		283,528	283,396
Legal reserves		66	66
Accumulated deficit		(269,563)	(263,743)
Shareholders' equity	9	**18,157**	**23,839**
Loans and borrowings (more than one year)	10	9,631	11,757
Deferred license fees income		6,704	7,808
Finance lease liabilities		712	798
Non-current liabilities		**17,048**	**20,363**
Loans and borrowings (less than one hyear)	10	5,281	3,047
Deferred license fees income		2,207	2,207
Derivative financial liabilities	11	493	953
Trade and other payables		10,195	7,005
Finance lease liabilities		288	263
Current liabilities		**18,463**	**13,475**
Total equity and liabilities		**53,668**	**57,677**

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

Amounts in €'000	HY 2016	HY 2015
Operating result	**(6,211)**	**(6,062)**
Non-cash adjustments:		
Depreciation, amortization	316	257
Accrued employee benefits	914	1,361
Deferred license fees	(1,104)	(1,104)
Operating cash flows before changes in working capital	**(6,084)**	**(5,548)**
Changes in working capital:		
Inventories	(3,132)	(1,153)
Trade and other receivables	(2,330)	(2,702)
Payables and other current liabilities	3,214	(117)
Total changes in working capital	**(2,247)**	**(3,972)**
Changes in non-current assets, liabilities and equity	**(258)**	**199**
Net cash flows used in operating activities	**(8,590)**	**(9,321)**
Capital expenditure for property, plant and equipment	(752)	(408)
Divestments of assets	-	2
Net cash flows used in investing activities	**(752)**	**(406)**
Payments of finance lease liabilities	-	(9)
Repayments of loans	(536)	-
Net cash flows from financing activities	**(536)**	**(9)**
Increase (decrease) of cash	**(9,878)**	**(9,736)**
Exchange rate effects	(293)	328
Cash and cash equivalents at 1 January	31,843	34,385
Total cash at 30 June	**21,672**	**24,977**
Of which restricted cash	270	200
Cash and cash equivalents at 30 June	**21,402**	**24,777**

Consolidated Statement of Changes in Equity
For the first six months ended 30 June

Attributable to owners of the parent

Amounts in €'000	Notes	Number of shares	Share capital	Share Premium
Balance at 1 January 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			-	-
Total transactions with owners recognized directly in equity		523,813	5	168
Balance at 30 June 2015		**408,210,412**	**4,082**	**282,428**
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	9	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 30 June 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		-	(3,487)	(3,487)
Other comprehensive income		3	-	3
Total comprehensive income		3	(3,487)	(3,484)
Share-based compensation		-	1,361	1,361
Bonuses settled in shares		-	-	173
Shares issued for cash		-	-	-
Warrants exercised/ issued		-	-	-
Options exercised		-	-	-
Total transactions with owners, recognized directly in equity		-	1,361	1,534
Balance at 30 June 2015		**39**	**(258,656)**	**27,893**
Balance at 1 January 2016		**66**	**(263,743)**	**23,839**
Result for the period		-	(6,734)	(6,734)
Other comprehensive income		-	-	-
Total comprehensive income		-	(6,734)	(6,734)
Share-based compensation		-	914	914
Bonuses settled in shares	9	-	-	126
Shares issued for cash		-	-	-
Warrants exercised/ issued		-	-	12
Options exercised		-	-	-
Total transactions with owners, recognized directly in equity		-	914	1,052
Balance at 30 June 2016		**66**	**(269,563)**	**18,157**

1. Company information

Pharming Group N.V. is a limited liability public company which is listed on Euronext Amsterdam (PHARM), with its headquarters and registered office located at:

Darwinweg 24
2333 CR Leiden
The Netherlands

2. Basis of preparation

These consolidated interim financial statements for the six month ended 30 June 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.

3. Accounting policies

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 recombinant human C1 esterase inhibitor business. From a geographic perspective, the Company is operating in three main segments: the US, Europe and Rest of the world (RoW). The Board of Management primarily measures revenues to assess the performance of the operating segments. Costs and assets are not allocated to the geographic segments.

Total revenues per geographic segment for the first half year:

Amounts in € '000	HY 2016	HY 2015
US	4,072	3,570
Europe and RoW	1,202	1,665
Total revenues	**5,274**	**5,235**

7. *Expenses by nature*

Cost of product sales in the first half year of 2016 amounted to €1.8 million (HY 2015: €2.6 million). Inventory impairments amounted to an addition of €0.2 million in the first half of 2016 (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 €9.7 million from €9.0 million in the first half year of 2015. The increase is a result of the increased costs for the new R&D site in France and increased R&D activities in the Netherlands.

Research and Development costs increased by €0.5 million compared to HY 2015 and amounted to €7.0 million in the first half year of 2016, General and Administrative costs increased to €2.0 million from €1.8 million in 2015 and Marketing and Sales costs remained the same and amounted to €0.6 million.

Employee benefits

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

Depreciation and amortisation charges

Amounts in € '000	HY 2016	HY 2015
Property, plant and equipment	(290)	(231)
Intangible assets	(26)	(26)
Total	**(316)**	**(257)**

The increase of depreciation charges of property, plant and equipment in the first half year 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 half year of 2016 an amount of €230k was charged to research and development costs (HY 2015: €179k) and €60k to general and administrative expenses (HY 2015: €52k).

8. *Inventories*

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

Amounts in €'000	30 June 2016	31 December 2015
Finished goods	10,939	11,397
Work in progress	6,445	3,232
Raw materials	1,977	1,600
Balance at end of period	**19,361**	**16,229**

The inventory valuation at 30 June 2016 is stated net of a provision of €0.5 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	30 June 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	145	548
Related to operating costs	5	434
Balance at end of period	**(542)**	**(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 half year 2016 amounted €1.8 million (2015: €2.6 million). The main portion of inventories at 30 June 2016 has expiration dates starting beyond 2018 and is expected to be sold or used before expiration.

9. 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.

10. 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 €0.9 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	30 June 2016	31 December 2015
Loans from banks	14,912	14,804
Current portion of the long-term loans due within one year	(5,281)	(3,047)
Portion of long-term loans due after one year	9,631	11,757

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

11. 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 30 June 2016.

Movement of derivative financial liabilities can be summarised as follows:

Amounts in € '000	Period to 30 June 2016	Year to 31 December 2015
Balance at 1 January	953	4,266
Initial recognition upon issue	-	590
Fair value losses (gains) derivatives	(455)	(3,380)
Exercise of warrants	(5)	(523)
Balance at end of period	**493**	**953**

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

12. Commitments and contingencies

In the first half year 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.

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

13. Fully-diluted shares

The total number of outstanding shares at 30 June 2016 and at 28 July 2016 is 412,555,374.

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.

	28 July 2016
Shares	412,555,374
Warrants	4,253,125
Options	43,300,672
LTIP	5,092,396
Issued	465,201,567
Available for issue	184,798,433
Authorised share capital	650,000,000

14. Events since the end of the reporting period

On 14 July 2016, Pharming Group NV and Swedish Orphan Biovitrum AB announced an amendment of the RUCONEST® distribution agreement signed in 2009 with Swedish Orphan Biovitrum AB.

In addition to Austria, Germany and Netherlands, Pharming will market RUCONEST® directly into an additional 21 countries, effective 1 October 2016. These countries include 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.

On 18 July 2016, Pharming Group N.V. announced positive results from a Phase 2 clinical study of RUCONEST® (recombinant C1 esterase inhibitor, 50 IU/kg) for prophylaxis in patients with hereditary angioedema (HAE). In the study, RUCONEST® showed a clinically relevant and statistically significant reduction in attack frequency for both the twice-weekly and once-weekly treatment regimens as compared with placebo.