

## PHARMING ANNOUNCES THIRD QUARTER 2006 RESULTS

### Reports on solid cash position and progress in development of its products and technologies

*Leiden, The Netherlands, October 27, 2006.* Biotech company Pharming Group NV (“Pharming” or “the Company”) (Euronext: PHARM) (PHARM.AS) today announced its results for the third quarter (Q3) ended September 30, 2006.

#### Key developments in the third quarter

##### Financial

- Cash position of € 36.5 million (including marketable securities) at September 30, 2006
- Total costs and expenses were € 4.1 million in Q3 2006 compared to € 4.0 million in Q3 2005 and € 4.4 million in Q2 2006
- Net loss of € 4.4 million in Q3 2006 compared to € 3.8 million in Q3 2005 and € 4.4 million in Q2 2006
- Total net loss of € 12.5 million in the first three quarters of 2006 compared to € 12.0 million in the first three quarters of 2005
- Inventories increased to € 8.3 million from € 7.7 million at June 30, 2006 in preparation for launch of Rhucin®

##### Products

- Marketing Authorization Application (MAA) for Rhucin® accepted for review by the European Medicines Agency (EMA) for the treatment of acute attacks of hereditary angioedema (HAE)
- Discussion with regulatory authorities ongoing for the compassionate use of rhC1INH
- Fast Track designation on rhC1INH for the treatment of HAE from the US Food and Drug Administration (FDA)
- Orphan Drug designations for rhC1INH for treatment of two additional indications (Delayed Graft Function after solid organ transplantation and Capillary Leakage Syndrome) beyond HAE granted by the FDA
- Filing on human lactoferrin (hLF) for Generally Recognized as Safe (GRAS) notification under review with the FDA

##### Corporate

- Move to new Beagle building in Leiden's Bioscience Park
- Finalization of acquisition of DNage BV (“DNage”)
- Appointments of Dr. Rein Strijker as Chief Commercial Officer and Dr. Bruno Giannetti as Chief Operations Officer

“In the first nine months of 2006, Pharming strengthened its cash position through key transactions and well controlled costs and expenses,” said Dr. Francis J. Pinto, CEO of Pharming. “With the filing of the Marketing Authorization Application for Rhucin® in Europe, the finalization of the acquisition of DNage and our move to the new Beagle research headquarters, Pharming has completed a remarkable transformation of its product pipeline and research platforms. With the focus on bringing Rhucin® to market as quickly as possible and prospects for licensing agreements and research collaborations, Pharming is positioned for strong growth in the near future.”

## Financial

In the first three quarters of 2006, total costs and expenses were € 12.3 million compared to € 12.9 million in the first three quarters of 2005. The total costs of operations decreased by € 1.1 million compared to the first nine months of 2005 due to non-recurring costs of the agreement with Diosynth BV during that period. Net cash used for operating activities in the first nine months of 2006 was € 15.1 million, including investments made on rhC1INH inventory. In the first three quarters of 2006, the Company also paid € 2.2 million for investments in property, plant and equipment. This amount primarily relates to investments in the new office building to which Pharming moved in September of this year. Including interest and foreign currency results, the net loss of Pharming in the first three quarters of 2006 was € 12.5 million compared to a net loss of € 12.0 million in the first three quarters of 2005. The net loss for Q3 of € 4.4 million was very similar to the net loss in the second quarter (€ 4.4 million).

The cash position, including marketable securities, was € 36.5 million as of September 30, 2006 in comparison to € 20.3 million at the end of 2005. This increase was largely generated through a share placement with institutional investors and an agreement with Paul Royalty Fund II, LP ("Paul Royalty Fund") earlier this year. Pharming has further built up its inventories to € 8.3 million, including commercial supply of Rhucin® (and unpurified bulk material containing the product) in preparation for launch. The equity position of the Company improved to € 40.4 million from € 28.7 million at the end of 2005 (€ 44.2 million at the end of HY1 2006). Total liabilities were € 16.2 million compared to € 5.8 million at December 31, 2005, which includes amounts to be paid to Paul Royalty Fund in the future.

## Products

During the third quarter Pharming made significant progress in the registration of its lead product Rhucin®. Pharming's Marketing Authorization Application for Rhucin® for the treatment of acute attacks of HAE was accepted for review by EMEA, the European authority determining authorizations for the marketing of medicinal products in Europe. Based on the standard schedule for accepted applications using the centralized procedure, Pharming anticipates that EMEA's initial response and questions concerning the application for Rhucin® will come late this year. The discussion with the regulatory authorities on compassionate use of rhC1INH is ongoing.

Also during the third quarter of 2006, Pharming's Rhucin® for HAE was granted Fast Track designation by the US FDA. This designation may accelerate the process of regulatory filings. Recently, Pharming received a grant from the FDA's Office of Orphan Products Development for the clinical development of Rhucin® for treatment of HAE in the USA.

Pharming's rhC1INH product has Orphan Medicinal Product designation for HAE in Europe and Orphan Drug designation in the US, which provides a certain period of market exclusivity for an approved product. Pharming also received Orphan Drug designation from the FDA for two other indications beyond HAE - the prevention and/or treatment of Delayed Graft Function after solid organ transplantation and the treatment of Capillary Leakage Syndrome.

Pharming is developing its lactoferrin product for use as an ingredient in functional foods. The dossier for GRAS notification, which was filed with the FDA at the end of 2005, is currently under review. The research on recombinant human fibrinogen with the US Army and the research on combination products with NovaThera Limited ("NovaThera") is ongoing. Recently, Pharming and NovaThera announced the successful completion of proof of concept studies designed to develop a new generation of bioactive materials. These materials are based on a fusion of the two companies' technologies - TheraGlass™ (a non-ceramic glass) and recombinant human proteins.

## **Corporate**

In October, Pharming announced the signing of the final Sale and Purchase Agreement and necessary corporate approvals to acquire DNage, a privately held biopharmaceutical company based in Rotterdam, the Netherlands, developing products for medical and health problems associated with ageing. The acquisition of DNage gives access to a highly innovative technology platform and products for several new markets such as metabolic diseases, like type II diabetes and genetic diseases, such as premature ageing. As part of the acquisition, Dr. Rein Strijker joined the Board of Management of Pharming as Chief Commercial Officer effective as of October 16.

In September of this year, Dr. Bruno Giannetti was appointed as Chief Operations Officer, effective December 1, 2006. Pharming has also nominated Dr. Giannetti as a member of the Board of Management. The latter will be subject to shareholder approval at the next Extraordinary Meeting of shareholders on November 1, 2006 at 11.00 am CET in the Holiday Inn in Leiden.

## **Background on Pharming Group NV**

Pharming Group NV is developing innovative products for the treatment of genetic disorders, specialty products for surgical indications, intermediates for various applications and food products. Pharming has two products in late stage development - Rhucin® (recombinant human C1 inhibitor) for hereditary angioedema (under review by EMEA) and human lactoferrin for use in functional foods (GRAS notification under review by US FDA). The advanced technologies of the Company include innovative platforms for the production of protein therapeutics, as well as technology and processes for the purification and formulation of these products. Recently, Pharming acquired DNage BV, giving it access to new technology platforms in the areas of cancer and ageing diseases. Additional information is available on the Pharming website, <http://www.pharming.com>.

*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. The press release also appears in Dutch. In the event of any inconsistency, the English version will prevail over the Dutch version.*

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## CONSOLIDATED BALANCE SHEET

At September 30, 2006 (amounts in €'000)

	September 30, 2006 (unaudited)	December 31, 2005 (audited)
Intangible assets	3,505	3,914
Property, plant and equipment	6,566	4,960
Financial assets	195	195
Restricted cash	176	-
<b>Non-current assets</b>	<b>10,442</b>	<b>9,069</b>
Inventories	8,263	3,855
Other current assets	1,377	1,135
Restricted cash	-	237
Marketable securities	5,145	5,839
Cash and cash equivalents	31,368	14,452
<b>Current assets</b>	<b>46,153</b>	<b>25,518</b>
<b>Total assets</b>	<b>56,595</b>	<b>34,587</b>
Shareholders' equity	40,430	28,739
Paul Royalty Fund	9,887	-
Other loans and borrowings	99	140
<b>Non-current liabilities</b>	<b>9,986</b>	<b>140</b>
Trade and other payables	4,557	5,659
Current portion of Paul Royalty Fund	1,580	-
Current portion of other loans and borrowings	42	49
<b>Current liabilities</b>	<b>6,179</b>	<b>5,708</b>
<b>Total shareholders' equity and liabilities</b>	<b>56,595</b>	<b>34,587</b>

*The liability towards Paul Royalty Fund is measured in USD and has been converted to EUR at balance sheet date. In accordance with International Financial Reporting Standards (IFRS), the liability has been accounted for including transaction fees paid in cash and the value of warrants issued in relation to the strategic agreement.*

## CONSOLIDATED INCOME STATEMENT

At September 30, 2006 (amounts in €'000, except per share data) (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
<b>Revenues</b>	<b>20</b>	<b>23</b>	<b>100</b>	<b>363</b>
Research and development	2,033	1,957	5,589	5,623
Operations	775	835	2,863	3,944
Selling, general and administrative	601	532	1,913	1,642
Depreciation and amortization charges	260	252	840	752
Share-based compensation	456	451	1,069	911
<b>Costs and expenses</b>	<b>4,125</b>	<b>4,027</b>	<b>12,274</b>	<b>12,872</b>
<b>Loss from operating activities</b>	<b>(4,105)</b>	<b>(4,004)</b>	<b>(12,174)</b>	<b>(12,509)</b>
Interest on liability to Paul Royalty Fund	(605)	-	(1,574)	-
Other interest income, net	352	194	957	515
Foreign currency effect on liability to Paul Royalty Fund	(47)	-	504	-
Other foreign currency results	16	(33)	(183)	19
Loss on disposal of marketable securities	-	-	-	(37)
<b>Net loss</b>	<b>(4,389)</b>	<b>(3,843)</b>	<b>(12,470)</b>	<b>(12,012)</b>
<b>Share information</b>				
Basic and diluted net loss per share (€)	(0.05)	(0.05)	(0.15)	(0.15)
Weighted average shares outstanding in period	86,315,678	79,792,144	85,738,300	78,915,322
Number of shares outstanding at September 30, 2006 was 86,362,612.				

With IFRS 2, the accounting treatment of share based compensation has been updated with the value of options spread over the total vesting period. As a result, the IFRS 2 share based compensation has been updated for all quarters of 2005.

## CONSOLIDATED STATEMENT OF CASH FLOW

At September 30, 2006 (amounts in €'000) (unaudited)

	Nine months ended September 30,	
	2006	2005
<b>Net loss</b>	<b>(12,470)</b>	<b>(12,012)</b>
Adjustments to reconcile net loss to cash flows used in operating activities:		
<b>Non-cash movement of non-current assets</b>		
Depreciation and amortization charges	840	752
<b>Change in operating assets and liabilities</b>		
Increase other current assets	(242)	(1)
(Increase)/decrease inventories	(4,408)	329
(Decrease)/increase trade and other payables	(1,102)	935
<b>Other items</b>		
Share-based compensation	1,069	911
Issuance of shares in exchange of services	38	38
Foreign currency effect on liability to Paul Royalty Fund	(504)	-
Interest accrued on liability to Paul Royalty Fund	1,574	-
Interest accrued on marketable securities	(268)	(104)
Interest received on marketable securities	360	37
Other foreign currency effects	27	53
<b>Net cash flows used in operating activities</b>	<b>(15,086)</b>	<b>(9,062)</b>
<b>Net cash flows used in investing activities</b>		
Purchase of property, plant and equipment	(2,244)	(694)
Purchase of marketable securities	-	(6,000)
Sale of marketable securities	-	3,963
Change in restricted cash	61	(162)
<b>Net cash flows used in investing activities</b>	<b>(2,183)</b>	<b>(2,893)</b>
<b>Net cash flows from financing activities</b>		
Net proceeds of increase of share capital	22,535	7,826
Upfront payment Paul Royalty Fund, net of transaction fees paid	11,686	-
Repayments of loans and borrowings	(36)	(30)
<b>Net cash flows from financing activities</b>	<b>34,185</b>	<b>7,796</b>
<b>Net increase/(decrease) cash and cash equivalents</b>	<b>16,916</b>	<b>(4,159)</b>
Cash and cash equivalents at January 1	14,452	21,706
Net increase/(decrease) cash and cash equivalents	16,916	(4,159)
<b>Cash and cash equivalents at September 30</b>	<b>31,368</b>	<b>17,547</b>
<b>Liquidity information</b>		
Cash and cash equivalents at September 30	31,368	17,547
Marketable securities at September 30	5,145	6,192
<b>Total liquidities at September 30 (excluding restricted cash)</b>	<b>36,513</b>	<b>23,739</b>