MEDIAN TECHNOLOGIES
A French *Société anonyme* with a share capital of EUR 583,794.45
Registered office : Les 2 Arcs, 1800 Route des Crêtes 06560 Valbonne
RCS Grasse N° 443 676 309
(Hereinafter the "Company")

SHAREHOLDERS' ANNUAL ORDINARY AND EXTRAORDINARY GENERAL MEETING DATED 22 JUNE 2017

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED ACCOUNTS PRESENTED ACCORDING TO IFRS STANDARDS

Dear Shareholders,

We have called the Shareholders' General Annual Meeting to inform you on the proposed transactions.

This report completes the Management reports on ordinary and extraordinary resolutions of the fiscal year ended on 31 December 2016.

Indeed, we remind you that, despite the fact there is no legal obligation to do so, pursuant to the terms and conditions of the Subscription Agreements entered into by the Company on 19 August 2014 and 2 July 2015, the Company has also prepared the consolidated accounts according to the IFRS standards.

I. PRESENTATION OF CONSOLIDATED ACCOUNTS OF THE MEDIAN GROUP

1. Presentation of the consolidated accounts

The consolidated accounts for the year closed on 31 December 2016 and submitted to your approval have been prepared in accordance with the presentation rules and the valuation methods provided by the regulations in force for IFRS consolidated accounts and comprised the Company and its US subsidiary, MEDIAN TECHNOLOGIES Inc.

2. Review of the consolidated accounts

The assets side of the balance sheets shows the following accounting items:

ASSETS (in thousands of euros)	12/31/2016	12/31/2015
Intangible assets	278	213
Tangible assets	361	255
Non-current financial assets	144	114
Total non-current assets	**783**	**583**
Inventories	3	7
Trade and other receivables	2 371	1 454
Current financial assets	123	91
Other current assets	1 498	1 141
Cash and cash equivalents	41 776	30 273
Total current assets	**45 770**	**32 966**
TOTAL ASSETS	**46 554**	**33 549**

The liabilities side of the balance sheets shows the following accounting items:

Liabilities (in thousands of euros)	12/31/2016	12/31/2015
Share capital	583	501
Share premiums	51 839	31 379
Consolidated reserves	(4 474)	(34)
Unrealized foreign exchange differences	(100)	(76)
Net result	(9 111)	(5 527)
Total shareholders' equity	**38 736**	**26 243**
Of which the group share	**38 736**	**26 243**
Long and medium-term borrowings	0	314
Employee benefits liabilities	467	367
Deferred tax liabilities	351	440
Non-current other liabilities	1 126	1 454
Total non-current liabilities	**1 944**	**2 575**
Short-term financial debts	459	1 116
Trade and other payables	5 187	3 582
Current provisions	228	34
Total current liabilities	**5 874**	**4 732**
TOTAL LIABILITIES	**46 554**	**33 549**

The consolidated financial statement is commented in the notes to the Financial Statements.

3. Review of the financial result of the consolidated accounts

Consolidated income statement (In thousands of euros)	12/31/2016 (12 months)	12/31/2015 (12 months)
Revenue	6 353	3 885
Other income	15	5
Revenue from ordinary activities	**6 369**	**3 890**
Purchases consumed	(109)	(68)
External costs	(6 134)	(3 638)
Taxes	(240)	(113)
Staff costs	(8 744)	(5 671)
Allowances net of amortization, depreciation and provisions	(390)	(83)
Other operating expenses	(10)	(1)
Other operating income	2	1
Operating result	**(9 256)**	**(5 684)**
Cost of net financial debt	(17)	(21)
Other financial charges	(87)	(85)
Other investment income	172	261
Net financial result	**68**	**156**
Income tax (expense)	76	1
Net result	**(9 111)**	**(5 527)**
Net result, group share	(9 111)	(5 527)
Net result, non-controlling interests' share	-	-
Net result , Group share of basic and diluted earnings per share	**(0,78)**	**(0,55)**

The result of consolidated accounts is commented in the notes to the Financial Statements.

4. Major developments since the end of the financial year

As part of the Company’s development plans in Asia and especially in China, the Company is in the process of establishing a new subsidiary in Hong Kong.

In January 2017, the Company issued 24,609 new shares following the exercise of the BSA A-2009 warrant. These shares were issued at a subscription price of EUR 6.50 per share, including a nominal value of EUR 0.05 and a premium of EUR 6.45, i.e. for a subscription of a total amount of EUR 159,958.50 which included EUR 1,230.45 in share capital and EUR 158,728.05 in premium. The Board of Directors acknowledged the corresponding capital increase on 13 January 2017.

5. Research and Development

In 2016, the Company continued the development of LMS solutions.

MEDIAN has also continued the development of a CBIR prototype specifically suited to medical imaging using Big Data methods for automatically extracting high speed and indexing databases of images extracted biomarkers.

6. Future prospects

The Company's order book amounting to almost EUR 16M shows that the Company's turnover should continue to increase very significantly in the coming years, especially in the field of clinical trials for which pharmaceutical companies entrust to us their imaging component.

In addition, the Company will continue to market its solutions to institutions such as hospitals, anti-cancer health centers and clinics of Western European countries where we already have references as well as in China following the addition of the Furui Group as an equity partner.

The company intends to diversify its offer and build on a range of innovative services called "Screening / Monitoring" to address the launch of national screening programs of Lung Cancer. The discussions in progress continued in 2016 and are expected to allow us to sign our first international partnerships on these projects.

II. PRESENTATION OF THE ACTIVITY OF THE US SUBSIDIARY - MEDIAN TECHNOLOGIES INC.

The Company owns the entire share capital and voting right of MEDIAN TECHNOLOGIES Inc., the US subsidiary of the Company (hereinafter "**Subsidiary**").

The Subsidiary comprised 12 employees as at 31 December 2016.

During the financial year the turnover of the Subsidiary amounted to USD 3,115,279.20 (i.e. EUR 2,843,536). Similarly to the previous financial year, MEDIAN Technologies Inc.'s turnover is due to the introduction in 2014 of a "cost-plus" contract between the parent company and its subsidiary. Thus, the total turnover in 2016 corresponds to the invoicing of costs to the Company.

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If you agree with the proposals submitted to you, we suggest that you confirm this by your vote.

The Board of Directors