



Mauna Kea Technologies

A Public Limited Company (Société anonyme) with share capital of 552,138 euros

Registered office: 9 rue d'Enghien

75010 Paris, France

431 268 028 in the Paris Trade and Companies Register

2014 Half-year financial report

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2014 HALF-YEAR ACTIVITY REPORT

1. COMPANY'S ACTIVITY AND EARNINGS

FINANCIAL RESULTS FOR HALF YEAR 2014

- Total revenue increased 11%
- Gross margin of 68%
- Cash balance of €20 million at June 30
- Strengthened commercialization platform

<i>In €K - IFRS</i>	H1 2014 <i>(June 30, 2014)</i>	H1 2013 <i>(June 30, 2013)</i>
Operating Revenue		
Sales	4,569	4,320
Other income	537	271
Total of revenue	5,106	4,591
Operating Expenses		
<i>Cost of sales</i>	<i>(1,461)</i>	<i>(1,236)</i>
<i>Gross margin (%)</i>	<i>68%</i>	<i>71%</i>
<i>Research and Development</i>	<i>(2,084)</i>	<i>(1,859)</i>
<i>Sales & Marketing</i>	<i>(6,113)</i>	<i>(5,854)</i>
<i>Administrative expenses</i>	<i>(1,911)</i>	<i>(1,955)</i>
<i>Share-based payments</i>	<i>(794)</i>	<i>(286)</i>
Total of expenses	(12,364)	(11,191)
Operating profit / (loss)	(7,257)	(6,600)
Profit / (loss)	(7,324)	(6,612)

Sales growth of 6% in the first half of the year, clinical sales up by 15%

In the first half of 2014, sales increased by 6% to €4,569K versus €4,320K in H1 2013. Clinical sales increased by 15% to €3,958K and pre-clinical sales decreased by 31% to €610K.

The product mix shifted towards consumables, which saw a 13% increase in sales to €1,252K, whereas the sales of systems remained stable at €2,942K. Sales of services grew 40% to €374K. Systems, consumables and services represented 64%, 27% and 8% of H1 2014 sales, respectively. In the half-year period, 36 Cellvizio systems were sold versus 32 systems in H1 2013 and the number of consumables sold increased by 22% as 355 miniproboscopes were sold versus 290 miniproboscopes in H1 2013.

In terms of the geographic mix, sales in the APAC region (Asia-Pacific) increased by 14% to €1,492K, boosted by regulatory approval in Japan. The EMEA region (Europe, Middle East and Africa) saw strong growth of 37% to €1,219K. The Americas region fell by 13% to €1,857K, largely due to ongoing uncertainty around healthcare reform in the United States, which has caused a temporary slow-down in adoption of new technologies. The Americas, APAC and EMEA accounted for 41%, 33% and 27% of first half 2014 sales, respectively.

At June 30, 2014, 392 Cellvizio systems were installed worldwide, with 277 located in hospitals and clinics and 115 in pre-clinical research centers. On a geographic basis, 130 Cellvizio systems were installed in North America, including 120 in the United States, 175 were in the EMEA region, 75 were in the APAC region and 12 were in Latin America.

Other income was €537K in the first half of 2014, up +98% versus H1 2013, and is primarily related to an increase in the Research Tax Credit from €168K in H1 2013 to €490K in H1 2014. This increase is associated with the fact that the company received no repayable advances during the half-year period, and with the increase in R&D expenses.

The gross margin declined to 68% versus 71% in H1 2013, due to discounts granted on the selling price of the systems and consumables in the United States.

Sales and Marketing costs were up 4% to €6,113K in the first half of 2014, reflecting the hire of new members of the sales team worldwide. Research and Development expenses increased 12% to €2,084K due to continued investment in improving the company's optical biopsy technology and the rising development costs of the next-generation Cellvizio technology.

Total operating expenses amounted to €12,364K in the half-year period versus €11,191K in H1 2013. Operating loss was €7,257K in the first half of 2014 versus €6,600K in H1 2013.

Net loss was €7,324K in the first half of 2014 versus a net loss of €6,612K in the same period of 2013.

During the first half-year of 2014, the Company utilized €7.8 million of cash versus €6.1 million in H1 2013. As of June 30, 2014, available cash was €20 million.

At June 30, 2014, Mauna Kea Technologies had 118 employees versus 113 employees a year earlier.

2. PROGRESS AND PROSPECTS

Regulatory approvals and reimbursement coverage

- US health authorities provided for physician compensation for the use of the Cellvizio in the upper digestive tract. Since January 2014, US physicians have been receiving compensation determined by the health authorities for certain optical biopsy procedures using Cellvizio;
- Obtained 510(k) regulatory clearance from the FDA in the United States for the use of the Cellvizio in urology. This approval in urology expands the technology's range of medical applications beyond the areas of gastroenterology and pulmonology;
- Received regulatory approval to market the Cellvizio and miniprobes in Japan across several medical specialties. Currently, Japan is the world's second largest market for medical devices and is the most innovative country in endoscopy;
- 510(k) regulatory clearance was granted in the United States for a new Cellvizio system using an infrared wavelength, a significant step forward in the company's "products" roadmap. The Cellvizio 785 nm technology opens new possibilities for microscopic imaging inside the human body.

Commercial expansion

- Cellvizio was installed in three important private French clinics: Polyclinique Bordeaux Nord Aquitaine, Polyclinique Courlancy in Reims and the Arnault Tzanck Institute in Saint-Laurent du Var. These clinics are performing optical biopsy in gastroenterology, pulmonology and urology indications;
- The first Cellvizio system was installed in India at the Apollo Gleneagles Hospital in Kolkata, the flagship hospital for gastroenterology in India and a member of the Apollo Hospitals Group;
- Cellvizio was installed in three leading Brazilian hospitals in São Paulo, Rio de Janeiro and Porto Alegre. Concurrently, the company obtained marketing authorization from the Brazilian health authority ANVISA for AQ-Flex™ miniprobes for EUSFNA procedures in the pancreas and Uroflex™ for urological applications;
- On July 1, 2014, the Company appointed Sophie Baratte to the newly created position of Chief Commercial Officer. Ms. Baratte brings 25 years of experience marketing and selling medical devices and will be responsible for the execution of the company's commercial strategy as well as strengthening its marketing efforts.

Clinical results and conferences: the medical value of optical biopsy

- Another successful International Conference of Cellvizio Users (ICCU) was held in April 2014, with more than 260 practitioners attending to discuss the advantages of the Cellvizio in various clinical indications. As part of this event, optical biopsy medical training sessions were set up in various countries and a complete accreditation program was implemented on the online Cellvizio training platform;
- Continuation of an extensive scientific program during the 2014 Digestive Disease Week (DDW), with more than 40 studies presented on the classification of indeterminate biliary strictures, the interpretation of images and the use of probe-based confocal laser endomicroscopy.

3. DEVELOPMENT AND PROSPECTS

New regulatory approvals in the United States

In July 2014, the Company obtained 510(k) regulatory approval from the Food and Drug Administration in the United States (FDA) to market a new Cellvizio system functioning at a near-infrared wavelength of 785 nanometers.

Optical biopsy with endomicroscopy works by using the properties of light to enable the operator to make a real-time tissue assessment inside the body. Obtaining FDA regulatory clearance of a near-infrared version of its Cellvizio endomicroscopy technology will allow Cellvizio to be utilized to perform a broader range of microscopic tissue analysis. In particular, it may facilitate the use of Cellvizio in conjunction with macroscopic imaging systems in future surgical indications, as near-infrared is a wavelength of light that is widely used by other leading commercially available imaging technologies, notably with robotic systems.

With this new version of its unique confocal endomicroscopy solutions, the Company is again demonstrating its versatility and adequation to the needs of different constituencies of physicians, surgeons and researchers, like ultra-sound using multiple frequencies for different applications.

Except for the United States, the Company obtained positive results during this half-year period. Despite the continued impact of healthcare reform in this region, the Company is expanding its efforts, reflecting its belief in the long term market opportunity and observable clinical acceptance of Cellvizio. The Company considers that the reduced activity within healthcare facilities in the United States is only temporary. It remains confident that the demonstrated clinical value of Cellvizio will increase its acceptance as a standard of care for a variety of indications and the Company remains optimistic about our outlook for the second half of the year.

EVENTS OCCURRING SINCE THE END OF THE HALF-YEAR PERIOD

N/A

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 2014 half-yearly financial statements.



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**CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
IFRS, AS OF JUNE 30, 2014**

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	6/30/2014	12/31/2013
ASSETS			
Non-current Assets			
Intangible assets	3	3,770	3,713
Property, plant, and equipment	4	631	519
Non-current financial assets		82	77
Total of non-current assets		4,483	4,309
Current assets			
Inventories & Work in progress	5	2,408	2,263
Trade receivables	6	3,022	3,114
Other current assets	6	2,905	1,859
Current financial assets		94	207
Cash and cash equivalents	7	20,017	27,792
Total of current assets		28,445	35,235
TOTAL OF ASSETS		32,928	39,544
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	558	552
Share premium	8	57,994	57,501
Reserves		(27,067)	(16,253)
Foreign currency translation on reserve		(133)	(124)
Profit / (loss)		(7,324)	(11,516)
Total of equity		24,029	30,159
Non-current Liabilities			
Long-term loans and borrowings	9	2,760	2,643
Non-current provisions	10	342	465
Total of non-current liabilities		3,101	3,108
Current liabilities			
Short-term loans and borrowings	9	630	659
Trade payables		2,479	2,439
Other current liabilities	11	2,689	3,178
Total of current liabilities		5,798	6,276
TOTAL OF EQUITY AND LIABILITIES		32,928	39,544

COMPREHENSIVE INCOME STATEMENT
(Amounts in thousands of euros)

	Note	As of 30 June	
		2014	2013
Operating Revenue			
Sales	12	4,569	4,320
Other income	12	537	271
Total of revenue		5,106	4,591
Operating Expenses			
Cost of sales		(1,461)	(1,236)
<i>Gross margin</i>		68%	71%
Research & Development	15	(2,084)	(1,859)
Sales & Marketing	15	(6,113)	(5,854)
Administrative expenses	15	(1,911)	(1,955)
Share-based payments	8	(794)	(286)
Total of expenses		(12,364)	(11,191)
Operating profit		(7,257)	(6,600)
Financial revenue	16	104	42
Financial expenses	16	(169)	(53)
Profit before tax		(7,324)	(6,612)
Income tax expense			(1)
Profit / (loss)		(7,324)	(6,612)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial differences on defined benefit plans	10	(44)	
Total of items that will not be reclassified to profit or loss		(44)	
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(8)	16
Derivative financial instruments		30	
Total of items that will be reclassified subsequently to profit or loss		22	16
Other comprehensive income net of taxes		(22)	16
Comprehensive income		(7,346)	(6,597)
Weighted average number of shares outstanding (in thousands)		13,845	13,678
Basic earnings per share (EUR/share)		(0.53)	(0.48)
Weighted average number of potential shares (in thousands)	19	15,561	15,300

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		8	558					566
Share-based payment transactions					313			313
Treasury share transactions				(43)	(58)			(101)
Comprehensive income as of	6/30/2013					16	(6,612)	(6,597)
Equity as of	6/30/2013	551	57,363	(228)	(16,670)	(60)	(6,612)	34,343
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		6	492					498
Share-based payment transactions					832			832
Treasury share transactions				(90)	(25)			(115)
Comprehensive income as of	6/30/2014				(14)	(8)	(7,324)	(7,346)
Equity as of	6/30/2014	558	57,994	(228)	(26,839)	(133)	(7,324)	24,029

CASH-FLOW STATEMENT
(Amounts in thousands of euros)

	Note	As of 30 June	
		2014	2013
Cash flows from operating activities			
Profit / (loss)		(7,324)	(6,612)
Elimination of amortizations, depreciations and provisions		185	341
Share-based payment transaction expense and revenue	8	794	286
Other items excluded from the auto-financing capacity		(16)	(37)
<i>Revenue and expenses related to the discounting of repayable advances</i>	12/16	90	(37)
<i>Cash flow hedge</i>		15	
<i>Net gain or loss from cash equivalents</i>	16	(83)	(4)
<i>Other non-cash items</i>		(37)	4
Elimination of the income tax expense	17		1
		(6,360)	(6,021)
Auto-financing capacity			
Income tax expense paid			(1)
Change in WCR related to business activities		(1,524)	(880)
<i>Inventories & work in progress</i>		(152)	(321)
<i>Trade receivables</i>		102	228
<i>Other current assets</i>		(1,045)	(321)
<i>Trade payables</i>		39	(187)
<i>Other current liabilities</i>		(468)	(279)
Net cash flows from operating activities (A)		(7,884)	(6,901)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	3/4	(469)	(490)
Change in loans and advances granted		108	105
Other cash flows from investing operations			
Net cash flows from investing activities (B)		(360)	(384)
Cash flows from financing activities			
Proceeds from exercise of share options	8	499	566
Repurchases and resales of treasury shares		(115)	(101)
Net financial interests paid		83	4
Other cash flows from financing operations	9		705
Net cash flows from financing activities (C)		467	1,173
Net foreign exchange difference (D)		2	2
Change in cash (A) + (B) + (C) + (D)		(7,775)	(6,110)
Cash at the beginning of the period	7	27,792	37,638
Cash at the end of the period	7	20,017	31,527
Change in cash		(7,775)	(6,110)

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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 2014, approved by the Board of Directors meeting on August 28, 2014, have been prepared in compliance with international financial reporting standard IAS 34 "Interim Financial Reporting".

The Board of Directors assumed continuity of operation based on the available cash totaling €20 million as of June 30, 2014.

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 period ended December 31, 2013, subject to the specific characteristics for the preparation of interim financial statements, described below.

1.2 Main accounting methods

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, 2013, 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, 2014:

- IFRS 10, "Consolidated financial statements"
- IFRS 11, "Joint arrangements"
- IFRS 12, "Disclosure of interests in other entities"
- IAS 28 revised, "Investments in associates and joint ventures"
- Amendments to IFRS 10, IFRS 11 and IFRS 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 "Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets";
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting".

The application of these standards has no material impact on the consolidated financial statements.

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, 2014. This pertains to the following standards and amendments:

- IFRIC 21, "Levies Charged by Public Authorities", applicable to fiscal years beginning from June 17, 2014

- Annual improvements to IFRS: 2010-2012 cycle;
- Annual improvements to IFRS: 2011-2013 cycle;
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization".

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

- IFRS 9 "Financial Instruments";
- IFRS 15, "Revenue for contracts from 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 "Acquisition of an Interest in a Joint Operation";
- Annual improvements to IFRS: 2010-2012 cycle;
- Annual improvements to IFRS: 2011-2013 cycle;

Management foresees that the application of these standards will have no material impact on the consolidated financial statements.

1.3 Basis of preparation of the interim financial statements

1.3.1 Taxes

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 are activated.

1.3.2 Impairment tests

Failing indications of impairment as of June 30, 2014, 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	6/30/2014		12/31/2013		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)					
	12/31/2013	Increase	Decrease	Reclassification	6/30/2014
Development costs	2,348			1,275	3,623
Patents, licenses and trademarks	1,200	1		51	1,253
Software packages	357	25		16	398
Development costs in progress	1,069	207		(1,275)	
Patents, licenses and trademarks in progress	579	61		(51)	589
Other intangible assets in progress	16			(16)	
Total gross of intangible assets	5,568	294			5,863
Amort. / dép. of development costs	(1,335)	(155)			(1,490)
Amort. / dép. of patents, licenses and trademarks	(369)	(42)			(411)
Amort. / dép. of software packages	(151)	(40)			(191)
Total amort. / dép. of intangible assets	(1,856)	(237)			(2,092)
Total net of intangible assets	3,713	58			3,770

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

CHANGE IN DEVELOPMENT COSTS (CAPITALISED PORTION)

(Amounts in thousands of euros)

	6/30/2014	12/31/2013
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	(155)	(283)
Net change in development costs	52	431

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)						
	12/31/2013	Increase	Decrease / Scrapping	Exchange differences	Reclassification	6/30/2014
Laboratory equipment	874	30			46	950
Fixture in buildings	51					51
Other tangible assets	747	182	(4)	1	(25)	902
Total gross of property, plant and equipment	1,673	212	(4)	1	21	1,903
Amort. / dép. of laboratory equipment	(681)	(56)				(736)
Amort. / dép. of fixture in buildings	(24)	(3)				(28)
Dep other tang assets	(449)	(59)				(509)
Total amort. / dép. of property, plant and	(1,154)	(118)				(1,273)
Total net of property, plant and equipment	519	95	(4)		21	631

Over the period, a leased system was reclassified from intangible inventory for €21K.

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)		
	6/30/2014	12/31/2013
Inventories of raw materials	717	920
Inventories & work in progress of finished goods	1,789	1,414
Total gross of inventories & work in progress	2,506	2,334
Dep. of inventories of raw materials	(73)	(59)
Dep. of inventories & work in progress of finished goods	(25)	(13)
Total dep. of inventories & work in progress	(98)	(72)
Total net of inventories & work in progress	2,408	2,263

Note 6: Trade receivables and other current assets

6.1 Trade receivables

TRADE RECEIVABLES		
(Amounts in thousands of euros)		
	6/30/2014	12/31/2013
Trade receivables	3,095	3,151
Dep. of trade receivables	(73)	(37)
Total net of trade receivables	3,022	3,114

The trade receivables past due and not impaired amount to €505K as of June 30, 2014 versus €683K as of December 31, 2013. Most receivables had been collected at the account settlement date.

6.2 Other current assets

The other current assets break down as follows:

OTHER CURRENT ASSETS		
(Amounts in thousands of euros)		
	6/30/2014	12/31/2013
Personnel and related accounts	170	28
Research Tax Credit	1,546	984
Other tax receivables	251	279
Other receivables	632	318
Prepaid expenses	305	250
Total gross of other current assets	2,905	1,859
Dep. of other current assets		
Total net of other current assets	2,905	1,859

Other receivables include mainly supplier down payments totaling €575K, which increased largely on account of an advance paid to a subcontractor.

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

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE					
(Amounts in thousands of euros)					
	12/31/2013	Operating revenue	Payment received	Capitalised portion	6/30/2014
Research Tax Credit	984	490		73	1,546

The estimated research tax credit for the first half of 2014 was €563K, compared with €261K as of June 30, 2013. This increase was due to the lack of payment of repayable advance in accordance to the intended schedule for these advances. The research tax credit amount for this period, which should have included these advances, is then increased.

Note 7: Cash and cash equivalents

The cash and cash equivalents line breaks down as follows:

CASH AND CASH EQUIVALENTS		
(Amounts in thousands of euros)		
	6/30/2014	12/31/2013
Short-term bank deposits	7,025	3,287
Money market funds	12,992	24,505
Total of cash and cash equivalents	20,017	27,792

Note 8: Capital

8.1 Issued capital

The Company's share capital totals five hundred and fifty-eight thousand three hundred and twenty-five euros and seventy-six cents (€558,325.76), divided into 13,958,144 shares, with a par value of €0.04 each, all fully subscribed and paid up.

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

The table below presents the history of the Company's 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	Exercise of BSPCE		1	104	26
3/7/2014	Exercise of stock options		0	19	5
4/3/2014	Exercise of BSPCE		2	155	44
6/2/2014	Exercise of BSPCE		3	215	80
6/30/2014	Total		558	57,994	13,958

8.2 Share purchase warrants and stock options

The Company issued share purchase warrants (BSA) representing compensation, stock warrants for employees (BSPCEs and others), as well as stock options for which the developments that have occurred since December 31, 2013 are presented below:

Type	Date of granting	Exercise price	Price	Outstanding as of				Outstanding as of 06.30.2014	Potential number of shares
				12.31.2013	Granted	Exercised	Cancelled		
Options granted before the 1st January 2014				4,033,660		616,873	51,627	3,365,160	1,363,289
BSPCE 2014	2/12/2014	10.5600	10.7800		281,000		1,000	280,000	280,000
SO 2014	2/12/2014	10.5600	10.7800		10,000			10,000	10,000
			Total	4,033,660	291,000	616,873	52,627	3,655,160	1,653,289

Except 100,000 BSPCEs for which the vesting is immediate, the terms of exercise of the BSPCEs and the stock options are as follows:

- 25% of the BSPCEs/Stock Options may be exercised on or after the first anniversary of the day they were awarded;
- 25% of the BSPCEs/Stock Options may be exercised on or after the second anniversary of the day they were awarded;
- 25% of the BSPCEs/Stock Options may be exercised on or after the third anniversary of the day they were awarded;
- The remainder (25% of the BSPCEs/Stock Options) may be exercised on or after the fourth anniversary of the day they were awarded.

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.

The payment for the options is settled in shares of stock. As of June 30, 2014, exercisable warrants amounted to 825,929 shares.

DETAILS OF THE RESTATEMENT OF SHARE-BASED PAYMENTS

(Amounts in thousands of euros)

	As of 30 June	
	2014	2013
Share-based payments (capitalised portion)	38	26
Share-based payments (expense of the period)	794	286
	832	313

Changes in the share-based payment expense are primarily due to the new plans of February 12, 2014.

8.3 Treasury shares as of June 30, 2014

The Company's combined general meeting held on June 11, 2014 authorized the Board of Directors, for a time period of eighteen months from the date of the meeting, to implement, in one or more stages, a buyback of the shares of the Company's stock in accordance with the provisions of Article L. 225-209 of the French Commercial Code, and in accordance with the General Regulations of the Autorité des Marchés Financiers (AMF) under the conditions set out below:

Maximum number of shares that may be purchased: 10% of the total number of shares on the share buyback date. When the shares are acquired for market-making purposes and to ensure the liquidity of the stock, the number of shares included in the calculation of the 10% ceiling above is equal to the number of shares purchased minus the number of shares resold during the time period of the authorization.

Objectives of the share buyback program:

to ensure the liquidity of the Company's shares under the terms of a liquidity contract to be concluded with an investment service provider, in compliance with the ethics charter approved by the AMF;

to fulfill the obligations arising from stock option programs, free stock allotment, employee saving plans or other allotment of shares to the employees and executives of the Company or its associated companies;

to deliver shares when rights attached to securities giving access to the share capital are exercised;

to purchase shares to hold and deliver subsequently for exchange or in payment within the framework of any external growth transactions;

to cancel some or all of the shares of stock thereby bought back.

Maximum purchase price: €30 per share, excluding fees and commission, up to an overall limit of €5,000,000.

It is specified that the total number of shares acquired by the Company to hold and for their subsequent exchange or use as consideration in any merger, de-merger or capital contribution may not exceed 5% of the Company's share capital.

As of June 30, 2014, the Company held 23,852 Mauna Kea Technologies shares, acquired at an average price of €9.56 per share and valued at €227,992.

Note 9: Loans and financial debts

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

CHANGES IN LOANS AND FINANCIAL DEBTS						
(Amounts in thousands of euros)						
	<u>12/31/2013</u>	<u>Receipt</u>	<u>Repayment</u>	<u>Reclassification</u>	<u>Others</u>	<u>6/30/2014</u>
Repayable advances	3,266				103	3,369
Others	5					5
Derivatives liabilities instrument	30				(15)	15
Total of loans and financial debts	3,302				88	3,390

Following the updating of the repayments projections of COFACE advances, the sum of €81K was reclassified from short-term loans and financial debts to long-term debts.

Regarding the forward purchase contract JPY/EUR, the hedging relationship became ineffective. The fair value movements of this contract recognized in equity as of December 31, 2013, has been recycled in income as of June 30, 2014 in other financial expenses.

Note 10: Non-current provisions

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>6/30/2014</u>
Pension plan provision	181	55	(17)		44	263
Provisions for labour disputes	233	28	(235)		1	28
Provision for software update	15					15
Others provisions for expenses	36					36
Total of non-current provisions	465	83	(252)		46	342

In May 2014, a labour dispute was settled in the Group's favor in the United States, without any disbursement for the Group. The provision, which had become obsolete, was completely reversed.

Note 11: Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES		
(Amounts in thousands of euros)		
	<u>6/30/2014</u>	<u>12/31/2013</u>
Taxes payable	88	132
Staff and social security payable	1,831	2,174
Other payable	181	243
Deferred revenue	588	630
Total of other current liabilities	2,689	3,178

The tax liabilities mainly concern taxes on payroll, sales 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 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	
	2014	2013
Sales	4,569	4,320
Subsidies	3	13
Research Tax Credit and other tax credits	520	192
Discounted portion of repayable advances	14	56
Other income		10
Total of revenue	5,106	4,591

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	
	2014	2013
Total sales of "equipements"	2,942	2,941
Total sales of "consumables" (probes)	1,252	1,111
Total sales of "services"	374	268
Total sales by type	4,569	4,320

The sales by geographical area as of June 30, 2014 and 2013 are as follows:

SALES BY GEOGRAPHICAL AREA

(Amounts in thousands of euros)

	As of 30 June	
	2014	2013
EMEA (Europe, Middle-east, Africa)	1,219	891
<i>including France</i>	<i>635</i>	<i>400</i>
Amérique	1,857	2,124
<i>including United States of America</i>	<i>1,157</i>	<i>1,814</i>
<i>including Brazil</i>	<i>479</i>	-
Asia	1,492	1,305
<i>including China</i>	<i>267</i>	<i>691</i>
<i>including Japan</i>	<i>514</i>	<i>281</i>
Total sales by geographical area	4,569	4,320

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, 2014, one distributor accounted for 10.49% of consolidated sales, against 16% as of June 30, 2013, also relating to one distributor, these two having no link.

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 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	82			82	
Trade receivables	3,022			3,022	
Other current assets (2)	2,025			2,025	
Current financial assets	94			94	
Cash equivalents (1)	12,992	12,992			
Cash	7,025			7,025	
Total of assets	25,239	12,992		12,248	
Liabilities					
Long-term loans and borrowings	2,760				2,760
Short-term loans and borrowings	630	15			615
Trade payables	2,479				2,479
Other current liabilities (2)	2,101				2,101
Total of liabilities	7,970	15			7,955
As of 31 December 2013	Value on the balance sheet	Fair value through profit or loss	Non-financial instruments	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)	2,548				2,548
Total of liabilities	8,289		30		8,259

(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 14: Employee benefits expense

The Group employed 118 persons as of June 30, 2014, compared with 113 as of June 30, 2013.

The employee benefits expense breaks down as follows:

	As of 30 June	
	2014	2013
Wages and salaries, social security costs	6,196	5,711
Pension costs	38	11
Share-based payment transaction expenses	794	286
Total of employee benefits expense	7,028	6,009

Note 15: External expenses

15.1 Research & Development Department

	As of 30 June	
	2014	2013
Purchases consumed	28	14
Employee benefits expenses	1,213	1,155
External expenses	575	479
Net change in amortisation and depreciation	269	211
Total of Research & Development	2,084	1,859

15.2 Sales & Marketing Department

	As of 30 June	
	2014	2013
Purchases consumed	52	33
Employee benefits expenses	3,630	3,222
External expenses	2,596	2,470
Net change in amortisation and depreciation	(165)	130
Total of Sales & Marketing	6,113	5,854

The net change in amortization and depreciation includes the reversal of a €235K provision related to a wage dispute settled during the period and detailed in note 10.

15.3 Administrative Expenses

	As of 30 June	
	2014	2013
Purchases consumed	23	29
Employee benefits expenses	1,136	1,123
External expenses	630	694
Taxes	50	46
Net change in amortisation and depreciation	72	62
Total of Administrative expenses	1,911	1,955

Note 16: Financial revenue and expenses

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

	As of 30 June	
	2014	2013
Foreign exchange gains	19	33
Gains on cash equivalents	85	8
Total of financial revenue	104	42
Foreign exchange losses	(47)	(30)
charges	(17)	
Losses on cash equivalents	(2)	(4)
Discounting expenses	(103)	(18)
Total of financial expenses	(169)	(53)
Total of financial revenue and expenses	(65)	(11)

Note 17: Income tax expense

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

Note 18: Commitments

The Company had the following commitments as of June 30, 2014:

Commitments under operating leases

- Commitments under operating leases totaled €144K for terms of less than one year as of June 30, 2014, compared with €211K as of December 31, 2013. This change was due to property leases which have matured. Commitments under operating leases totaled €558K for terms of more than one year as of June 30, 2014, compared with €548K as of December 31, 2013.

Commitments under other contracts

- Commitments to suppliers totaled €907K for terms of less than one year as of June 30, 2014, compared with €1,558K as of December 31, 2013, and €340K for terms of one to five years as of June 30, 2014, compared with €168K as of December 31, 2013. The reduction was due to the renegotiation of the terms of the contract with one of the main subcontractors of sub-assemblies required for the manufacturing of products.

- The Company is committed to contributing to the initiatives of the Foundation San T Dige for a total of k€ 25, in tranches of k€ 5 per year from 2013 to 2017. As of June 30, 2014, the commitment to the Foundation amounted €5K for terms of less than one year and €15K 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	
	2014	2013
Wages and salaries	241	204
Attendance fee	35	31
Share-based payments	334	3
Fees	7	

Note 22: Subsequent events

Not applicable.

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Mauna Kea Technologies
Period from January 1 to June 30, 2014

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
1/2, place des Saisons
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S.A.S à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technology
Period from January 1 to June 30, 2014

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, 2014;
- 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, August 29, 2014

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