

**MEDIAN TECHNOLOGIES**  
**A French Société anonyme with a share capital of EUR 504,216.70**  
**Les 2 Arcs, 1800 Route des Crêtes, 06560 Valbonne**  
**RCS Grasse N° 443 676 309**  
**(Hereinafter the “Company”)**

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**MANAGEMENT REPORT OF THE BOARD OF DIRECTORS  
TO THE SHAREHOLDERS’ ORDINARY AND  
EXTRAORDINARY GENERAL MEETING DATED 16 DECEMBER 2016**

Dear Shareholders,

We have called the Shareholders’ Ordinary and Extraordinary General Meeting to inform you on the proposed transactions.

The Shareholders’ Ordinary and Extraordinary General Meeting was called to deliberate on the following agenda:

- *Board of Directors Report;*
- *Statutory Auditors’ Special Report;*

**Within the authority of the Extraordinary Shareholders’ General Meeting:**

- *Capital increase of a maximum nominal amount of €75,384.60 in cash for an amount of €19,599,996, by issuance of 1,507,692 shares, to subscribe at a price of €13 each, premium included; terms and conditions of the issue;*
- *Removal of the preferential subscription rights of the shareholders in accordance with the provisions of article L. 225 - 138 of the French Commercial Code with respect to the aforementioned issuance for the benefit of FURUI Medical Science Company Luxembourg, Sàrl;*
- *Delegation of authority to the Board of Directors for the purpose of deciding the terms and conditions of a capital increase in accordance with articles L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labor Code with removal of the shareholders' preferential subscription rights for the benefit of the employees of the Company;*

**Within the authority of the Ordinary Shareholders’ General Meeting:**

- *Appointment of Mrs Jeanne HETCH as new Board Member.*
- *Powers for formalities.*

**1. PRESENTATION OF ACTIVITY**

Group revenue for the first half of 2016 totaled €2,910k, against €1,436k for H1 2015, an increase of 103%. Revenue continued to climb, confirming management’s goals through the continued performance of clinical trials agreements signed in previous years with pharmaceutical groups and biotechnology companies. The clinical trials business now accounts for more than 98% of the Company’s business.

A recent highlight of this activity was the signature of a new three-year collaboration agreement with the world's leading CRO (Contract Research Organization). This new agreement, signed May 3, 2016, is an extension of the earlier agreement of February 6, 2012.

This renewal includes an amendment of the terms of compensation of the CRO for business brought to MEDIAN Technologies. The new terms are better suited to the context and the results of a collaboration that is now in its fifth year.

The initial agreement provided for this partner, in the event it exercised the stock options and warrants issued to it (exercisable only by offsetting receivables), to hold up to 15% of the share capital of MEDIAN Technologies. In the agreement of May 3, 2016, both parties decided to put an end to this arrangement. Since the partner had never exercised the aforementioned stock options and warrants, it was decided by mutual agreement to cancel them altogether.

MEDIAN Technologies also intends to pursue its activities:

- ✓ Developing a first CBIR prototype specifically adapted to medical imaging using Big Data methodology allowing the automatic broadband extraction and the indexation in databases of biomarkers extracted from the images. The project was renamed iBiopsy™, (Imaging BIOMaker Phenotyping System) and was also the object of a strategic partnership with Microsoft France, to take advantage of Big Data processing capacities offered by Microsoft's Azure platform.
- ✓ Diversifying its offer and by investing on a range of innovative Screening/Monitoring services enabling it to respond to the launch of national lung cancer screening programs. Advanced discussions continue in 2016 and should lead to initial international partnership agreements on these projects in the coming months.
- ✓ Diversifying from its current focus on Oncology towards other therapeutic areas.

Thus, in light of all these activities, the Group has begun its strategic expansion by restructuring all of its departments (Marketing, Commercial, Project Management, R&D, General Administration and Services) in France and in the United States. As a result of all these projects, on June 30, 2016, the Group had 87 employees, compared to 57 on June 30, 2015. Personnel expenses totaled €3,810k against €2,632k a year ago.

Finally, an operating loss €3,634k was recorded for H1 2016 against a loss of €2,553k for H1 2015. This increase results from the company's restructuring as well as from its movement into new activities.

The net loss for H1 2016 came to €3,657k, against a loss of €2,475k in H1 2015.

## **2. RESOLUTIONS SUBMITTED TO YOUR APPROVAL**

- I. Capital increase of a maximum nominal amount of €75,384.60 in cash for an amount of €19,599,996, by issuance of 1,507,692 shares, to subscribe**

**at a price of Euros €13 each, premium included; terms and conditions of the issue**

We propose to proceed to a share capital increase in cash reserved to FURUI Medical Science Company Luxembourg, Sàrl wholly owned by Inner Mongolia Furui Medical Science Co., Ltd. (FURUI), and therefore to remove the preferential subscription rights of the shareholders for the benefit of this investor.

The involvement of FURUI in the Company's share capital is pursuant to the Investment Agreement entered into on 7 November 2016 (detailed under the 7 December 2016 press release, which is available on the Company website [www.mediantechologies.com](http://www.mediantechologies.com)).

FURUI is a leading healthcare group listed on ChiNext GEM Board (SZ 300049), dedicated to pharmaceutical, diagnosis and medical services, with a turnover of around 100M Euros. Furui has abundant medical and market resources that will help Median expand in the Chinese market.

The objective of this investment is to allow the Company to accelerate implementation of its global growth plans and further enhance customer offerings and mainly to develop business opportunities for China for the company's products and also for general working capital and other general corporate purposes of the company.

The proposed share capital increase would be of a nominal amount of €75,384.60 by issuance of 1,507,692 new ordinary shares (the "**New Shares**"), for a unit price of €13, corresponding to a €0.05 nominal value and a premium of €12 to increase the share capital from €504,216.70 to €579,601.30 by cash for a total amount of €19,599,996. The share capital would therefore increase from €504,216.70 to €579,601.30.

The subscriptions will be received at the registered office of the Company once the decisions herein have been taken and until 24 December 2016 at 10.30 AM (Paris time), being clearly specified that subscriptions will be closed in advance as soon as all the New Shares have been subscribed under the conditions stated in the decision herein.

The amount of the premium issue will be registered on a special account "Premium Issue", to which all shareholders shall have rights in conditions set forth by laws and the bylaws of the Company.

The New Shares will be subject to all bylaws, assimilated to the existing ordinary shares and shall give rise to the same rights upon their issuance, including all distributions decided by the Company from that date and shall be traded on the Alternext market under the same quotation line as the existing ordinary shares

The share capital increase will be entirely reserved to FURUI Medical Science Company Luxembourg, Sàrl, a *société à responsabilité limitée* organized under the laws of the Duchy of Luxembourg, which registered office is located at 6 rue Guillaume Schneider L-2522 Luxembourg, registered with the Trade and Companies Registry of Luxembourg under number B188437.

The removal of the shareholders' preferential subscription right is necessary to the implementation of FURUI's investment project into the Company's capital, in accordance with the Investment Agreement entered into on 7 November 2016, following the Board of Directors' approval on the 4 November 2016.

The subscription price of the New Shares of €13 per New Share was fixed pursuant to negotiations with FUIRUI. This subscription price is justified by the fact that it generates a premium in comparison to the volume-weighted average trading price taking several time periods into account as indicated hereafter:

	Weighted average trading price (€)	Premium on the Weighted average trading price (€)
1 day [(4 November 2016)]	8.54	52.2%
2 days	8.56	51.9%
5 days	8.54	52.2%
10 days	8.32	56.3%
1 month	8.32	56.3%

source : Euronext

We ask you to grant all powers to the Board of Directors of the Company, with power of delegating its powers, to carry out this operation, including :

- acknowledge the completion of the condition precedent referred to in paragraph 1 above,
- collect the subscriptions and the corresponding payments,
- proceed to the anticipated closure of the subscription period or extend the date, if applicable,
- obtain the certificate of the depositary of the funds evidencing the payment in full of the subscriptions,
- acknowledge the completion of the New Shares issuance and modify the Company's bylaws accordingly,
- enter into any agreement related to the said issue,
- deduct the costs of the capital increase from the premium, and
- more generally, carry out, directly or by proxy, all appropriate measures and perform all formalities including publication formalities required to finalize the capital increase resulting from the issuance of the New Shares, including the admission to trading of the New Shares on the Alternext market.

The impact of the above share capital increase on the portion of equity held by each existing shareholder of the Company is presented in the table in Appendix 1.

**II. Delegation of authority to the Board of Directors for the purpose of deciding the terms and conditions of a capital increase in accordance with articles L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labor Code with removal of the shareholders' preferential subscription rights for the benefit of the employees of the Company**

According to the provisions of article L.225-129-6 of the French Commercial Code, we ask you to grant powers to the Board of Directors, within the framework of the resolutions hereinabove, to increase, pursuant to the provisions provided for in articles L. 3332-18 to L. 3332-24 of the French Labor Code, the share capital by a maximum nominal amount of 1% of the Company's share capital by creating and issuing new shares with a par value of five cents (€0.05) each.

We propose to confer all powers to the Board of Directors for the purpose of determining the time at which the capital increase shall be completed as well as the terms and conditions of such completion, in particular to determine the conditions and calendar of the exercise, fix the subscription price of the shares, and the subscription calendar, in accordance with the aforementioned legal provisions.

In this context, we also propose confer to the Board of Directors all powers needed to decide and execute any deeds, take any measures and carry out any formalities required to finalize the thereby authorized capital increase transaction, and proceed to the amendments of Company's bylaws as required by the execution of the share capital increase.

We also propose to remove the preferential subscription rights reserved to shareholders pursuant to article L. 225-132 of the French Commercial Code and to allocate the subscription right to the new ordinary shares to be issued for the benefit of the employees of the Company.

We inform you that this resolution is only proposed in order to comply with a statutory requirement but considering the Company's current development stage, we advise that you reject this resolution.

**III. Appointment of a new board member**

We propose to appoint as director of the Company, Mrs. Jeanne HECHT, a US citizen, born on the 12 July 1973 in Michigan in the United States of America, residing at 102 Livingston Place, Chapel Hill, NC 27516.

Pursuant to the bylaws, the said director shall be appointed for a three year term of office, i.e. up to the General Meeting to be convened in 2020 to approve the financial year ending on 31 December 2019.

Mrs. Jeanne HECHT does not hold another director position.

We ask you to approve this appointment. This appointment will be subject to discussion and a vote of the shareholders after study of other applications.

#### **IV. Powers for carrying out the formalities**

We propose that you confer all powers to any holder of an original copy, a copy or an abstract of the Shareholder meeting's minutes to proceed to any and all required legal formalities.

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We now invite you to hear the reading of the various reports from your Statutory Auditors.

If you agree with the proposals submitted to you, we suggest that you confirm this by your vote, excluding the resolution relative to the capital increase for the sole benefit of the employees.

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On behalf of the Board of Directors, its  
President,  
Frederik Brag

## APPENDIX 1

### IMPACT OF THE ISSUE

#### I. Incidence de l'émission sur la quote-part des capitaux propres

On an indicative basis, the impact of the issue the 1,507,692 new shares on the portion of Median Technology equity per share (calculated using the equity as it appears in the un-audited 30 June 2016 financial statements and the number of shares comprising the share capital on that date) would be as follows :

	Portion of equity per share (in €)	
	On a non-diluted basis	On a diluted basis <sup>(1)</sup>
Prior to the issue of the 1,507,692 new shares	<b>2.35</b>	<b>2.99</b>
Following to the issue of the 1,507,692 new shares	<b>3.74</b>	<b>4.08</b>

(1) In the event that all stock options, business creator share warrants (BSPCE), free shares and share warrants issued and outstanding at the date of this report would be exercised.

#### II. Incidence de l'émission sur la situation de l'actionnaire

On an indicative basis, the impact of the issue the 1,507,692 new shares on the portion of Median Technology equity of a shareholder holding 1% of the Company's share capital prior to the issue (calculated using the equity as it appears in the un-audited 30 June 2016 financial statements and the number of shares comprising the share capital on that date) would be as follows:

	Shareholder stake (in %)	
	On a non-diluted basis	On a diluted basis <sup>(1)</sup>
Prior to the issue of the 1,507,692 new shares	<b>1.00%</b>	<b>0.82%</b>
Following to the issue of the 1,507,692 new shares	<b>0.87%</b>	<b>0.73%</b>

(1) In the event that all stock options, business creator share warrants (BSPCE), free shares and share warrants issued and outstanding at the date of this report would be exercised.