



THE MANAGEMENT REPORT
ORPHÉE S.A.
2015

Janusz Płocica	-	Chairman of the Board
Domingo Dominguez	-	Member of the Board
Krzysztof Rudnik	-	Member of the Board
Piotr Skrzyński	-	Member of the Board
Wojciech Suchowski	-	Member of the Board

Geneva, 21 March 2016

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I. Basic facts on the Company Orphée S.A.

Name (company):	Orphée SA
Legal status:	A joint stock company incorporated under Swiss law (Société Anonyme)
Registered office:	Plan les Ouates
Address:	19 Chemin du Champs-des-Filles, Plan les Ouates, CH-1228, Geneva
Country of incorporation:	Switzerland
Registration authority:	Commercial Register in Geneva, Registre du Commerce du Canton de Genève
Registration number:	CH-660-1111002-1
Code according to Classification of Activities:	DUNS Nr 481882434
Tax ID number:	570927
Phone number:	+41 (0) 22 884 90 90
Fax:	+41 (0) 22 884 90 99
Email:	contact@orphee-medical.com
Website:	www.orphee-medical.com

Orphée is a Swiss based company developing and marketing advanced diagnostic equipment and high quality reagents for haematology market dedicated to small and mid-sized laboratories. Orphée was founded in 2002.

Company's philosophy is to manufacture the highest quality products, that give reliable results and the insight into the patient's health. We also support our clients with intensive product training and after-sales service, provided by qualified specialists. The high quality of our reagents and analyzers is confirmed everyday by many laboratory practitioners all over the world. For haematology lab, we provide an innovative technology for the most popular 3-Diff and advanced 5-Diff systems supported by Swiss analyzers.

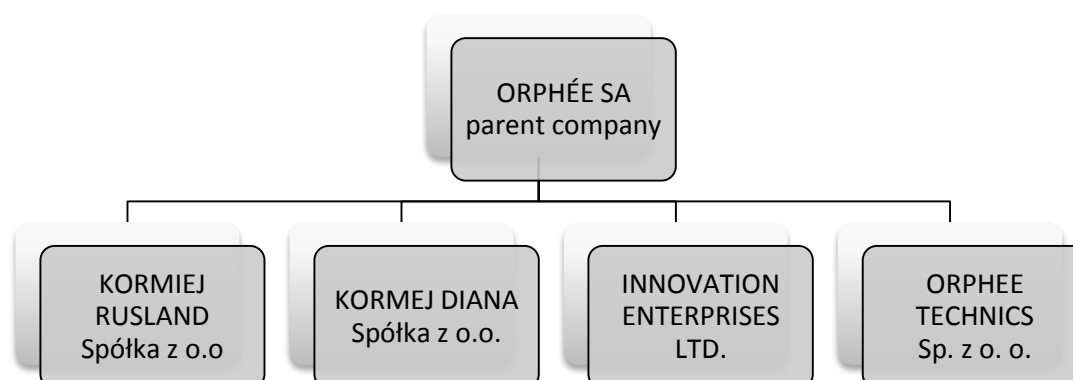
A highly developed distribution network consist of around 200 distributors in more than 100 countries.

II. The Capital Group Orphée S.A.

The Capital Group Orphée SA ("the Group") is composed of the following entities as of 31 December 2015:

1. Orphee Technics Sp. z o. o. – the real estate management,
2. Kormej Diana – import of medical equipment, consumables and reagents to Belarus, distribution on the territory of Belarus;
3. Kormiej Rusland – import of medical equipment and reagents to the Russian Federation, distribution on the territory of the Russian Federation;
4. Innovation Enterprises Ltd – production and distribution of the medical diagnostic solutions applied in biochemistry, immunology, cytology and in POC testing on the IVD market (the liquidation proceedings of the company Innovation Enterprises Ltd were initiated after the closing balance sheet date).
5. Diesse Diagnostica Senese S.p.A. – production of tests and devices used in immunology, microbiology and ESR, distribution of medical equipment.

Organisational structure of the Capital Group Orphée SA as of 31 December 2015 (excluding the jointly controlled company Diesse Diagnostica Senese S.p.A.).



As of 31 December 2015, Orphée S.A. is a holder of shares in the following companies:

Company's name	Direct holding in the capital of Orphée S.A.	Direct holding in the votes of Orphée S.A.	The method of consolidation
Kormiej Diana Sp. z o.o.	98.50%	98.50%	full
Kormiej Rusland Sp. z o.o.	100%	100%	full
Innovation Enterprises Ltd.	99.88%	99.98%	full
Diesse Diagnostica Senese S.p.A.	45%	50%	the equity method
Orphee Technics Sp. z o. o.	100%	100%	full

III. Business performance

In 2015, the financial performance of Orphee SA was affected by a number of internal and external factors. In the opinion of the present Board of Directors, the most important ones result from bad management conducted by Tomasz Tuora and Tadeusz Tuora as members of the previous Board of Directors. In particular their decisions and actions negatively affected the sales, financing and purchasing structures caused to operate in isolation from the parent company PZ Cormay S.A. All the intra-group synergies achieved in previous years were intentionally and deliberately destroyed during the last four months of 2014 and the negative effects were continued for most of the year 2015. The former two members of the Board of Directors (Tomasz Tuora and Tadeusz Tuora) used the Company's financial resources to finance hostile acts against the main shareholders. In particular they financed with Company's money legal advisors to defend their position in Board of Directors as well as creation of untrue image of the reality for the capital market (public relations). Furthermore, in 2015 Tomasz Tuora and Tadeusz Tuora lawlessly paid themselves the amount of CHF 1,915,000 as alleged remuneration without the approval of the General Shareholders Meeting, as required by the Company's Articles of Association.

The numerous requests of the Shareholders representing over 60% of the Company's share capital to convene the General Meeting of Shareholders repeatedly made from September 2014 through to August 2015 aimed at changing the composition of the Board of Directors were ignored by Tomasz Tuora and Tadeusz Tuora, who blocked resolutions of the Board of Directors. Eventually, changes in the composition of the Board of Directors were registered in the Commercial Register in Geneva in December 2015.

A 22% drop in sales and a concurrent 22% increase of operational costs as compared to 2014 caused the operational loss exceeding CHF 3.4 million. The net loss incurred in the amount of CHF 5,8 million was also affected by the costs related to previous years, in particular those resulting from settlement of the services rendered by PZ Cormay S.A.

IV. The number of full-time positions on annual average

At the end of 2015, the Company employed 6 people counted on a full time basis while the average employment in 2015 accounted for 6 people. The Company's business operations are based on outsourcing of services provided particularly by PZ Cormay S.A. for the areas such as sales, customer service, warehouse management and logistics, product marketing, accounting and financial reporting and some others.

V. Research and development activities

1. The Company's own activities

In 2015 Orphée SA signed an agreement for development of a new haematology analyser class 3-DIFF capable of performing 60 tests per hour. Introduction of the analyser to the market is scheduled in 2017. As of 31 December 2015, the total outlays on the project exceeded CHF 1 million. In 2016, the outlays on the project will account for CHF 650,000.

2. R&D activity of the parent company affecting the future sale of Orphée S.A.

Currently, PZ Cormay S.A. is in the process of commercialization of two new haematology analysers, Hermes Senior and Hermes Junior. Both of them will be 3-Diff and 5-Diff class. Hermes Senior will offer 120 samples per hour throughput and is dedicated to medium and big laboratories. Its market launch is planned for the second half of 2016.. Hermes Junior, with 80 samples per hour throughput is dedicated to fulfil the needs of smaller and medium laboratories -. Market launch of Hermes Junior is scheduled for beginning of 2017. Both new analysers will be sold under Orphée brand name as Mythic 120 and Mythic 80.

VI. The conduct of a risk assessment

Risk related to general macroeconomic situation

Products offered by Orphée S.A. are dedicated to medical laboratories operating within the health care centres. Company's Board of Directors observes that the demand for laboratory testing equipment and reagents cannot drop below the minimum level which accommodates the basic healthcare needs in the area of disease detection and diagnostics. On the other hand the demand for diagnostic devices offered by the Company is directly linked to the economic growth which influences the financial standing of the healthcare sector and hence the budgets of medical laboratories for investments in new equipment. Therefore, a slow-down of GDP growth may lead to a lower demand for products offered by the companies of Capital Group Orphée S.A. The companies have a limited influence over the market development, however, they endeavour to minimise negative effects of possible unfavourable changes in the economy through geographical diversification of their sales.

Risk of changes in legal regulations and their interpretation

The legal regulations relevant for the territories on which Capital Group Orphée S.A. operates are subject to changes and the impact on their performance can be negative. Due to the fact that the Group is active within the area strictly regulated, the risk of changes in the provisions governing production and introduction of medical products to trade needs to be indicated as well. In the event of discrepancies in interpretation of binding provisions or emergence of new regulations, one can assume detrimental consequences for the operations conducted or possible impact on the financial result.

Risk of technological development in the scope of in-vitro diagnostics

The quick development of the global laboratory diagnostics is a reason why the market success of Orphée S.A. depends on its ability to perform constant monitoring of the technological advancement as well as reaction time needed to adjust its products to the market expectations. In order to effectively compete in the market, it is necessary to continuously conduct research and development works and invest in new product lines.

It is possible that new technologies will emerge on the market which would then create the need to modify the devices and reagents currently offered by Orphée S.A. to ensure that the demand would not weaken and the sales revenues would not go down. At the same time one shall underline that the Company actively works on development of current and new products and technologies on the in-vitro diagnostic market, which helps in mitigating the scale of increased risk.

Foreign currency risk

Orphée S.A. generates most of its sales revenues on the foreign markets and significant part of the revenues is obtained in foreign currencies (mainly EUR). Therefore, majority of sales revenues recorded on the export markets involves the foreign currency risk which may lead to the reduction of sales profitability in the event of unfavourable exchange rates fluctuations affecting the currencies in which the raw materials and goods are purchased as well as the currencies in which the sales revenues are generated. In order to minimise the foreign currency risk, Orphée S.A. uses natural hedge by purchasing raw materials and goods in EUR currency in which the Company obtains revenues.

Risk involved in sales on the Russian market

Orphée S.A. executes most of its sales revenues on the export markets. Currently, the Board of Directors does not envisage sales threats on the foreign markets. The Russian Federation remains one of the key markets for the Group. The Board of Directors monitors the geopolitical events linked with the situation in Ukraine including the activities of the Russian Federation. The economic sanctions imposed presently on the Russian Federation as well as the risk of introducing further sanctions may result in similar actions taken by the Russian Federation towards the countries which applied these restrictions. Furthermore, weakness of the Russian Rouble, if maintained in future, may trigger Russia to reduce imports and, in the most extreme case, introduce the ban on import of analysers and reagents for laboratory testing from the countries imposing the sanctions which would lead to a substantial drop in sales revenues and, hence, would have a negative impact on the financial result and financial standing of Orphée S.A. The Company is taking up measures aimed at mitigating the aforementioned risk, mainly through geographical diversification of sales and intensification of sales activities on the markets other than the key ones.

Risk of possible enhanced competition

Orphée S.A. operates in the field of distribution of equipment as well as production and distribution of reagents on the in-vitro diagnostics (IVD) market. The specific nature of its operations derives from the product offer which is addressed to the target group from the healthcare sector. Therefore, the target group of the Company is limited to the entities operating in just one sector. Orphée S.A. competes with many other manufacturers and distributors worldwide. The operations of the Company is significantly influenced by the increasing competition from the existing producers of reagents and medical equipment, especially when bidding for major and prestigious contracts. The increased competition from other market players on the market where the Company performs could lower sales margins obtained by the Company and thus, hinder its development, financial results and financial standing.

VII. Events with a significant impact on business performance of Orphée S.A. occurred in the reporting period and after its end

1. Buy-back of own shares

As of 31 December 2015 and as of the date of this report, the share capital (basic) amounts to CHF 3,861,000 and is divided into 38,608,500 shares with the face value of CHF 0.1 each.

On 22 January 2015, the Board of Directors of the Company passed a resolution on undertaking the buy-back of own shares. According to the Resolution, Orphée S.A. was to carry out the buy-back procedure for up to 10% of all its shares issued (i.e. up to the number of 3,860,850) for the total price not exceeding the amount of PLN 34,361,565 (i.e. up to the amount of PLN 8.90 per share). The buy-back was to be funded from the Company's reserve capital. The Board of Directors decided that the shares of Orphée S.A. being subject to the buy-back would remain in the possession of the Company with the aim of their resale during the period of 6 years.

In the announcement of 2 April 2015, the Board of Directors of Orphée S.A. informed about the transactions executed in the period from 11 March to 19 March 2015 which resulted in Orphée S.A. purchasing 3,859,118 bearer shares issued by the Company which constitute approx. 10% of the shares in the Company's share capital corresponding to 3,859,118 votes at the general meeting of the Company constituting approx. 10% of the total number of votes at the general meeting of the Company. Total selling price of the acquired own shares amounted to PLN 34,266,287.40 (CHF 8,809,177).

According to the assessment of the present Board of Directors, the buy-back of own shares carried out by the Company in March 2015 (against the will of PZ Cormay S.A., at that time the the largest shareholder holding over 50% of Orphee SA shares) significantly reduced the funds possessed by the Company, limiting the development possibilities and was unjustified from the economic point of view.

2. Personal changes to the composition of the governing bodies of Orphée S.A.

As of 31 December 2014, the Board of Directors was composed as follows:

- Tomasz Tuora - Chairman of the Board,
- Tadeusz Tuora - Member of the Board,
- Domingo Dominguez - Member of the Board,
- Piotr Skrzyński - Member of the Board.

As of 31 December 2015, the Board of Directors was composed as follows:

- Janusz Płocica - Chairman of the Board,
- Domingo Dominguez - Member of the Board,
- Krzysztof Rudnik - Member of the Board,
- Piotr Skrzyński - Member of the Board,
- Wojciech Suchowski - Member of the Board.

On 7 August 2015, the Extraordinary General Meeting of Shareholders of the Company took place. Pursuant to Art. 7 of the Company's Articles of Association, the Extraordinary General Meeting of Shareholders of the Company undertook the following actions:

- appointment of the Members of the Board of Directors for the 2015 financial year in the following composition: Mr Piotr Skrzyński, Mr Janusz Płocica, Mr Wojciech Suchowski, Mr Krzysztof Rudnik and Mr Domingo Dominguez,
- appointment of Mr Janusz Płocica as the Chairman of the Board of Directors of Orphée S.A. for the 2015 financial year,
- appointment of "Gerofid, Société Fiduciaire SA" with the registered office in Geneva, as the chartered accountant of the Company for the years 2014 and 2015.

On 4 November 2015, the Extraordinary General Meeting of Shareholders of Orphée S.A. was held at the Company's seat to reappoint the chairman and other members of the Board of Directors of the Company for the 2015 term of office in the following composition: Mr Janusz Płocica (as the chairman of the Board of Directors), Mr Domingo Dominguez, Mr Krzysztof Rudnik, Mr Piotr Skrzyński and Mr Wojciech Suchowski (as the members of the Board of Directors).

On 2 December 2015, the Company received confirmation on the registration of changes with respect to the composition of the Board of Directors of Orphée S.A. in the Commercial Register in Geneva. The present Board of Directors consists of the following people: Mr Janusz Płocica as the Chairman of the Board of Directors, Mr Domingo Dominguez, Mr Krzysztof Rudnik, Mr Piotr Skrzyński and Mr Wojciech Suchowski as the Members of the Board of Directors. Mr Tomasz Tuora and Mr Tadeusz Tuora were removed from the Register.

3. Auditing Body

On 11 June 2015, the Company informed about the resignation of “Synergie & Partenaires Société Fiduciaire S.A.”, a chartered accountant acting as the Auditing Body.

On 7 August 2015, the Extraordinary General Meeting of Shareholders of the Company appointed the company “Gerofid, Société Fiduciaire S.A”, a chartered accountant with the seat in Geneva to act as the Auditing Body for the years of 2014 and 2015. On 4 November 2015, the Extraordinary General Meeting of Shareholders of the Company changed the chartered accountant acting as the Auditing Body for 2014 and 2015 to “Berney & Associés” with the registered office in Geneva.

4. Execution of an annex to the preliminary contract for sale of an organised part of the enterprise of 15 July 2014

On 17 December 2015, the Company and PZ Cormay S.A. concluded an Agreement Amending the Preliminary Contract for Sale of an Organised Part of the Enterprise dated 15 July 2014 which amended the repayment term of the advance for the Company in the amount of PLN 15,494,000 to the date of 31 December 2016.

5. The loss of control over Orphée S.A. by PZ Cormay S.A. resulted from disposal of shares on 26 February 2015 and regaining the control on 2 December 2015

On 26 February 2015, transactions regarding the sale of shares of Orphée S.A. by PZ Cormay S.A. were undertaken. Before the above mentioned disposal transactions, PZ Cormay S.A. held 19,304,251 shares corresponding with 50% + 1 share in the share capital of Orphée S.A. translating into 50% + 1 share in total number of votes at the General Meeting of Orphée S.A. Upon conclusion of the above stated transactions, PZ Cormay S.A. was in the possession of 8,879,956 shares corresponding with 23% of the share in the share capital of Orphée S.A. and representing 23% of the total number of votes at the General Meeting of Orphée S.A.

In the announcement of 3 December 2015, the Management Board of PZ Cormay S.A. decided on consolidation with Orphée S.A. Moreover, it was conveyed that under the consolidation PZ Cormay S.A. would endeavour to achieve full capital control over Orphée S.A.

6. Dispute with Diagnostica Holding s.r.l.

In the reporting period Orphée S.A. was a party to the arbitration concerning acquisition of the company Diesse Diagnostica Senese S.p.A. In January 2014, Diagnostica Holding s.r.l. claimed that Orphée S.A. violated the agreement which gave Orphée S.A. the right to acquire and Diagnostica Holding s.r.l. the right to sell further 50% voting rights in the company Diesse Diagnostica Senese S.p.A. In the Arbitrator's Judgment the following circumstances were confirmed:

- Diesse Shares Purchase Agreement of 14 February 2013 as well as the Shareholders Agreement remain in force.
- The Option Agreement was terminated. The Company is obliged to cover the costs of the proceedings and legal charges, however, it is not liable for the compensation against Diagnostica Holding S.r.l. in the claimed amount of EUR 6,750,000.00.

On 25 January 2016, the Company received a statement of claim through De Premiere Instance (the Court of First Instance) in Geneva lodged to U.N.E.P. Coste d'Appello di Milano (The Court of Appeal in Milan) by Diagnostica Holding s.r.l. ("Diagnostica"). The statement of claim challenges the Decision of the Arbitration Court in Milan issued on 30 December 2014 with respect to claims for damages. The amount of damages to be paid for Diagnostica under the statement of claim accounts for EUR 6,750,000. The Group established a reserve of CHF 330,000 for the court dispute costs.

7. Liquidation of a subsidiary

The Board of Directors of Innovation Enterprises Limited with the registered office in Carrigtwohill, the Republic of Ireland (a subsidiary) decided upon launching the company's liquidation proceedings at the meeting on 27 January 2016. A motion for starting the liquidation procedure and appointing the joint temporary liquidators, Mr Neil Hughes and Mr Joseph Walsh from Hughes Blake, Chartered Accountants of Joyce House, Holies Street, Dublin 2 was filed with the High Court in Dublin, the Republic of Ireland on 28 January 2016. On 29 January 2016, the Company was informed that the High Court in Dublin approved the appointment of Mr Neil Hughes and Mr Joseph Walsh as liquidators. According to the assessment of the Board of Directors of Orphée S.A., the subsidiary's liquidation proceedings shall not burden the financial results of Orphée S.A. with additional costs. The statements prepared so far for 2014 and 2015 take into account the total loss of share value of the subsidiary as well as the lack of possibility of repayment of the loan granted to the subsidiary by Orphée S.A. (the financial statements include all the necessary write-offs and reserves).

VIII. Orders and assignments.

The Company's sales are based on distribution agreements on the specific local markets worldwide. The sale is performed following the orders with a time span not longer than three months. As of the date of this report, the value of current order portfolio amounts to over CHF 800,000.

In 2016, the Board of Directors will focus on strengthening the Company's position on the current markets as well as on further expansion into new markets. The Board's aspiration is to achieve a significant increase of revenues with a concurrent increase of gross margin.

Orphée S.A. intends to actively engage in marketing initiatives in order to gain new export markets. The Company participates in the sector's trade fairs to build new business contacts. The events in 2016 include among others: ArabHealth in the United Arab Emirates, Clinical Lab Expo in USA (AACC), Medica in Germany and Zdravookhraneniye in Russia.

IX. Future prospects.

The markets on which Orphée S.A. concentrates the Company's trade activities are characterised in general by a rapidly growing IVD market. Key export markets cover Eastern Europe, Asian markets, countries in North Africa and the Arab states. The aforementioned markets constitute around 20% of the worldwide IVD market. It is worth emphasising that the number of laboratory tests per capita carried out on these markets is visibly smaller than in the developed countries and creates strong basis for further growth of Group's revenues there. .

The internal factors which had an adverse impact on the revenues generated and which increased the costs of business operations resulted from the activities by Tomasz Tuora and Tadeusz Tuora as Directors of the Board who were acting against PZ Cormay, being the biggest shareholder of the Company. At the date of this Report, the above factor detrimental to the results and the costs incurred was eliminated.

On 3 December 2015 the members of the Management Board of PZ Cormay S.A. acting also as the members of the Board of Directors of Orphée S.A., declared explicitly the roadmap of Orphée S.A.

"Registration of the newly composed Board of Directors ends several months of destabilisation in relations between PZ Cormay and Orphée. As indicated earlier, regaining the operational control over the Swiss company implies that ultimately the Capital Group will be able to perform its daily business objectives and the joint strategic projects in a coherent way and optimal manner in terms of operations and costs. We expect to achieve the synergy effects related to, among others, implementation of the unified procedures for the entire Cormay Group and the introduction of a common global sales and marketing strategy. In order to accomplish it and take utmost advantage of the synergy effects we find it advisable to carry out consolidation of PZ Cormay and Orphée on the capital level as well.

Already a 1.5 year ago we were foreseeing as then the newly appointed management of Cormay that maintaining two listed companies is groundless from the business point of view, due to the costs involved and the purely

organisational issues. In our opinion, the Group Cormay shall have a uniform Ownership, Supervisory Board and Management Board. We have just made the first step towards reaching this goal (...). According to the Management Board, consolidation of PZ Cormay and Orphée would allow for achieving the synergy which would have a vital and positive impact on the financial results of the Cormay Group. One of the consolidation measures being under consideration would be to increase the share capital of PZ Cormay with exclusion of pre-emptive rights of the existing shareholders by way of public bid and to offer them to the shareholders of Orphée (with exclusion of PZ Cormay which currently holds 8,879,956 shares corresponding with 23.00% of shares in the share capital and votes of Orphée) in return for non-cash contribution such as the shares of Orphée. Consequently, the Company's intention would be also taking up measures with the aim to withdraw Orphée from trading on NewConnect.

Dated 21 March 2016

Board of Directors of Orphée S.A.