

type of report	<b>Current report</b>
number	45/2014
company	Pharmena Spółka Akcyjna

### **August 2014 monthly report**

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

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

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

In August 2014, Pharmena accomplished sales revenue from its dermatological cosmetics in the amount of 965,000 PLN, which constitutes an increase by 3% when compared to the revenue achieved in an analogous period of the previous year.

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 14<sup>th</sup> August 2014, the Issuer published Q2 2014 quarterly report that presented a selection of 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.

At a separate level, in Q2 2014 the Issuer observed a decrease of revenue (by 24.78% when compared to Q2 2013).

The following factors proved to have the most significant influence on the decrease of the revenue, other spheres of the profit and loss account and the decrease in profit from operating activities:

- 1) inability to repeat last year's promotional campaign of Thermi gel that was held in pharmacies,
- 2) decreased sales of Dermena brand due to an aggressive marketing campaign of a competitive brand.

The Company's objective is to achieve the previous increase of Dermena brand sales within the oncoming quarters of 2014. Therefore, marketing and sales activities that cover the entire Dermena line are currently being undertaken.

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 Q2 2014, the following factors proved to have the most significant influence on the decrease of the Issuer's Capital Group revenue: inability to repeat last year's promotional campaign of Thermi gel that was held in pharmacies and decreased sales of Dermena brand due to an aggressive marketing campaign of a competitive brand. At the same time, the expenses related with trials over the 1-MNA anti-atherosclerosis medicinal product and toxicity tests of 1-MNA dietary supplement increased. This influenced the increased loss on individual other items in the profit and loss account. Detailed financial data with Management's comments can be found in Q2 2014 report.

In the area of works over the innovative 1-MNA anti-atherosclerosis medicinal product, during the period covered by this report, the following events occurred:

- 1) The Management of Board PHARMENA S.A. informed that as of 31<sup>st</sup> July 2014, 23 patients had been included to phase II clinical trials over anti-atherosclerosis medicinal product 1-MNA, two of which had already concluded the trials. At the same time, the Company informed that due to strict criteria of patents' inclusion into the trials (among others those concerning lipid profile disorders and the prohibition to use other dyslipidemia treatments), the number of patients excluded from the trials was higher than previously expected. In order to streamline the process of patients' inclusion into the trials, the Issuer decided to enhance the number of clinics participating in the clinical trials. Until now, the trials were carried out in 14 centres, however, as of 31<sup>st</sup> July 2014, the number was increased by 3 clinics and 2 additional are undergoing the preparatory process to commence patients' recruitment.

The aim of the phase II clinical trial over the 1-MNA anti-atherosclerosis medicinal product is to establish the effective dose of the medicinal product and confirm the lack of side effects in humans in the tested doses. Montreal Heart Institute serves as the supervisory institution. Conducting phase II clinical trial is necessary for commercialisation of 1-MNA anti-atherosclerotic medicinal product project, while potential revenues on the medicinal product commercialisation may have very significant impact on financial results and market valuation of the Issuer.

Phase II clinical trials ("Proof of Concept") are financed from funds raised in issue of series D.

2) On 7<sup>th</sup> August 2014, the Management Board of PHARMENA S.A. received notification that Japan Patent Office decided on granting a patent to patent application no. 2011-233155, concerning the use of 1-methylnicotinamide (1-MNA) in vascular protection, related to 1-MNA's ability to increase the level of prostacyclin. The patent ensures the Company a patent protection in the abovementioned scope in Japan. Increasing of the level of prostacyclin and regulation of endothelium functioning is incredibly significant in treatment and prevention of number of diseases, among others, in atherosclerosis, ischaemic heart disease, thrombosis, and inflammation of gastric mucosa.

This is yet another patent (previous ones were granted among others in USA, Europe, Russia, Mexico, Canada, Australia, China, and Japan) which the Company receives within patent applications concerning the use of selected pyridinium salts. In the previous years, the Company made a vast number of patent applications which ensure it a worldwide protection.

Moreover in August 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 August 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 toxicity tests in relation with the registration of new foodstuff (dietary supplement 1-MNA).

#### 3. A list of all information published by the Issuer in the form of current reports in the reporting period from 01.08.2014 to 31.08.2014.

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

- Current report no. 41/2014 of 04-08-2014 – Information on the progress in clinical trials over innovative anti-atherosclerosis medicinal product 1-MNA
- Current report no. 42/2014 of 07-08-2014 – Obtaining a patent in Japan
- Current report no. 43/2014 of 14-08-2014 – PHARMENA S.A. – Q2 2014 quarterly report
- Current report no. 44/2014 of 14-08-2014 – July 2014 monthly report

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

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

Until 14.10.2014 - publication of September 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