

type of report	<b>Current report</b>
number	34/2014
company	Pharmena Spółka Akcyjna

### **May 2014 monthly report**

The Management Board of Pharmena S.A. hereby presents its monthly report for May 2014.

#### 1. Information on trends and events occurring in the Issuer's market environment

To the best knowledge of the Management Board, in May 2014 no trends or events occurred in the Issuer's market environment, which could significantly influence financial results of the company..

In May 2014, Pharmena accomplished sales revenue from its dermatological cosmetics in the amount of over 629,000 PLN, which constitutes a decrease by 60%, when compared to the revenue achieved in an analogical period of the previous year. The following factors contributed to the decrease of the revenue:

- 1) a nationwide decrease by 20% in the sales of dermatological cosmetics in pharmacies (according to PharmaExpert's data, during the first 11 days of May 2014, the sales of dermatological cosmetics decreased by 29.5%, when compared to an analogical period of the previous year),
- 2) inability to repeat the last year's promotional campaign in pharmacies for THERMI care gel, which had a significant influence on the result achieved in May 2013.

In the said period, Pharmena S.A. enhanced the availability of its products and carried out marketing actions in order to increase sales profit from marketed products.

On 7<sup>th</sup> May 2014, a meeting of Supervisory Board took place, during which the Supervisory Board adopted, among others:

- 1) resolution concerning the appointment of the Management Board for another, three-year term of office. Mr Konrad Palka was re-appointed as the President of the Board. Mrs Marzena Wiczorkowska was re-appointed as Vice President of the Board, Research and Development. Mrs Anna Zwolińska was re-appointed as Vice President of the Board, Sales and Marketing – Domestic Market.
- 2) resolution that accepts the Management Board's proposition on dividing the Company's profit for 2013 in the following manner:
  - a) for dividend – the amount of 967,455.72 PLN (say: nine hundred sixty-seven thousand four hundred fifty-five PLN 72/00),
  - b) for supplementary capital – the amount of 1,058,710.70 PLN (say: one million fifty-eight thousand seven hundred and ten PLN 70/00).

On 10<sup>th</sup> June 2014, an Ordinary General Meeting took place, during which the financial statement for 2013 and the above-indicated division of 2013 profit were accepted. OGM decided, among others, that:

- a) a dividend per 1 (one) share equals to gross 0.11 PLN,
- b) the right to dividend date is established for 1<sup>st</sup> July 2014,
- c) Shareholders holding shares at the end of the day indicated in point b) will be entitled to the right to dividend,
- d) dividend payment date is established for 22<sup>nd</sup> July 2014.

The number of shares covered by the dividend amounts to 8,795,052; the shares constitute 100% of the share capital.

On 14<sup>th</sup> May 2014, the Issuer published Q1 2014 quarterly report that presented separate, as well as consolidated financial data.

In 2014, the Issuer made a change in the manner of presentation of its revenue and costs related to the sales of dermatological cosmetics. It is based on a change of allocation in case of some of the costs of sales and costs of general management. Now, all costs related to the sales of dermatological cosmetics (including the remuneration of medical representatives, among others) are presented in the profit and loss account under costs of sales. Whereas, under the costs of general management there are only included: the costs related to the remuneration of the management board, the costs of office rental and maintenance, patent fees, the costs related to other business lines (i.e. the project of 1-MNA anti-atherosclerosis medicinal product and 1-MNA dietary supplement), as well as other costs related to the general activity of the Issuer. The objective of the new manner of presentation is to demonstrate financial results broken down into separate Issuer's business lines.

In Q1 2014, the following factors proved to have the most significant influence on the increase of the revenue (by 12.3% as compared to Q1 2013), as well as on other spheres of the profit and loss account:

- 1) a promotional and marketing campaign of Dermena shampoo,
- 2) pro-sales activities for the benefit of other Dermena products carried out at wholesalers and retail points of sales,
- 3) pro-sales activities for the benefit of Allerco brand carried out at retail points of sales and via pharmaceutical distributors,
- 4) lower cost of general management by 10% vs. Q1 2013,
- 5) higher costs of sale resulting from, among others, promotional activities carried out at wholesalers, as well as at retail points of sales.

The Issuer, in line with the above-mentioned change in presentation of revenue and costs related to dermatological cosmetics, demonstrated its separate results on sales of dermatological cosmetics for Q1 2014 and Q1 2013 without the costs of general management (with the exception of the indicated below cost of general management, which can be directly attributed to dermatological activity) and without the costs related to the clinical trials over the innovative 1-MNA anti-atherosclerosis medicinal product and 1-MNA dietary supplement, as compared to totalled separate and consolidated results for Q1 2014. The comparison of that data demonstrates profitability of the basic operating activity of the Issuer (dermatological cosmetics).

Table. Revenue, costs, margins related to dermatology for Q1 2014 /2013 (in PLN)

	Data for Q1 2014	Data for Q1 2013
Net sales revenue	3,959,000	3499,000
Costs of production	1,095,000	951
Gross profit on sales	2,864,000	2,548
Gross margin on sales	72.34%	72.82%
Costs of sales	1,638,000	860,000
Costs of general management related to dermatology	43,000	37,000
Profit on sales	1,183,000	1,651,000
Profit margin on sales	29.88%	47.18%
Operating profit related to dermatology	1,170	1,643
Depreciation	37,000	37,000
Operating profit plus depreciation (EBITDA) related to dermatology	1,207,000	1,680,000
EBITDA margin	30.49%	48.01%

The Issuer's Capital Group operations in the area of dermatological cosmetics is profitable at all levels of results, whereas, the Group's operations within the area of clinical trials over the innovative anti-atherosclerosis medicinal product and the area of placing on the market of an innovative dietary supplement is generating only costs which, from the financial point of view of the Capital Group, constitute significant expenditure. This results in the fact that, at a consolidated level, the Capital Group demonstrates negative profitability results.

In Q1 2014, the increase of the revenue from the sales of dermatological cosmetics proved to have the most significant influence on the increase of the revenue achieved by the Issuer's Capital Group. At the same time, the expenditures related to clinical trials over 1-MNA anti-atherosclerosis medicinal product increased, which influenced the increased loss on other individual spheres of the profit and loss account.

Detailed financial data with Management's comments can be found in Q1 2014 report.

Moreover in May 2014, the Issuer's Capital Group continued its research and development work on new products and searched for new applications for active substances protected by patents and patent applications owned by the Issuer's Capital Group.

## 2. Achievement of the goals of an issue

In May 2014, Pharmena S.A. did not make any money expenditure directly on issue-related purposes. However, in the reported period, a subsidiary company Cortria Corporation spent its funds mostly on its administrative operations.

## 3. A list of all information published by the Issuer in the form of current reports in the reporting period from 01.05.2014 to 31.05.2014.

During the period covered by this report, Pharmena S.A. published the following reports in EBI system:

- Current report no. 25/2014 of 08-05-2014 – Supervisory Board's assent of the proposition on payment of dividend for 2013
- Current report no. 26/2014 of 08-05-2014 – Appointment of the Management Board for the next term of office
- Current report no. 27/2014 of 14-05-2014 – April 2014 monthly report
- Current report no. 28/2014 of 14-05-2014 – PHARMENA S.A. – Q1 2014 quarterly report

During the period covered by this report, Pharmena S.A. did not publish any reports in ESPI system.

## 4. Investor's calendar for June 2014.

10.06.2014 – Ordinary General Meeting took place

Until 14.07.2014 – publication of June 2014 monthly report

Legal basis: Resolution No. 795/2008 of the Warsaw Stock Exchange Management Board dated 31<sup>st</sup> November 2008 concerning the adoption of the codes of best practice applicable on the NewConnect market, Appendix 1, point 16.

### Representatives of the company:

- Konrad Palka - President of the Board
- Marzena Wiczorkowska - Vice President of the Board