THE MANAGEMENT REPORT

ORPHÉE SA

2017

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

Geneva, 21 March 2018

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I. Basic facts on the Company Orphée SA

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 SA is a Swiss based company, developing and marketing advanced IVD diagnostic equipment and high quality reagents for haematology market, dedicated to small and mid-size laboratories. Orphée SA 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 analysers 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 analysers.

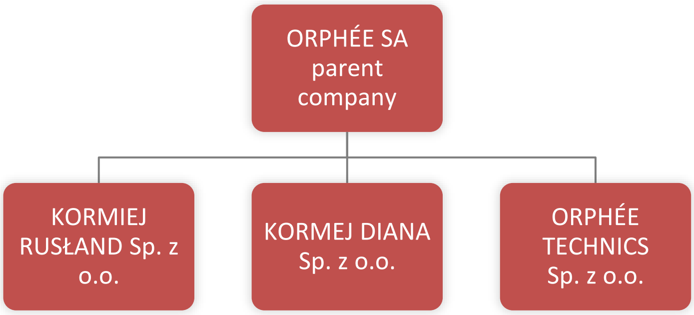
A highly developed distribution network consist of around 135 distributors in more than 93 countries.

II. The Capital Group Orphée SA

The Capital Group Orphée SA ("the Group") is composed of the following entities as of 31 December 2017:

1. Orphee Technics Sp. z o. o. –management of real estate used by the Group in Poland,
2. Kormej Diana – import of medical equipment, consumables and reagents to Belarus, distribution on the territory of Belarus;
3. Kormiej Rusłand – import of medical equipment and reagents to the Russian Federation, distribution on the territory of the Russian Federation;
4. 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 2017 (excluding the jointly controlled company Diesse Diagnostica Senese S.p.A.).



As of 31 December 2017, Orphée SA holds shares in the following companies:

Company's name	Direct holding in the capital of Orphée SA	Direct holding in the votes of Orphée SA	The method of consolidation
Kormej Diana Sp. z o.o.	98.50%	98.50%	full
Kormiej Rusłand Sp. z o.o.	100%	100%	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 the past period Orphée SA continued to realize the recovery program of Company financial situation, including the operational integration with PZ CORMAY Capital Group and optimization of sales and management costs. The effects of the recovery program achieved so far confirm it was the right decision. An important element for the consolidation and the future successful operations was carried out in the third quarter 2017, the successfully completed offer of L series shares PZ Cormay, addressed to the shareholders of Orphée. In total, PZ Cormay acquired 16 851 352 shares issued by Orphée and currently owns 30 731 308 Orphée shares, representing 79,60% in the share capital of Orphée and corresponding to 89,60% of votes at the general meeting of the company.

The Company recorded a notable improvement in the operating result of 2017. That improvement was achieved primarily due to increased revenues while the level of operational costs remains almost unchanged (5% increase in sales and a concurrent 1% decrease of operational costs as compared to 2016). The operating result in 2017 is significant better as comparison 2016 (decrease a loss from – 951 k CHF in 2016 to -475 k CHF in 2017).

One of the objectives of the Management Board of Directors for 2018 is further increase in sales and profitability, allowing at least to achieve a positive operating result.

IV. THE NUMBER OF FULL-TIME POSITIONS ON ANNUAL AVERAGE

The number of full-time equivalents on a yearly average during the year 2017 did not exceed 10 employees. As of 31 December 2017 there were 4 people employed, based on full time employment. The Company's business operations are based on outsourcing of services provided particularly by PZ Cormay S.A. for functions such as sales, customer service, warehouse management and logistics, product marketing, accounting, financial reporting and some others.

V. RESEARCH AND DEVELOPMENT ACTIVITIES

1. R&D activity of PZ Cormay S.A. influencing the future sales results of Orphée SA

The company 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. Currently, the company have been implemented modifications in hardware and software and works on the improvement of the analytical results obtained on the Hermes Senior analyser. Its market launch is planned for the second quarter of 2018. 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 2018. Both new analysers will be sold under Orphée brand names as Mythic 120 and Mythic 80.

2. The Company's own activities

In 2015 Orphée SA signed an agreement for development of a new, 3-Diff haematology analyser, capable of performing 60 tests per hour. During the developing works the Company decided to change the method of bilateral cooperation with the main supplier. As a result of the negotiations was the termination of the agreement on 3th April 2017.

Taking into account the amount of the investment required for continued research and developing works, as well as the possibility of achieving the economies effect, the Management Board of Directors adopted resolution to suspend work on this project. As of 31 December 2017, the total outlays on the project exceeded 1 475 k CHF, all of which was included in a write-down.

VI. THE CONDUCT OF A RISK ASSESSMENT

Risk related to general macroeconomic situation

Products offered by Orphée SA 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 Orphée Capital Group . The companies have a limited influence on 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 Orphée Capital Group operates are subject to changes and their impact on its 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 SA 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 SA 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 looks for possibility to develop 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 SA 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 SA 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 SA executes most of its sales revenues on the international 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 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 SA 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 SA 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 SA 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 SA occurred in the reporting period and after its end

1. Personal changes to the composition of the governing bodies of Orphée SA

As of 31 December 2017, 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.

In 2017 the composition of the Board of Directors was not changed.

On 29 June 2017, the Ordinary General Meeting of Shareholders of Orphée SA undertook the following actions:

- appointment of the Members of the Board of Directors for the 2017 financial year in the following composition: Mr Janusz Płocica, Mr Domingo Dominguez, Mr Krzysztof Rudnik , Mr Piotr Skrzyński and Mr Wojciech Suchowski,
- appointment of Mr Janusz Płocica as the Chairman of the Board of Directors of Orphée SA for the 2017 financial year,
- appointment of Mr Janusz Płocica and Mr Wojciech Suchowski as members of the Remuneration Committee for the current financial year.

The Member of the Board, Mr Piotr Skrzyński, refered to his appointment on 29 June 2017 notified his resignation as Director of Orphée SA with effect as of the 28th February 2018. In the remaining scope, the personal composition of the Board of Directors remains unchanged.

2. Auditor of the Company

On 29 June 2017, the Ordinary General Meeting of Shareholders of the Company appointed the company "BDO Ltd", a chartered accountant with the seat in Geneva to act as the Auditing Body for the years of 2017.

3. Repayment of the advance related 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 terms of the advance for the Company in the amount of 15 494 k PLN to the date of 31 December 2016.

On 16 December 2016 the Annex related to Preliminary Contract for Sale of an Organized Part of the Enterprise was signed. It changed the date of the advance repayment for 30 June 2017. Other provisions of an agreement remained unchanged.

Until 30 June 2017 the advance was fully repaid to Orphée SA.

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

In the reporting period Orphée SA was a party to the arbitration proceeding concerning acquisition of the company Diesse Diagnostica Senese S.p.A. In January 2014, Diagnostica Holding s.r.l. claimed that Orphée SA violated the agreement, which gave Orphée SA the right to acquire and Diagnostica Holding s.r.l. the right to sell further 50% shares with voting rights in the company Diesse Diagnostica Senese S.p.A. In the Arbiter'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 6 750 k EUR.

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. In the claim, Diagnostica demand 6 750 k EUR as a compensation for damages. On 2015 the Company booked a provision of 330 k CHF for the court dispute costs. On 24 June 2016 the answer to the lawsuit was filed, in which the Company questions all claims presented in the lawsuit filed by Diagnostica Holding s.r.l. On November 7 2017, the Company received the decision issued by the Court of Appeal in Milan, in which the claim against the Company was fully rejected. The provision was released.

5. Civil claim against Orphée SA before the ordinary civil court

Orphée SA is involved in a legal dispute with a private individuals, which refers to claims related to a loan agreement dated 8 January 2010 of amount of 2 000 k CHF. These persons filed a court order for payment.

In the Company's opinion the received request for payment is unjustified. The company points out that according to the agreement the loan can be cancelled. The loan agreement envisages that the loan amount should become payable in case of Orphée SA achieving net profit of at least 2 000 k CHF during the loan period. At the same time in case of failure in achieving by the PZ Cormay Capital Group net profit of 3 000 k CHF within 5 years from the date of signing the Agreement, the loan can be subject to cancelation. Until the final resolution of the dispute, the Company booked a provision of the amount of claim.

Orphée SA has already took all necessary legal actions to defend its position in the court proceeding and to receive court confirmation of the cancellation of the loan. currently, as the next stage in the process, has been ordered by the court an expert report of Orphee and Cormay's accounts and it is currently being prepared. The deadline for preparing this report is 28th March 2018.

On 30 October 2017 the Company have requested from the court that both claims of private individuals be joined to form one single civil proceeding. Until the date of this report the court has not decided on this request.

6. Impairment test on the value of shares in Diesse Diagnostica Senese s.p.a.

Due to an improvement in the financial performance of the joint venture company Diesse Diagnostica Senese S.p.a., which in the BoD opinion has a permanent character, the BoD concluded that there were impairment reversal indications met and decided to perform an impairment test of Diesse as of December 31, 2017.

As a result of an impairment test performed the impairment provision from December 31, 2016 in the amount of 7 186 k CHF was reversed by 1 902 k CHF. Consequently the impairment provision was changed to 5 284 k CHF as of December 31, 2017.

Summary of the carrying amount and recoverable amount of investment in Diesse (in '000 CHF):

As of December 31 2017,

Name of unit	Carrying amount of investment (including goodwill)	Recoverable amount of investment	Positive difference between carrying amount and recoverable amount	Impairment amount
Diesse - Diagnostica Senese s.p.a.	18 750	13 466	5 284	5 284

As of December 31 2016,

Name of unit	Carrying amount of investment (including goodwill)	Recoverable amount of investment	Positive difference between carrying amount and recoverable amount	Impairment amount
Diesse - Diagnostica Senese s.p.a.	18 750	11 564	7 186	7 186

To calculate the present value of estimated future cash flows, the Company used a discount rate of 8,71%, which was calculated as a Weight Average Cost of Capital for the industry and market in which the joint venture operates. For the cash flow projects, the Company used the EBITDA for the year 2017 assumed an annual growth of 0,55% in the following years.

VIII. ORDERS AND ASSIGNMENTS.

The Company's short term sales on the local markets worldwide is conducted based on distribution agreements. The sales 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 backorder amounts to over 600 k CHF.

In 2018, 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 and broadening the product portfolio offered to distributors. The Board's aspiration is to achieve a significant increase in revenues with a concurrent increase of gross margin.

Orphée SA intends to actively engage in marketing initiatives in order to gain new markets. The Company participates in the sector's trade fairs to build new business contacts. The events in 2017 included among others: MEDLAB in the United Arab Emirates, Clinical Lab Expo in USA (AACC), Medica in Germany.

IX. FUTURE PROSPECTS.

The markets on which Orphée SA concentrates the Company's trade activities are characterised in general by a rapidly growing IVD market. Key markets cover Eastern Europe, Asian markets, countries in North Africa , Middle East and Latin America. 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 Company's revenues there.

Dated 21 March 2018

Board of Directors of Orphée SA