



Mauna Kea Technologies

A Public Limited Company (Société anonyme) with share capital of 619,068 euros
Registered office: 9 rue d'Enghien
75010 Paris, France
431 268 028 in the Paris Trade and Companies Register

2015 HALF-YEAR FINANCIAL REPORT

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2015 HALF-YEAR ACTIVITY REPORT

1. COMPANY'S ACTIVITY AND EARNINGS

FINANCIAL RESULTS FOR HALF YEAR 2014

- Renewed momentum in North America with 82% growth in H1 2015 sales
- Gross margin for H1 2015 is stable at 68%
- Operating expenses are stable

<i>In €K - IFRS</i>	H1 2015	H1 2014
	<i>(June 30, 2015)</i>	<i>(June 30, 2014)</i>
Operating Revenue		
<i>Sales</i>	4,025	4,569
<i>Other income</i>	713	537
Total of revenue	4,738	5,106
Operating Expenses		
<i>Cost of sales</i>	(1,272)	(1,461)
<i>Gross margin (%)</i>	68%	68%
<i>Research and Development</i>	(2,505)	(2,084)
<i>Sales & Marketing</i>	(6,494)	(6,113)
<i>Administrative expenses</i>	(1,766)	(1,919)
<i>Share-based payments</i>	(303)	(794)
Total operating expenses	(12,341)	(12,372)
Operating profit	(7,603)	(7,265)
Profit/(loss)	(7,493)	(7,332)

H1 2015 sales: confirmation of renewed momentum in the United States

In H1 2015, Mauna Kea Technologies recorded a decrease of 12% in its sales to €4,025K (versus €4,569K in H1 2014). As announced previously, sales in the first half of the year were supported by renewed strong momentum in the Americas with growth of 27% to €2,367K, and in particular by the performance of North America, which recorded growth of 82% (accounting for 98% of sales in the region). The upturn in the Americas was offset by a decline of 16% in sales in the EMEA region to €1,024K, and a decline of 58% in the APAC region to €634K, due to the time-lag in obtaining the regulatory agreement in China for Cellvizio 100s. Throughout the half-year period, revenue in the Americas represented 59% of total sales, compared with 25% and 16% for the EMEA and APAC regions.

At June 30, 2015, the company had an installed base of 471 Cellvizio systems. The net installed base of Cellvizio rose to 337 clinical systems and 134 pre-clinical systems, including 28 Cellvizio Dual Band.

H1 2015 consolidated results: maintaining a high gross margin

"Other income" amounted to €713K (vs. €537K), broken down primarily into Research Tax Credit for €658K (vs. €490K in H1 2014).

In H1 2015, the company maintained a high gross margin at 68%, stable compared with H1 2014, which reflected a return to a sales price for systems and consumables in the United States that is better suited to the price strategy in other markets.

Sales and Marketing costs, the largest overhead for the company, amounted to €6,494K in the first half of the year, an increase of 6% compared with H1 2014 and down 2% compared with H2 2014. In both the United States and Europe, the company achieved a reduction in Sales and Marketing expenses, which will continue in the coming periods. In H1 2015, the impact of this cost reduction was absorbed by the rise of the dollar, whose negative impact amounted to €563K.

Research and Development (R&D) costs, recorded in the income statement, increased by 20% to €2,505K. No R&D expense was recognized in the balance sheet for the first half of 2015, versus €207K in H1 2014, which brought overall growth in R&D costs to 9% in the half-year period compared with H1 2014. When Research Tax Credits are included, the net increase in R&D costs was 7% in H1 2015.

R&D expenses in the income statement remained unchanged from H2 2014 (€2,505K in H1 2015 vs. €2,499K in H2 2014) and no R&D expenses were capitalized in the balance sheet in either of these two periods.

Administrative expenses came to €1,766K, down 8% compared with H1 2014.

Due to a significant reduction in the "share-based payment transaction" expense, operating expenses under IFRS were stable in H1 2015 at €12,341K (vs. €12,372K in H1 2014) and down 10% compared with H2 2014. The company's operating loss amounted to €7,603K in H1 2015 (vs. a loss of €7,265K in H1 2014 and a loss of €6,558K in H2 2014).

The Group's net loss came to €7,493K at June 30, 2015 (vs. a loss of €7,332K at June 30, 2014 and a loss of €6,659K in H2 2014).

During the first half-year of 2015, the company utilized €2.8 million of cash versus €7.8 million in H1 2014 and of €5.0 million in H2 2014. At the end of the half-year period, available cash was €12.2 million.

At June 30, 2015, Mauna Kea Technologies had 109 employees vs. 120 employees at end-December 2014.

2. PROGRESS AND PROSPECTS

Regulatory approvals and reimbursement coverage

- March 2015: assignment by the American Medical Association (AMA) of a new CPT code for use in endoscopic retrograde cholangio-pancreatography (ERCP), allowing practitioners to diagnose biliary tract pathologies, notably strictures and cancers. More than 500,000 ERCPs are completed annually in the United States;
- April 2015: approval from COFEPRIS (*Comisión Federal Para la Protección contra Riesgos Sanitarios*), the Mexican health authority, to market Cellvizio;
- April 2015: CE Marking to use Cellvizio in minimally invasive laparoscopic surgery;
- June 2015: CE Marking for the use of Cellvizio in interventional radiology;

Clinical results and conferences: the medical value of optical biopsy

- April 2015: record attendance of the ICCU 2015 and of the related continuous training course on endomicroscopy;
- May 2015: presentation of confocal laser endomicroscopy applications at the conference of the Japan society for endoscopic surgery, the most significant conference dedicated to endoscopy worldwide;

3. DEVELOPMENT AND PROSPECTS

The renewed growth seen in the US during the first half of 2015 has rewarded the efforts undertaken in this market. The first half-year was also marked by key milestones in the expansion of the Cellvizio platform into the surgery and interventional radiology markets with several important regulatory approvals, together with ground-breaking results in neurosurgery obtained in collaboration with Siemens. We are more confident than ever of the increasing importance of our unique technology for these new markets and are redoubling our efforts to improve our commercial efficiency, while at the same time studying opportunities for growth through partnerships.

4. EVENTS OCCURRING SINCE THE END OF THE HALF-YEAR PERIOD

July 2015: approval from the Japanese Ministry of Health, Labor and Welfare for the AQ-Flex 19™ confocal endomicroscopy miniprobe;

July 2015: CE Marking for the Cellvizio 800 intra-operative platform, which provides infrared endomicroscopic imaging during minimally invasive surgical operations.

August 2015: publication of the results of a new study on the use of endomicroscopy with Cellvizio in the peer-reviewed journal *Neurosurgery* and partly financed by Siemens Corporate Technology. The data produced indicate that Cellvizio enables a histomorphologic diagnosis to be made in real time with similar results to those of traditional surgical biopsy.

The Company restructured its financing facility with Société Générale.

As part of the new financing facility and subject to certain conditions, Société Générale committed to subscribe to 1,180,000 new shares (representing 7.6% of the current share capital) on the exercise of share purchase warrants issued in its favor over the next 12 months, on one or more occasions, when and how often they choose, half of which during the six months following the date of issuance of the warrants.

For each tranche, the issue price of the new shares will be at a 5% discount compared with the weighted average price by volumes of the previous three trading sessions. The minimum issue price will be €3.

In August 2015, the first tranche has been realized for 311,000 euros.

5. RISKS AND UNCERTAINTIES - TRANSACTIONS WITH RELATED PARTIES

The risks faced by the company are specified in Chapter 4 "Risk Factors" of the Company's Registration Document.

Relationships with related parties are covered in Note 21 to the 2015 half-yearly financial statements.



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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS, AS OF JUNE 30, 2015

STATEMENT OF FINANCIAL POSITION
(Amounts in thousands of euros)

	<u>Note</u>	<u>6/30/2015</u>	<u>12/31/2014</u>
ASSETS			
Non-current Assets			
Intangible assets	3	3,357	3,542
Property, plant, and equipment	4	739	794
Non-current financial assets		116	105
Total of non-current assets		4,212	4,440
Current assets			
Inventories & Work in progress	5	2,441	1,912
Trade receivables	6	3,472	3,874
Other current assets	6	2,744	2,165
Current financial assets		107	128
Cash and cash equivalents	7	12,220	15,018
Total of current assets		20,983	23,098
TOTAL OF ASSETS		25,195	27,538
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	619	560
Share premium	8	63,920	58,162
Reserves		(40,264)	(26,604)
Foreign currency translation on reserve		80	23
Profit / (loss) *		(7,493)	(13,973)
Total of equity		16,863	18,168
Non-current Liabilities			
Long-term loans and borrowings	9	2,535	2,606
Non-current provisions	10	449	518
Total of non-current liabilities		2,984	3,124
Current liabilities			
Short-term loans and borrowings	9	490	638
Trade payables		2,071	2,238
Other current liabilities *	11	2,787	3,370
Total of current liabilities		5,349	6,246
TOTAL OF EQUITY AND LIABILITIES		25,195	27,538

* Retreated of the impact of IFRIC 21

COMPREHENSIVE INCOME STATEMENT

(Amounts in thousands of euros)

	Note	As of 30 June	
		2015	2014
Operating Revenue			
Sales	12	4,025	4,569
Other income	12	713	537
Total of revenue		4,738	5,106
Operating Expenses			
Cost of sales		(1,272)	(1,461)
<i>Gross margin</i>		68%	68%
Research & Development	15	(2,505)	(2,084)
Sales & Marketing	15	(6,494)	(6,113)
Administrative expenses *	15	(1,766)	(1,919)
Share-based payments	8	(303)	(794)
Total of expenses		(12,341)	(12,372)
Operating profit		(7,603)	(7,265)
Financial revenue	16	366	104
Financial expenses	16	(255)	(169)
Profit before tax		(7,493)	(7,332)
Income tax expense		0	0
Profit / (loss)		(7,493)	(7,332)
Other comprehensive income			
Actuarial differences on defined benefit plans	10	36	(44)
Total of items that will not be reclassified to profit or loss		36	(44)
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		57	(8)
Cash flow hedge			30
Total of items that will be reclassified to profit or loss		57	22
Other comprehensive income		93	22
Comprehensive income		(7,400)	(7,354)
Weighted average number of shares outstanding (in thousands)		14,435	13,845
Basic earnings per share (EUR/share)		(0.52)	(0.53)
Weighted average number of potential shares (in thousands)	19	16,658	15,561

* Retreated of the impact of IFRIC 21

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	12/31/2013	552	57,501	(138)	(16,115)	(124)	(11,502)	30,173
Allocation of the profit / (loss)					(11,502)		11,502	
Capital transactions		6	492					498
Treasury shares transactions					832			832
Gilbert Dupont liquidity contract				(90)	(25)			(115)
Comprehensive income as of *	6/30/2014				(14)	(8)	(7,332)	(7,354)
Equity as of*	6/30/2014	558	57,994	(228)	(26,825)	(133)	(7,332)	24,035
Equity as of *	12/31/2014	560	58,162	(105)	(26,499)	23	(13,973)	18,168
Allocation of the profit / (loss)					(13,973)		13,973	
Capital transactions		59	5,758					5,818
Share-based payment transactions					303			303
Gilbert Dupont liquidity contract				5	(31)			(26)
Comprehensive income as of	6/30/2015				36	57	(7,493)	(7,400)
Equity as of	6/30/2015	619	63,920	(100)	(40,163)	80	(7,493)	16,863

* Retreated of the impact of IFRIC 21

CASH-FLOW STATEMENT
(Amounts in thousands of euros)

	Note	As of 30 June	
		2015	2014
Cash flows from operating activities			
Profit / (loss) *		(7,493)	(7,332)
Elimination of amortisations, depreciations and provisions		425	185
Share-based payment transaction expense and revenue	8	303	794
Other items excluded from the auto-financing capacity		50	(16)
<i>Revenue and expenses related to the discounting of repayable advances</i>	9/16	(69)	90
<i>Cash flows hedge</i>			15
<i>Net gain or loss from cash equivalents</i>	16	(6)	(83)
<i>Other non-cash items</i>		125	(37)
Capital gain or loss from asset sales	4	8	
		(6,706)	(6,368)
Auto-financing capacity			
Income tax expense paid			
Change in WCR related to business activities		(1,548)	(1,516)
<i>Inventories & Work in progress</i>		(416)	(152)
<i>Trade receivables</i>		457	102
<i>Other current assets</i>		(688)	(1,045)
<i>Trade payables</i>		(172)	39
<i>Other current liabilities*</i>		(730)	(460)
Net cash flows from operating activities (A)		(8,254)	(7,884)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	3/4	(235)	(469)
Change in loans and advances granted		11	108
Other cash flows from investing operations			
Net cash flows from investing activities (B)		(224)	(360)
Cash flows from financing activities			
Proceeds from exercise of share options and warrants	8	1,328	499
Proceeds from capital increases		4,490	
Repurchases and resales of treasury shares		(26)	(115)
Net financial interests paid	16	6	83
Other cash flows from financing operations	9	(150)	(0)
Net cash flows from financing activities (C)		5,648	467
Net foreign exchange difference (D)		32	2
Change in cash (A) + (B) + (C) + (D)		(2,798)	(7,775)
Cash at the beginning of the period	7	15,018	27,792
Cash at the end of the period	7	12,220	20,017
Change in cash		(2,798)	(7,775)

* Retreated of the impact of IFRIC 21

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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.

The condensed consolidated financial statements of the first half-year 2015, approved by the Board of Directors meeting on September 8, 2015, have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting".

The Board of Directors assumed that the Company would continue as a going concern based on available cash totaling €12.2 million as of June 30, 2015. The Company intends to employ appropriate financing solutions to meet its future cash needs.

Since they are condensed financial statements, the half-year consolidated financial statements do not include all the financial disclosures required in a full set of annual financial statements. They should therefore be read in conjunction with the Group's financial statements for the year ended December 31, 2014, subject to the specific characteristics for the preparation of interim financial statements, described below.

1.2 Main accounting policies

Aside from the specific characteristics for the preparation of interim financial statements set out in Note 1.3 "Basis of preparation of half-year financial statements", the significant accounting policies used are the same as those used for the preparation of the consolidated financial statements for the fiscal year ended December 31, 2014, with the exception of the following new standards, revised standards and interpretations adopted by the European Union and mandatory for fiscal years beginning on or after January 1, 2015:

- Annual improvements to IFRSs : cycle 2011-2013 ;
- IFRIC 21 ;

These standards have no impact on the consolidated financial statements.

The first-time adoption of IFRIC 21 effective retrospectively to January 1, 2014 increased equity by €18K as of that date, thanks to the effect of the restatement of the corporate social solidarity contribution (C3S).

The restatement for IFRIC 21 of the operating profit for the six months ended June 30, 2014 represented a loss of €8K.

The restated financial statements are shown below:

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Publised 31/12 2014	IIFRIC 21 impact	31/12 restated 2014
EQUITY AND LIABILITIES			
Total of equity	18,150	18	18,168
Total of non-current liabilities	3,124	0	3,124
Total of current liabilities	6,264	(18)	6,246
TOTAL OF EQUITY AND LIABILITIES	27,538	0	27,538

COMPREHENSIVE INCOME STATEMENT

(Amounts in thousands of euros)

	Publised 31/12 2014	IIFRIC 21 impact	31/12 restated 2014
Total of revenue	5,106		5,106
Total of expenses	(12,364)	(8)	(12,372)
Operating profit	(7,257)	(8)	(7,265)
Profit before tax	(7,324)	(8)	(7,332)
Profit / (loss)	(7,324)	(8)	(7,332)
Total of items that will not be reclassified to profit or loss	(44)		(44)
<i>Items that will be reclassified subsequently to profit or loss</i>	(22)		(22)
Comprehensive income	(7,346)	(8)	(7,354)
Basic earnings per share (EUR/share)	(0.53)		(0.53)

The Company has not applied in advance the latest standards, amendments, revisions and interpretations of standards published whose application will only be mandatory for financial years beginning after January 1, 2015. This pertains to the following standards and amendments:

- Annual improvements to IFRS: 2010-2012 cycle;
- Annual improvements to IFRS: 2011-2013 cycle;

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions";

The Company has also not applied early the standards, amendments, revisions and interpretations of standards published and not endorsed by the European Union:

- Standards and amendments to IFRS 9 "Financial Instruments";
- Amendments to IFRS 11 "Acquisition of an Interest in a Joint Operation";
- IFRS 15 "Revenue from Contracts with Customers";
- Annual improvements to IFRS: 2012-2014 cycle;
- Amendments to IAS 1 "Presentation of Financial Statements";
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization";
- Amendments to IAS 28 and IFRS 10 "Investment Entities: Applying the Consolidation Exception".

The Group is currently analyzing the impact of the application of these standards and amendments on the consolidated financial statements.

1.3 Basis of preparation of the interim financial statements

1.3.1 Income tax

The half-year's income tax expense is calculated for each country based on an estimated average effective rate calculated on an annual basis and applied to the country's half-yearly profit. Where applicable, this estimate takes into account the use of tax loss carry forwards and whether or not they have been recognized.

1.3.2. Impairment tests

Failing indications of impairment as of June 30, 2015, and in accordance with the provisions of IAS 36, the Group did not conduct impairment tests on property, plant and equipment and intangible assets.

Note 2: Company and scope

Founded in May 2000, Mauna Kea Technologies SA (the Company) develops and markets medical devices, particularly optical instruments for medical imaging.

As part of its development in the United States, the Company created Mauna Kea Technologies Inc. on January 3, 2005.

Companies	6/30/2015		12/31/2014		Consolidation method
	% of interests	% of control	% of interests	% 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

There was no change in the consolidation scope during the period.

Note 3: Intangible assets

The changes in intangible assets break down as follows:

INTANGIBLE ASSETS					
(Amounts in thousands of euros)					
	12/31/2014	Increase	Decrease	Reclassification	6/30/2015
Development costs	3,623				3,623
Patents, licenses and trademarks	1,340	27		61	1,428
Software packages	413	14			428
Patents, licenses and trademarks in progress	596	50		(61)	585
Other intangible assets in progress		52			52
Total gross of intangible assets	5,972	143			6,116
Amort. / dép. of development costs	(1,741)	(245)			(1,986)
Amort. / dép. of patents, licenses and trademarks	(454)	(47)			(501)
Amort. / dép. of software packages	(236)	(35)			(272)
Total amort. / dép. of intangible assets	(2,431)	(328)			(2,759)
Total net of intangible assets	3,542	(185)			3,357

CHANGE IN DEVELOPMENT COSTS (CAPITALISED PORTION)

(Amounts in thousands of euros)

	6/30/2015	12/31/2014
Wages and salaries, social security costs		242
Research Tax Credit		(73)
Share-based payment transaction expense		38
Gross change in development costs		207
Amortisation of development costs	(245)	(406)
Net change in development costs	(245)	(199)

Note 4: Property, plant and equipment

The changes in property, plant and equipment break down as follows:

PROPERTY, PLANT AND EQUIPMENT						
(Amounts in thousands of euros)						
	12/31/2014	Increase	Decrease / Scrapping	Exchange differences	Reclassification	6/30/2015
Industrial equipment	1,293	8		19	(21)	1,299
Fixture in buildings	51					51
Other tangible assets	914	84	(8)	8		998
Total gross of property, plant and equipment	2,259	92	(8)	27	(21)	2,348
Amort. / dép. of industrial equipment	(864)	(72)	6	(5)		(935)
Amort. / dép. of fixture in buildings	(31)	(3)				(34)
Dep other tang assets	(570)	(62)		(6)		(639)
Total amort. / dép. of property, plant and equipment	(1,465)	(138)	6	(12)		(1,609)
Total net of property, plant and equipment	794	(46)	(2)	15	(21)	739

The reclassification amounting to €21K during this period concerns the transfer of a demonstration system from property, plant and equipment to inventory.

Note 5: Inventories and work in progress

The inventories and work in progress break down as follows:

INVENTORIES & WORK IN PROGRESS

(Amounts in thousands of euros)

	<u>6/30/2015</u>	<u>12/31/2014</u>
Inventories of raw materials	828	816
Inventories & work in progress of finished goods	1,726	1,216
Total gross of inventories & work in progress	<u>2,587</u>	<u>2,032</u>
Dep. of inventories of raw materials	(91)	(74)
Dep. of inventories & work in progress of finished goods	(55)	(45)
Total dep. of inventories & work in progress	<u>(146)</u>	<u>(120)</u>
Total net of inventories & work in progress	<u>2,441</u>	<u>1,912</u>

The increase in inventories is based on sales forecasts.

Note 6: Trade receivables and other current assets

6.1. Trade receivables

TRADE RECEIVABLES

(Amounts in thousands of euros)

	<u>6/30/2015</u>	<u>12/31/2014</u>
Trade receivables	3,664	3,948
Dep. of trade receivables	(193)	(73)
Total net of trade receivables	<u>3,472</u>	<u>3,874</u>

The trade receivables past due and not impaired amounted to €1,793K as of June 30, 2015 versus €928K as of December 31, 2014.

6.2 Other current assets

The other current assets break down as follows:

OTHER CURRENT ASSETS

(Amounts in thousands of euros)

	<u>6/30/2015</u>	<u>12/31/2014</u>
Personnel and related accounts	84	50
Research Tax Credit	1,909	1,251
Other tax receivables	202	328
Other receivables	219	208
Prepaid expenses	330	328
Total gross of other current assets	<u>2,744</u>	<u>2,165</u>
Dep. of other current assets		
Total net of other current assets	<u>2,744</u>	<u>2,165</u>

The changes in research tax credits are presented in the table below:

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE

(Amounts in thousands of euros)

	<u>12/31/2014</u>	<u>Operating revenue</u>	<u>Payment received</u>	<u>Capitalised portion</u>	<u>6/30/2015</u>
Research Tax Credit	1,251	658			1,909

The estimated research tax credit for the first half of 2015 was €658K, compared with €563K as of June 30, 2014.

Note 7: Cash and cash equivalents

The cash and cash equivalents line item breaks down as follows:

CASH AND CASH EQUIVALENTS		
(Amounts in thousands of euros)		
	<u>6/30/2015</u>	<u>12/31/2014</u>
Short-term bank deposits	8,719	14,375
Money market funds	3,501	643
Total of cash and cash equivalents	<u>12,220</u>	<u>15,018</u>

Note 8: Capital

8.1 Issued capital

As of June 30, 2015, the Company's share capital totaled six hundred nineteen thousand and sixty-eight euros and twenty-eight cents (€619,068.28), divided into 15,476,707 shares with a par value of €0.04 each, all fully subscribed and paid up.

This figure does not include share purchase warrants (BSA), founders' share purchase warrants (BSPCE) and stock options granted to certain investors and individual who may or may not be employees of the Company.

The table below presents the history of the Company's capital since December 31, 2014:

<u>Date</u>	<u>Type of transaction</u>	<u>Issued capital (en K€)</u>	<u>Share premium (en K€)</u>	<u>Number of shares comprising the issued capital (in thousands)</u>
12/31/14		560	58,162	13,993
2/28/15	Exercise of BSPCE	0	46	12
3/19/15	Exercise of BSA warrants	3	349	70
3/24/15	Exercise of BSA warrants	3	350	70
3/31/15	Exercise of stock options	0	36	9
3/31/15	Exercise of BSPCE	0	35	9
3/31/15	Exercise of BSA warrants	3	316	70
4/30/15	Exercise of stock options	1	99	25
5/12/15	Capital increase	48	4,442	1,189
5/31/15	Exercise of BSPCE	0	40	10
6/30/15	Exercise of BSPCE	1	45	20
6/30/15	Total	619	63,920	15,477

On May 7th, 2015, the Company completed a private placement of 1 189 251 new common shares based on a price of €3.95. The net result proceeds amounted €4.5M. This private placement generated approximatively €200K of expenses charged to the share premium as of June 30th 2015.

8.2 Share purchase warrants and stock options

The Company issued share purchase warrants (BSA) representing compensation or equity financing, stock warrants for employees (BSPCE and others), as well as stock options for which the changes that have occurred since December 31, 2014 are presented below:

<u>Type</u>	<u>Date of granting</u>	<u>Exercise price</u>	<u>Outstanding as of 12.31.2014</u>	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Outstanding as of 06.30.2015</u>	<u>Potential number of shares</u>
Options granted before the 1st january 2015			3,572,406		339,748	80,502	3,152,156	1,522,289
BSA	3/19/15	*		1,390,000	210,000	1,180,000		
			3,572,406	1,390,000	549,748	1,260,502	3,152,156	1,522,289

* 95% of the weighted average of the last three stock market price preceding the exercise of the warrant

On March 11, 2015 the Company granted share purchase warrants in connection with an equity financing facility provided by Société Générale. Three tranches of 70,000 warrants each were issued - on March 19, March 24 and March 31 - for share prices of €5.03, €5.04 and €4.56, respectively. On May 31, 2015, the Company also purchased and canceled 1,180,000 unsubscribed share purchase warrants issued in favor of Société Générale.

The payment for the options is settled in shares of stock. As of June 30, 2015, exercisable warrants entitle their holders to 951,777 shares.

**DETAILS OF THE RESTATEMENT OF
SHARE-BASED PAYMENTS**
(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Share-based payments (capitalised portion)		38
Share-based payments (expense of the period)	303	794
	303	832

Changes in the share-based payment expense are primarily due to the lack of new plans in the first-half 2015.

8.3 Treasury shares as of June 30, 2015

As of June 30, 2015, the Company held 22,911 Mauna Kea Technologies shares acquired at an average price of €4.20 per share, representing a net carrying amount of €96,224 (€100,423 gross).

Note 9: Loans and financial debts

The changes in loans and financial debts break down as follows:

CHANGES IN LOANS AND BORROWINGS						
(Amounts in thousands of euros)						
	12/31/2014	Receipt	Repayment	Reclassification	Others	6/30/2015
Repayable advances	3,239		(150)		(69)	3,020
Others	5					5
Total of loans and borrowings	3,244		(150)		(69)	3,025

A €150K repayment to BPI in the first half of 2015 toward the advance granted for developing a multimode endoscopic device for medical diagnosis.

Note 10: Non-current provisions

NON-CURRENT PROVISIONS						
(Amounts in thousands of euros)						
	12/31/2014	Allowance	Unused reversals	Used reversals	Others	6/30/2015
Pension plan provision	287	55	(6)		(36)	300
Provisions for personnel disputes	91					91
Provision for software update	15					15
Others provisions for expenses	125			(90)	7	43
Total of non-current provisions	518	55	(6)	(90)	(29)	449

Commercial litigation in the United States in 2014 was settled for the equivalent of €85K.

Note 11: Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES		
(Amounts in thousands of euros)		
	6/30/2015	12/31/2014
Taxes payable *	107	184
Staff and social security payable	1,946	2,466
Other payable	47	53
Deferred revenue	688	667
Total of other current liabilities	2,787	3,370
Retreated of the impact of IFRIC 21		

The tax liabilities mainly concern payroll taxes, sales tax and value added tax.

Payroll-related liabilities represent provisions for paid leave, provisions for bonuses and commissions and social security contributions.

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 12: Sales and operating revenue

Sales and operating revenue consist of the following:

SALES AND OPERATING REVENUE

(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Sales	4,025	4,569
Subsidies	27	3
Research Tax Credit and other tax credits	686	520
Discounted portion of repayable advances		14
Total of revenue	4,738	5,106

The Group's sales comprise sales of Cellvizio® products and accessories (probes, software, and other) together with services.

The competitiveness and employment tax credit is accounted under Research tax credit and other tax credits.

SALES BY TYPE

(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Total sales of "equipements"	2,521	2,942
Total sales of "consumables" (probes)	1,156	1,252
Total sales of "services"	348	374
Total sales by type	4,025	4,569

The sales by geographical area as of June 30, 2015 and 2014 are as follows:

SALES BY GEOGRAPHICAL AREA

(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
EMEA (Europe, Middle-east, Africa)	1,024	1,219
<i>which from France</i>	506	635
Amérique	2,367	1,857
<i>which from United states of America</i>	2,117	1,157
<i>which from Brazil</i>	23	479
Asia	634	1,492
<i>which from China</i>	24	267
<i>which from Japan</i>	428	514
Total sales by geographical area	4,025	4,569

For the purposes of geographical analysis, the management of the Group allocates the sales revenue according to the place of delivery, or, in the case of services, according to the location of the customer's registered office.

As of June 30, 2015, no single distributor accounted for more than 10% of consolidated sales, compared to one as at June 30, 2014.

Note 13: Financial instruments 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 30 June 2015	Value on the balance sheet	Fair value through profit or loss	Loans and receivables	Debt at amortised cost
Assets				
Non-current financial assets	116		116	
Trade receivables	3,472		3,472	
Other current assets (2)	2,241		2,241	
Current financial assets	107		107	
Cash equivalents (1)	3,501	3,501		
Cash	8,719	8,719		
Total of assets	18,155	12,220	5,936	
Liabilities				
Long-term loans and borrowings	2,535			2,535
Short-term loans and borrowings	490			490
Trade payables	2,071			2,071
Other current liabilities (2)*	2,100			2,100
Total of liabilities	7,214			7,214
As of 31 December 2014	Value on the balance sheet	Fair value through profit or loss	Loans and receivables	Debt at amortised cost
Assets				
Non-current financial assets	105		105	
Trade receivables	3,874		3,874	
Other current assets (1)	1,672		1,672	
Current financial assets	128		128	
Cash equivalents (2)	643	643		
Cash	14,375	14,375		
Total of assets	20,797	15,018	5,779	
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)*	2,703			2,703
Total of liabilities	8,185			8,185

*Retreated of the impact of IFRIC 21

(1) The assessment of the fair value of financial assets at fair value through profit or loss 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 14: Employee benefits expense

The Group employed 109 persons as of June 30, 2015, compared with 118 as of June 30, 2014.

The employee benefits expense breaks down as follows:

EMPLOYEE BENEFITS EXPENSE
(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Wages and salaries, social security costs	6,457	6,196
Pension costs	49	38
Share-based payment transaction expenses	303	794
Total of employee benefits expense	6,810	7,028

Note 15: External expenses

15.1 Research & Development Department

RESEARCH & DEVELOPMENT
(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Purchases consumed	17	28
Employee benefits expenses	1,427	1,213
External expenses	744	575
Net change in amortisation and depreciation	317	269
Total of Research & Development	2,505	2,084

15.2 Sales & Marketing Department

SALES & MARKETING
(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Purchases consumed	37	52
Employee benefits expenses	3,722	3,630
External expenses	2,665	2,596
Net change in amortisation and depreciation	95	(165)
Total of Sales & Marketing	6,494	6,113

15.3 Administrative Expenses

ADMINISTRATIVE EXPENSES
(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Purchases consumed	26	23
Employee benefits expenses	1,113	1,136
External expenses	475	630
Taxes *	73	58
Net change in amortisation and depreciation	79	72
Total of Administrative expenses	1,766	1,919

*Retreated of the impact of IFRIC 21

Note 16: Financial revenue and expenses

The table below shows the breakdown in financial revenue and expenses:

FINANCIAL REVENUE AND EXPENSES

(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Foreign exchange gains	288	19
Gains on cash equivalents	9	85
Other financial incomes	69	
Total of financial revenue	366	104
Foreign exchange losses	(251)	(47)
Other interest charges	(1)	(17)
Losses on cash equivalents	(3)	(2)
Discounting expenses		(103)
Total of financial expenses	(255)	(169)
Total of financial revenue and expenses	110	(65)

Note 17: Income tax expense

As per 2013 year end, the Group did not capitalize its tax losses.

Note 18: Commitments

The Company had the following commitments as of June 30, 2015:

Commitments under operating leases

- Commitments under operating leases totaled €220K for terms of less than one year as of June 30, 2015, compared with €224K as of December 31, 2014. Commitments under operating leases totaled €428K for terms of more than one year as of June 30, 2015, compared with €537K as of December 31, 2014.

Commitments under other contracts

- Commitments to suppliers totaled €1,634K for terms of less than one year as of June 30, 2015, compared with €1,526K as of December 31, 2014, and €2,187K for terms of one to five years as of June 30, 2015, compared with €1,858K as of December 31, 2014.

- The Company is committed to contributing to the initiatives of the Foundation San T Dige for a total of €25K, in tranches of €5K per year from 2013 to 2017. As of June 30, 2015, the commitment to the Foundation amounted to €5K for terms of less than one year and €7.5K for terms of more than one year. This foundation is dedicated to research and development in the field of hepato-gastroenterology.

Note 19: Earnings per share

Instruments giving deferred right to the capital (BSAs, BSPCEs and stock options) are considered antidilutive, since they lead to an increase in earnings per share. Accordingly, the diluted earnings per share are identical to the basic earnings per share.

Note 20: Management of financial risk

There was no material change to the management of financial risk over the past half-year.

Note 21: Related party transactions

The related party transactions shown below were recognized as expenses during the periods presented:

RELATED PARTY TRANSACTIONS

(Amounts in thousands of euros)

	As of 30 June	
	2015	2014
Wages and salaries	110	241
Attendance fee	63	35
Share-based payments		334
Fees	5	7

Note 22: Subsequent events

The Company restructured its financing facility with Société Générale.

As part of the new financing facility and subject to certain conditions, Société Générale committed to subscribe to 1,180,000 new shares (representing 7.6% of the current share capital) on the exercise of share purchase warrants issued in its favor over the next 12 months, on one or more occasions, when and how often they choose, half of which during the six months following the date of issuance of the warrants.

For each tranche, the issue price of the new shares will be at a 5% discount compared with the weighted average price by volumes of the previous three trading sessions. The minimum issue price will be €3.

In August 2015, the first tranche has been realized for 311,000 euros.

COFIDEC

ERNST & YOUNG et Autres

Mauna Kea Technologies

Period from January 1 to June 30, 2015

**STATUTORY AUDITORS' REVIEW REPORT
ON THE FIRST HALF-YEARLY FINANCIAL
INFORMATION**

COFIDEC
155, boulevard Haussmann
75008 Paris
S.A.R.L. au capital de € 32.800

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et Autres
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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Period from January 1 to June 30, 2015

Statutory auditors' review report on the half-yearly
financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying half-yearly condensed consolidated financial statements of Mauna Kea Technologies, for the period from January 1 to June 30, 2015;
- the verification of the information presented in the half-yearly management report.

These half-yearly condensed consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly condensed consolidated financial statements subject to our review.

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

Paris and Paris-La Défense, September, 8, 2015

The statutory auditors

French original signed by

COFIDEC

ERNST & YOUNG et Autres

Thibault Faure

Cédric Garcia

ATTESTATION OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

(Article 222-3-4 of the General Regulations of the AMF [*Autorité des Marchés Financiers*/French Financial Markets Authority])

I attest that, to my knowledge, the condensed consolidated financial statements for the last half-yearly period were prepared in accordance with the applicable accounting standards (IFRS standards as adopted by the European Union) and give a fair representation of the company's assets, financial position and results, and all companies including in the scope of consolidation, and that the half-yearly activity report presents an accurate picture of the significant events occurring during the first six months of the fiscal year, their impact on the financial statements and the principal transactions between related parties, along with a description of the principal risks and the principal uncertainties for the remaining six months of the year.

Alexandre Loiseau

Chief Executive Officer