PHARMING

PHARMING REPORTS ON FINANCIAL RESULTS THIRD QUARTER 2012

Leiden, The Netherlands, November 1, 2012. Biotech company Pharming Group NV ("Pharming" or "the Company") (NYSE Euronext: PHARM) today published its financial report for the third quarter ended September 30, 2012.

FINANCIAL HIGHLIGHTS

- Revenues and other income increased to €2.4 million (9M 2011: €2.3 million)
- Operating costs from continuing operations increased to €17.9 million (9M 2011: €14.2 million). Total net loss from continuing operations increased to €24.2 million (9M 2011: €13.7 million) mainly as a result of €10.7 million of non-cash charges, such as €5.1 million in costs associated with the December 2011 €8.4 million convertible bond, inventory impairments of €3.0 million, impairment charges of €1.2 million in relation to the closure of the US-based cattle operations and the subsequent one-time recycling of an equity translation reserve of €1.4 million
- Net cash outflows from operations decreased to €11.6 million (9M 2011: €13.0 million) with net cash inflows from financing activities amounting to €9.1 million (including €8.0 million in relation to the issue of convertible bonds) and net cash inflows from investing activities amounting to €0.1 million (€0.7 million in cash was received due to sale of the US-based cattle operations, which offset investment payments of €0.6 million).
- Cash at the end of the third quarter of 2012 decreased to €2.6 million (2011 FY: €5.1 million). The negative equity position of €1.2 million at year end 2011 increased to a negative equity position of €11.1 million
- During the month of October estimated proceeds from the issuance of 87,632,000 shares in relation to the third tranche of the Equity Working Capital Facility and 24,051,258 warrants was €2.9 million. As result, the outstanding number of shares increased to 1,000,236,387 at October 31, 2012.

OPERATIONAL HIGHLIGHTS

- Ongoing pivotal clinical trial for Ruconest®, Study 1310, the clinical phase was completed on 27 September. Finalisation and the announcement of the top- line study results are expected within the near future.
- The roll out of Ruconest in the EU continues
    - Reimbursement discussions continue in Italy and Spain
    - Adoption, driven by good treatment results, continues in the main treatment centres in Germany, France, UK and the Nordic countries
- Initiated the implementation of significant restructuring through closure and sale of the US-based cattle platform operations and downsizing of the operations in the Netherlands.

Sijmen de Vries, CEO, commented: "The first three quarters of 2012 has been a challenging period for Pharming, marked by ongoing difficult market conditions. The 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. With the results of Study 1310 soon becoming available, we now look forward to a new chapter in the development of the Company, as 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 nine months to September 30, 2012 the Company generated revenue and other income from continuing operations of €2.4 million (9M 2011: €2.3 million). This increase stems from Ruconest® sales of €0.8 million (up from €0.7 million in 9M 2011). Costs of revenues amounted to €0.8 million (9M 2011: €1.4 million) with impairments on inventories previously reserved for sales amounting to €2.4 million (9M 2011: €0.8 million).

Total operating costs from continuing operations increased by €3.7 million from €14.2 million in the first half year of 2011 to €17.9 million in the same period of 2012. The increase reflects non-cash items such as 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. Pharming also provided for a total amount of €1.0 million in the first nine months of 2012 in relation to the closure of the cattle platform operations as well as the restructuring of its Dutch operations as announced on August 2, 2012.

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, the Company issued a total of 210,181,995 shares. Total non-cash costs associated with these bonds amounted to €5.1 million, which in addition to the one-time recycling expense of an equity translation reserve of €1.4 million and €1.8 million profit posted on financial derivatives and various other expense items totaling €0.8 million accounted for net loss on financial income and expenses of €5.5 million as compared to a €0.5 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 €10.5 million to €24.2 million in 9M 2012 (9M 2011: €13.7 million). Due to a one-time €0.6 million profit on discontinued operations in the first nine months of 2011, which followed liquidation and deconsolidation of the DNage business early in 2011, total net loss increased from €13.0 million to €24.2 million. The net loss per share for the first nine months of 2012 amounted to €0.04 (9M 2011: €0.03).

FINANCIAL POSITION

Total cash and cash equivalents (including restricted cash) decreased by €2.5 million from €5.1 million at year end 2011 to €2.6 million at the end of the third quarter 2012. The decrease follows from net cash outflows from operations of €11.6 million with net cash inflows from financing activities amounting to €9.1 million and net cash inflows from investing activities amounting to €0.1 million. Financing cash flows followed the early 2012 issue of convertible bonds which raised €8.0 million in cash (fully repaid in 210,181,995 shares throughout the first nine months of 2012) and €2.3 million through the issue of 164,304,453 shares under a €10.0 million equity working capital facility concluded in August 2012; financing cash outflows of €1.2 million in the first three quarters of 2012 related to finance lease payments and costs associated with the issue of convertible bonds and shares. Investing cash flows included €0.6 million in payments related to investments; these were offset with €0.7 million received in relation to the closure and subsequent sale of the US-based cattle operations.

Pharming continues to seek improving its financial position and at September 30, 2012 had a remaining amount available under the equity working capital facility of €7.7 million. In October 2012 the Company announced the draw down and issue of 16 million ordinary shares under the third tranche of this facility, which the investors can increase to 96 million shares. As per October 31, 2012, a total of 87,632,000 shares have now been issued: estimated proceeds amount to €2.5 million. In addition, the Company after the end of the third quarter received total funds of €0.4 million in relation to the exercise of 24,051,258 warrants by investors.

The Company will continue 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 €9.9 million to €11.1 million and mainly reflects the €24.2 million net loss for the first nine months of 2012, net of €12.5 million posted for shares issued as a repayment of convertible bonds (€9.9 million), shares issued in relation to the equity working capital facility (€2.3 million) and other payments in shares (€0.3 million). In addition, following the closure of the US-based cattle platform operations Pharming restated a negative equity translation reserve of €1.4 million to the statement of income; this restatement impacted the €24.2 million net loss for the first nine months of 2012 but in itself did not affect equity.

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 September 30, 2012 the deferred license fees income amounted to €15.9 million; if release to the statement of income would have been permitted under IFRS, the Company would have reported a positive equity position of €4.8 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.

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 various follow-on indications . 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.

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PHARMING GROUP N.V.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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

	Note	September 30, 2012	December 31, 2011
Intangible assets		855	987
Property, plant and equipment	6	7,263	9,567
Restricted cash	9	794	979
Non-current assets		8,912	11,533
Inventories	7	3,971	6,580
Trade and other receivables	8	989	2,495
Restricted cash	9	309	309
Cash and cash equivalents	9	1,469	3,777
Current assets		6,738	13,161
Total assets		**15,650**	**24,694**
Share capital		8,886	20,405
Share premium		229,806	224,495
Other reserves		14,040	12,325
Accumulated deficit		(263,842)	(258,413)
Total equity	10	(11,110)	(1,188)
Deferred license fees income		13,979	15,431
Finance lease liabilities		2,126	2,215
Restructuring provision	11	336	-
Other liabilities		80	101
Non-current liabilities		16,521	17,747
Deferred license fees income		1,936	1,936
Derivative financial liabilities	12	864	1,171
Restructuring provision	11	611	-
Trade and other payables	14	5,888	3,810
Finance lease liabilities		940	1,218
Current liabilities		10,239	8,135
Total equity and liabilities		**15,650**	**24,694**

Notes on pages 11-20 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the nine months ended September 30, 2012 (amounts in €'000, except per share data)

	Note	September 30, 2012	September 30, 2011
Continuing operations:			
License fees		1,452	1,452
Product sales		798	696
Revenues		**2,250**	**2,148**
Costs of revenues		(837)	(1,447)
Inventory impairments	7	(2,374)	(842)
Gross profit		**(961)**	**(141)**
Income from grants		145	144
Other income		**145**	**144**
Research and development		(14,084)	(11,065)
General and administrative		(2,323)	(2,516)
Impairment charges	6	(1,222)	-
Share-based compensation		(266)	(638)
Costs		**(17,895)**	**(14,219)**
Loss from operating activities	15	**(18,711)**	**(14,216)**
Financial income	16	1,752	828
Financial expenses	17	(7,222)	(294)
Financial income and expenses		**(5,470)**	**534**
Net loss from continuing operations		**(24,181)**	**(13,682)**
Net profit from discontinued operations	18	-	643
Net loss		**(24,181)**	**(13,039)**
Attributable to:			
Net loss from continuing operations		(24,181)	(13,682)
Net profit from discontinued operations		-	739
Owners of the parent		**(24,181)**	**(12,943)**
Net loss from continuing operations		-	-
Net profit/(loss) from discontinued operations		-	(96)
Non-controlling interest		**-**	**(96)**
Share information:			
Basic and diluted net loss per share (€)		(0.04)	(0.03)
Weighted average shares outstanding		637,339,194	463,154,003

Notes on pages 11-20 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2012 (amounts in €'000)

	September 30, 2012	September 30, 2011
Net loss	**(24,181)**	**(13,039)**
Foreign currency translation	65	(17)
Other comprehensive income, net of tax	**65**	**(17)**
Total recognized income and expense	**(24,116)**	**(13,056)**
Attributable to:		
Equity owners of the parent	(24,116)	(12,960)
Non-controlling interest	-	(96)

Notes on pages 11-20 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2012 (amounts in €'000)

	Note	September 30, 2012	September 30, 2011
Receipts from license partners		1,217	436
Receipts of Value Added Tax		813	858
Interest received		18	1
Receipts of grants		72	384
Other receipts		556	195
Payments of third party fees and expenses, including Value Added Tax		(9,546)	(9,452)
Net compensation paid to board members and employees		(2,529)	(2,964)
Payments of pension premiums, payroll taxes and social securities, net of grants settled		(2,219)	(2,418)
Restructuring payments		(31)	-
Net cash flows used in operating activities	9	**(11,649)**	**(12,960)**
Proceeds from sale of assets	6	722	-
Purchase of property, plant and equipment		(613)	(610)
Deconsolidation of DNage		-	(40)
Net cash flows provided by/(used in) investing activities	9	**109**	**(650)**
Proceeds of equity and warrants issued	10	2,258	13,198
Proceeds of convertible bonds issued	13	8,000	-
Receipt from finance lease transaction		-	618
Payments of transaction fees and expenses		(623)	(255)
Payments of finance lease liabilities		(568)	(587)
Net cash flows from financing activities	9	**9,067**	**12,974**
Decrease cash		**(2,473)**	**(636)**
Exchange rate effects on cash		(20)	(69)
Cash at January 1		5,065	10,478
Cash at September 30		**2,572**	**9,773**
Cash composition:			
Restricted cash (non-current)		794	1,041
Restricted cash (current)		309	247
Cash and cash equivalents		1,469	8,485
Cash at September 30		**2,572**	**9,773**

Notes on pages 11-20 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 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		-	-	-	(17)	(13,039)	(13,056)	-	(13,056)
Share-based compensation		-	-	-	638	-	638	-	638
Deconsolidation of DNage	10	-	-	-	-	-	-	764	764
Bonuses settled in shares	10	515,837	21	82	-	-	103	-	103
Shares/warrants issued in exchange of cash	10	29,000,000	1,160	304	-	-	1,464	-	1,464
Warrants exercised	10	24,339,623	974	4,186	(4,186)	-	974	-	974
Balance at September 30, 2011		**490,116,470**	**19,605**	**223,792**	**11,842**	**(254,252)**	**987**	**-**	**987**
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		-	-	-	65	(24,181)	(24,116)	-	(24,116)
Recycling equity translation reserve	10	-	-	-	1,384	-	1,384	-	1,384
Share-based compensation		-	-	-	266	-	266	-	266
Bonuses settled in shares	10	3,950,211	158	117	-	-	275	-	275
Repayments of Bonds 2012	10, 13	210,181,995	5,432	4,492	-	-	9,924	-	9,924
Shares/warrants issued in exchange of cash	10	164,304,453	1,643	702	-	-	2,345	-	2,345
Adjustment nominal value per share	10	-	(18,752)	-	-	18,752	-	-	-
Balance at September 30, 2012		**888,553,129**	**8,886**	**229,806**	**14,040**	**(263,842)**	**(11,110)**	**-**	**(11,110)**

Notes on pages 11-20 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 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 October 31, 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, 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 third quarter 2012 has property, plant and equipment with a net carrying value of €7.3 million. These assets are dedicated to the production of Rhucin inventories (€6.0 million) and other corporate purposes (€1.3 million). It is assumed these asset groups will continue to be used in ongoing production, research and development or general and administrative activities over its anticipated lifetime. The carrying value of these assets may be impaired in the fourth quarter 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 nine months of 2012, the Company has capitalized rhC1INH product and milk with an aggregate net carrying value of €4.0 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 third quarter 2012 has presented derivative financial liabilities with a carrying value of €0.9 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 September 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 third quarter 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 September 30, 2012 and subsequent reporting dates are charged to the statement of income.

Restructuring provision
At September 30, 2012 the Company has a restructuring provision in place of €0.9 million. This balance includes severance payments amounting to €0.8 million of which payment of the main portion is contingent upon the receipt of US$10.0 million as a milestone payment relating to Study 1310 and upon concluding an additional external financing of at least €5.0 million. Such events may not take place and accordingly the settlement of this balance may be lower than the liability at September 30, 2012.

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. Restatement of comparative financial information

The comparative financial information for the first nine months ended Septemer 30, 2011 has been restated to reflect the following two items:

- In the third quarter of 2011 the Company expensed €842,000 in relation to the write-off of inventories and classified these within research and development costs. For the full year 2011 financial statements these write-offs were presented withthin costs of sales and therefore the comparative statement of income has been adjusted with originally reported research and development costs of €11,907,000 decreasing to €11,065,000 and cost of sales increasing with a similar amount. This adjustment does not change the comparative net result;
- In the third quarter of 2011 Pharming issued 29 million shares for a total cash consideration of €3,190,000, with additional warrants being issued subject to approval by the Company's shareholders (which approval was obtained at the EGM of February 3, 2012). Including €208,000 transaction fees and expenses incurred in relation to the transaction, a net amount of €2,982,000 was charged to equity in the third quarter of 2011. However, in the third quarter 2011 financial statements it was incorrectly assumed that these 20.3 million warrants with an exercise price of €0.11 each were fixed both in terms of number of warrants as well as the exercise price. Following a review in the fourth quarter of 2011 it was detected that various adjustment mechanisms in the financial instrument ultimately could result in a different

number of warrants and a different exercise price and thus a derivative financial liability should have been recognised upon concluding the agreement; such a liability is deducted from the total gross consideration with the remaining value included in equity. The fair value of this derivative amounted to €1,624,000 upon initial recognition and €1,218,000 at the end of the third quarter 2011 so that a third quarter 2011 fair value profit of €406,000 should have been posted. Including the effect of transaction fees and expenses (€102,000 allocated to equity and €106,000 charged to financial expenses), equity as per September 30, 2011 was overstated and liabilities were understated by €1,218,000. Overall, the comparative financial statement of income has been adjusted with the net profit on financial income and expenses increasing from €234,000 to €534,000 and the net loss decreasing from €13,339,000 to €13,039,000.

6. Property, plant and equipment

The carrying value of Pharming's property, plant decreased from €9.6 million at year end 2011 to €7.3 million at September 30, 2012. The €2.3 million decrease reflects €0.5 million in depreciation charges, €1.2 million impairment charges of the US-based cattle platform operations and €0.7 million received in cash for the subsequent sale of the US-based assets.

7. Inventories

Pharming's inventories decreased from €6.6 million at December 31, 2011 to €4.0 million at September 30, 2012. The Company invested €1.5 million in inventories in the first nine months of 2012 and expensed €4.1 million. These expenses related to impairments of inventories held for the purpose of selling (€2.4 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 nine months 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.

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 quarter of 2012 (further reference is provided to Note 13).

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

The overall net cash position for the nine months ended September 30, 2011 and September 30, 2012 is as follows:

Amounts in €'000	**2012**	**2011**
Non-current restricted cash	794	1,041
Current restricted cash	309	247
Cash and cash equivalents	1,469	8,485
Balance at September 30	2,572	9,773
Balance at January 1	5,065	10,478
Decrease for the period	(2,493)	(705)

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 nine months of 2011 and 2012 can be summarized as follows:

Amounts in €'000	September 30, 2012	September 30, 2011
Net cash flows used in operating activities	(11,649)	(12,960)
Net cash flows provided by/(used in) investing activities	109	(650)
Net cash flows from financing activities	9,067	12,974
Exchange rate effects on cash	(20)	(69)
Decrease for the period	(2,493)	(705)

Cash flows used in operating activities decreased by €1.4 million, which is largely explained by increased receipts from license partners (plus € €0.8 million) and timing of payments.

Cash flows used in investing activities of €0.7 million in the first nine months of 2011 were primarily related to investments in manufacturing equipment. In the first three quarters of 2012 investments amounted to €0.6 million (largely reflecting deferred payments of investments in manufacturing equipment prior to 2012); however, these were offset with €0.7 million received in cash due to sale of the US-based cattle operations (see Note 6).

Cash flows from financing activities of €13.0 million in the first nine 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), the exercise of warrants by Socius (€1.0 million) as well as the €3.2 million proceeds from the issue of shares and warrants. In the first three quarters of 2012 the €9.1 million cash flows from financing activities follow receipt of €8.0 million in relation to the issue of convertible bonds and €2.3 million from shares issued under the equity working capital facility, net of payment of transaction fees and expenses (€0.6 million) and payment of finance leases (€0.6 million).

10. Total equity

Main developments total equity first nine months of 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 nine months of 2011 and accordingly paid a cash amount of €1.0 million.

Pharming in the third quarter of 2011 issued 29,000,000 shares to investors for an amount of €0.11 per share or €3,190,000 in total and granted the investors the right to receive 20,300,000 warrants with an exercise price of €0.11 per share and subject to shareholder approval; both the number of warrants as well as the exercise price is adjusted subject to various events taking place and accordingly the warrant rights qualified as a financial instrument presented as a derivative financial liability for an amount of €1,624,000 (see Note 12). The gross impact on equity amount to €1,566,000; due to costs associated with the equity issue of €102,000, the net effect on equity was €1,464,000.

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 nine months of 2012
Pharming in the first nine months of 2012 issued a total of 210,181,995 shares with an aggregate fair value of €9.9 million to holders of Bonds 2012 (further see Note 13).

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; the investors subsequently withhold a 12.5% discount on the applicable price. In the third quarter of 2012 the Company has drawn two tranches which resulted in the issue of 164,304,453 shares in total and the receipt of €2.3 million in cash. The total fair value of the shares issued amounted to €3.0 million with the €0.7 million difference to cash received of €2.3 million charged as a financial expense for €0.3 million (the difference between the fair value of the shares issued and the applicable VWAP) and to equity for €0.4 million (the 12.5% discount). On signing of the equity working capital facility the investors received warrants to purchase up to an aggregate of 16,500,000 ordinary shares in the capital of the Company. When draw downs of individual investors have exceeded a total of 25%, 50% and 75% of their commitment, additional warrants are issued. As per September 30, 2012 an additional 11,005,500 warrants have been issued. Total warrants issued in relation to the equity working capital facility in the third quarter of 2012 are 27,505,500 with an initial fair value of €297,000, recognized as a derivative financial liability (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.

Subsequent to the transfer of the US assets in the third quarter of 2012 (Note 6), Pharming's negative foreign currency translation reserve within equity of €1.4 million was recycled to the statement of income and charged to financial expenses; overall, this did not have an impact on equity.

11. Restructuring provision

On June 25, 2012 Pharming announced the closure of the US cattle facilities. On August 2, 2012, the Company announced a restructuring of its Dutch operations. These two events have resulted in the (intended) dismissal of employees with total payments anticipated of €1.0 million and which largely reflects severance payments. With respect to the restructuring of the Dutch operations, potential severance payments amount to €0.8 million with the main portion to be paid in monthly instalments throughout 2013-2014 and contingent upon the receipt of US$10.0 million as a milestone payment relating to Study 1310 and/or concluding an additional external financing of at least €5.0 million.

12. Derivative financial liabilities

Derivative financial liabilities recognized in the first three quarters of 2012 related to 38,717,484 warrants issued in relation to the Bonds 2012 (Note 13), 27,505,500 warrants in relation to the equity working capital facility (Note 10) and conversion rights on Bonds 2012 with the initial fair value of these items upon recognition amounting to €1,045,000, €297,000 and €103,000 or €1,445,000 in total.

Movement of derivative financial liabilities for the first nine months 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	1,445	1,624
Fair value gains derivatives	(1,752)	(828)
Carrying value at September 30	864	1,369

Fair value gains have been presented within financial income.

13. 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 quarter 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 was 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 plus interest could take place either in cash or shares; the Company (until maturity in July 2012) decided to pay in shares exclusively 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 €2.8 million was incurred in the first three quarters of 2012.

Movement of the Bonds 2012 in the first three quarters 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	2,353
Result bond settlements	2,757
Advance payment in shares 2011	(1,503)
Fair value of shares issued first three quarters of 2012	(9,924)
Carrying value September 30	-

Effective interest and the result on bonds settlements of €5.1 million in total have been charged to financial expenses (Note 17).

14. Trade and other payables

Trade and other payables balances increased from €3.8 million at year end 2011 to €5.9 million at September 30, 2012 as a result of investments in inventories and costs associated with Study 1310.

15. Loss from operating activities

In the first nine months of 2012, the Company reported a loss from operating activities (from continuing operations) of €18.7 million compared to €14.2 million in the same period of 2011. The €4.5 million increase is, in addition to increased costs associated with Study 1310, largely driven by 2012 impairment charges with respect to property, plant and equipment of €1.2 million, increased inventory write-offs of €1.3 million (€3.0 million in the first nine months of 2012 compared to €1.7 million in the same period of 2011) and the 2012 charges relating to the restructuring of €1.0 million.

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.

16. Financial income

Financial income in the first nine months of 2011 and 2012 amounted to €0.8 million respective €1.8 million, which exclusively related to the decrease in the fair value of derivative financial liabilities (Note 12).

17. Financial expenses

Financial expenses of €0.3 million in the first nine months of 2011 were related to foreign currency results, interest on finance leases and costs associated with a financing transaction. The financial expenses of €7.2 million in the same period of 2012 are associated with Bonds 2012 (€5.1 million, as per Note 13), the recycling of a negative equity translation reserve (€1.4 million, as per Note 10), the result of shares issued under the equity working capital facility (€0.3 million, as per Note 10) and other items such as foreign currency results, interest on finance leases and costs related to financing transactions (€0.4 million in total).

18. 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.

19. Operating segments

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

20. 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 nine months 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). Karl Keegan announced his resignation as of August 31, 2012. No additional payments were 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 (payment of this amount was effected in the third quarter of 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.

21. Commitments and contingencies

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

22. Events after the end of the reporting period

Subsequent to the end of the reporting period up to and inclusive October 31, 2012 the Company issued a total of 24,051,258 shares following the exercise of an equal number of warrants. Total cash proceeds following the exercise of the warrants amounted to €423,000.

On October 17, 2012 the Company announced it had called a third tranche of 16,000,000 shares under the equity working capital facility. Investors have the option to increase this number to 600% or 96,000,000 shares during the 15 day trading period, which ends on November 6, 2012. Up to and inclusive October 31, 2012 the investors have called another 71,632,000 shares so that a total number of 87,632,000 shares have been issued (with, subject to actions taken by investors, potentially 8,368,000 additional shares to be issued until the end of the third tranche pricing period). Based on the development of the VWAP in the period October 17, 2012 up to an inclusive October 30, 2012, the Company would receive gross proceeds of €2.5 million from the third tranche; however, the final amount to be received is subject to development of the VWAP and the final number of shares issued. In addition to these shares, Pharming issued 3,910,500 warrants to investors due to exceeding 25% of their maximum investment amount.

Following the issue of 24,051,258 shares due to the exercise of warrants and the issue of 87,632,000 shares in relation to the third tranche of the equity working capital facility, the outstanding number of shares at September 30, 2012 increased from 888,553,129 to 1,000,236,387 at October 31, 2012.

The authorized number of shares of the Company is 1,300 million with fully diluted shares as per October 31, 2012 summarized as follows (in millions):

Shares	1,000.2
Third tranche equity working capital facility	8.4
Warrants	71.6
Options	25.5
Long Term Incentive Plan	5.5
Total	1,111.2