



Mauna Kea Technologies

A Public Limited Company (Société anonyme) with share capital of 559,701 euros

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Financial Report in accordance with IFRS as of December 31, 2014

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MANAGEMENT REPORT BY THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

1. PREAMBLE

The Board of Directors, in its meeting on April 13, 2015, reviewed the consolidated financial statements for the fiscal year ended December 31, 2014 and approved said statements. These consolidated statements were prepared in accordance with the IFRS framework.

2. POSITION OF THE GROUP AT THE END OF THE LAST FISCAL YEAR

2.1 Report on operations and important events during the year 2014

Mauna Kea Technologies is a global medical device company focused on leading innovation in endomicroscopy and optical biopsy. The Company designs, develops and markets innovative tools to visualize and detect cell abnormalities in real time during standard gastrointestinal and pulmonary endoscopy procedures. The Company's flagship product, Cellvizio®, a probe-based Confocal Laser Endomicroscopy (pCLE) system, provides physicians and researchers with high-resolution cellular imaging of internal tissues. Large scale, international, multi-center clinical trials have demonstrated Cellvizio's ability to help physicians to more accurately detect early forms of diseases and make immediate treatment decisions. Designed to help physicians in their diagnoses, provide patients with better treatment and reduce hospital costs, the Cellvizio system can be used with practically all endoscopes. Cellvizio has 510(k) clearance from the United States Food and Drug Administration and CE Marking in the European Union for use in the gastrointestinal tract and the urinary and respiratory systems, for endoscopic exploration of the biliary and pancreatic ducts, and for fine-needle aspiration procedures. Cellvizio also obtained SFDA regulatory approval in China and MHLW approval in Japan.

As of December 31, 2014, Mauna Kea Technologies is composed of a multidisciplinary team of 120 employees and benefits from an installed base of 444 facilities in 40 countries. Since its inception, Mauna Kea Technologies has generated cumulative revenues of approximately €53 million, €11.0 million of which was in fiscal year 2014.

Obtaining new reimbursement codes and regulatory approvals

Enactment by US health authorities of practitioner compensation

In January 2014, one year after the CPT reimbursement codes for hospitals first went into effect, the U.S. Centers for Medicare & Medicaid Services (CMS) released the amounts of the 2014 Medicare fees for doctors who carry out Cellvizio procedures in the upper digestive tract. Practitioners will be now paid for these procedures according to the published rate.

Furthermore, the endomicroscopy CPT codes were revised in 2014 from \$927 to \$1,013.

Obtaining 510(k) regulatory approval from the FDA in urology

In March 2014, the Company received 510(k) regulatory approval from the Food & Drug Administration (FDA) for the use of the Cellvizio for urology via the confocal miniprobos Uroflex™ B and CystoFlex™ F in anatomical pathways. Optical biopsy may now be used for a variety of applications in urology, including for bladder imaging during cystoscopy procedures, as well as in the ureters, where traditional biopsies are very difficult to achieve and not totally effective.

Obtaining 510(k) regulatory approval for a new Cellvizio using infrared waves.

In July 2014 the Company obtained 510(k) regulatory approval from the U.S. Food and Drug Administration to market a new Cellvizio system using an infrared wavelength of 785 nanometers.

This new authorization allows us to broaden the range of microscopic analysis of tissues in vivo. In particular it should make it easier to use Cellvizio in conjunction with macroscopic imaging systems for future surgical applications, especially in the field of robotic surgery.

France: favorable opinion from the French National Health Authority

In October 2014, the French National Health Authority (Haute Autorité de Santé) gave a favorable opinion in its list of approved procedures and services for the use of endomicroscopy on patients with Barrett's syndrome, which is one of the principal indications of Cellvizio.

The French National Health Authority also put onto its working calendar for the Q4 2014 - Q4 2015 period the evaluation of endomicroscopy for monitoring resection margins of colon polyps during colonoscopy and to characterize biliary strictures during biliary endoscopy (ERCP).

Obtaining regulatory approval of Cellvizio in Japan

In April 2014 the Japanese Ministry of Health, Labor and Welfare (MHLW) granted the Company a two-fold authorization: one, a Class 1 approval for the use of Cellvizio technology, and also a Class 2 approval (NINSHO) for the endoscopic use of Cellvizio miniprobes. They both cover all the current clinical indications of Cellvizio: gastroenterology (with the exception of the AQ Flex needle probe), urology and pneumology.

Obtaining regulatory approvals in Brazil

In March 2014 the Brazilian health authority (ANVISA) granted authorization for the marketing of AQ-Flex 19™ mini-probes for real-time, microscopic observation of pancreatic cysts, for UroFlex™, the first special-purpose probe for optical biopsies in urology and for the EVA optical biopsy software that works like a virtual endomicroscopy assistant.

Territorial Expansion

Territorial expansion in India

In February 2014, the company installed its first Cellvizio system in India, at the Apollo Gleneagles Hospital in Kolkata, the flagship hospital for gastroenterology in India and a member of the Apollo Hospitals Group.

The Apollo Hospitals Group is one of the foremost care centers in Asia and worldwide. This multi-specialty tertiary care establishment of 510 beds combines medical and technological excellence, advanced infrastructures and exemplary care of patients.

Territorial expansion in Brazil

In March 2014 the Company put Cellvizio into three leading Brazilian hospitals: ICESP (The Anti-Cancer Center of the University of São Paulo), INCA (the National Cancer Institute of Rio de Janeiro) and FUGAST (the Gastro-enterology Institute of Rio Grande do Sul).

Brazil is a fast-growing market for medical devices, and there is a significant need for advanced technologies improving patient care. The Cellvizio technology platform helps state-of-the-art hospitals in Brazil to offer the best treatment options for a number of pathologies and their associated procedures.

Three prestigious French clinics have equipped themselves with Cellvizio

In March 2014 the Company installed Cellvizio in the Polyclinique Bordeaux Nord Aquitaine, the Polyclinique Courlancy in Reims and the Institut Arnault Tzanck in Saint-Laurent du Var, which offer patients living in their region clinical and therapeutic innovation obtainable by optical biopsy of a gastroenterological, pneumological or urological nature.

Collaboration with Siemens Healthcare

In November 2014 the Company announced its collaboration with Siemens Healthcare to evaluate the use of endomicroscopy with Cellvizio in interventional radiology.

Cellvizio will be used along with Siemens medical imaging devices (angiography and interventional radiology [AX] and scanning [CT]) as part of two clinical studies conducted in France at the Hôpital Européen Georges Pompidou (HEGP) in Paris and the University Hospital Center (CHU) in Strasbourg.

Interventional radiology represents several millions of procedures every year worldwide. In this process, doctors insert a small needle, guided by X-ray, into tissue to perform biopsy or ablation.

The two clinical trials will focus on procedures involving the lungs, liver and kidneys. Patients will receive a full examination using a combination of Cellvizio and Siemens imaging and guiding technologies.

Both studies will provide quantitative and qualitative results on the feasibility and effectiveness of the device combination.

2.2 Research and Development, Innovations, and New Products

Research and Development

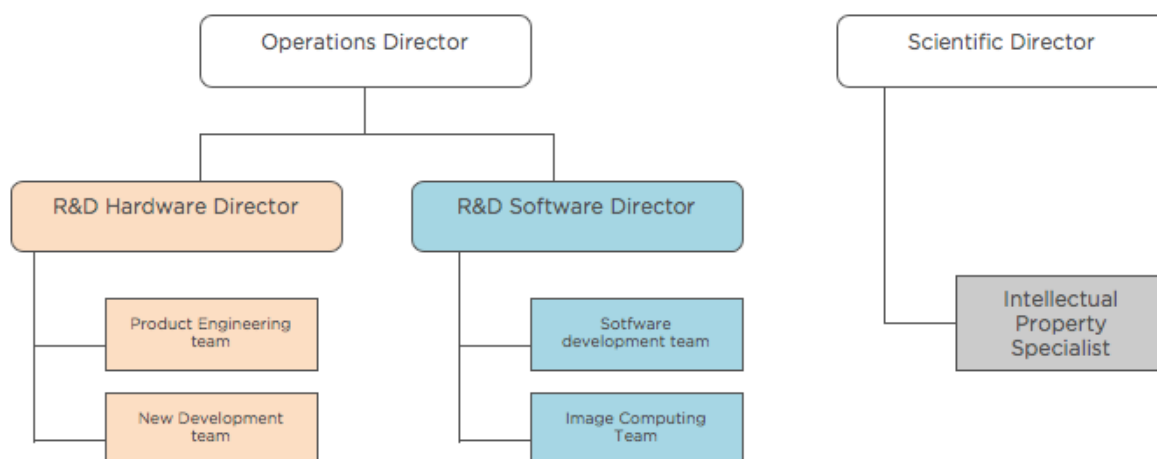
At the end of December 2014, the Research and Development team had 29 employees (doctors, engineers or technicians) covering the fields of expertise necessary for the development of the Group's products and technologies, namely:

- optics and optoelectronics;
- mathematics applied to image processing;
- digital and analog electronics;
- software development;
- micro-mechanics, materials and processes for precision assembly.

The R&D team shares biological and medical knowledge regarding applications and product use with the specialists of the Clinical Affairs team and the Product Managers.

A structured Research & Development Division

The Research and Development Division consists of two departments under the responsibility of the Director of Operations Manager and Scientific Department, as in the diagram below.



Each R&D department is the interface in the Group for the management of any issue related to its expertise, and it oversees the technical work during the entire life cycle of the product, from initial design to production support.

Upstream R&D

The Group is organized to develop the resources to directly create technological innovations that will enable it to expand in its market and win new markets by studying solutions likely to encourage the development of innovative new products in order to continue to improve the care given to patients.

Scientific and technological oversight occurs continuously under the Scientific Department to identify and verify the interest of emerging components or technologies. This oversight makes it possible to be at the forefront of technology as well as limit any risks associated with components that contribute to manufacturing by identifying technical alternatives upstream.

The upstream studies arising from this monitoring are conducted by R&D department teams, either internally or through external collaborative efforts.

They may constitute the preliminary phase of feasibility assessment that helps to decide whether to begin a product development project.

At the clinical level, the Group conducts efforts in collaboration with various hospitals to assess the potential interest and technical feasibility of using Cellvizio technology in new indications.

The upstream studies carried out in collaboration with academic laboratories are often co-funded to optimize the costs of research through grants or doctoral thesis scholarships. For example, the group is currently engaged in the following collaborative efforts:

- a "Smart Atlas" project, which is a very innovative software tool that searches for similarities using content in images. This "Smart Atlas" would integrate an observation sequence history under Cellvizio and conduct an immediate comparison of reference images with images in an ongoing procedure. This study was the subject of a thesis started in 2008 in close collaboration and under the direction of Nicholas Ayache, head of the INRIA Asclepios laboratory in Sophia Antipolis. Since 2012, it has existed in the form of an i-Lab contract between INRIA and the Group, in which two INRIA engineers who are experts in image processing are involved, in addition to the Group's engineers;
- a partnership with the team of Professor Guang-Zhong Yang, Director of the Hamlyn Centre at the British university Imperial College London, which started in late 2013. The objective is to develop new imaging opportunities for improving optical biopsy procedures and make them completely intuitive for practitioners, regardless of their specialty. The Group and the Hamlyn Centre will combine their resources to develop innovative vision technologies by computer for the Cellvizio platform and its EVA operating system. These efforts will help facilitate the use of optical biopsies during invasive endoscopic and surgical procedures.

R&D applied to the improvement of existing products and the optimization of their manufacture (product support)

The Research and Development teams are tasked with the improvement of existing solutions in a process of continuous improvement while remaining attuned to the needs of their internal and external customers. More specifically, they have the following missions:

- ensuring and improving product manufacturing as part of a lean approach. To this end, monthly meetings between each R&D department, the production team and the support team are organized;
- developing new features or improvements in performance for existing products. The improvements are implemented after analysis of the improvement needs expressed by clients and their technical feasibility by product marketing managers.

A particular effort is made concerning approval of new methods for disinfection or sterilization of Confocal Miniprobes so that the system can be used in compliance with the hygiene regulations in force in the various countries where it is sold.

New products and technological advances

Marketing of Cellvizio Software 2.2

In 2014 the Company finalized the pre-series Cellvizio Software 2.2 developed in 2013 and began marketing the software.

This software is a major improvement to the Cellvizio 100 Series product. In this software, the Group developed the EVA (Endomicroscopy Virtual Assistant) concept, which is intended to facilitate the use of the Cellvizio, whether it be for the acquisition and interpretation of images or the integration of optical biopsies into the patient's medical record. EVA allows effective management of optical biopsy procedures by optimizing information flows, an improvement in clinical value and better integration, by providing:

- greater reliability for physicians using Cellvizio— the EVA SmartReview™ function highlights the stable segments in the Cellvizio videos and optimizes the optical biopsy procedure. The FastExtract™ function also allows an immediate selection of the videos identified by SmartReview™. Finally, the EVA Atlas presents reference videos for each organ and pathology directly in the Cellvizio system;
- a model for Cellvizio sharing within hospitals— EVA's DICOM™ connectivity function facilitates the integration of Cellvizio into the hospital's IT system, for archiving and digital dissemination of data from optical biopsies at the institutional level. With the QuickReport™ function, based on a simple usage model, EVA produces reports ready for printing or for the patient's electronic medical record;
- better access to Cellvizio— with a completely revised user interface, EVA allows physicians to annotate captured images and provides troubleshooting remotely for better assistance.

Marketing of Cellvizio Dual Band Pre-clinical

A new release of the software package for our Cellvizio Dual Band system used for pre-clinical research has been deployed mid 2014.

Cellvizio Dual Band Software version 2.0 brings a huge improvement on ergonomics and user experience, based on a fully redesigned Graphical User Interface (GUI) to meet expectations from current users of the Cellvizio Dual Band system.

This software release includes over 50 improved or new features among which:

- A total redesign of the Graphical User Interface (GUI) that allows the automation of key functionalities and workflows (such as the system calibration procedure), and a better software navigation for a shorter learning curve on the system.
- A new time lapse acquisition mode has been developed so as to conduct long-term experiments while limiting the risk for photobleaching of the dye or fluorescent protein loaded into the animal's tissue.

- Comments or flags can be added easily during sequence recording.
- A control panel for laser excitation is now displayed on the main window, allowing for lasers to be powered up or down very easily.
- Improvement of signal level display through the Look Up Table (LUT) that provides advanced features to enable user to accurately adjust top and bottom threshold pixel values. LUT also comprises advanced color palette settings that include pseudo color representation.

2.3 Clinical Research Activity

As evidence of the growing interest from physicians in optical biopsy, Cellvizio and endomicroscopy were the subject of 64 clinical publications during 2014, and 65 in 2013.

From 2007 to 2014, in all there were over 270 publications covering these indications.

In 2014 among the most prominent publications we cite the following:

In October 2014, the results of the CONTACT 1 study, a multi-centric, prospective clinical pilot study showed that needle-based confocal laser endomicroscopy with Cellvizio® made it possible to successfully prove the benignity of suspected pancreatic cysts with 100% specificity due to the identification of a superficial vascular network present only in this type of cyst that was invisible using traditional imaging. The results of this study were published in the scientific journal Endoscopy in an article titled "a new approach to the diagnosis of serous pancreatic adenocarcinomas: needle-based confocal laser endomicroscopy".

2.4 Sales and marketing

In marketing, the Group finished 2014 with a team of 23 people, which covers Operational Marketing (France, Europe, USA and Asia), "Systems and Probes" product development, as well as Clinical Affairs and Marketing Communication.

Sales are made directly in France, Germany and the United States, and through distributors in the rest of Europe and in Asia.

In sales, at the end of 2014 the EMEA region consisted of five people: three sales managers for "Systems" and two for "Probes".

In the United States, at the end of December 2014, the team was comprised of 18 people. The team is composed of eight regional "Systems" sales managers and seven "Probes" sales managers. These sales teams are led by three sales managers.

Finally, in Asia, the General Manager leads the Group's activity in the region. He is assisted in Development in Asia by a consultant in Japan and a country manager in China.

In total, at the end of 2014, the Group had a sales force of 24 people.

2.5 Human Resources

During the year, the Group's workforce grew to 120 people at the end of 2014, compared to 112 at the end of 2013.

The Company has always chosen to invest heavily in training, as the development of employees is central to its human resources policy.

TRAINING (worldwide)	2014	2013
number of hours' training	1,877	3,074
number of employees receiving training	129	116
number of hours per month per employee trained	1.37	2.21

For 2014 two factors explain the decline in the number of training hours:

- lower spending on group managerial training; and
- safety training that was not renewed in 2014 (since there was a sufficient number of first responders, evacuation monitors and extinguisher operatives).

It is worth noting that over 50% of training hours are given in-house—principally quality training, technical/clinical/product training on Cellvizio and IT training.

2.6 Financing and capital structure

At December 31, 2014, the Company had cash and cash equivalents of €15 million. 2014 was also noteworthy for the exit of its shareholder CREADEV, which had held 17% of the shares and had taken its equity position ten years previously. Over 80% of the Company's shares are now bearer shares and tradeable on the Euronext exchange, where the Company is listed.

A line of equity financing was finalized with Société Générale on March 11, 2015 which may under certain conditions provide €7 million of additional financing (based on the price per share as of March 11, 2015).

2.7 Advances made and problems encountered

Fiscal 2014 saw a good many successes in the areas of regulations, reimbursement and clinical trials, and in the startup of a clinical collaboration with Siemens in a therapeutic field new to Cellvizio, interventional radiology. All this progress made in 2014 confirms that on a daily basis endomicroscopy is taking its place in hospitals throughout the world. The moderate growth of 10% in sales in 2014 also attests to the fact that there remain a few critical steps if we are to win greater market shares and establish endomicroscopy as the standard of care. Among these steps, access to reimbursement in the various countries and recommendations by scientific groups and companies seem to us to be essential. Access to a sales force of greater size in each medical specialty could also be a driver of more sales.

3. Position of the Group during the last fiscal year

3.1.1 Revenues and sales

By business line: continued strong trend in Pre-clinical with the success of Cellvizio Dual Band

For the year, Mauna Kea Technologies revenues were up +10% to €11,016 thousand, versus €9,977 thousand for 2013. Sales in Clinical and Pre-clinical activities displayed respective increases of +7% to €8,591 thousand and +25% to €2,425 thousand, versus €8,036 thousand and €1,941 thousand. Over the period, sales to hospitals and clinics accounted for 78% of turnover (versus 81% in 2013).

By product and type: sales of consumables up +30%, continued adoption by gastro-enterologists

Breaking down revenues by product and type shows for the whole year growth in systems sales of 5% to €7,175 thousand versus €6,835 thousand the year before and an increase in consumables sales of 14% to €2,958 thousand versus €2,603 thousand in 2013.

In volume for fiscal 2014, the Company booked sales of 88 systems and 896 probes (versus 73 and 688 in 2013), or a growth in equipment and consumables sales volume of +21% and +30% respectively.

The significant growth in the number of mini-probes sold is a reflection of similar growth in clinical procedures performed with Cellvizio.

At December 31, 2014, Mauna Kea Technologies had an installed base of 444 Cellvizio systems. The installed base of Cellvizio rose from 315 clinical systems and 129 preclinical systems, of which 23 were Cellvizio Dual Band.

The sales of associated services also increased, by +64% to €882 thousand, versus €538 thousand in 2013, reflecting the efforts made to develop this recurring revenue.

By Geographical area further strong growth in the Asia-Pacific region

Analysis of the geographical distribution of sales once again confirms good momentum in Asia-Pacific with sales growth for the area of +52% to €3,806 thousand versus €2,501 thousand in 2013. The EMEA region showed an increase of +8% to €3,197 thousand versus €2,973 thousand. The Americas were the only region to post a decline for the year, of -11% to €4,012 thousand versus €4,502 thousand, the Company not yet having found the right sales dynamic in the USA. Over full-year 2014, revenues in the Americas region represented 36% of total sales, compared with 29% and 35% for the EMEA and APAC regions. The geographical distribution of the 444 Cellvizio systems worldwide is 144 in North America (134 in the United States), 191 in the EMEA region, 94 in the APAC region, and 15 in Latin America.

3.1.2 Other revenues

Other revenues come mainly from the non-activated part of the Research Tax Credit of €1,178 thousand.

3.1.3 Production costs and gross margin

The cost of goods sold came to €3,675 thousand for 2014 versus €3,042 thousand in 2013, respectively corresponding to 33% and 30% of sales. Gross margin in 2014 was 67% as compared with 70% in 2013. This decrease is attributable to a lower average selling price of systems, especially in the United States.

3.1.4 Research and Development Costs

With regard to *Systems*, in 2014 the Research and Development team continued its work on the Cellvizio Software 2.2 project, which led to the commercialization of the EVA concept (Endomicroscopy Virtual Assistant) to facilitate the use of Cellvizio. Work also continued on the new generation of Cellvizio Dual Band for preclinical use, leading to its commercialization, and on the PERSEE program for surgery.

With regard to the work on *probes*, the team applied its research efforts to new models, particularly in the surgical field.

In fiscal year 2014, Research and Development costs increased to €4,583 thousand versus €3,611 thousand for fiscal year 2013.

In 2014, a lower proportion of yearly development costs were capitalized, at €207 thousand, since costs were largely for research. In 2013, the portion of yearly development costs capitalized was €713 thousand. Altogether, total R&D expenditures (both expensed and capitalized) rose 11%. This increase was partly offset by an

increased research tax credit to income, which increased from €984 thousand to €1,251 thousand. Factoring in the research tax credit, the net increase in R&D costs was 6% as compared to 2013.

3.1.5 Marketing and Sales Costs

Marketing and sales costs currently constitute the largest expense entry. These costs went from €11,174 thousand in 2013 to €12,753 thousand in 2014, an increase of 14%. This increase was primarily the result of rebuilding the sales force in the United States during 2013, bringing it to a full headcount in 2014.

This item remains the largest expense category for the Company, representing 49% of all operational expenses in 2014.

3.1.6 Administrative costs

Administrative costs were relatively stable compared to 2013. These costs went from €3,759 thousand in 2013 to €3,837 thousand in 2014, for a slight increase of +2%.

3.1.7 Share-based payments

As with previous fiscal years, the Group continued to issue warrants (BSPCEs and stock options) to its employees. The share-based payments in 2014 totaled €1,257 thousand compared with €851 thousand in 2013.

3.1.8 Operating Result

Operating expenses were €26,106 thousand for the whole year versus €22,437 thousand for 2013, a 16% increase, the main component of which was increased sales and marketing expense. Due to this increase and the moderate increase of 10% in revenue, 2014 operating income was €(13,823) thousand versus €(11,521) thousand in 2013.

3.1.9 Net Result

After taking into account a financial result of €(168) thousand for the year ended December 31, 2014 versus €5 thousand for the year ended December 31, 2013, the net result of the Company was €(13,991) thousand versus €(11,516) thousand for the year ended December 31, 2013.

3.1.10 Cash or cash equivalents

Cash or cash equivalents as of December 31, 2014 totaled €15,018 thousand versus €27,792 thousand as of December 31, 2013.

3.2 RISKS AND UNCERTAINTIES – TRANSACTIONS WITH RELATED PARTIES

The main financial instruments used by the Company are financial assets, cash, and investment securities. The purpose of managing these instruments is to finance the Company's business activity. It is the Company's policy not to subscribe to financial instruments for speculative purposes.

The primary risks to which the Company is exposed are interest rate risk and credit risk.

Exchange rate risk

The main currencies for which the Company is exposed to a significant exchange rate risk are the US dollar and the yen.

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Georgia is to distribute and market the Group's products in the United States. To this end, it is fully financed by the parent company, with which it has established three agreements:

- a cash management agreement for a current account in USD;
- a distribution agreement;
- a service agreement (Management fees).

The Group's major exchange rate risk is linked to the Euro/USD parity fluctuation. In fact, the Group markets the product and services in the USA through its subsidiary Mauna Kea Technologies Inc. Its revenues and expenses - including the purchases of Cellvizio and probes to Mauna Kea Technologies SA - are expressed in US dollars the operational currency of the subsidiary. As a result, the Group is exposed to changes in the EUR/USD exchange rate through that subsidiary.

A change in exchange rates has an impact on Company earnings and shareholders' equity in the same manner, as follows:

- A variation in the EUR/USD exchange rate of +10% would have generated an improvement in earnings of €527 thousand as of December 31, 2014;
- A variation in the EUR/USD exchange rate of -10% would have generated a drop in earnings of €(644) thousand as of December 31, 2014.

In 2013, the Company entered into a yen forward contract to reduce its exposure to exchange rate risk on future purchases. It expired in 2014. There are no other contracts on this risk.

Interest Rate Risk

The Company's exposure to interest rate risk primarily involves cash equivalents and investment securities. These are comprised of money market funds and term deposit accounts. Changes in interest rates have a direct impact on the rate of return for these investments and the cash flows generated.

As of December 31, 2014, the Company's financial debt was not subject to interest rate risk because it primarily involved interest-free repayable advances in a total non-discounted amount of €3,296 thousand as described in Note 11: Borrowings and financial debt

As of this date, the Company has not taken out any loans with credit institutions and therefore has only a very low exposure to interest rate risk.

Credit Risk

In the Company's experience, the payment of certain public financing of research expenditures is subject to credit risk.

The Company manages its available cash in a prudent manner. Cash and cash equivalents include available cash and current financial instruments owned by the Company (mostly money market funds). As of December 31, 2014, the available cash and investment securities owned by the Company were for the most part invested in products with a maturity of less than 12 months.

Credit risk related to cash, cash equivalents, and current financial instruments is insignificant in light of the quality of the co-contracting financial institutions.

With regard to its customers, the Company has no significant concentration of credit risk. The Group has established policies that insure it that its customers have an appropriate credit risk history.

Note 21 of the consolidated financial statements covers relations with the related parties.

3.3 Disputes

In May 2014 an employee lawsuit in the United States was resolved in our favor, without any monetary cost to the Group. Since the provision was no longer called for, it was completely reversed.

New employee lawsuits were brought in 2014 in France, as well as a commercial dispute in the United States. An accounting provision was made for these disputes.

3.4 Predictable developments and future perspectives

We are confident that endomicroscopy is a major medical breakthrough. Past and recent clinical results (the CONTACT1, FOCUS and DETECT studies) bear this out and confirm its usefulness in validated indications in gastroenterology. .

Its scope of application in the human body could broaden to other medical specialties such as interventional radiology and surgery, and could be proven in urology and pneumology.

Our mission is to enable all patients to benefit from this technology, which allows access to microscopic information in real time in the human body.

3.5 Important events that occurred between the end of the last fiscal year and the drafting of this report

Positive results from the Focus clinical trial

In January 2015 the Company announced the publication of the final results of FOCUS, an international, multi-center, prospective clinical study evaluating the use of Cellvizio in diagnosing biliary cancer during an ERCP procedure (endoscopic retrograde cholangiopancreatography).

The results of the study are published in the peer-reviewed journal *Gastrointestinal Endoscopy* and are accompanied by an editorial emphasizing that the study "pushes back the frontiers of diagnosing indeterminate biliary strictures".

Study results support the use of endomicroscopy with Cellvizio for the evaluation of indeterminate biliary strictures.

Obtaining a CPT reimbursement code in the United States for a Cellvizio biliary application

In March 2015 the American Medical Association (AMA) Editorial Panel awarded a new CPT Code related to the use of endomicroscopy during endoscopic retrograde cholangiopancreatography (ERCP) procedures to enable physicians to diagnose health problems in the biliary tract including diagnosis of biliary strictures and the presence of biliary cancer. More than 500,000 ECRPs are completed annually in the United States.

Establishment of a new line of equity financing

On March 11, 2015 the Company established a line of equity financing with Société Générale based on the 20th resolution of the General Meeting of Shareholders on June 11, 2014.

At the share price on that date, the total use of this financing line would bring the Company additional financing of €7 million.

As part of this financing line, and subject to compliance with certain conditions, Société Générale agreed to subscribe 1,390,000 new shares, representing 9.9% of the current capital stock, over the next ten months, at what times and in what fractions Société Générale may choose.

For each tranche, the issue price will bear a 5% discount off the average price, weighted by the volumes traded in the preceding three sessions. This discount allows Société Générale, which does not wish to remain a shareholder in the Company, to guarantee that it would subscribe the shares despite any possible volatility in the financial markets.

MAUNA KEA TECHNOLOGIES

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Registered office: 9 rue d'Enghien - 75010 Paris, France
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REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

To the Shareholders,

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, I have the honor as Chairman of the Board of Directors to report to you on the composition of the Board and how its work was prepared and organized in 2014, as well as on the internal control and risk management procedures put in place by the Company.

This report, prepared by the Company's management, was approved by the Board of Directors at its April 13, 2015 meeting.

1. Corporate governance

The Company is managed by a Chief Executive Officer and a Board of Directors. This organizational structure was put in place by the Annual General Meeting of May 25, 2011 to enable our initial public offering.

At its meeting of May 25, 2011 the Board of Directors adopted internal rules of procedure that define, among other things, the role and composition of the Board, the rules of conduct and the obligations of the Company's Board of Directors, the ways in which the Board and its committees function, and the rules for determining the compensation of their members.

The Company chose to model its governance on the corporate governance code for small and medium cap companies published in December 2009 by MiddleNext and approved as a model code by the Autorité des Marchés Financiers (the "MiddleNext Code"). At its meeting of May 25, 2011, after taking note of the items presented in the MiddleNext Code under the heading "Points of vigilance," the Board of Directors voted to adopt this code as the model for corporate governance.

1.1. Composition of the Board of Directors

In accordance with the applicable legal provisions and bylaws, the Board of Directors is composed of at least 3 and at most 18 members, appointed by the Annual General Meeting for a three-year term and re-eligible for office at the end of their tenure. In the event of a vacancy, Board members may be co-opted under the conditions provided for by applicable law and regulations.

Under its internal rules of procedure, the Board of Directors is obliged to make every effort to have at least two independent directors in accordance with the MiddleNext Code. Board members are considered independent if they have no relationship with the Company, its Group or its management likely to influence their judgment.

In Chris McFadden, André-Michel Ballester, Jean-Luc Boulnois and Marie Meynadier, the Company has four independent directors as defined by the MiddleNext Code.

The Company plans to take on one or more independent Directors as part of its action to improve its corporate governance.

The independence of Board members is examined by the Board based on the following criteria stipulated by the MiddleNext Code:

- is not an employee or executive officer of the Company, or an employee or executive officer of one of its subsidiaries, and has not been in the last three years;
- is not a material client, supplier or banker of the Company or its Group, or for a significant part of whose business the Company or its Group accounts;
- is not the Company's reference shareholder;
- does not have close family ties with a corporate officer or reference shareholder of the Company; and
- has not been an auditor of the Company during the last three years.

Furthermore, at least one of the independent members must have special expertise in financial or accounting matters to be able to be appointed to the Audit Committee.

The following table indicates the members of the Board of directors as appointed following the Annual General Meeting on June 11, 2014.

As of December 31, 2014 the Company's Board of Directors consisted of five Directors. No non-voting Board member was appointed by the last Annual General Meeting on June 11, 2014.

Name or company name	Role	Date of appointment	Expiration of term of office
Chris McFadden	Chairman of the Board of Directors, Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Alexandre Loiseau	Director and Chief Executive Officer	OGM of 05/25/2011, re-elected at the OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
André-Michel Ballester	Independent director	OGM of 05/25/2011, re-elected at the OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Jean-Luc Boulnois	Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Marie Meynadier	Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial

At its meeting on October 23, 2013, the Board of Directors had appointed Christopher McFadden as Albert Waxman's temporary replacement for the remainder of the latter's term of office, or until the end of the Ordinary General Meeting held to approve the financial statements for the year ended December 31, 2013. This appointment was ratified by the Ordinary General Meeting on June 11, 2014.

At its meeting on June 11, 2014, the Board of Directors formally acknowledged the resignation of Creadev, represented by Bertrand de Talhouët, from the Board and thus from their respective roles on the Board's committees, effective May 23, 2014.

At its meeting on June 11, 2014, the Board of Directors formally acknowledged the resignation of Marie-Laure Pochon from the Board and thus from her respective roles on the Board's committees, effective June 11, 2014.

At its meeting on June 11, 2014, the Board of Directors recalled that the company Health Evolution Partners had resigned as non-voting Board member, effective April 1, 2014.

At its meeting on June 11, 2014, the Board of Directors recalled that Philippe Maes had resigned as non-voting Board member, effective June 2, 2014.

At its meeting on June 11, 2014, the Board of Directors recalled that Gilles Brisson did not seek re-election as director on expiration of his term of office at the Ordinary General Meeting on June 11, 2014 approving the financial statements to December 31, 2013.

Consequently, the Board resolved to appoint two new members, Jean-Luc Boulnois and Marie Meynadier, for a three-year term due to expire at the end of the Annual General Meeting approving the financial statements for the year ending December 31, 2016.

1.2. Duties of the Board of Directors

The Board is subject to the provisions of the French Commercial Code, Articles 11 to 13 of the Company bylaws and the internal rules of procedure that it adopted.

The Board is charged principally with:

- determining the major outlines of the Company's activity and supervising their implementation. Subject to the powers expressly attributed to shareholders' meetings and within the limits of the corporate purpose, the Board deals with any issue that concerns the running of the Company and, in its decisions, settles any matters that concern it;
- appointing a Chairman of the Board, a Chief Executive Officer and Chief Operating Officers and setting their compensation;
- authorizing the agreements and commitments mentioned in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code; and
- approving the Chairman's report on corporate governance and internal control.

It is responsible for the quality of the information provided to shareholders and the markets.

1.3. Preparation and Organization of tasks undertaken by the Board

To take an effective part in the Board's work and deliberations, each member of the Board is provided with whatever documents he or she thinks useful. Such requests are made to the Chairman or, when appropriate, to any senior executive of the Company (Chief Executive Officer or Chief Operating Officer).

Each member of the Board is authorized to meet with the Company's senior executives, so long as he or she first informs the Chairman of the Board and the Chief Executive Officer.

The Board is regularly informed by the Chief Executive Officer of the Company's and the Group's financial position, cash position, financial commitments and significant events.

Finally, any new member of the Board may ask to receive training in particular aspects of the Company or Group, their lines of business and their business segments.

The members of the Board are convened by letter, fax or email at least five (5) days before each meeting.

The Board may also be convened by any other means, even verbally, if all the Board members in office are present or represented at the meeting.

All documents or drafts of documents that could be informative to the members about the meeting agenda and any matters brought before the Board are sent, handed or made available to the members of the Board within a reasonable time before the meeting.

Moreover, whenever it meets, the Board is informed about the Company's financial position, cash position and commitments.

In accordance with Recommendation 15 of the MiddleNext Code, once a year the Board discusses the way it functions and, at least once every three years, undertakes a formal assessment, where appropriate with an outside consultant.

The purpose of this assessment, moreover, is to make sure that the important questions are suitably prepared and debated, and to measure the contribution of each member to the Board's work, chiefly in regard to his or her qualifications and degree of involvement.

1.4. Report on the Board's activities during the 2014 financial year

The minutes of each meeting are prepared by the Chief Executive, then approved by the Chairman, who submits them for approval at the next meeting. They are copied into the minutes register following signature by the Chairman and one Director.

In 2014, the Board of Directors of the Company, as a French Public Limited Company (société anonyme), met on seven separate occasions, on February 12, April 9, June 11, August 28, October 15, October 30 and December 16. All meetings were chaired by the Chairman of the Board. The Directors' attendance rate was close to 90%.

1.5. Audit Committee

The Company's Board of Directors at its meeting of May 25, 2011 voted to create an Audit Committee.

This duty of the Audit Committee is to assist the Board of Directors independently of the Company management, in order to ensure the accuracy of the financial statements, the quality of the internal control system, the utility of the information provided and the proper execution by the statutory auditors of their assignment.

The Audit Committee is responsible in particular for:

- monitoring the process of preparing the financial information;
- monitoring the efficacy of the internal control and risk management systems;
- monitoring the auditing of the annual financial statements and the consolidated financial statements by the statutory auditors;
- issuing a recommendation on the auditors proposed for appointment by the Annual General Meeting and reviewing the terms of their compensation;
- monitoring the independence of the auditors;
- examining the conditions for the use, if any, of derivatives;
- periodically reviewing the status of major litigation; and
- in general, providing any advice and making any appropriate recommendation in the above areas.

The Audit Committee is, if possible, comprised of at least two members appointed by the Board of Directors. The term of service of Audit Committee members is the same as that of their directorships. The members of the Audit Committee are chosen from among the members of the Board of Directors and, to the extent possible, two-thirds of them are independent Directors, one of them having particular competence in financial or accounting matters, with the understanding that all the members have minimum competence in financial or accounting matters.

The members of the Audit Committee appointed on June 11, 2014 are:

- Jean-Luc Boulnois, Chairman of the Audit Committee, independent director.
- Chris McFadden, Chairman of the Board of Directors, independent director.

The appointment of two members was deemed sufficient in view of the total number of directors of the Company. The internal rules of procedure of the Audit Committee, adopted on May 25, 2011 after approval by the Board of Directors, outline the legal responsibilities and practices of the Audit Committee, including the minimum number of committee meetings each year. They also state that the Committee may interview any member of the Company's Board of Directors and request any

internal or external audit for any matter that it considers within its remit. The chairman of the Audit Committee shall give prior notice of this act to the Board of Directors. In particular, the Audit Committee has the authority to hear persons who participate in the preparation of the financial statements or their review (Vice President of Finance, Director of Administration and Finance). It has the right of direct, independent and confidential consultation with the statutory auditors.

The Audit Committee met twice in 2014, on April 2 and August 28, 2014.

1.6. Compensation Committee

The Compensation Committee is responsible in particular for:

- examining the main objectives proposed by general management with respect to the compensation of executives who are not corporate officers of the Group, including the bonus share and stock option plans;
- examining the compensation of executives who are not corporate officers, including the bonus share and stock option plans, the pension and insurance benefit plans and the benefits in kind;
- making recommendations and proposals to the Board of Directors on:
 - the compensation, the pension and insurance benefit plans, the benefits in kind, the other financial rights, including those in the event of retirement, of the members of the Board of Directors. The committee proposes compensation amounts and structures, in particular, rules for determining the variable portion, taking into account the Company's strategy, objectives and results as well as market practices; and
 - the bonus share and stock option plans and any other similar profit-sharing arrangement, in particular, the personal allocations to the members of the Board of Directors;
- examining the total amount of director's fees and the arrangements for distribution among the members of the Board of Directors, as well as the conditions for reimbursement of expenses that might have been incurred by the members of the Board of Directors;
- preparing and presenting the reports, where applicable, set forth in the Board of Directors' internal rules; and
- preparing any other recommendation that might be asked of it by the Board of Directors with respect to compensation.

In general, the Committee provides any advice and makes any appropriate recommendation in the above areas.

The Compensation Committee consists if possible of at least two members appointed by the Board of Directors, with the provision that no member of the Board of Directors who serves as an executive in the Company can serve on the Committee. The term of service of Compensation Committee members is the same as that of their directorships.

It is stated to the extent necessary that no member of the Board of Directors who carries out executive duties in the Company may be a member of the Compensation Committee.

The members of the Compensation Committee appointed on May 25, 2011 and June 11, 2014 are:

- Chris McFadden, Chairman of the Compensation Committee, Chairman of the Board of Directors and independent director;
- André-Michel Ballester - independent director ;
- Madame Marie Meynadier, independent director.

As part of its duties, the Committee may ask the chairman of the Board of Directors to obtain assistance from any Company executive whose expertise might facilitate the handling of any item on the agenda.

The Committee met twice in 2014, on February 12 and August 26, 2014.

1.8. Principles and rules determining the compensation of corporate officers

In accordance with the provisions of Article L. 225-102-1 of the French Commercial Code, we hereby report to you on the total compensation and benefits of any nature whatsoever paid during the financial year to each corporate officer, both by the Company and by companies controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code.

The Company applies all of the recommendations of the MiddleNext Code on executive and non-executive pay.

For 2014, the variable compensation targets for the Chief Executive Officer were set and approved by the Board of Directors on the recommendation of the Compensation Committee dated February 12, 2014. These objectives took into account, inter alia, the Company's sales growth.

At its meeting on February 9, 2015, the Board of Directors, on the proposal of the Compensation Committee of the same date, examined the level of achievement of said targets and resolved to pay the Chief Executive Officer the variable compensation corresponding to those targets, which are contingent on the Company's performance.

As part of its executive and staff pay and incentives policy, the Company granted founders' warrants to Company employees and stock options to employees of its subsidiary on February 12, 2014 and September 1, 2014 respectively.

Executive compensation

The following information was prepared by referring to the Code on Corporate Governance for small- and mid-caps, as published in December 2009 by MiddleNext.

Summary of compensation and options and shares granted to each executive officer		
(Chairman of the Board of Directors starting 06/11/2014) Chris McFadden	Fiscal year ended 12/31/2014 (in euros) (From 6/11/2014 to 12/31/2014)	Fiscal year ended 12/31/2013 (in euros)
Compensation due for the period (detailed in Table 2)	32,571	Not applicable
Valuation of options granted during the period	32,413	Not applicable
Valuation of performance shares granted during the period	N/A	Not applicable
(Chief Executive Officer) Alexandre Loiseau	Year ended 12/31/2014 (in euros)	Year ended 12/31/2013 (in euros)

Compensation due for the period (detailed in Table 2)	219,169	283,263
Valuation of options granted during the period	333,333	N/A
Valuation of performance shares granted during the period	N/A	N/A

Summary of compensation for each executive officer				
(Chairman of the Board of Directors starting 06/11/2014) Chris McFadden	Amounts due for the year ended 12/31/2014 (in euros)		Amounts due for the year ended 12/31/2013 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	0	0	N/A	N/A
- variable compensation	0	0	N/A	N/A
- exceptional compensation	0	0	N/A	N/A
- directors' fees	32,571	17,821	N/A	N/A
- benefits in kind	0	0	N/A	N/A
TOTAL	32,571	17,821	N/A	N/A
(Chief Executive Officer) Alexandre Loiseau	Amounts due for the year ended 12/31/2014 (in euros)		Amounts due for the year ended 12/31/2013 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	205,000	205,000	200,000	200,000
- variable compensation	0	70,000 (1)	70,000	85,000 ⁽¹⁾
- exceptional compensation	0	0	0	0
- directors' fees	0	0	0	0
benefits in kind ⁽²⁾	14,169	14,169	13,263	13,263
TOTAL	219,169	289,169	283,263	298,263

(1) Premium due for the previous financial year.

(2) Benefits in kind consist of a lease and unemployment insurance for Company managers and executives.

Subscription or purchase options for shares awarded during the period to each executive officer by the issuer and by each Group company						
Name of the executive officer	Plan No. and date	Type of options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements	Number of options granted during the period	Exercise price	Exercise period
Chris McFadden	9/01/2014	Share warrants (BSA)	32,413	30,000	6.02	10 years
Alexandre Loiseau	2/12/2014	BSPCE	333,333	100,000	10.56	10 years

Stock options exercised during the period by each executive officer					
Chris McFadden (Chairman of the Board of Directors starting 06/11/2014)	Plan No. and date	Number of options exercised during the period	Exercise price	Year of grant	
		N/A			
Alexandre Loiseau (Chief Executive Officer)	Plan No. and date	Number of options exercised during the period	Exercise price	Year of grant	
	BSPCE of 5/18/2004	Subscription of 230,000 BSPCE	€2.2684 per share	2004	

Bonus shares granted to each executive officer								
Performance shares granted during the period by the issuer and by any Group	Plan and date	No. shares granted during the period	Number of shares granted during the period	Valuation of the shares according to the method used for the consolidated financial statements	Acquisition date	Vesting date	Performance conditions	

company

N/A

Bonus shares vesting during the period for each executive officer				
Performance shares vesting for each executive officer	Plan No. and date	Number of shares vesting during the period	Vesting condition	Year of grant

N/A

The following table contains details of the conditions of compensation and other benefits granted to corporate officers:

<u>Executive officers</u>	<u>Employment contract</u>		<u>Supplementary pension plan</u>		<u>Compensation or benefits due or likely to be due owing to termination or change of office</u>		<u>Compensation for non-compete clause</u>	
	Yes	No	Yes	No	Yes	No	Yes	No
Chris McFadden Chairman of the Board of Directors		X		X		X		X
<i>Date on which term of office began:</i>	Ordinary General Meeting of June 11, 2014							
<i>Date on which term of office expired:</i>	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016							
	Yes	No	Yes	No	Yes	No	Yes	No
Alexandre Loiseau Chief Executive Officer		X		X		X		X
<i>Date on which term of office began:</i>	Ordinary General Meeting of May 25, 2011							
<i>Date on which term of office expired:</i>	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016							

Directors' fees and other compensation received by non-executive directors

Table of directors' fees and other compensation received by non-executive directors		
Members of the Board of Directors	Directors' fees paid for the year ended 12/31/2014 (in euros)	Directors' fees paid for the year ended 12/31/2013 (in euros)
André-Michel Ballester		
- directors' fees	8,011	9,750
- other compensation	0	
TOTAL	8,011	9,750
Jean-Luc Boulnois		
- directors' fees	0	NA
- other compensation	0	NA
TOTAL	0	
Marie Meynadier		
- directors' fees	0	NA
- other compensation	0	NA
TOTAL	0	

The Board of Directors' meeting of August 28, 2014 set the compensation of its members as follows, subject to approval by the Annual General Meeting of Shareholders of May 27, 2015:

- the Board of Directors allocates directors' fees on a yearly basis and pays them on a quarterly basis;
- the Chairman of the Board of Directors is allocated €45,000 per year, prorata temporis;
- the independent directors, with the exception of the Chairman of the Board of Directors, are each allocated €20,000 pro rated to their attendance rate at Board meetings;
- the Chairs of the Audit and Compensation Committees are allocated €7,000 per year for this office;
- the members of the Audit and Compensation Committees other than the Chairs are allocated €5,000 per year for this office.

Directors receive no special pension, termination benefit or non-compete compensation.

2. Risk management and internal control procedures introduced by the Company

To prepare this part of its report, the Company relied on the implementation guide of the model framework for internal control as adapted for small and medium enterprises, updated and published by the AMF on July 22, 2010.

2.1. General principles of risk management

A) Definition

Mauna Kea Technologies continues to formalize its risk management process.

This process aims to identify all the risks and risk factors that can impact the Company's business activities and operations and to define the means of managing such risks and of containing them or bringing them down a level the Company can accept. The aim is to encompass every type of risk and apply the process to every activity of the Company and the Group.

B) Objectives of risk management

Mauna Kea Technologies applies the definition of risk management proposed by the Autorité des Marchés Financiers¹, whereby risk management is one of the Company's management tools that helps to:

- create and preserve the Company's value, assets and reputation;
- add security to the Company's decision-making and processes so as to make the attainment of its objectives more likely;
- ensure the Company's actions are in keeping with its values; and
- enlist the employees in a common vision of the Company's principal risks.

C) Components of the risk management system

The risk factors identified to date by the Company are presented in Chapter IV of the Registration Document filed with the AMF on August 6, 2014 and that will be updated in 2015.

To date, the Company has identified the following major families of risk:

- The Competitive environment
- Commercialization, related in particular to the adoption rate by healthcare professionals, the reimbursement terms for endoscopic procedures, and the recruitment of a loyal sales force
- Intellectual property
- Manufacturing processes
- Risks related to possible product liability
- Financial risks
- Legal risks, relating in particular to regulations governing medical devices and, to authorizations already obtained or submissions in progress, and the regulatory environment
- Organizational structure of the Company

¹ Guide to the implementation of the reference framework for internal control adapted to small- and mid-caps (updated on July 22, 2010).

Mazars was engaged to conduct a risk review and analysis in December 2013 in order to update the Company's list of risks and risk factors and to classify these risks according to their likelihood of occurrence and their potential financial consequences. The ensuing objective was to formalize the list of actions to be taken to manage these risks and contain them or bring them down to a level the Company can accept, as well as to assess the effectiveness of action plans in place.

2.2. Congruence between risk management and internal control

The point of risk management is to identify the major risks and risk factors that might impact the activities, processes or objectives of the business and to define the means of containing these risks at an acceptable level, including by adopting preventive measures and controls that fall within the scope of the internal control system.

At the same time, the internal control system relies primarily on the risk management system to identify the major risks that need to be controlled. The Company devised and developed an internal control system from its initial founding, while the formalization of a risk management process has been more recent. The Company is now engaged in a process of co-ordinating the two systems, with the primary goal of identifying the control procedures that must apply to the business's key activities which might be affected by risks that analysis shows to be "major".

2.3. General principles of internal control

A) Definition

Mauna Kea Technologies adopts the definition of internal control proposed by the Autorité des Marchés Financiers² (AMF), whereby internal control is a system implemented by the Company to ensure:

- compliance with laws and regulations;
- the enforcement of instructions and guidelines set by general management;
- the satisfactory functioning of the Company's internal processes;
- the reliability of financial disclosures; and

in general contributes to the management of its activities, the efficacy of its operations and the efficient utilization of its resources.

During the financial year, Mauna Kea Technologies continued to apply an internal control process designed to "guarantee internally the relevance and reliability of the information used and disseminated in the Company's activities".

B) Components of internal control

Organization and implementation of integrated management software

The internal control system is based on a clear organization of responsibilities, guidelines, resources and procedures. The Company has always had a quality assurance system. The processes applied in all areas of the business are defined in written procedures, operating methods, forms and notices. These documents outline the workflow, define the resources and responsibilities of participants, specify the know-how of the Company and give precise instructions on how to perform a given operation.

² Guide to the implementation of the reference framework for internal control adapted to small- and mid-caps (updated on July 22, 2010).

In 2013, to enhance its quality system and internal control, the Company opted to introduce SAP integrated management software with a pre-configured package designed for small and medium-sized enterprises.

The effective launch of this software in early January 2013 took place in accordance with the implementation schedule. This initial roll-out concerned Purchasing/Suppliers, Sales/Customers, Accounts and Management Control.

In 2013, the procedures covered by the software were reviewed to factor in changes in operational processes and financial disclosures requiring the use of the software.

Everyone in the Company is affected by the internal control system.

Procedures relating to operational processes

All documentation relating to the quality management system (QMS) is stored on a dedicated intranet which optimizes access to the documents and their ongoing adaptation to business developments (document life cycle management). The aim is to foster a continuous improvement in the quality and functional processes of the Company and the Group, be they operational, management or support processes.

The quality assurance system covers the following areas:

- Business management
- Innovation
- Quality management
- Customer engagement
- Developing and refining products
- Demonstrating the value proposition
- Sales
- Product manufacture
- Managing assets and resources
- Purchasing
- Certification
- Risk management

The quality management system underwent its first routine inspection by the FDA (U.S. Food and Drug Administration) in January 2014. This went smoothly, confirming the robustness of the Company's quality management system. The FDA highlighted two minor "483" issues, which the Company responded to within 15 days.

Financial reporting procedures

The Company has set up the following organization to limit financial management risks:

- the Company's General Management, and more specifically staff from the Finance Department, are responsible for improving internal control and adopting the recommendations of the external auditors and Audit Committee;
- the Company maintains an internal separation between the production and supervision of its financial statements and relies on independent experts to examine complex accounting entries such as the Research Tax Credit and valuation of stock options or founders' warrants;
- a certified public accountant is in charge of preparing the consolidated financial statements under IFRS;

- the financial and accounting management of the U.S. subsidiary, Mauna Kea Technologies Inc, is given a periodic internal, on-site review by headquarters' accounting staff;
- payroll management in France and the U.S. is outsourced to a specialized independent firm.

In general, all of the Company's accounting options are defined by the Finance Department following a discussion with the General Management and Statutory Auditors, before being presented to and examined jointly with the Audit Committee. This ensures that the Company's practices are fully compliant with French and international standards (IFRS), as well as maintaining consistency in the presentation of the financial statements.

At year-end, a detailed budget is prepared for the following financial year by the Finance Department and signed off by the General Management. This budget is presented to the Board of Directors. At the end of each half-year, the accounting teams close the consolidated accounts of Group companies.

The analytical validation of entries and a comprehensive spending review are carried out during periodic budget reviews organized with all operational managers. The Finance Department reports to the General Management and directors at each Board meeting. The reports are presented and discussed periodically at Board meetings.

2.4. Risk management and internal control actors

Since the Company's inception, the General Management has always played a key role in defining and driving the internal control and risk management system.

2.5. Risk management and internal control limits and opportunities for improvement

Since 2014, the Company has sought to adapt its risk management system to its new information system (integrated management software) and to improve the monitoring of the action plans identified.

The Company may, in the medium term, supplement the functional coverage of its integrated management software by adding in such additional areas as production and after-sales service.

3. Gender representation on the Board of Directors

In accordance with the provisions of Law No. 2011-103 of January 27, 2011 on balanced gender representation on boards of directors and supervisory boards and on gender equality, the Board of Directors currently has one female member.

The Board of Directors has endorsed the content of this report, which will be presented to the Annual General Meeting held to approve the 2014 financial statements.

Chairman of the Board of Directors



Mauna Kea Technologies

A Public Limited Company (Société anonyme) with share capital of 559,701 euros

Registered office: 9 rue d'Enghien

75010 Paris, France

431 268 028 R.C.S. Paris

*Consolidated Financial Statements in accordance with IFRS as of December 31,
2014*

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	As of 31 December	
		2014	2013
ASSETS			
Non-current Assets			
Intangible assets	3	3,542	3,713
Property, plant, and equipment	4	794	519
Non-current financial assets	5	105	77
Total of non-current assets		4,440	4,309
Current assets			
Inventories & Work in progress	6	1,912	2,263
Trade receivables	7	3,874	3,114
Other current assets	7	2,165	1,859
Current financial assets	8	128	207
Cash and cash equivalents	9	15,018	27,792
Total of current assets		23,098	35,235
TOTAL OF ASSETS		27,538	39,544

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	As of 31 December	
		2014	2013
EQUITY AND LIABILITIES			
Equity			
Issued capital	10	560	552
Share premium	10	58,162	57,501
Reserves		(26,604)	(16,253)
Foreign currency translation on reserve		23	(124)
Profit / (loss)		(13,991)	(11,516)
Total of equity		18,150	30,159
Non-current Liabilities			
Long-term loans and borrowings	11	2,606	2,643
Non-current provisions	12	518	465
Total of non-current liabilities		3,124	3,108
Current liabilities			
Short-term loans and borrowings	11	638	659
Trade payables	13	2,238	2,439
Other current liabilities	13	3,388	3,178
Total of current liabilities		6,264	6,276
TOTAL OF EQUITY AND LIABILITIES		27,538	39,544

COMPREHENSIVE INCOME STATEMENT

(Amounts in thousands of euros)

	Note	As of 31 December	
		2014	2013
Operating Revenue			
Sales	15	11,016	9,977
Other income	15	1,267	939
Total of revenue		12,282	10,915
Operating Expenses			
Cost of sales		(3,675)	(3,042)
<i>Gross margin</i>		67%	70%
Research & Development	18	(4,583)	(3,611)
Sales & Marketing	18	(12,753)	(11,174)
Administrative expenses	18	(3,837)	(3,759)
Share-based payments	17	(1,257)	(851)
Total of expenses		(26,106)	(22,437)
Operating profit		(13,823)	(11,521)
Financial revenue	19	251	207
Financial expenses	19	(419)	(202)
Profit before tax		(13,991)	(11,516)
Income tax expense	20	0	0
Profit / (loss)		(13,991)	(11,516)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial differences on defined benefit plans	12	(79)	6
Total of items that will not be reclassified to profit or loss		(79)	6
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		147	(49)
Cash flow hedge	11	30	(30)
Total of items that will be reclassified subsequently to profit or loss		178	(49)
Other comprehensive income for the year, net of tax		99	(73)
Comprehensive income		(13,892)	(11,589)
Weighted average number of shares outstanding (in thousands)	23	13,905	13,727
Basic earnings per share (EUR/share)	23	(1.01)	(0.84)
Weighted average number of potential shares (in thousands)	23	15,588	15,317

STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros)

		Issued capital	Share premium	Treasury shares	Reserves	Foreign currency translation on reserve	Profit / (loss)	Total of equity
Equity as of	12/31/2012	542	56,805	(184)	(3,869)	(76)	(13,056)	40,162
Allocation of the profit / (loss)					(13,056)		13,056	
Capital transactions		10	697					706
Share-based payment transactions					885			885
Treasury shares transactions				46	(51)			(4)
Comprehensive income as of	12/31/2013				(24)	(49)	(11,516)	(11,589)
Equity as of	12/31/2013	552	57,501	(138)	(16,115)	(124)	(11,516)	30,159
Allocation of the profit / (loss)					(11,516)		11,516	
Capital transactions		8	660					668
Share-based payment transactions					1,295			1,295
Treasury shares transactions				33	(114)			(81)
Comprehensive income as of	12/31/2014				(48)	147	(13,991)	(13,892)
Equity as of	12/31/2014	560	58,162	(105)	(26,499)	23	(13,991)	18,150

CASH-FLOW STATEMENT
(Amounts in thousands of euros)

	Note	As of 31 December	
		2014	2013
Cash flows from operating activities			
Profit / (loss)		(13,991)	(11,516)
Elimination of amortisations, depreciations and provisions		884	676
Share-based payment transaction expense and revenue	16/17	1,257	851
Other items excluded from the auto-financing capacity		99	(26)
<i>Revenue and expenses related to the discounting of repayable advances</i>	11	153	(34)
<i>Net financial interest paid</i>		(99)	(10)
<i>Other non-cash items</i>		44	17
Capital gain or loss from asset sales			
Elimination of the income tax expense	20		
Auto-financing capacity		(11,751)	(10,016)
Income tax expense paid			
Change in WCR related to business activities		(980)	405
<i>Inventories & Work in progress</i>		153	(383)
<i>Trade receivables</i>		(673)	178
<i>Other current assets</i>		(303)	282
<i>Trade payables</i>		(211)	266
<i>Other current liabilities</i>		54	62
Net cash flows from operating activities (A)		(12,731)	(9,612)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	3/4	(618)	(1,146)
Proceeds from sale of property, plant and equipment and intangible assets			
Proceeds from sale of current financial assets			
Change in loans and advances granted		51	
Other cash flows from investing operations			
Net cash flows from investing activities (B)		(567)	(1,146)
Cash flows from financing activities			
Proceeds from exercise of share options	10	668	706
Repurchases and resales of treasury shares		(81)	(4)
Net financial interests paid		99	10
<i>Gain from cash equivalents</i>	19	123	110
<i>Loss from cash equivalents</i>		(25)	(100)
Other cash flows from financing operations	11	(203)	210
Net cash flows from financing activities (C)		483	923
Net foreign exchange difference (D)		41	(10)
Change in cash (A) + (B) + (C) + (D)		(12,774)	(9,846)
Cash at the beginning of the period	9	27,792	37,638
Cash at the end of the period	9	15,018	27,792
Change in cash		(12,774)	(9,846)

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Note 1: Accounting Principles

1.1 Accounting principles applied by the Group

The financial statements are presented in thousands of euros. Rounding may in some cases cause insignificant variances in totals.

They were approved by the Board of Directors on April 13, 2015. These financial statements will be definitive only after their approval by the Annual General meeting.

The financial statements are prepared on the basis of their historical cost, with the exception of the financial assets, which are valued at their fair value. Preparing the financial statements according to IFRS means making estimates and assumptions that affect the amounts and the disclosures in the statements, particularly in measuring the cost of share-based payments and in the values in use applied to impairment tests. These assumptions and estimates have been made on the basis of situations at the date of drawing up the accounts and may turn out in the future to differ from the actual results. As applicable, a sensitivity analysis may be implemented if this variation is significant.

The assumption of going concern was adopted by the Board of Directors considering the cash available on December 31, 2014 amounting to €15 million ensuring that the Company meets its cash flow needs in the period to December 31, 2015.

In addition, the Company intends to employ appropriate financing solutions to meet its future cash needs. A line of equity financing was notably finalized with Société Générale on March 11, 2015 as detailed in Note 25: Subsequent events.

The principles adopted for the preparation of this financial information result from the application of all the standards and interpretations adopted by the European Union, the application of which was mandatory at December 31, 2014. These are available on the website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The new standards, amendments, revisions and interpretations of standards adopted by the European Union with mandatory application for accounting periods beginning on or after January 1, 2014 and applied for the first time by the Company for the year fiscal year are:

- IFRS 10 “Consolidated Financial Statements”;
- IFRS 11 “Joint Arrangements”;
- IFRS 12 “Disclosure of Interests in Other Entities”;
- IAS 28 Revised “Interests in Associates and Joint Ventures”;
- Amendments to IFRS 10, 11 and 12, “Transition Guidance”;
- Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”;
- Amendments to IAS 32 “Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities”;
- Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”;
- Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”.

The application of these standards did not have a significant impact on the consolidated financial statements.

Furthermore, the Company has not early adopted other standards, amendments, revisions or interpretations which will become compulsory for fiscal years beginning after January 1, 2015. These are the following standards, amendments, revisions and interpretations of the following standards:

- IFRIC 21 “Levies” applicable to periods open from June 17, 2014 forward;
- Annual improvements to IFRS: 2010 - 2012 cycle, effective for financial years beginning on or after February 1, 2015
- Annual improvements to IFRS: 2011 - 2013 cycle, effective for financial years beginning on or after January 1, 2015

The Company has not early adopted any standards, amendments, revisions or interpretations not yet adopted for use in the European Union:

- IFRS 9 and its amendments on “Financial Instruments”;
- IFRS 15 “Revenue from Contracts with Customers”;
- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”;

- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”;
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations".
- Amendments to IAS 1 relative to “disclosures”
- Annual improvements to IFRS: 2012 – 2014 cycle.

The impacts of the application of these standards on the consolidated financial statements are currently being analyzed.

1.2. Consolidation methods

The subsidiaries are all the entities for which the Company exercises control, with that control being accompanied generally by the ownership of more than half of the voting rights. The subsidiaries are consolidated by the full consolidation method beginning on the date on which the Company acquires the control of them. They are deconsolidated beginning on the date on which the controls cease to be exercised.

The intra-group transactions and balances are eliminated. The accounting methods of the subsidiaries have been aligned with those of the Company.

1.3 Net investments abroad

In compliance with the IAS 21 §15 standard, the foreign exchange translation gains and losses on long-term accounts receivable from his subsidiary in US dollars were recognized in equity. Indeed, these accounts receivables are considered as net investments in currencies within consolidated foreign subsidiaries, considering the unforeseeable nature of the payment of these receivables.

1.4 Intangible assets

In application of the criteria in the IAS 38 standard, the intangible assets acquired are recognized as assets in the balance sheet at their acquisition or production cost. The subsidies received and related the capitalized expenses are recognized as a reduction of cost.

Research and development expenses

The research expenses are consistently recognized as expenses.

In accordance with IAS 38, the research costs are recognized as intangible assets only if all the following criteria are met:

- (a) Technical ability to complete the development project;
- (b) Intention on the part of the Company to complete the project and to utilize it;
- (c) Capacity to utilize the long-term intangible asset;
- (d) Proof of the probability of future economic benefits associated with the asset;
- (e) Availability of the technical, financial, and other resources for completing the project; and
- (f) Reliable measurement of the development expenses.

In application of this standard, the Company recognized all its R&D costs as expenses, until the first prototypes of Cellvizio were refined.

Development expenditures related to the refinement of new products were then recognized as assets, with those related to research and the improvements of existing products remaining as expenses for the fiscal year.

The development costs recognized as assets are amortized using the straight-line method, on their useful lifetime, over seven years for the projects put into service before December 31, 2013 and over five year for the projects put into service later on. The latter is treated as the period that runs until the obsolescence of the products recognized as assets.

Patents

The costs related to the filing of patents incurred by Mauna Kea Technologies until the latter were obtained are recognized as intangible assets because of the compliance with the criteria for the capitalization of said costs stipulated by IAS 38.

They are amortized on the basis of the straight line method over the term of protection granted.

Software

The costs related to the acquisition of the licenses to software packages are recognized as assets on the basis of the costs incurred to acquire and to implement the software packages in question.

They are amortized using the straight-line method over a period of 1 to 3 years.

1.5 Property, plant, and equipment

Property, plant, and equipment are recognized at their acquisition or production cost. The renovations and major improvements are capitalized, and the repair and maintenance expenses and the costs of the other renovation work are expensed as incurred. The subsidies received and related the capitalized expenses are recognized as a reduction of cost.

Property, plant, and equipment are depreciated on the basis of the straight-line method over the estimated lifetime of the property. The fixtures of property rented are depreciated over the term of their own lifetime or over the term of the rental agreement, whichever is shorter.

The Cellvizio at disposal in our partnership hospitals (Reference Centers), the Cellvizio at disposal in hospitals and having concluded a fee-for-service billing or a sale of consumables or the Cellvizio permanently used as demo equipment or replacement material are capitalized.

The depreciation periods used are the following:

Fixtures and improvements in structures.....	7 years,
Research and development tools.....	2 to 5 years,
Production tools.....	3 to 7 years,
Cellvizio at disposal in hospitals.....	5 years
Research equipment and Technical facilities.....	7 years,
Office equipment and furniture.....	5 years,
Computer equipment.....	3 years.

1.6 Recoverable amount of the non-current tangible and intangible assets

Intangible assets and property, plant, and equipment are tested for impairment if the recovery of their book value is uncertain. With respect to the intangible assets in progress, even in the absence of indicators of impairment, an impairment test is conducted annually.

An impairment loss is recognized to the extent of the excess of the carrying value over the recoverable value of the asset. The recoverable value of an asset corresponds to its fair value minus the costs of sale or its value in use, if the latter is higher.

With respect to the intangible assets of the Company, there do not exist any market data that allow the net fair value of the sale expenses to be determined other than by an estimation of the future cash flows. Consequently, the recoverable amount is, in substance, equal to the value in use.

The value in use is determined each year in accordance with IAS 36: It corresponds to the discounted value of the estimated future cash flows expected from the continuous use of the assets and from the derecognition of them at the end of the use expected by the Company. It does not take into account the impact of the financial structure, the tax effects, or restructuring efforts not undertaken.

1.7 Financial assets

The Company's financial assets include loans and receivables, and the cash and cash equivalents.

The valuation and the accounting treatment of the financial assets and liabilities are defined by the IAS 39 standard "Financial Instruments: Recognition and Measurement".

Loans and receivables

This category includes trade receivables, the other loans and receivables, and deposits and guarantees, which are classified under Non-current financial Assets on the balance sheet.

These instruments are initially recognized to the accounts at their fair value and then at the amortized cost calculated with the EIR method. The short-term receivables without an interest rate are measured at the amount of the original invoice unless the application of an implicit interest rate has a significant effect.

The company analyzes each of its trade receivables past due to determine whether an impairment loss should be recognized.

The loans and receivables are the object of a tracking of any objective indication of impairment. A financial asset is impaired if its book value is greater than its recoverable amount as estimated during impairment tests. The impairment is recognized in the income statement.

Assets at fair value through profit or loss

The assets considered to be held for trading purposes include the assets that the Company intends to resell in the near future in order to realize a capital gain, which is part of a portfolio of financial instruments managed together for which there exists a practice of selling in the short term.

1.8 Inventories and work in progress

The inventories are valued at their cost or at their net realizable value (NRV), if the latter is lower. In the latter case, the impairment loss is recognized in expenses. The inventories are measured according to the FIFO method.

The demonstration equipment intended for sale in the short term is recognized in inventories.

1.9 Cash and cash equivalents

The cash equivalents are owned for the purpose of meeting short-term cash commitments rather than for the objective of investment or for other purposes. They are readily convertible, into a known amount of cash, and are subject to a negligible risk of change in value. The cash and cash equivalents are constituted by liquid assets that are available immediately, long-term investments that can be liquidated immediately, and short-term investment securities. They are evaluated on the basis of the IAS 39 according to the categories they belong to.

The short-term investment securities are readily convertible into a known amount of cash and are subject to a negligible risk of change in value. They are measured at fair value, and changes in value are recorded in the financial gains or losses.

1.10 Issued capital

The costs of share capital transactions that are directly attributable to the issue of new shares or options are recognized in equity as a deduction from the revenue from the issue, net of tax.

1.11 Liquidity contract

Following its listing on the NYSE Euronext Paris regulated market, the Company signed a liquidity contract with a specialized institution in order to limit the intraday volatility of the Mauna Kea Technologies stock.

The portion of the contract that is invested in own shares of the Company by this service provider is posted to the accounts as a deduction from the consolidated shareholders' equity of the Company at the end of each fiscal year. The balance of "liquidity" is recorded as current financial assets.

1.12 Share-based payments

Since its formation, the Company has established several plans for compensation paid in equity instruments in the form of "stock subscription warrants for business creator shares" [*bons de souscription de parts de créateur d'entreprise*, (BSPCEs)] awarded to employees and/or executives until the end of the Company's eligibility to this system in July 2014 and in the form of "stock subscription warrants" [*bons de souscription d'actions*, (BSAs)] awarded to non-employee members of the Board of Directors or of the Supervisory Board and in the form of stock subscription options granted to employees not entitled for BSPCEs (employees of the subsidiary Mauna Kea Technologies Inc, employees of the Company for the instruments awarded after July 2014) .

In application of the IFRS 2 standard, the cost of the transactions paid with equity instruments is posted to the accounts as an expense in exchange for an increase in the shareholders' equity for the period during the course of which the rights to be enjoyed from the equity instruments are acquired.

The Company has applied the IFRS 2 standard to all the equity instruments granted, since 2002, to employees, members of the Board of Directors or of the Supervisory Board, natural persons, or to companies.

The fair value of the stock share subscription options granted to the employees is determined by application of the Black-Scholes option valuation model. The same is the case for the options granted to other natural persons who provide similar services, with the market value of the latter not being ascertainable.

The determination of the fair value of the options includes the conditions governing the acquisition of the rights as described in Note 17: Share-based payments. The other factors taken into consideration are also presented in Note 17: Share-based payments.

1.13 Measurement and recognition of financial liabilities

Financial liabilities at the amortized cost

The borrowings and other financial liabilities are valued initially at their fair value and then at the amortized cost, calculated on the basis of the effective interest rate ("EIR") method.

The transaction expenses that are directly attributable to the acquisition or to the issue of a financial liability reduce that financial liability. These expenses are then amortized actuarially over the lifetime of the liability, on the basis of the EIR.

The EIR is the rate that equalizes the anticipated flow of future cash outflows with the current net book value of the financial liability in order to deduct from it its amortized cost.

Liabilities at fair value through profit and loss

The liabilities at fair value through profit and loss are measured at their fair value.

1.14 Measurement and recognition of derivatives

Financial instruments used to hedge future cash flows

The Company uses derivatives to manage and reduce its exposure to the risk of exchange rate fluctuations relating to its operating activities. Hedging exchange rate fluctuations only involves future cash flows on recorded assets or liabilities or a highly probable forecast transaction (e.g. expected purchase) that would impact the income statement.

Derivatives are measured at their fair value and recognized in the statement of financial position based on their maturity date. The Company applies hedge accounting by providing supporting documentation on the hedge relationship at the inception of each hedge and by assessing the effectiveness of the hedge relationship over the duration of the hedge. Fair value is based on quotations from third-party financial institutions.

The effective portion of derivative's gain or loss in fair value is recognized against equity and subsequently reclassified under operating profit/loss when the hedged transaction impacts profit/loss. The ineffective portion is reported under foreign exchange gains or losses.

1.15 Conditional advances

The Company receives a certain number of forms of assistance, in the form of subsidies or conditional advances. The details concerning this assistance are provided in Note 11: Borrowings and financial debts.

A refundable loan under conditions is treated as a public subsidy if there exists reasonable assurance that the Company will fulfill the conditions related to the waiver of the repayment of the loan. If the contrary is the case, it is classified under debts.

The amount resulting from the benefit of the rate obtained at the time of the granting of repayable advances does not bear interest and is considered a subsidy. This benefit is determined by applying a discount rate equal to the rate of 10-year fungible Treasury (10-year *Obligations Assimilables du Trésor*, "OAT") bonds.

1.16 Provisions

Provisions for risks and expenses

The provisions for risks and expenses correspond to the commitments resulting from lawsuits and miscellaneous risks, the due dates and amounts of which are uncertain, with which the Company may be faced during its business activities.

A provision is recognized when the company has a legal or implicit obligation to a third party resulting from a past event, with respect to which it is likely or certain that it will cause an outflow of resources to that third party, without consideration that is anticipated to be at least equivalent to the latter, and for which the future outflows of liquid assets can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure necessary to extinguish the obligation, updated if necessary, on the closing date.

Retirement pension and post-employment benefits

The employees of the Company receive the retirement benefits stipulated by law in France:

- obtaining compensation paid by the Company to employees upon their retirement (defined benefit plan);
- payment of retirement pensions by the Social Security agencies, which are financed by the contributions made by companies and employees (defined contribution government plans).

For the defined benefit plans, the costs of the retirement benefits are estimated by using the projected credit unit method. According to this method, the cost of the retirement pensions is recognized in the income statement in such a manner as to distribute it uniformly over the term of the services of the employees. The retirement benefits commitments are valued at the current value of the future payments estimated using the market rate based on the long-term obligations of the first-category companies with a term that corresponds to that estimated for the plan.

The company relies on actuaries qualified to conduct an annual review of the valuation of these plans.

In application to IAS 19 revised "Employee benefits", the service cost and net interest are recorded in operational result, and other remeasurements are included in other comprehensive income.

The Company's payments for the defined contribution plans are recognized as expenses on the income statement of the period with which they are associated.

1.17 Revenue from the ordinary business activities

The sales revenue of the company is primarily the result of the sale of innovative medical imaging devices for medical diagnostics, research, and related services.

The revenue from the ordinary business activities comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. The revenue from the ordinary business activities appears net of the value added tax, product returns, rebates, and discounts, and after deduction of the intra-group sales

The Company posts revenue to the accounts when the amount can be valued reliably, when it is likely that the future economic advantages will benefit the Company. For sales of products, the sales revenue is recognized either at the time the products are made available or at or upon delivery depending on the terms and conditions of the order. The sales revenue related to the warranty is posted on the basis of the straight-line method over the lifetime of the warranty. When it is a matter of making Cellvizio available to a customer, Cellvizio remain as assets of the Company, and the sales revenue is recognized as the sale of consumables in the act performed by the health care professional.

1.18 Other income

Subsidies

Since it was created, because of its innovative character, the Company has received a certain number of sources of assistance or subsidies from the central Government or from local public authorities, intended to finance its operation or the recruitment of specific personnel.

The subsidies are recorded when there is a reasonable assurance that:

- the Company will comply with the conditions attached to the subsidies and ;
- the subsidies will be received.

A public subsidy that is to be received either as compensation for expenses or for losses already incurred, or for immediate financial support of the Company without associated future costs, is posted to the accounts as revenue for the fiscal year during the course of which the debt becomes owned as a receivable. Otherwise, the subsidy is posted in the accounts under "Other income" for the fiscal year to which the corresponding charges or expenses are posted.

Research Tax Credit

Research tax credits are granted to companies by the French government in order to encourage them to conduct technical and scientific research. Companies that prove that they have expenditures that meet the required criteria (research expenditures located in France or, since January 1, 2005, within the European Community or in another State that is a party to the Agreement on the European Economic Area that has concluded a tax treaty with France that contains an administrative assistance clause) receive a tax credit that can be used for the payment of the corporate tax due for the fiscal year in which the expenditures were made and the next three fiscal years, or, as applicable, be reimbursed for the excess portion.

The part of the tax credit used to finance research expenses is recognized under "Other income" of the year to which the eligible research expenses are related. The part used to finance eligible development expenses is deducted from costs related to assets.

1.19 Cost of sales

The cost of sales is made up of raw material consumption, labor costs, amortizations, inventory allowance and overheads relating to the production.

1.20 Rental agreements

The Group does not have any finance leases pursuant to the IAS 17 standard.

The rental agreements for which a significant portion of the risks and advantages is preserved by the lessor are classified as ordinary rental agreements. The payments made for these ordinary rental agreements, net of any incentive measures, are recognized as expenses on the income statement in a linear manner over the term of the agreement.

1.21 Taxes

Income tax

The deferred income taxes are recognized on the basis of the broad conception and on the basis of the liability method, for all the temporary differences between the value for tax purposes and the stated book value of the assets and liabilities that appear within the financial statements. The primary temporary differences are related to the tax losses that can be carried forward or backward. The tax rates that have been ratified by a legal text as of the closing date are utilized to determine the differed taxes.

The deferred tax assets are posted to the accounts only to the extent that it is likely that the future profits will be sufficient to absorb the losses that can be carried forward. Considering its stage of development, the Company does not post assets net of deferred taxes to the accounts.

1.22 Segment information

The Company has not, as of this date, identified separate sectors of business activity. The Company operates within a single operating segment: endomicroscopy.

1.23 Other comprehensive income

The revenue and expense items for the period recognized directly in equity are presented, as applicable, under the rubric "Other comprehensive income". These are principally:

- EUR/USD currency translation differences of the subsidiary Mauna Kea Technologies, Inc;
- Changes in pension plan provisions arising from changes in the actuarial assumptions;
- The effective portion of the change in cash flow hedging instruments.

1.24 Decisive accounting estimates and judgments

The estimates and judgments made by the management while implementing the accounting methods described above are based on the historical information and on other factors, in particular, on the anticipation of future events judged to be reasonable in light of the circumstances. These estimates and judgments are primarily the following:

Valuation of the stock subscription warrants and stock subscription options

The valuation of the fair value of the stock warrants and stock subscription options granted to employees or to service providers is made on the basis of actuarial models. These models require the use by the Company of certain calculation assumptions such as the expected volatility of the security.

Valuation of the long-term intangible assets

The measurement of the use value of the long-term intangible assets is based on an assumption of growth in sales and a discount rate that reflects the best estimates of the management.

1.25 Events after the closure of accounts

The balance sheet and the income statement of the Company are adjusted to reflect the subsequent events that alter the amounts related to the situations that exist as of the closing date. The adjustments are made until the date the financial statements are approved by the Board of Directors.

The other events following the closing date that have not resulted in adjustments are presented in Note 25: Subsequent events.

Note 2: Company and scope

Founded in May 2000, Mauna Kea Technologies S.A. ("the Company") develops, produces and markets microendoscopes and probes and provides the related services.

To enhance its development in the United States, the Company founded the distribution subsidiary Mauna Kea Technologies, Inc., on January 3, 2005.

Companies	As of 31 December				Consolidation method
	2014		2013		
	% of	% of control	% of	% of control	
Mauna Kea Technologies SA (1)	100%	100%	100%	100%	Full consolidation
Mauna Kea Technologies Inc	100%	100%	100%	100%	Full consolidation

(1) Parent company of the Group

No change in scope took place during the period.

Note 3: Long-term intangible assets

The intangible assets are broken down as follows:

INTANGIBLE ASSETS					
(Amounts in thousands of euros)					
	<u>12/31/2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>12/31/2013</u>
Development costs	2,313			35	2,348
Patents, licenses and trademarks	1,046	53		101	1,200
Software packages	204	50	(11)	114	357
Development costs in progress	390	713		(35)	1,069
Patents, licenses and trademarks in progress	539	141		(101)	579
Other intangible assets in progress	114	16		(114)	16
Total gross of intangible assets	4,607	973	(11)		5,568
Amort. / dép. of development costs	(1,052)	(283)			(1,335)
Amort. / dép. of patents, licenses and trademarks	(292)	(78)			(369)
Amort. / dép. of software packages	(100)	(63)	11		(151)
Total amort. / dép. of intangible assets	(1,444)	(423)	11		(1,856)
Total net of intangible assets	3,163	550			3,713

INTANGIBLE ASSETS					
(Amounts in thousands of euros)					
	<u>12/31/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>12/31/2014</u>
Development costs	2,348			1,275	3,623
Patents, licenses and trademarks	1,200	32		107	1,340
Software packages	357	39		16	413
Development costs in progress	1,069	207		(1,275)	
Patents, licenses and trademarks in progress	579	124		(107)	596
Other intangible assets in progress	16			(16)	
Total gross of intangible assets	5,568	403			5,972
Amort. / dép. of development costs	(1,335)	(406)			(1,741)
Amort. / dép. of patents, licenses and trademarks	(369)	(84)			(454)
Amort. / dép. of software packages	(151)	(84)			(236)
Total amort. / dép. of intangible assets	(1,856)	(574)			(2,431)
Total net of intangible assets	3,713	(171)			3,542

The period was marked by the launch of the marketing of the second generation Cellvizio Dual Band and the new 2.2 version of the Cellvizio software, which led to the start of amortization of the development costs relating to these projects.

ANNUAL CHANGE IN DEVELOPMENT COSTS (CAPITALISED PORTION)

(Amounts in thousands of euros)

	<u>As of 31 December</u>	
	<u>2014</u>	<u>2013</u>
External costs		90
Wages and salaries, social security costs	242	842
Research Tax Credit	(73)	(253)
Share-based payment transaction expense	38	34
Gross change in development costs	207	713
Amortisation of development costs	(406)	(283)
Net change in development costs	(199)	431

The intangibles assets are subject to an impairment test to determine their value in use, which is based on the discounted cash flows method and determined as follows:

- cash flow projections are determined for the years 2015 to 2019 based on future sales forecasts which correspond to the best estimates made by the management. For the tests conducted on patents, a final value calculated by taking into account a discounted normalized flow with a growth rate to infinity of 2% integrated into the measurement to the extent that the residual period of protection is greater than 5 years;
- the discounting rate used is the weighted average cost of the share capital of the Group of 12%. This is the rate used by financial analysts in the business sector who cover value.

These tests did not reveal any impairment of the assets tested.

A sensitivity test was conducted based on the following key assumptions used by management:

- Reduction in the sales growth rate by 5 points per year over the forecast period.
- Change in the EBITDA margin over sales ratio of ± 1 point of the normalized flow.
- Increase in the weighted average cost of the share capital of 1 point.

No impairment should be recognized as a result of the sensitivity tests conducted.

Note 4: Property, plant, and equipment

The assets under property, plant, and equipment are broken down as follows:

PROPRETY, PLANT AND EQUIPMENT (Amounts in thousands of euros)						
	12/31/2012	Increase	Decrease / Scrapping	Exchange differences	Reclassification	12/31/2013
Industrial equipment	1,032	54	(189)	2	(24)	874
Fixture in buildings	50	1				51
Other tangible assets	636	153	(36)	(4)	(1)	747
Total gross of property, plant and equipment	1,718	208	(226)	(2)	(25)	1,673
Amort. / dép. of industrial equipment	(754)	(132)	189		17	(681)
Amort. / dép. of fixture in buildings	(18)	(7)				(24)
Dep other tang assets	(375)	(114)	36	2	1	(449)
Total amort. / dép. of property, plant and equipment	(1,147)	(253)	226	2	17	(1,154)
Total net of property, plant and equipment	571	(45)			(7)	519

PROPRETY, PLANT AND EQUIPMENT (Amounts in thousands of euros)						
	12/31/2013	Increase	Decrease / Scrapping	Exchange differences	Reclassification	12/31/2014
Industrial equipment	874	53		19	347	1,293
Fixture in buildings	51					51
Other tangible assets	747	199	(1)	12	(43)	914
Total gross of property, plant and equipment	1,673	253	(1)	31	304	2,259
Amort. / dép. of industrial equipment	(681)	(217)		(5)	39	(864)
Amort. / dép. of fixture in buildings	(24)	(7)				(31)
Dep other tang assets	(449)	(127)	1	(8)	13	(570)
Total amort. / dép. of property, plant and equipment	(1,154)	(351)	1	(13)	52	(1,465)
Total net of property, plant and equipment	519	(98)		17	356	794

Reclassifications refer to movements from one item to another, and the reclassification from inventory to non-current assets of equipment permanently used as demonstration or replacement equipment and equipment at disposal to clients of the Group.

In the absence of impairment indicators, no impairment tests were conducted to property, plant, and equipment.

Note 5: Non-current financial assets

The non-current financial assets include only the security deposits paid according to ordinary rental agreements.

Note 6: Inventories and work in progress

Inventories and work in progress are broken down as follows:

INVENTORIES & WORK IN PROGRESS		
(Amounts in thousands of euros)		
	As of 31 December	
	2014	2013
Inventories of raw materials	816	920
Inventories & work in progress of finished goods	1,216	1,414
Total gross of inventories & work in progress	2,032	2,334
Dep. of inventories of raw materials	(74)	(59)
Dep. of inventories & work in progress of finished goods	(45)	(13)
Total dep. of inventories & work in progress	(120)	(72)
Total net of inventories & work in progress	1,912	2,263

At the end of each period, inventories and work in progress of finished goods include certain assets related to goods that no longer appear in our catalogue. These identified assets are kept by the Company so that After-Sales Customer Service can use them. They are impaired by 80%.

Note 7: Trade receivables and other current assets

7.1 Trade and accounts payable

The trade receivables are broken down as follows:

TRADE RECEIVABLES		
(Amounts in thousands of euros)		
	As of 31 December	
	2014	2013
Trade receivables	3,948	3,151
Dep. of trade receivables	(73)	(37)
Total net of trade receivables	3,874	3,114

Trade receivables past due and not impaired amounted to €928 thousand at December 31, 2014. The increase in trade receivables was due largely to larger outstandings at certain distributors.

7.2 Other current assets

The other current assets are broken down as follows:

OTHER CURRENT ASSETS		
(Amounts in thousands of euros)		
	As of 31 December	
	2014	2013
Personnel and related accounts	50	28
Research Tax Credit	1,251	984
Other tax receivables	328	279
Other receivables	208	318
Prepaid expenses	328	250
Total gross of other current assets	2,165	1,859
Dep. of other current assets		
Total net of other current assets	2,165	1,859

Other taxes receivable are related to deductible VAT and reimbursement of VAT requested.

Other receivables mainly include advances to suppliers, amounting to €165 thousand in 2014 and € 282 thousand in 2013.

The prepaid expenses correspond, in 2014, mostly to insurance, rent, design, communication expenses and travel expenses.

Research Tax Credit

The changes in the Research Tax Credit were as follows:

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE					
(Amounts in thousands of euros)					
	12/31/2012	Operating revenue	Payment received	Capitalised portion	12/31/2013
Research Tax Credit	1,100	732	(1,100)	253	984

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE					
(Amounts in thousands of euros)					
	12/31/2013	Operating revenue	Payment received	Capitalised portion	12/31/2014
Research Tax Credit	984	1,178	(984)	73	1,251

The Company requested the reimbursement of the 2014 Research Tax Credit under the regime for EU SMEs, in accordance with current regulations. This reimbursement will be made in 2015.

Note 8: Current financial assets

The current financial assets item corresponds to the cash balance of the securities account opened under the Company's liquidity contract domiciled with Gilbert Dupont, i.e. €128 thousand at December 31, 2014 compared with €207 thousand at December 31, 2013.

Note 9: Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

CASH AND CASH EQUIVALENTS

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Short-term bank deposits	14,375	3,287
Money market funds	643	24,505
Total of cash and cash equivalents	15,018	27,792

The amount of unrealized capital gains on cash equivalents was recorded under financial gains or losses.

The money market funds are broken down as follows:

MONEY MARKET FUNDS

	Quantity	Price as of 12.31.2012 (in €)	Valuation (in K€)	Cost price (in K€)
Actions BNP Paribas deposit P	629	1,022	643	643
Total of money market funds	629		643	643

Note 10: Share capital

10.1 Share capital issued

The share capital is set at five hundred fifty-nine thousand seven hundred euros and seventy-six cents (€559,700.76). It is divided into 13,992,519 ordinary shares, fully subscribed and paid up, each with a par value of €0.04.

This figure does not include stock subscription warrants (BSAs), stock warrants for business creator shares (BSPCEs) and stock options granted to certain investors and natural persons, who may or may not be employees of the Company.

The table below shows the history of the Company's share capital since December 31, 2013:

Date	Type of transaction	Issued capital (en K€)	Share premium (en K€)	Number of shares comprising the issued capital
12/31/2013	Total	552	57,501	13,803
2/6/2014	Exercice of BSPCE	1	104	26
3/7/2014	Exercice of stock options	0	19	5
4/3/2014	Exercice of BSPCE	2	155	44
6/2/2014	Exercice of BSPCE	3	215	80
8/4/2014	Exercice of BSPCE	1	62	20
9/1/2014	Exercice of BSPCE	0	28	7
10/1/2014	Exercice of BSPCE	0	17	8
11/14/2014	Souscription of BSA		18	
12/22/2014	Souscription of BSA		24	
12/24/2014	Souscription of BSA		18	
12/31/2014	Total	560	58,162	13,993

10.2 Stock warrants and options

The Company issued stock subscription warrants (BSAs) representing compensation, stock warrants for employees (BSPCEs and BCEs) and stock options (SO) for which the changes since December 31, 2013 are presented below:

Type	Date of granting	Exercise price	Price	Outstanding as of 12.31.2012	Granted	Exercised	Cancelled	Outstanding as of 12.31.2013	Potential number of shares
Options granted before the 1st january 2014				4,033,660		754,373	90,881	3,188,406	1,289,664
BSPCE 2014	2/12/14	10.56			281,000		5,000	276,000	276,000
SO 2014	2/12/14	10.56			10,000		2,000	8,000	8,000
SO	9/1/14	6.02			100,000		100,000		
BSA	9/1/14	6.12			100,000			100,000	100,000
				4,033,660	491,000	754,373	197,881	3,572,406	1,673,664

Following the consolidation of shares (4 old shares for 1 new one) on May 25, 2011, four BSAs, BSPCEs, or stock options are needed to subscribe to one share for warrants with grant dates prior to that date. For warrants and options granted subsequent to that date, the rate is one warrant per share.

10.3 Acquisition by the Company of its own shares

The Company's combined general meeting of June 11, 2014 authorized the Board of Directors, for a period of 18 months from the date of the meeting, to implement a share repurchase program, on one or more occasions, in accordance with the provisions of Article L. 225-209 and following of the French Commercial Code and in accordance with the General Regulations of the *Autorité des Marchés Financiers* (AMF) under the conditions described below:

Objectives of the share repurchase program :

- to ensure the liquidity of the Company's shares under the terms of a liquidity contract to be concluded with an investment services provider, in accordance with a Code of Conduct approved by the AMF;
- to meet the obligations related to stock option, free stock award, or employee savings plans, or other awards of shares to the employees and executives of the Company or the company associated with it;
- to tender shares on exercise of the rights attached to securities giving access to the share capital;
- to purchase shares to hold for their subsequent exchange or use as consideration in potential acquisitions; or
- to cancel some or all of the shares of stock thereby bought back.

Maximum purchase price: €30 per share excluding fees and commissions, with a total limit of €5,000,000.

Maximum number of shares that may be purchased: 10% of the total number of shares as of the share buyback date. When shares are purchased for market-making purposes and to ensure the liquidity of the Company's share, the number of shares included in the calculation of the 10% ceiling above is equal to the number of shares purchased, less the number resold during the term of the authorization.

It is specified that the number of shares acquired by the Company to be retained and subsequently delivered in payment or in an exchange for the purpose of any merger, de-merger, or capital contribution may not exceed 5% of its share capital.

Summary of the shares purchased and sold over the year:

	2014				Total
	1st	2nd	3rd	4th	
Securities purchased	172,060	161,310	179,026	221,820	734,216
Price	11.50	11.11	6.61	5.95	8.54
Total amount	1,979	1,792	1,183	1,319	6,273
Securities sold	176,578	146,421	180,318	226,843	730,160
Price	11.50	11.12	6.64	5.91	8.48
Total amount	2,030	1,628	1,197	1,340	6,194

As at December 31, 2014, the Company held 17,537 Mauna Kea Technologies shares, purchased at an average price of €5.99 and valued at €5.75, resulting in a loss of €4 thousand.

11.2 COFACE advances

The Company received interest-free repayable advances from COFACE for its development in the USA and Canada, in accordance with the following terms:

- First payment of €212 thousand on February 29, 2008;
- Second payment of €652 thousand on December 23, 2008;
- Third payment of €560 thousand on January 26, 2010;
- Fourth payment of €280 thousand on December 27, 2010.

Repayment will be made with payments determined on the basis of projections of sales revenue in the USA and Canada, from the use of products and services generated by the project up to the following limits:

- 14% of sales revenue related to services provided;
- 7% of the sales revenue in the case of sales of goods.

In the event that revenue is inadequate for the expected repayments, no additional repayments will be made to COFACE.

From 2011 to 2014, the Company made repayments to COFACE amounting to €986 thousand. On the basis of the most recent commercial forecasts, the repayment of the remaining €718 thousand should occur no later than August 31, 2018.

CHANGES IN REPAYABLE ADVANCES

(Amounts in thousands of euros)

	12/31/2012	Receipt	Repayment	Others	12/31/2013
OSEO Funding (1st advance)	120		(120)		
OSEO Funding (2nd advance)	324	140	(170)	4	297
OSEO Funding (3rd advance)	1,433	685		(42)	2,075
COFACE	1,212		(324)	6	894
Total of repayable advances	3,088	825	(614)	(32)	3,266
	12/31/2013	Receipt	Repayment	Others	12/31/2014
OSEO Funding (1st advance)					
OSEO Funding (2nd advance)	297			3	300
OSEO Funding (3rd advance)	2,075			126	2,201
COFACE	894		(203)	24	715
Total of repayable advances	3,266		(203)	153	3,216

11.3 Long-term loans and borrowings

Long-term debt is broken down as follows:

LONG-TERM LOANS AND BORROWINGS						
(Amounts in thousands of euros)						
	<u>12/31/2012</u>	<u>Receipt</u>	<u>Repayment</u>	<u>Reclassification</u>	<u>Others</u>	<u>12/31/2013</u>
Shareholders' accounts	5					5
Repayable advances OSEO Funding	1,586	685		(180)	(15)	2,075
Repayable advances COFACE	771			(214)	6	563
Total of long-term loans and borrowings	2,362	685		(394)	(10)	2,643
	<u>12/31/2013</u>	<u>Receipt</u>	<u>Repayment</u>	<u>Reclassification</u>	<u>Others</u>	<u>12/31/2014</u>
Shareholders' accounts	5					5
Repayable advances OSEO Funding	2,075				149	2,224
Repayable advances COFACE	563			(209)	23	377
Total of long-term loans and borrowings	2,643			(209)	172	2,606

For 2014, the amounts under reclassifications include the reclassification from short-term financial debt of the undiscounted portion of repayable advances in the amount of €203 thousand due in 2015.

The changes listed under “Others” involve the discounting of the long-term conditional advances.

11.4 Cash flow hedges

To hedge its exposure to exchange rate risk for a portion of its cash flows from operating activities in foreign currencies, the Group had initiated a hedging program for the yen and subscribed a forward contract agreement of JPY 50 millions, with a maturity date in October 2014.

For 2014 the required criteria of hedge effectiveness are not sufficient to sustain the hedging relationship, the €(30) thousand registered in equity in 2013 had been recycled in financial result in 2014.

11.5 Repayment terms of financial liabilities

The repayment terms of financial liabilities as of December 31, 2014 are broken down as follows:

REPAYMENT TERMS OF LIABILITIES				
(Amounts in thousands of euros)				
	<u>Gross amount</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>
Long-term loans and borrowings	2,606		1,122	1,484
Short-term loans and borrowings	638	638		
Trade payables	2,238	2,238		
Other current liabilities	3,388	3,388		
Total of liabilities	8,870	6,264	1,122	1,484

The repayment terms of long-term loans and borrowings and short-term loans and borrowings relating to repayable advances are determined based on the planned repayment estimates as at December 31, 2014.

Note 12: Non-current provisions

Non-current provisions are broken down as follows:

NON-CURRENT PROVISIONS

(Amounts in thousands of euros)

	<u>12/31/2012</u>	<u>Allowance</u>	<u>Unused reversals</u>	<u>Used reversals</u>	<u>Others</u>	<u>12/31/2013</u>
Pension plan provision	174	27	(14)		(6)	181
Provisions for personnel disputes	244				(11)	233
Provision for software update	23		(8)			15
Others provisions for expenses	40	10	(15)			36
Total of non-current provisions	481	37	(36)		(17)	465

NON-CURRENT PROVISIONS

(Amounts in thousands of euros)

	<u>12/31/2013</u>	<u>Allowance</u>	<u>Unused reversals</u>	<u>Used reversals</u>	<u>Others</u>	<u>12/31/2014</u>
Pension plan provision	181	55	(28)		79	287
Provisions for personnel disputes	233	91	(242)		9	91
Provision for software update	15					15
Others provisions for expenses	36	82			7	125
Total of non-current provisions	465	228	(270)		95	518

The changes listed under “Others” related first to actuarial differences in valuation of pension obligations of €79 thousand in 2014 against €6 thousand in 2013; and secondly, currency exchange adjustments of €16 thousand in 2014 versus €11 thousand in 2013.

12.1 Commitments related to lump-sum compensation paid upon retirement

For estimated retirement commitments, the following assumptions were used for all categories of employees (employees, ETAM [Employees, Technicians, and Supervisors], and managers):

PENSION PLAN PROVISION

	<u>As of 31 December</u>	
	<u>2014</u>	<u>2013</u>
% social security expenses	48%	47%
Salary increases	2%	2%
Discount rate	1.89%	3.50%

- Retirement age: 65;
- Terms of retirement: voluntary retirement;
- Mortality table: INSEE 2014 in 2014 and INSEE 2013 in 2013;
- Collective agreement: metal industries;
- Digressive employee turnover based on age.

The Company does not finance its pension plan provision. No retirements took place over the last 2 fiscal years.

The discount rate comes from iBoxx Corporate AA10+ references adjusted for the term of the Company’s plan estimated at 23 years.

12.2 Provisions for employee litigation

In May 2014 an employee lawsuit in the United States was resolved in our favor, without any monetary cost to the Group. Since the provision was no longer called for, it was completely reversed.

12.3 Other provision for risks and expenses

The provisions for updating of software packages were recognized in order to cover the costs of updating Cellvizio products from version 1.0 to version 1.5.

On December 31, 2014 the Group recognized a provision of €82 thousand for a commercial lawsuit in the United States.

Note 13: Trade payable and other current liabilities

No discounts were made on trade payables and other current liabilities because they matured within one year at the end of each fiscal year in question.

13.1 Trade payables

Trade payables were broken down as follows:

	TRADE PAYABLES	
	(Amounts in thousands of euros)	
	As of 31 December	
	2014	2013
Trade payables	<u>2,238</u>	<u>2,439</u>

13.2 Other current liabilities

The other current liabilities are broken down as follows:

	OTHER CURRENT LIABILITIES	
	(Amounts in thousands of euros)	
	As of 31 December	
	2014	2013
Taxes payable	202	132
Staff and social security payable	2,466	2,174
Other payable	53	243
Deferred revenue	<u>667</u>	<u>630</u>
Total of other current liabilities	<u>3,388</u>	<u>3,178</u>

Tax liabilities mainly concern taxes on payroll, turnover and value added tax.

The social debts are related to social contribution expenses, annual bonuses, and vacation compensation payable.

Deferred income essentially comprises maintenance contracts on systems sold (maintenance periods of one to three years), as well as a one-year warranty on Cellvizio.

Note 14: Financial assets and liabilities on balance sheet and their impact on the profit

FINANCIAL INSTRUMENTS ON BALANCE SHEET AND THEIR IMPACT ON THE PROFIT (OR LOSS)

(Amounts in thousands of euros)

As of 31 December 2013	Value on the balance sheet	Fair value through profit or loss	Fair value through equity	Loans and receivables	Debt at amortised cost
Assets					
Non-current financial assets	77			77	
Trade receivables	3,114			3,114	
Other current assets (2)	1,327			1,327	
Current financial assets	207			207	
Cash equivalents (1)	24,505	24,505			
Cash	3,287			3,287	
Total of assets	32,518	24,505		8,013	
Liabilities					
Long-term loans and borrowings	2,643				2,643
Short-term loans and borrowings	659		30		629
Trade payables	2,439				2,439
Other current liabilities	2,548				2,548
Total of liabilities	8,289		30		8,259
As of 31 December 2014	Value on the balance sheet	Fair value through profit or loss	Fair value through equity	Loans and receivables	Debt at amortised cost
Assets					
Non-current financial assets	105			105	
Trade receivables	3,874			3,874	
Other current assets (2)	1,672			1,672	
Current financial assets	128			128	
Cash equivalents (1)	643	643			
Cash	14,375			14,375	
Total of assets	20,797	643		20,154	
Liabilities					
Long-term loans and borrowings	2,606				2,606
Short-term loans and borrowings	638				638
Trade payables	2,238				2,238
Other current liabilities	2,721				2,721
Total of liabilities	8,203				8,203

(1) The assessment of the fair value of financial assets at fair value on profit refers to an active market (Level 1 category according to IFRS 7).

(2) Advances paid and received that are not repaid in cash, deferred income and prepaid expenses that are not defined as financial liabilities are not included here.

Note 15: Sales revenue and operating revenue

Sales and operating revenue consist of the following:

SALES AND OPERATING REVENUE

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Sales	11,016	9,977
Subsidies	4	13
Research Tax Credit and other tax credits	1,239	826
Discounted portion of repayable advances	23	78
Other income	1	22
Total of revenue	12,282	10,915

The Group's sales comprise the sale of Cellvizio products and accessories (probes, software and others) as well as services.

The other tax credits cover the amount of the competitiveness and employment tax credit.

SALES BY TYPE

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Total sales of "equipements"	7,175	6,835
Total sales of "consumables" (probes)	2,958	2,603
Total sales of "services"	882	538
Total sales by type	11,016	9,977

Sales revenue by geographical area is as follows:

SALES BY GEOGRAPHICAL AREA

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
EMEA (Europe, Middle-east, Africa)	3,197	2,973
<i>including France</i>	<i>1,047</i>	<i>1,073</i>
America	4,013	4,502
<i>including USA</i>	<i>2,810</i>	<i>3,536</i>
Asia	3,806	2,502
<i>including China</i>	<i>995</i>	<i>1,136</i>
<i>including Japan</i>	<i>1,446</i>	<i>587</i>
Total sales by geographical area	11,016	9,977

For the purposes of the geographical analysis, the management of the Group allocates the sales revenue on the basis of the place where the products are delivered or, if services are provided, on the basis of the location of the corporate headquarters of the customer.

At December 31, 2013 one customer represented more than 10% of sales revenue.

At December 31, 2014 none of the Group's customers' accounts represented more than 10% of sales revenue.

Note 16: Staff costs

The Group employed 120 persons as of December 31, 2014 as against 112 persons as of December 31, 2013.

Employee expense was as follows:

EMPLOYEE BENEFITS EXPENSE		
(Amounts in thousands of euros)		
	As of 31 December	
	2014	2013
Wages and salaries, social security costs	12,364	10,739
Pension costs	27	13
Share-based payment transaction expenses	1,257	851
Total of employee benefits expense	13,648	11,603

Note 17: Share-based payments

The share-based payments include all warrants (BSAs/BSPCEs/Stock Options) awarded to employees, to non-employee members of the Board of Directors or of the Supervisory Board or service providers.

They were recognized as expenses beginning in the year they were awarded, with the exception of the BCE-A of August 4, 2008 and of the 100 000 2014-BSPCEs with immediate vesting, the terms of acquisition of the BSPCEs and the stock options are as follows:

- 25% of the BSPCEs/Stock Options are vested, assuming beneficiaries remain within the Group on or after the first anniversary of the day they were awarded;
- 25% of the BSPCEs/Stock Options are vested, assuming beneficiaries remain within the Group on or after the second anniversary of the day they were awarded;
- 25% of the BSPCEs/Stock Options are vested, assuming beneficiaries remain within the Group on or after the third anniversary of the day they were awarded;
- The remainder (25% of the BSPCEs/Stock Options) are vested, assuming beneficiaries remain within the Group on or after the fourth anniversary of the day they were awarded;

The terms and conditions governing the acquisition of the stock warrants granted during the 2011 and 2014 fiscal years are the following:

- 33.3% of the stock warrants are vested, assuming beneficiaries remain within the Group beginning on the first anniversary of the date on which they were granted;
- 33.3% of the stock warrants are vested, assuming beneficiaries remain within the Group beginning on the second anniversary of the date on which they were granted;

The remaining balance, that is, 33.3% of the stock warrants, may be exercised beginning on the third anniversary of the date they were granted;

With exception of the SO awarded in 2011, exercisable no later than 7 years of the date of their issuance, the warrants (BSAs/BSPCEs/Stock Options) are exercisable no later than ten years of the date of their issuance. It being specified that the stock warrants that have not yet been exercised upon the expiration of this period of ten years would be null and void by operation of law.

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All outstanding warrants as of December 31, 2014 break down as follows:

SHARE-BASED PAYMENTS

Type	Date of granting	Exercise price	Expiration date	Number of warrants	Cancelled	Exercised	Outstanding warrants at 12/31/2014	Equivalent in shares at 12/31/2014	Equivalent in shares vestable at 12/31/2014
BSPCE 4	7/11/05	0.5671	7/11/15	80,000	0	0	80,000	20,000	20,000
BSPCE 5	3/10/06	0.916	3/10/16	310,950	17,500	158,450	135,000	33,750	33,750
BSPCE 5	8/10/06	0.916	8/10/16	100,000	20,000	45,000	35,000	8,750	8,750
BSPCE 5	9/13/06	0.916	9/13/16	20,000	10,000	0	10,000	2,500	2,500
BSPCE 5	10/9/06	0.916	10/9/16	25,000	0	0	25,000	6,250	6,250
SO 2008	6/2/08	1.00	6/2/15	670,000	230,000	188,592	251,408	62,852	62,852
BSPCE 6	8/4/08	1.00	8/4/18	1,225,000	570,008	337,492	317,500	79,375	79,375
BCE-A	8/4/08	1.00	8/4/18	500,000	0	4	499,996	124,999	124,999
BSPCE 6	12/8/08	1.00	12/8/18	35,000	0	0	35,000	8,750	8,750
SO 2008	1/30/09	1.00	1/30/16	40,000	0	4,000	36,000	9,000	9,000
BSPCE 6	11/24/09	1.00	11/24/19	637,500	273,756	192,492	171,252	42,813	42,813
SO 2008	3/1/10	1.00	3/1/17	250,000	100,000	10,000	140,000	35,000	35,000
SO 2010	1/31/11	1.00	1/31/21	245,000	88,750	56,250	100,000	25,000	18,750
BSPCE 2010	2/15/11	1.00	2/15/21	915,000	120,000	259,500	535,500	133,875	89,813
SO 2010	2/15/11	1.00	2/15/21	50,000	40,000	0	10,000	2,500	1,875
BSPCE 2010	3/1/11	1.00	3/1/21	200,000	0	150,000	50,000	12,500	0
SO 2010	4/1/11	1.00	4/1/21	100,000	0	0	100,000	25,000	18,750
BSA	7/5/11	13.00	7/5/21	80,000	0	0	80,000	80,000	80,000
BSPCE 2011	12/5/11	13.00	12/5/21	129,500	68,250	0	61,250	61,250	54,375
SO 2011	12/5/11	11.44	12/5/21	288,153	268,153	0	20,000	20,000	15,000
BSPCE 2012	12/4/12	10.79	12/4/22	239,500	21,625	625	217,250	217,250	107,900
SO 2012	12/4/12	10.79	12/4/22	161,000	31,000	0	130,000	130,000	65,000
BSPCE 2013	5/7/13	10.28	5/7/23	63,000	15,750	0	47,250	47,250	13,500
SO 2013	12/9/13	10.05	12/9/23	101,000	0	0	101,000	101,000	25,250
BSPCE 2014	2/12/14	10.56	2/12/24	281,000	5,000	0	276,000	276,000	0
SO 2014	2/12/14	10.56	2/12/24	10,000	2,000	0	8,000	8,000	0
BSA 2014	9/1/14	6.12	9/1/24	100,000	0	0	100,000	100,000	0
BSPCE 2014	9/1/14	6.02	9/1/24	100,000	100,000	0	0	0	0
				6,956,603	1,981,792	1,402,405	3,572,406	1,673,664	924,252

The other primary assumptions used to determine share-based payments expense by applying the Black-Scholes valuation model for options were as follows:

- Risk-free interest rate: rate of government borrowings (GFRN index) ;
- Dividend: none;
- Turnover: 15%;
- Volatility: 60% for the BSAs, BSPCEs and stock options granted before December 31, 2011, 35% for the BSPCEs and stock options granted in 2012, 34% for the BSPCEs and stock options granted in 2013 and 33% for plans granted in 2014.

As of 2012, the volatility applied corresponds to the average historic volatility of a basket of stocks of listed companies in the sector of industry in which the Company operates and/or have a market capitalization and traded share volume comparable with those of the Company. Listed companies whose shares were traded for less than 1 euro were excluded from the panel.

The exercise price, estimated lifespan, and fair value of underlying shares as of the grant date of the warrants were used for the valuation of each category of share-based compensation.

The expense of share-based payments during the period breaks down as follows:

SHARE-BASED PAYMENTS
(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
BSPCE	905	685
Stock Options	327	83
BSA	63	117
Total share-based payments	1,295	885
Capitalised part on R&D	-38	-34
Expense IFRS 2 of the period	1,257	851

Note 18: External expenses

18.1 Research & Development Department

RESEARCH & DEVELOPMENT

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Purchases consumed	59	26
Employee benefits expenses	2,607	2,135
External expenses	1,259	1,015
Net change in amortisation and depreciation	658	435
Total of Research & Development	4,583	3,611

18.2 Sales & Marketing Department

SALES & MARKETING

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Purchases consumed	89	70
Employee benefits expenses	7,516	6,263
External expenses	5,085	4,735
Net change in amortisation and depreciation	62	106
Total of Sales & Marketing	12,753	11,174

18.3 Overhead

ADMINISTRATIVE EXPENSES

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Purchases consumed	56	59
Employee benefits expenses	1,752	1,893
External expenses	1,739	1,594
Taxes	130	85
Net change in amortisation and depreciation	159	128
Total of Administrative expenses	3,837	3,759

Note 19: Financial income and expenses

Financial income and expenses are broken down as follows:

FINANCIAL REVENUE AND EXPENSES

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Foreign exchange gains	124	97
Gains on cash equivalents	123	110
Other financial incomes	4	
Total of financial revenue	251	207
Foreign exchange losses	(218)	(56)
Losses on cash equivalents	(25)	(100)
Discounting expenses	(176)	(44)
Total of financial expenses	(419)	(202)
Total of financial revenue and expenses	(168)	5

Note 20: Income tax expense

According to the legislation in force, the Group has tax losses that may be carried forward indefinitely in France in the total amount of €59,963 thousand and tax losses that may be carried forward for 20 years in the United States in the total amount of €25,113 thousand, that is, a total of €85,076 thousand as of December 31, 2014. The deferred tax asset base net of temporary passive differences was not capitalized in order to be conservative, pursuant to the principles described in Note 1: Accounting principles.

The tax rate applicable to the Company is the rate in effect in France (33.33%). By convention, the deferred income tax rate used is 34.43%.

	As of 31 December	
	2014	2013
Profit / (loss)	(13,991)	(11,516)
Income tax expense		
Profit before tax	(13,991)	(11,516)
Theoretical tax expense - 34,43%	(4,817)	(3,965)
Other non-deductible expenses and tax-exempt income	28	27
Effect of tax rate differences	(34)	(22)
Deferred tax assets not recognised	4,824	3,960
Actual income tax expense		

Note 21: Commitments

Obligations pursuant to ordinary rental agreements

A new commercial lease was signed by Capkey Gates at Sugarloaf Partners LLC and Mauna Kea Technologies Inc. to rent the offices located at 1325 Satellite Boulevard, Unit 108, Suwanee, GA, 333024 United States from February 1, 2013 to February 28, 2017.

In addition, the Company has entered into leases on vehicles and office equipment.

The firm and unconditional commitments under ordinary rental agreements are broken down as follows as of December 31, 2014:

	As of 31 December	
	2014	2013
Portion with terms of less than 1 year	224	211
Portion with terms of between 1 and 5 years	448	429
Portion with terms of more than 5 years	89	119
Total of commitments pursuant to ordinary rental agreements	761	759

Commitments under other contracts

The Company subcontracts the manufacturing of some of the sub-assemblies necessary for the manufacturing of its products with suppliers. In order to secure these operations, it has made commitments to purchase a certain quantity of sub-assemblies from those suppliers as described in the table below.

**OBLIGATIONS PURSUANT TO
OTHER AGREEMENTS**

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Portion with terms of less than 1 year	1,526	1,558
Portion with terms of between 1 and 5 years	1,858	168
Total of supplier commitments	3,384	1,726

The increase in supplier liabilities was due to renegotiation of the contract with the Japanese supplier of fiber optics over the next three years.

There were no material changes to the Company's other commitments over the year.

Note 22: Transactions with related parties

The amounts of compensation presented below, which were granted to the members of the Company's executive staff and other related parties, were recognized as expenses during the periods presented:

RELATED PARTY TRANSACTIONS

(Amounts in thousands of euros)

	As of 31 December	
	2014	2013
Wages and salaries - General direction	219	288
Wages and salaries other related party	86	105
Share-based payments - General direction (*)	333	
Share-based payments other related party	1	11
Fees	36	

The valuation method used for the benefits related to these share-based payments is presented in Note 17: Share-based payments.

(*) Plan of 100,000 BPCEs was awarded on February, 12th 2014, with a subscription price at 10,56€ per share.

Note 23: Net earnings per share

Basic earnings

Basic earnings per share are calculated by dividing the net earnings attributable to the shareholders of the Company by the weighted average number of shares of ordinary and stock outstanding during the year.

EARNINGS PER SHARE

	As of 31 December	
	2014	2013
Profit / (loss) (in K€)	(13,991)	(11,516)
Weighted average number of shares outstanding (in thousands)	13,905	13,727
Earnings per share (in €)	(1.01)	(0.84)
Weighted average number of potential shares (in thousands)	15,588	15,317

Instruments that grant rights to the share capital on a deferred basis (BSAs, BSPCEs or stock options) are considered anti-dilutive because they cause an increase in earnings per share. Thus, diluted earnings per share are identical to basic earnings per share.

Note 24: Management of financial risk

The main financial instruments used by the Group are financial assets, cash, and investment securities. The purpose of managing these instruments is to finance the Company's business activity. It is the Group's policy not to subscribe to financial instruments for speculative purposes. For the first time in 2013, the Company bought a derivative instrument to hedge future cash flows.

The primary risks to which the Group is exposed are interest rate risk and credit risk.

Exchange rate risk

The main currencies for which the Group is exposed to a significant exchange rate risk are the US dollar and the yen.

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Georgia is to distribute and market the Group's products in the United States. To this end, it is fully financed by the parent company, with which it has established three agreements:

- a cash management agreement for a current account in USD;
- a distribution agreement;
- a service agreement (Management fees).

The Group's major exchange rate risk is linked to the Euro/USD parity fluctuation. In fact, the Group markets the product and services in the USA through its subsidiary Mauna Kea Technologies Inc. Its revenues and expenses - including the purchases of Cellvizio and probes to Mauna Kea Technologies SA - are expressed in US dollars the operational currency of the subsidiary. As a result, the Group is exposed to changes in the EUR/USD exchange rate through that subsidiary.

A change in exchange rates has an impact on Group earnings and shareholders' equity in the same manner, as follows:

- A variation in the EUR/USD exchange rate of +10% would have generated an improvement in earnings of €527 thousand as of December 31, 2014;
- A variation in the EUR/USD exchange rate of -10% would have generated a drop in earnings of €(644) thousand as of December 31, 2014.

In 2013, the Company entered into a yen forward contract to reduce its exposure to exchange rate risk on future purchases. It expired in 2014. There are no other contracts covering this risk.

Liquidity risk

See Note 1.9: Cash and cash equivalents

Interest Rate Risk

The Company's exposure to interest rate risk primarily involves cash equivalents and investment securities. These are comprised of money market funds and term deposit accounts. Changes in interest rates have a direct impact on the rate of return for these investments and the cash flows generated.

As of December 31, 2014, the Company's financial debt was not subject to interest rate risk because it primarily involved interest-free repayable advances or preferred-interest rate in a total non-discounted amount of €3,296 thousand as described in Note 11: Borrowings and financial debt

As of this date, the Company has not taken out any loans with credit institutions and therefore has only a very low exposure to interest rate risk.

Credit Risk

In the Company's experience, the payment of certain public financing of research expenditures is subject to credit risk.

The Company manages its available cash in a prudent manner. Cash and cash equivalents include available cash and current financial instruments owned by the Company (mostly money market funds). As of December 31, 2014, the available cash and investment securities owned by the Company were for the most part invested in products with a maturity of less than 12 months.

Credit risk related to cash, cash equivalents, and current financial instruments is insignificant in light of the quality of the co-contracting financial institutions.

With regard to its trade receivables, the Company has no significant concentration of credit risk.

Fair value

The fair value of financial instruments traded on an active market is based on the market price at the balance sheet date. The market prices used for the financial assets held by the Company are the purchase prices in effect on the market as of the valuation date.

The nominal value, minus provisions for impairment, of other payables and receivables is assumed to approach the fair value of those items.

Note 25: Subsequent events

On March 11, 2015 the Company established a line of equity financing with Société Générale based on the 20th resolution of the General Meeting of Shareholders on June 11, 2014.

At the share price on that date, the total use of this financing line would bring the Company additional financing of €7 million.

As part of this financing line, and subject to compliance with certain conditions (floor price subscription and minimum average daily volume traded), Société Générale agreed to subscribe 1,390,000 new shares, representing 9.9% of the current capital stock by January 11, 2016, with at least half by July 11, 2015, what times and in what fractions Société Générale may choose.

For each tranche, the issue price will bear a 5% discount off the average price, weighted by the volumes traded in the preceding three sessions. In March 2015, first month of the implementation of this line of equity financing, 140,000 stock subscription warrants have been subscribed in an amount of €704,900.

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

MAUNA TECHNOLOGIES
Year ended December 31, 2014

**Statutory auditors' report
on the consolidated financial statements**

COFIDEC
155, boulevard Haussmann
75008 Paris
S.A.S. à capital variable
Commissaire aux comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.R.L. au capital de € 32.800
Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Year ended December 31, 2014
Statutory auditors' report
on the consolidated financial statements

**Statutory auditors' report
on the consolidated financial statements**

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Mauna Kea Technologies;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- In the framework of our assessment of the accounting policies used by your group, we examined the methods used to capitalize and to amortize research and development expenses and checked their recoverable amount, and we ensured that the information provided in the following notes to the consolidated financial statements 1.4: Intangible assets, 1.6: Recoverable amount of the non-current tangible and intangible assets and 3: Long-term intangible assets was appropriate.
- The accounting principles related to the principal assumptions and methods applied by your group concerning share-based payments are described in notes 1.12: Share-based payments and 17: Share-based payments to the consolidated financial statements. We have assessed the appropriateness of the data and assumptions used by the group to perform these valuations. On that basis, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Paris-La Défense, April 14, 2015

The statutory auditors
French original signed by

COFIDEC

ERNST & YOUNG et Autres

Thibault Faure

Cédric Garcia