

ORPHÉE SA
Plan-les-Ouates

report of the statutory auditor on the
financial statements for the year ended
December 31, 2014 to the general meeting

Geneva, November 4, 2015

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 TO THE GENERAL MEETING OF ORPHÉE SA, PLAN-LES-OUATES

As statutory auditor, we have audited the accompanying financial statements of Orphée SA, which comprise the balance sheet as at December 31, 2014, and the income statement and notes for the year then ended.

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Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

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Other matter

The financial statements of Orphée SA for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2014.

The examination was conducted in accordance with the Swiss Standard on the Limited Statutory Examination when the financial statements of Orphée SA for the year ended December 31, 2013 should have already been subject to an ordinary audit.

We ensured by performing appropriate audit procedures that the opening balances on January 1, 2014 do not contain misstatements that could have a significant impact on the financial statements for the current financial year.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

During our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements designed in accordance with the instructions of the Board of Directors was not documented.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

We recommend that the financial statements submitted to you be approved.

We draw your attention to the fact that the annual shareholders' general meeting has not taken place within six months of the end of the financial year as stipulated by article 699 para. 2 CO.

BERNEY & ASSOCIES SA
Société Fiduciaire



Lucien ZANELLA
Licensed Audit Expert



Claude HERI
Licensed Audit Expert
Auditor in charge

Enclosure : financial statements (balance sheet, income statement and notes)

ORPHÉE SA, Plan-les-Ouates

BALANCE SHEET AT DECEMBER 31, 2014

	Note	31.12.2014	31.12.2013
		CHF	CHF
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		13'754'866	13'828'892
Trade receivables - net of provision	10.1	1'257'435	1'014'223
Other receivables - net of provision	10.2	249'809	1'223
Inventory - net of provision	10.3	2'640'031	3'110'320
Accrued income and prepaid expenses		50'140	5'226
Advance to PZ Cormay S.A.		4'334'277	-
TOTAL CURRENT ASSETS		22'286'558	17'959'884
NON-CURRENT ASSETS			
Loan to a subsidiary - net of provision	10.4	-	387'500
Investments in subsidiaries - net of provision	3	21'881'474	22'423'072
Financial assets		29'188	29'188
Tangible fixed assets	10.5	55'129	56'523
Intangible fixed assets	10.6	55'841	456'186
TOTAL NON-CURRENT ASSETS		22'021'632	23'352'469
TOTAL ASSETS		44'308'190	41'312'353

ORPHÉE SA, Plan-les-Ouates

BALANCE SHEET AT DECEMBER 31, 2014

	Note	31.12.2014	31.12.2013
		CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	10.7	1'234'884	1'850'143
Short term interest-bearing liabilities		-	833'113
Shareholder's loan		-	291'000
Other current liabilities		130'899	-
Deferred income and accrued expenses	10.8	543'783	5'000
Provisions	10.9	1'715'000	-
TOTAL CURRENT LIABILITIES		3'624'566	2'979'256
NON-CURRENT LIABILITIES			
Long-term interest-bearing liabilities		2'000'000	1'928'000
TOTAL NON-CURRENT LIABILITIES		2'000'000	1'928'000
TOTAL LIABILITIES		5'624'566	4'907'256
SHAREHOLDERS' EQUITY			
Share capital	6	3'860'850	2'460'850
Capital contribution reserve		46'618'779	33'172'797
Retained earnings :			
- brought forward from previous year		771'450	
- result for the year		(12'567'455)	771'450
TOTAL SHAREHOLDERS' EQUITY		38'683'624	36'405'097
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		44'308'190	41'312'353

ORPHÉE SA, Plan-les-Ouates

INCOME STATEMENT 2014

	Note	2014 CHF	2013 CHF
<u>OPERATING INCOME</u>			
Net revenue		9'290'542	10'040'100
Other operating income	11.1	253'214	161'887
TOTAL OPERATING INCOME		9'543'756	10'201'987
<u>OPERATING EXPENSES</u>			
Changes in inventory		286'398	(545'679)
Cost of goods		(6'203'117)	(6'865'919)
Salaries and social charges		(789'442)	(621'365)
Other operating expenses	11.2	(3'282'302)	(879'558)
TOTAL OPERATING EXPENSES		(9'988'463)	(8'912'521)
OPERATING RESULT BEFORE INTERESTS, TAXES AND DEPRECIATION		(444'707)	1'289'466
Depreciation and value adjustments on fixed asset items		(29'366)	(37'875)
(Allocation) / reversal of the provision for bad debts		(334'698)	-
(Allocation) / reversal of the provision for inventory		(378'343)	-
(Allocation) / reversal of the provision for loan to a subsidiary		(4'570'346)	-
(Allocation) / reversal of the provision for investments		(3'270'553)	-
OPERATING RESULT BEFORE INTERESTS AND TAXES		(9'028'013)	1'251'591
Financial income	11.3	48'139	127'128
Financial expenses	11.4	(124'511)	(242'985)
Exchange (loss) / gain		(797'562)	295'272
ORDINARY OPERATING RESULT BEFORE TAXES		(9'901'947)	1'431'006
Extraordinary, non-recurring or prior-period income		-	34'129
Extraordinary, non-recurring or prior-period expenses	11.5	(2'560'908)	(75'459)
RESULT BEFORE TAXES		(12'462'855)	1'389'676
Taxes		(104'600)	-
RESULT FOR THE YEAR		(12'567'455)	1'389'676

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1) GENERAL

The Company was incorporated in Plan-les-Ouates (Switzerland) on June 7, 2002.

The corporate purpose of the Company, according to Article 2 of its articles of incorporation, is the development and marketing of reagents, tests and instruments for in vitro diagnostics.

The share capital of CHF 3'860'850 consists of 38'608'500 fully paid bearer shares of CHF 0.10 each.

Financial statements are presented in accordance with the legal accounting policies applicable in Switzerland in effect until December 31, 2012, in accordance with transitional provisions of the new Swiss financial reporting law.

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

2) NUMBER OF FULL-TIME POSITIONS

The number of full-time equivalents on a yearly average during the year 2014 did not exceed 10 employees (2013: dito).

3) INVESTMENTS IN SUBSIDIARIES, STATING SHARE OF CAPITAL AND VOTES HELD

	share of capital held	share of votes held	31.12.2014 CHF	31.12.2013 CHF
Diesse Diagnostica Senese S.p.A. The company is in the business of manufacturing reagents and immunoassay apparatus in Italy.	45.00%	50.00%	18'750'000	18'750'000
Orphée Technics Sp. Z o.o. Polish company that manages real estate. <u>Less</u> : Provision	100.00%	100.00%	2'407'705 (910'877) 1'496'828	- - -
Innovation Enterprises Ltd. Irish company in the business of manufacturing and distributing reagents and biochemistry apparatus. <u>Less</u> : Provision	99.88%	99.98%	2'359'676 (2'359'676) -	2'038'426 - 2'038'426
Kormiej Rusland Sp. Z o.o. Russian company engaged in wholesale of medical equipment and reagents.	100.00%	100.00%	1'614'147	1'614'147
Kormej Diana Sp. Z o.o. Import of medical equipment, consumables and reagents to Belarus.	100.00%	100.00%	20'499	20'499
Total			<u>21'881'474</u>	<u>22'423'072</u>

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

4) COLLATERAL FOR THIRD-PARTY LIABILITIES

At December 31, 2014, the Company has a bank guarantee of CHF 17'500 in favour of Swisscard AECS GmbH (2013: dito).

5) REASONS FOR PREMATURE RESIGNATION OF THE AUDITOR

In his letter of resignation dated June 4, 2015, the auditor cited the following reasons :

- conflicts between shareholders
- difficulties for the Board of Directors to act unanimously
- the fact that a judge have been called to convene a general shareholder's meeting
- inability to evaluate the investments

6) AUTHORISED CAPITAL

At the shareholders' general meeting held on July 7, 2014, the shareholders accepted to create an authorised capital of a maximum amount of CHF 700'000 and to cancel the 2013 remaining authorised capital of CHF 181'105. The total of the authorised capital of CHF 700'000 have been issued during the current year.

7) RISK ASSESSMENT

The risk assessment was not formally documented by the Board of Directors.

8) SIGNIFICANT SHAREHOLDERS

	<u>31.12.2014</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2013</u>
	No. Shares / No. of votes in GSM	% of capital / votes in GSM	No. Shares / No of votes in GSM	% of capital / votes in GSM
PZ Cormay S.A.	19'304'251	50.00% + 1 share	13'400'000	54.45%
Quercus TFI S.A.	3'371'385	8.73%	2'144'075	8.71%
ING OFE	-	0.00%	1'650'000	6.71%
Total FIZ	3'274'616	8.48%	-	0.00%

9) SHARES OF CAPITAL HELD BY THE BOARD OF DIRECTORS

	<u>31.12.2014</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2013</u>
	No. Shares / No. of votes in GSM	% of capital / votes in GSM	No. Shares / No of votes in GSM	% of capital / votes in GSM
Tomasz Tuora with subsidiary entities	3'232'395	8.37%	1'163'824	4.73%
Tadeusz Tuora	910'000	2.36%	80'000	0.33%
Domingo Dominguez	103'700	0.27%	103'700	0.42%

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

10) INFORMATION RELATED TO ITEMS ON THE BALANCE SHEET

10.1) <u>Trade receivables - net of provision</u>	31.12.2014	31.12.2013
	CHF	CHF
Trade receivables, third parties	1'420'215	738'028
Trade receivables, subsidiaries and associates	129'168	276'195
<u>Less</u> : provision for bad debts	(291'948)	-
Total	1'257'435	1'014'223

10.2) Other receivables - net of provision

Suppliers with debit balance	248'369	-
Miscellaneous	1'440	1'223
Tax at source due by Directors	42'750	-
<u>Less</u> : provision for bad debts	(42'750)	-
Total	249'809	1'223

10.3) Inventory - net of provision

Finished goods	3'018'374	3'110'320
<u>Less</u> : provision for inventory	(378'343)	-
Total	2'640'031	3'110'320

10.4) Loan to a subsidiary - net of provision

Loan to a subsidiary	4'570'346	387'500
<u>Less</u> : provision	(4'570'346)	-
Total	-	387'500

10.5) Tangible fixed assets

	Depr. Rate	Net value 31.12.2013	Purchase/ sales	Depreciation 2014	Net value 31.12.2014
	%	CHF	CHF	CHF	CHF
Machinery and equipment	10%	26'511	5'649	(6'943)	25'217
Motor vehicles	20%	16'632	-	(4'821)	11'811
IT equipment	33%	2'255	9'448	(1'596)	10'107
Office furniture	10%	11'125	-	(3'131)	7'994
Total		56'523	15'097	(16'491)	55'129

The fire insurance value of fixed assets as at December 31, 2014 amounts to CHF 205'000 (2013: CHF 180'000).

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

10.6) Intangible fixed assets

	Depr. Rate	Net value 31.12.2013	Purchase/ sales	Amortization 2014	Net value 31.12.2014
	%	CHF	CHF	CHF	CHF
Patents	10%	55'343	-	(2'995)	52'348
Research and development costs	20%	400'843	-	(397'350)	3'493
Total		456'186	-	(400'345)	55'841

10.7) Trade payables

	31.12.2014	31.12.2013
	CHF	CHF
Trade payables, third parties	1'026'480	1'284'990
Trade payables, shareholder	208'404	565'153
	1'234'884	1'850'143

10.8) Deferred income and accrued expenses

Charges due to an associate company	247'780	-
Arbitration costs	130'000	-
Audit fees	42'500	5'000
Tax at source	42'750	-
Other accrued expenses	80'753	-
	543'783	5'000

10.9) Provisions

General provision related to potential claim for undue retrospective compensations	1'715'000	-
Total	1'715'000	-

A provision for possible compensations expectations for the period from 2010 to 2013 for two former directors has been booked as at 31.12.2014. An amount of CHF 1'715'000 was unilaterally withdrawn by these directors in 2015 without prior approval by the general meeting of shareholders or the board of directors. These amounts are formally objected by the actual directors and by the significant shareholders who consider filling a lawsuit in November 2015 to recover the unduly collected amounts.

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

11) INFORMATION RELATED TO ITEMS IN THE INCOME STATEMENT

11.1) Other operating income

	2014	2013
	CHF	CHF
Management fees invoiced to an associate company	250'404	161'887
Miscellaneous income	2'810	-
Total	253'214	161'887

11.2) Other operating expenses

Directors' fees	159'000	12'000
Consultancy fees	966'786	459'265
Legal and fiduciary fees	1'484'888	19'591
Travel expenses	281'373	107'924
Legal taxes	121'024	56'016
Rent and maintenance expenses	120'464	124'977
Advertising and public relations expenses	74'883	5'613
Insurance fees	15'650	39'444
Telecommunication expenses	19'625	24'542
Supplies and small equipment expenses	20'585	14'360
Maintenance costs	14'055	5'804
Professional tax	3'969	4'457
R&D expenses	-	5'565
Total	3'282'302	879'558

11.3) Financial income

Interests on trade receivables	31'928	120'635
Bank interest income	16'211	6'493
Total	48'139	127'128

11.4) Financial expenses

Interest on loan	60'000	180'000
Interest on bank facility	25'200	27'261
Interests and bank fees	39'311	35'724
Total	124'511	242'985

ORPHÉE SA, Plan-les-Ouates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

11.5) <u>Extraordinary, non-recurring or prior-period expenses</u>	<u>2014</u>	<u>2013</u>
	CHF	CHF
Potential claim for undue retrospective compensations	1'715'000	-
R&D costs write off	387'469	-
Taxes related to prior fiscal year	247'710	75'380
Services invoiced by PZ Cormay SA for fiscal years 2010-2013	138'600	-
Loss on debtors	72'129	79
Total	<u>2'560'908</u>	<u>75'459</u>

12) SIGNIFICANT SUBSEQUENT EVENTS OCCURING AFTER THE BALANCE SHEET DATE

In August 2015, the Company was involved in a litigation between shareholders of the Company. The procedure is still pending. At this stage, there is no financial claims against the Company.