PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS FIRST HALF YEAR 2012

Leiden, The Netherlands, August 23, 2012. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the first half year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- Revenues and other income increased to €1.9 million (H1 2011: €1.4 million)
- Operating costs from continuing operations increased to €12.3 million (H1 2011: €9.1 million). Total net loss from continuing operations increased to €16.6 million (H1 2011: €8.6 million) mainly as a result of non-cash charges, including €4.9 million in costs associated with the December 2011 €8.4 million convertible bond, inventory impairments of €2.8 million and impairment charges of €1.2 million in relation to the closure of the US-based cattle operations
- Cash outflows from operations decreased to €8.2 million (H1 2011: €8.9 million)
- Cash at the end of the first half year of 2012 decreased to €3.4 million (2011 year end: €5.1 million) The negative equity position of €1.2 million at year end 2011 increased to a negative equity position of €8.2 million
- Post the reporting period (August 1, 2012) the Company announced it had secured an equity working capital facility with institutional investors of up to €10.0 million for a two year term.

OPERATIONAL HIGHLIGHTS

- Ongoing pivotal clinical trial for Ruconest®, Study 1310, remains on track and is expected to be completed by the end of the third quarter of 2012, with the read-out of the top-line results soon thereafter
- New agreements signed with Transmedic Pte Ltd. for the commercialization of Ruconest® inBrunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand and with Hyupjin Corporation for the Republic of Korea
- Commenced an open-label Phase II clinical study evaluating Ruconest® for the treatment of acute attacks of angioedema in pediatric patients with HAE
- Positive study results published in peer-reviewed journal *Biodrugs* demonstrated that recombinant human C1 inhibitor was not observed to have a prothombotic effect when used to treat acute HAE attacks
- Post the reporting period (August 2, 2012) the Company announced a strategic restructuring plan of its Dutch operations

Sijmen de Vries, CEO, commented: "The first half of 2012 has been a challenging period for Pharming, marked by the unexpected delay in the read out of Study 1310, as reported in June. However, the proposed restructuring, whilst regrettable, will allow Pharming to adopt a lean, efficient business model. We believe that the new structure, in the context of the current financing climate for small cap biotechs, is essential to Pharming's future success .We have also recently secured a €10 million equity working capital facility which should enable us to complete Study 1310 by the end of September and to analyse the results in the weeks following. In addition we are evaluating additional financing options going forward. The successful outcome of this study will trigger a US$10.0 million milestone payment by our partner Santarus, followed by a further US$5.0 million on the acceptance of the BLA for review by the US FDA. We look forward to updating the market on these events and on our ongoing discussions with potential partners for our protein platform."

FINANCIAL RESULTS

In the six months to June 30, 2012 the Company generated revenue and other income from continuing operations of €1.9 million (H1 2011: €1.4 million). This increase stems from Ruconest® sales of €0.8 million (up from €0.3 million in H1 2011). Costs of revenues amounted to €0.8 million (H1 2011: €1.1 million) with impairments on inventories previously reserved for sales amounting to €2.2 million (H1 2011: nil).

Total operating costs from continuing operations increased by €3.2 million from €9.1 million in the first half year of 2011 to €12.3 million in the same period of 2012. The increase reflects non-cash items such as second quarter 2012 impairment charges related to the US-based cattle platform operations (€1.2 million), impairments on inventories reserved for research and development activities (€0.6 million) and cash related items such as the Company's activities in relation to Study 1310 required for US regulatory approval for Rhucin®. Successful completion of this study will trigger a US$10.0 million milestone payment by Santarus. In addition, the Company anticipates submitting a BLA filing approximately three months thereafter with another US$5.0 million due from Santarus as and when the U.S. Food and Drug Administration accepts the BLA filing for review.

Early in 2012 the Company finalized a transaction announced in December 2011 under which it issued €8.4 million convertible bonds plus 38,717,484 warrants. The bonds had to be repaid in six monthly instalments and could be settled in cash and/or in shares. To date the bonds have been fully repaid; all instalments plus interest were in shares with the number of shares based on volume weighted average price, a reference period minus a discount. With regards to these pay-backs in shares, the Company issued a total of 174,925,970 shares until the end of the first half of 2012. In addition to results on derivative financial liabilities, these items largely accounted for a substantially non-cash net loss in financial income and expense of €3.2 million as compared to a €0.2 million net profit on financial income and expenses in the comparative period of 2011.

As a result of the above items, net loss from continuing operations increased by €8.0 million to €16.6 million in H1 2012 (H1 2011: €8.6 million). Due to a one-time €0.6 million profit on discontinued operations in the first half of 2011, which followed liquidation and deconsolidation of the DNage business early in 2011, total net loss increased from €8.0 million to €16.6 million. The net loss per share for the first half year of 2012 amounted to €0.03 (H1 2011: €0.02).

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) decreased by €1.7 million from €5.1 million at year end 2011 to €3.4 million at the end of the first half year 2012.

As explained in the financial results section, the Company has recently closed on an €10 million Equity Working Capital Facility and is evaluating additional options for financing going forward. In addition, the Company anticipates receiving US$10.0 million from Santarus upon the successful outcomeof Ruconest®'s Study 1310 in Q4 2012 and another US$5.0 million as and when the U.S. Food and Drug Administration accepts the BLA filing for review. Receipts of these milestones and equity financing are expected to significantly improve the Company's cash and equity position.

NEGATIVE EQUITY

In December 2011 the Company announced that it had entered negative equity. This negative equity position of €1.2 million at year end 2011 increased by €7.0 million to €8.2 million and mainly reflects the €16.6 million net loss for the first half year 2012, net of €9.4 million posted for shares issued as a repayment of convertible bonds (€9.1 million) and other payments in shares (€0.3 million).

The negative equity position has in itself no immediate impact on the execution of Pharming's business plan, nor does it imply that the Company is legally required to issue new share capital. However, the Company is considering various options in order to reduce the negative equity and return to a positive equity position.

Pharming is continuously reviewing its financial and liquidity position and has various options to improve its equity standing under International Financial Reporting Standards (IFRS). Notably, the Company reports that the negative equity position was mainly caused by the inability to recognize the €19.7 million upfront payments and milestones received from Sobi and Santarus as equity (at June 30, 2012 the deferred license fees income amounted to €16.4 million; if release to the statement of income would have been permitted under IFRS, the Company would have reported a positive equity position of €8.2 million). Anticipated receipt of the two development milestones associated with the successful read out of Study 1310 (US$10.0 million) and acceptance of the BLA filing by the FDA (US$5.0 million) will, under IFRS, be recognized immediately and thus augment the equity position.

RUCONEST® Phase III Study
Pharming is conducting a Phase III clinical study with RUCONEST® under a Special Protocol Assessment (SPA) that is intended to support the submission of a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA). Ruconest is being evaluated for the treatment of acute attacks of angioedema in patients with HAE in an international, multicenter, randomized, placebo-controlled Phase III study at a dosage strength of 50 U/kg with a primary endpoint of time to beginning of relief of symptoms. Santarus has licensed certain exclusive rights from Pharming to commercialize Ruconest in North America for the treatment of acute attacks of HAE and other future indications. Under the terms of the license agreement, a $10 million milestone is payable to Pharming upon successful achievement of the primary endpoint of the Phase III clinical study. The study is expected to be completed by the end of the third quarter of 2012.

About Ruconest® and Hereditary Angioedema
Ruconest® (INN conestat alfa) is a recombinant version of the human protein C1 inhibitor (C1INH). Ruconest is produced through Pharming's proprietary technology in the milk of transgenic rabbits and is approved in Europe for treatment of acute angioedema attacks in patients with HAE. RUCONEST® is an investigational drug in the U.S. and has been granted orphan drug designation for the treatment of acute attacks of HAE, a genetic disorder in which the patient is deficient in or lacks a functional plasma protein C1 inhibitor, resulting in unpredictable and debilitating episodes of intense swelling of the extremities, face, trunk, genitals, abdomen and upper airway. The frequency and severity of HAE attacks vary and are most serious when they involve laryngeal edema, which can close the upper airway and cause death by asphyxiation. According to the U.S. Hereditary Angioedema Association, epidemiological estimates for HAE range from one in 10,000 to one in 50,000 individuals.

About Pharming Group NV
Pharming Group NV is developing innovative products for the treatment of unmet medical needs. Ruconest® is a recombinant human C1 inhibitor approved for the treatment of angioedema attacks in patients with HAE in all 27 EU countries plus Norway, Iceland and Liechtenstein, and is distributed in the EU by Swedish Orphan Biovitrum (OMX: SOBI). Ruconest® is partnered with Santarus, Inc (NASDAQ: SNTS) in North America where the drug is undergoing Phase III clinical development. The product is also being evaluated for follow-on indications in the areas of transplantation and reperfusion injury. The advanced technologies of the Company include innovative and validated platforms for the production of protein therapeutics, technology and processes for the purification and formulation of these products. A feasibility study, using the validated transgenic rabbit platform, aimed at the development of recombinant Factor VIII for the treatment of Haemophilia A is underway with partner, Renova Life, Inc. Additional information is available on the Pharming website, www.pharming.com. To download the Pharming Group Investor Relations App, click here.

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

Contact
Sijmen de Vries, CEO: T: +31 (0)71 524 7400

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

Conference call information
Today, Chief Executive Officer Sijmen de Vries will discuss the first half 2012 results in a conference call for 09:30 am (CET). To participate, please call one of the following numbers 10 minutes prior to the call:

From the Netherlands: 31 (0) 45 6316902
From the UK: 44-207-153-2027

###

INTERIM REPORT OF THE BOARD OF MANAGEMENT FOR THE HALF YEAR ENDED JUNE 30, 2012

Discussion of financial position and financial results

Pharming's net loss for the first six months of 2012 amounted to €16.6 million compared to €8.0 million in the same period of 2011. The €8.6 million increased loss is largely explained by non-cash impairment charges of €4.0 million in total on inventories and property, plant and equipment incurred in the first half of 2012; these impairment charges stem from a closure of the US-based cattle operations (€1.2 million) and a write-off of inventories previously reserved for sales and (pre)clinical use (€2.8 million). In addition, interest and settlement charges of €4.9 million associated with a convertible bond instrument signficantly contributed to the net loss. As a result of the issue of shares valued at €9.4 million, the impact of the €16.6 million net loss on equity was partially offset and negative equity increased from €1.2 million at the start of 2012 to €8.2 million at June 30, 2012. At the same time, the Company's cash position (including restricted cash) decreased by €1.7 million from €5.1 million at year end 2011 to €3.4 million at the end of the first half year 2012; cash flows used in operating and investing activities of in total €8.2 million were largely offset with net financing cash inflows of €7.1 million (of which €8.0 million proceeds of convertible bonds issued).

Outlook

During the second half of 2012, the Company's main focus will be on the completion of the ongoing US Phase III study and the subsequent submission of the BLA to the US FDA. Business development will be focused on identifying additional partners for the commercialisation of Ruconest in the remaining territories and on continuing discussions with potential outlicensing partners for the protein platform.

Auditor's involvement

The content of these condensed consolidated interim financial statements has not been audited or reviewed by an external auditor.

Risks and uncertainties

Note 32 on pages 88-91 of the Annual Report 2011 include an extensive overview of the Company's (financial) risk management.

With reference to the Going Concern Assessment in Note 2 of the condensed consolidated interim financial statements for the half year ended June 30, 2012, Pharming will – both for the second half of 2012 and the period beyond – focus on managing liquidity risk through generating sufficient cash income to fund its operations.

Responsibility statement

The Board of Management of the Company hereby declares that to the best of their knowledge, the condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the Interim Report of the Board of Management gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het Financieel toezicht*).

Leiden, August 22, 2012

Board of Management

B.M.L. Giannetti, Chief Operations Officer
K.D. Keegan, Chief Financial Officer
S. de Vries, Chief Executive Officer

PHARMING GROUP N.V.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2012 (amounts in €'000)

	Note	June 30, 2012	December 31, 2011
Intangible assets		899	987
Property, plant and equipment	5	7,373	9,567
Restricted cash	9	856	979
Non-current assets		9,128	11,533
Inventories	6	4,216	6,580
Assets held for sale	7	759	-
Trade and other receivables	8	1,142	2,495
Restricted cash	9	309	309
Cash and cash equivalents	9	2,230	3,777
Current assets		8,656	13,161
Total assets		**17,784**	**24,694**
Share capital		6,890	20,405
Share premium		228,610	224,495
Other reserves		(243,659)	(246,088)
Total equity	10	(8,159)	(1,188)
Deferred license fees income		14,463	15,431
Finance lease liabilities		2,050	2,215
Other liabilities		87	101
Non-current liabilities		16,600	17,747
Deferred license fees income		1,936	1,936
Derivative financial liabilities	11	366	1,171
Convertible bonds	12	589	-
Trade and other payables	13	5,313	3,810
Finance lease liabilities		1,139	1,218
Current liabilities		9,343	8,135
Total equity and liabilities		**17,784**	**24,694**

Notes on pages 11-19 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the half year ended June 30, 2012 (amounts in €'000, except per share data)

	Note	June 30, 2012	June 30, 2011
Continuing operations:			
License fees		968	968
Product sales		798	343
Revenues		**1,766**	**1,311**
Costs of revenues		(837)	(1,094)
Inventory impairments		(2,194)	-
Gross profit		**(1,265)**	**217**
Income from grants		130	67
Other income		**130**	**67**
Research and development		(9,251)	(7,084)
General and administrative		(1,675)	(1,724)
Impairment charges	5	(1,173)	-
Share-based compensation		(172)	(261)
Costs		**(12,271)**	**(9,069)**
Loss from operating activities	14	**(13,406)**	**(8,785)**
Financial income	15	1,953	365
Financial expenses	16	(5,108)	(195)
Financial income and expenses		**(3,155)**	**170**
Net loss from continuing operations		**(16,561)**	**(8,615)**
Net profit from discontinued operations	17	-	643
Net loss		**(16,561)**	**(7,972)**
Attributable to:			
Net loss from continuing operations		(16,561)	(8,615)
Net profit from discontinued operations		-	739
Owners of the parent		**(16,561)**	**(7,876)**
Net loss from continuing operations		-	-
Net profit from discontinued operations		-	(96)
Non-controlling interest		**-**	**(96)**
Share information:			
Basic and diluted net loss per share (€)		(0.03)	(0.02)
Weighted average shares outstanding		576,659,315	452,653,744

Notes on pages 11-19 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended June 30, 2012 (amounts in €'000)

	June 30, 2012	June 30, 2011
Net loss	**(16,561)**	**(7,972)**
Foreign currency translation	66	(145)
Other comprehensive income, net of tax	**66**	**(145)**
Total recognized income and expense	**(16,495)**	**(8,117)**
Attributable to:		
Equity owners of the parent	(16,495)	(8,021)
Non-controlling interest	-	(96)

Notes on pages 11-19 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended June 30, 2012 (amounts in €'000)

	Note	June 30, 2012	June 30, 2011
Receipts from license partners		841	411
Receipts of Value Added Tax		587	445
Interest received		18	1
Receipts of grants		72	384
Other receipts		214	138
Payments of third party fees and expenses, including Value Added Tax		(6,509)	(6,753)
Net compensation paid to board members and employees		(1,783)	(1,977)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(1,625)	(1,517)
Net cash flows used in operating activities	9	**(8,185)**	**(8,868)**
Purchase of property, plant and equipment		(574)	(555)
Deconsolidation of DNage		-	(40)
Net cash flows used in investing activities	9	**(574)**	**(595)**
Proceeds of equity and warrants issued	10	-	10,008
Proceeds of convertible bonds issued	9, 12	8,000	-
Receipt from finance lease transaction	9	-	618
Payments of transaction fees and expenses	9, 12	(529)	(66)
Payments of finance lease liabilities	9	(382)	(401)
Net cash flows from financing activities		**7,089**	**10,159**
Increase/(decrease) cash		**(1,670)**	**696**
Exchange rate effects on cash		-	(166)
Cash at January 1		5,065	10,478
Cash at June 30		**3,395**	**11,008**
Cash composition:			
Restricted cash (non-current)		856	1,103
Restricted cash (current)		309	247
Cash and cash equivalents		2,230	9,658
Cash at June 30		**3,395**	**11,008**

Notes on pages 11-19 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended June 30, 2012 (amounts in €'000)

	Notes	Number of shares	Share capital	Share premium	Other reserves	Accu-mulated deficit	Share-holders' equity	Non-controlling interest	Total equity
Balance at January 1, 2011		**436,261,010**	**17,450**	**219,220**	**15,407**	**(241,213)**	**10,864**	**(764)**	**10,100**
Total recognized income and expense		-	-	-	(145)	(7,972)	(8,117)	-	(8,117)
Share-based compensation		-	-	-	261	-	261	-	261
Deconsolidation of DNage	10	-	-	-	-	-	-	764	764
Bonuses settled in shares	10	515,837	21	82	-	-	103	-	103
Warrants exercised	10	24,339,623	974	4,186	(4,186)	-	974	-	974
Balance at June 30, 2011		**461,116,470**	**18,445**	**223,488**	**11,337**	**(249,185)**	**4,085**	**-**	**4,085**
Balance at January 1, 2012		**510,116,470**	**20,405**	**224,495**	**12,325**	**(258,413)**	**(1,188)**	**-**	**(1,188)**
Total recognized income and expense		-	-	-	66	(16,561)	(16,495)	-	(16,495)
Share-based compensation		-	-	-	172	-	172	-	172
Bonuses settled in shares	10	3,950,211	158	117	-	-	275	-	275
Repayments of Bonds 2012	10, 12	174,925,970	5,079	3,998	-	-	9,077	-	9,077
Adjustment nominal value per share	10	-	(18,752)	-	-	18,752	-	-	-
Balance at June 30, 2012		**688,992,651**	**6,890**	**228,610**	**12,563**	**(256,222)**	**(8,159)**	**-**	**(8,159)**

Notes on pages 11-19 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended June 30, 2012

1. Company information

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

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

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting). As permitted by IAS 34, the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Pharming's Annual Report 2011. In addition, the notes to these condensed consolidated interim financial statements are presented in a condensed format.

These condensed consolidated interim financial statements have not been reviewed or audited and are based on IFRS as adopted by the European Union. The Board of Management has approved these condensed consolidated interim financial statements on August 22, 2012.

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

Pharming does not expect to generate sufficient cash from product sales to meet its cash requirements for one year after the date of these condensed consolidated interim financial statements. In addition, under the existing commercialization agreement with Santarus, Inc. the Company is entitled to receive US$10.0 million upon successful completion of Study 1310 and US$5.0 million upon acceptance by the U.S. FDA of the subsequent BLA filing; in case the Company does not successfully complete Study 1310 or does not finish it in time (as per the date of these condensed consolidated interim financial statements the receipt of the US$10.0 million milestone is anticipated to take place in the fourth quarter of 2012), the cash inflows from operating activities on which the Pharming business plan is based will, provided no other cash resources as described further in this Going Concern Assessment have been made available, be insufficient. Therefore, and next to the Company's ability to generate additional cash inflows from existing and new licensing partners, Pharming for its cash requirements is also dependent on financing arrangements with third parties to finance its ongoing operations.

To enable continued operations for a period of at least 12 months after the date of these condensed consolidated interim financial statements, several sources to raise or conserve cash in addition to product sales and license agreements have been outlined below:

1. Pharming may raise capital by means of a capital markets transaction, such as non-dilutive (debt) financing issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. the share price in relation to the nominal value per

share), availability of assets to secure debt transactions as well as approvals of boards and/or shareholders (e.g. to issue additional shares). Any failure to successfully complete Study 1310, at all or within the anticipated time (third quarter of 2012), may (severely) hamper the possibility to enter into a capital markets transaction;

2. The Company may decide to cancel and/or defer certain activities in order to limit cash outflows until sufficient funding is available to resume them; and
3. Finally, the Company may be able to attract funds through divestment of individual assets or a group of assets. However, the outcome of such divestment activities is uncertain in view of economic conditions in general and the relatively small market for such specific assets in particular.

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

In case the Company is not able to attract sufficient additional cash from any or a combination of these items, it may ultimately enter into bankruptcy and/or sell all or a part of its assets. Such an event could have a material impact on the carrying value of, in particular, property, plant and equipment as well as inventories.

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

3. Summary of significant accounting policies

The applied accounting principles are consistent with those as described in Pharming's Annual Report 2011.

Significant accounting estimates and judgments

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

Property, plant and equipment

Pharming at the end of the first half year 2012 has property, plant and equipment with a net carrying value of €7.4 million. These assets are dedicated to the production of Rhucin inventories (€6.0 million) and other corporate purposes (€1.4 million). It is assumed these asset groups will continue to be used in ongoing production, research and development or general and administrative activities over its anticipated lifetime. The carrying value of these assets may be impaired in the second half year of 2012 (or beyond 2012) in case of a decision to cancel and/or defer certain activities, as per the going concern assessment in Note 2.

Inventories

At the end of the first half year of 2012, the Company has capitalized rhC1INH product and milk with an aggregate net carrying value of €4.2 million. The Company has planned for additional inventory investments after the end of the reporting period. These inventories are available for use in commercial, preclinical and clinical activities. Estimates have been made with respect to the ultimate use or sale of the product, taking into account current and expected preclinical and clinical programs for both the HAE project and other indications of the rhC1INH product as well as anticipation of market approval(s). In doing so, best estimates have been made with respect to the timing of such events in view of both the existing and expected lifetimes of the product involved.

As per the going concern assessment in Note 2, due to the early stage commercialization cycle of Rhucin the actual cash proceeds from these product sales are currently difficult to predict in terms of volumes, timing and reimbursement amounts. In addition, further inventory investments and execution of preclinical and clinical activities are subject to availability of sufficient financial resources.

Derivative financial liabilities
The Company at the end of the first half year 2012 has presented derivative financial liabilities with a carrying value of €0.4 million. These liabilities primarily represent the fair values of warrant issued and are based on models using assumptions with respect to, amongst others, the exercise of the warrants on or before maturity dates as well as (historical) volatility. Actual share price developments may trigger exercise of these warrants on a different moment than anticipated in the model and also cause transfer of assets to warrant holders under conditions that are (much) more or (much) less favorable than anticipated at June 30, 2012. As a result, the difference between the value of assets transferred to warrant right holders upon exercise and the carrying value at the end of the first half 2012 as charged to the statement of income may be material.

Share price developments may also result in the warrants expiring unexercised while the fair value of warrants unexercised may fluctuate (significantly) until expiration. Fair value changes of warrant rights unexercised between June 30, 2012 and subsequent reporting dates are charged to the statement of income.

4. Cyclicality

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

5. Property, plant and equipment

The carrying value of Pharming's property, plant decreased from €9.6 million at year end 2011 to €7.4 million at June 30, 2012. The €2.2 million decrease largely reflects €0.4 million in depreciation charges, €1.2 million impairment charges of the US-based cattle platform operations and reclassification of the remaining carrying value of these impaired assets to assets held for sale (see Note 7).

6. Inventories

Pharming's inventories decreased from €6.6 million at December 31, 2011 to €4.2 million at June 30, 2012. The Company invested €1.5 million in inventories in the first six months of 2012 and expensed €3.9 million. These expenses related to impairments of inventories held for the purpose of selling (€2.2 million, charged to gross profit), impairments on inventories held for research and development activities (€0.6 million, charged to costs of research and development), inventories expensed as sold (€0.8 million, charged to gross profit) and inventories used in (pre)clinical activities (€0.3 million, charged to costs of research and development).

Inventory impairments in the first half of 2012 follow from an internal review of the overall inventory position and their expected use prior to expiration. Such expected use has amongst others been based on the Company's sales forecasts as well as Pharming's cash position limiting initiation of (pre)clinical activities.

7. Assets held for sale

In June 2012 the Company announced the closure of the US-based cattle platform operations and decided to dispose of its fixed assets. Following this decision, Pharming impaired the carrying value of the land and buildings based on an estimated amount recoverable in a sales transaction, net of costs to sell these assets.

Early July 2012 Pharming agreed to sell the land and buildings for an amount of US$1.0 million, which amount is due in tranches over the second half of 2012 as of formal transfer of the assets to the acquirer. Net of costs to sell the assets, the balance of assets held for sale at June 30, 2012 amounts to €0.8 million.

8. Trade and other receivables

The €2.5 million of trade and other receivables at year end 2011 included an amount of €1.5 million in relation to an advance payment of 20,000,000 shares following the December 2011 announcement of a transaction with convertible bondholders. This €1.5 million was charged to the carrying value of convertible bonds upon completion of the convertible bonds issue in the first half year of 2012 (further reference is provided to Note 12).

9. Restricted cash, cash and cash equivalents, cash flows

The overall net cash position for the half year ended June 30, 2011 and June 30, 2012 is as follows:

Amounts in €'000	2012	2011
Non-current restricted cash	856	1,103
Current restricted cash	309	247
Cash and cash equivalents	2,230	9,658
Balance at June 30	3,395	11,008
Balance at January 1	5,065	10,478
Net increase/(decrease) for the period	(1,670)	530

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

The main cash flow items for the first half year of 2011 and 2012 can be summarized as follows:

Amounts in €'000	June 30, 2012	June 30, 2011
Net cash flows used in operating activities	(8,185)	(8,868)
Net cash flows used in investing activities	(574)	(595)
Net cash flows from financing activities	7,089	10,159
Exchange rate effects on cash	-	(166)
Net increase/(decrease) for the period	(1,670)	530

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

Cash flows used in investing activities in both the first half year of 2011 and 2012 primarily reflected payment of 2011 investments in manufacturing equipment.

Cash flows from financing activities of €10.2 million in the first six months of 2011 largely reflected €10.0 million received from Socius CG II, Ltd. ('Socius') in relation to the December 2010 transaction (€9.0 million) and the 2011 exercise of warrants (€1.0 million). In the first half year of 2012 the €7.1 million cash flows from financing activities follow receipt of €8.0 million in relation to the issue of convertible bonds, payment of transaction fees and expenses (€0.5 million) and payment of finance leases (€0.4 million).

10. Total equity

Main developments total equity first half year 2011
In December 2010 the Company entered into an agreement with Socius under which Pharming issued €12.0 million debt notes and 24,339,623 warrants with a two year exercise period and an exercise price of €0.212. The warrants were paid for through issuance of interest-free debt notes Socius valued at €4.2 million with the remaining €1.0 million due in cash upon exercise. Socius exercised all 24,339,623 warrants in the first half of 2011 and accordingly paid a cash amount of €1.0 million.

In addition, the Company also transferred 515,837 shares to members of the Board of Management and employees in lieu of €0.1 million in bonus rights over the year 2010.

Following liquidation of DNage early 2011, the Company deconsolidated the entity and accordingly the year end 2010 negative non-controlling interest in the amount of €0.8 million, representing the share of third parties in the negative equity position of DNage, was removed.

Main developments total equity first half year 2012
Pharming in the first half year 2012 issued a total of 174,925,970 shares with an aggregate fair value of €9.1 million to holders of Bonds 2012 (further see Note 12).

The Company also transferred an aggregate number of 3,950,211 shares to members of the Board of Management and employees in lieu of €0.3 million in bonus rights for the year 2011.

At the Annual General Meeting of Shareholders held on May 14, 2012, the shareholders approved a proposal to increase the authorized share capital by 495 million shares from 805 million shares to 1,300 million shares while reducing the nominal value per share from €0.04 to €0.01. These changes were legally formalized while 625,082,077 shares were outstanding and accordingly the Company's share capital decreased with approximately €18.8 million with a corresponding increase of accumulated deficit; the overall effect of the adjustment on total equity therefore was nil.

11. Derivative financial liabilities

Movement of derivative financial liabilities for the first half year of 2011 and 2012 can be summarized as follows:

Amounts in €'000	2012	2011
Carrying value at January 1	1,171	573
Initial recognition upon issue	1,148	-
Fair value gains derivatives	(1,953)	(365)
Carrying value at June 30	366	208

The amount of €1,148,000 initially recognized for derivative financial liabilities in the first six months of 2012 relates to the Bonds 2012 (Note 12). Fair value gains have been presented within financial income.

12. Convertible bonds

Following an announcement in December 2011 the Company in February 2012 issued €8.4 million private convertible bonds ('Bonds 2012') carrying 8.5% annual interest. An advance payment of 20 million shares valued at €1,503,000 was made in 2011; the amount was capitalized within Trade and other receivables at December 31, 2011 (see Note 8) and charged to liabilities in the first half year of 2012.

In connection to the issue of the Bonds 2012 the Company also incurred transaction fees and expenses of €624,000 in total, of which €95,000 had been paid in 2011 and €529,000 was paid in the first half of 2012. The amount of €624,000 has been allocated to the derivative financial derivates and the Bonds 2012 based on their relative weight in the €8.0 million as received and accordingly an amount of €90,000 as charged to the derivative financial liabilities was charged to financial expenses with the remaining €534,000 charged to the carrying value of the Bonds 2012.

For accounting purposes, the convertible bond portion is initially recognized at the aggregate value of the value received minus the fair value of the derivative financial liabilities and the portion of transaction fees and expenses allocated to the convertible bond. Pre(payments) of the monthly installment (maturity is in July 2012) plus interest can take place either in cash or shares; the Company has so far decided to pay in shares and as a result of certain conditions in the agreements this has resulted in transfer of shares for a value higher than if such a repayment had taken place in cash. Accordingly, a transaction loss of €2.6 million was incurred in the first half year of 2012.

Movement of the Bonds 2012 in the first half year of 2012 can be summarized as follows:

Amounts in €'000

Received in cash	8,000
Fair value of warrants issued	(1,045)
Fair value of conversion right	(103)
Transaction fees and expenses	(535)
Carrying value initial recognition	6,317
Effective interest	2,273
Result bond settlements	2,579
Advance payment in shares 2011	(1,503)
Fair value of shares issued first half year 2012	(9,077)
Carrying value June 30	589

Effective interest and the result on bonds settlements of €4.9 million in total have been charged to financial expenses.

13. Trade and other payables

Trade and other payables balances increased from €3.8 million at year end 2011 to €5.3 million at June 30, 2012 as a result of investments in inventories and costs associated with Study 1310.

14. Loss from operating activities

In the first half year of 2012, the Company reported a loss from operating activities (from continuing operations) of €13.4 million compared to €8.8 million in the first half year of 2011. The €4.6 million increase is largely driven by impairment charges with respect to property, plant and equipment of €1.2 million (see Note 5), impairment charges with respect to inventories of €2.8 million (see Note 6) and costs associated with Study 1310.

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

15. Financial income

Financial income in the first half year of 2011 amounted to €0.4 million, which exclusively related to the decrease in the fair value of a derivative financial liability (from €0.6 million to €0.2 million). In the half year ended June 30, 2012 total financial income of €2.0 million represents fair value movements of derivative financial liabilities as explained in Note 11.

16. Financial expenses

Financial expenses of €0.2 million in the first six months of 2011 were caused by foreign currency results and interest on finance leases. The financial expenses of €5.1 million in the same period of 2012 are associated with Bonds 2012 (€4.9 million, as per Note 12) and other items such as foreign currency results, interest on finance leases and costs related to the issue of derivative financial liabilities (€0.2 million in total).

17. Net profit from discontinued operations

On January 31, 2011 the shareholders of DNage B.V. ('DNage'), an entity in which Pharming as per that date had a 51% interest, decided to put DNage into voluntary liquidation. Due to this decision Pharming effectively lost control and accordingly the DNage operations have been deconsolidated as of that date.

In 2011, DNage until deconsolidation as per January 31, 2011 incurred a net loss of €196,000, of which €100,000 was born by Pharming and €96,000 to other DNage shareholders. Following deconsolidation of the negative equity of DNage and including minor other movements, a profit of €839,000 was posted as a result from discontinued operations. Altogether, the net profit from discontinued operations amounted to €643,000 of which a net profit of €739,000 was attributable to owners of the parent and a net loss of €96,000 to non-controlling interest.

18. Operating segments

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

19. Related party transactions

Compared with the disclosures made in Note 30 of the 2011 consolidated financial statements published in the Annual Report 2011, the following material changes in the nature, scale or scope of related party transactions in the first half of 2012 took place:

- The base gross salary of K.D. (Karl) Keegan, Chief Financial Officer, was increased from €213,000 in 2011 to €253,000 in 2012 (as of January 1, 2012). Post the reporting period, Karl Keegan announced his resignation as of August 31, 2012. No additional payments are due.
- Effective June 19, 2012 the Company entered into an agreement with R.R.D. (Rienk) Pijpstra, Chief Medical Officer, as a result of which he resigned from the Management Board with immediate effect and as an employee as of September 1, 2012; his base salary until such date remained €17,000 gross per month. The agreement entitles Rienk Pijpstra to receive a maximum gross amount of €177,000, to be paid out as follows:
  (1) €29,000 is paid upon termination of the employment as per September 1, 2012;
  (2) €74,000 is paid upon receipt of US$10.0 million from Santarus following achievement of the milestone related to successful completion of Study 1310; and
  (3) €74,000 is paid upon receipt of US$5.0 million from Santarus following acceptance of the BLA for review by the FDA.
  In the event Pharming is acquired by a third party or enters into a partnership with a third party, the amounts under item (2) and (3) are paid out irrespective of any payment by Santarus to Pharming.

- Members of the Board of Management were granted a total of 11,437,500 options in 2012 as compared to 10,550,000 options in 2011; the options for 2012 vest if the member is still in service on January 1, 2013 with the options for 2011 fully vested on January 1, 2012. Due to a decrease of the fair value per option from €0.080 in 2011 to €0.024 in 2012, the maximum expense of the Board of Management options decreases by €569,000 from €844,000 in 2011 to €275,000 in 2012. These maximum expenses for 2012 do not include the effect of discontinuation of existing agreements with the Board of Management nor the effect of any new members of the Board of Management in 2012.

20. Commitments and contingencies

In the first half year of 2012 there were no material changes to the commitments and contingent liabilities from those disclosed in Note 31 of the Annual Report 2011.

21. Events after the end of the reporting period

Subsequent to the end of the reporting period until the date of issue of these condensed consolidated interim financial statements, the Company transferred a total of 35,256,025 shares as a final payment to holders of the Bonds 2012 (see Note 12).

On August 1, 2012 the Company announced it had secured an equity working capital facility with institutional investors of up to €10.0 million for a two year term. Pharming has the option to draw from the working capital facility in tranches in exchange for ordinary shares in the capital of the Company. Pharming will retain control of the timing and amount of any funds draw down. Pharming must give notice to the investors (a "Draw Down Notice") prior to drawing down funds. Each Draw Down Notice will state the number of ordinary shares Pharming wishes to sell to the Investors ("the Draw Down Amount"). The investors have the option to purchase up to 600% of the Draw Down Amount during a 15 trading days pricing period; the total amount of cash paid for such shares to Pharming will depend on the total number of shares called by the investors and the development of the Volume Weighted Average Price (VWAP) of the shares going forward during this 15 trading days pricing period. On August 8, 2012 Pharming drew a first tranche of 15,088,368 shares under the equity working capital facility; until the date of these condensed consolidated financial statements, the investors have called an additional 52,880,296 shares. Pharming has received the equivalent of the nominal value of the 67,968,664 shares issued (€0.01 per share or €0.7 million in total) with the surplus being paid after the end of the pricing period.

On signing of the equity working capital facility received warrants to purchase up to an aggregate of 16,500,000 ordinary shares in the capital of the Company. When draw downs have exceeded a total of €2,500,000 and for every subsequent €2,500,000 drawn, the Investors will receive additional warrants to purchase up to an additional 16,500,000 ordinary shares. The warrants have an exercise period of five years and are exercisable at a strike price of €0.0233.

As a result of the issue of the 35,256,025 shares to holders of the Bonds 2012 and 67,968,664 shares to investors under the equity working capital facility, the 688,992,651 shares outstanding at June 30, 2012 increased to 792,217,340 as per the date of these condensed consolidated interim financial statements.

On August 2, 2012 the Company announced a strategic restructuring plan of its Dutch operations. The proposed plan, which necessitates a request for "collective redundancies", was filed with the Dutch authorities (UWV Werkbedrijf, in accordance with the "Wet Melding Collectief Ontslag"). The process entails a formal procedure, required when there is a need for downsizing of an organisation by 20 staff or more. The timing of the plan will be influenced by external (e.g. authorities and business development activities) and internal influences (operational deliverables). Pharming's Works Council has yet to advise on the restructuring plan,

according to the Works Councils Act art 25. Following the decision of the authorities and the advice of the Works Council, the plan will be implemented.