Mauna Kea Technologies

A Public Limited Company (Société anonyme) with share capital of 647,068 euros
Registered office: 9 rue d'Enghien
75010 Paris, France
431 268 028 in the Paris Trade and Companies Register

2016 HALF-YEAR FINANCIAL REPORT

Contents

2016 Half-year activity report

1. COMPANY'S ACTIVITY AND EARNINGS

First Half 2016 Financial Results

- 1H net loss reduced by 34% compared to 1H 2015
- As previously reported, 1H sales grew 11% on 32 systems sales and 60% reorderprobe growth
- Gross margin stable at 68%
- Cash burn rate (excluding financing operations) down 45%
- Pro-forma cash balance of €9,7 million, including €4,4 million of new equity capital

(in € thousands) – IFRS	*1H 2016 (June 30, 2016)*	*1H 2015 (June 30, 2015)*	*Change %*
Operating Revenue			
Sales	*4,466*	*4,025*	*11%*
Other Income	*476*	*713*	*(33%)*
Total Revenue	*4,941*	*4,738*	*4%*
Operating Expenses			
Cost of Sales	*(1,437)*	*(1,272)*	*13%*
Gross Margin (%)	*68%*	*68%*	
Research & Development	*(2,189)*	*(2,505)*	*(13%)*
Sales & Marketing	*(4,386)*	*(6,494)*	*(32%)*
Administrative Expenses	*(2,035)*	*(1,766)*	*15%*
Share-Based Payments	*128*	*(303)*	*(142%)*
Total Operating Expenses	*(9,919)*	*(12,341)*	*(20%)*
Operating Profit (Loss)	*(4,977)*	*(7,603)*	*(35%)*
Net Profit (Loss)	*(4,919)*	*(7,493)*	*(34%)*

First Half 2016 Revenue: Confirmation of Revenue Momentum

As previously reported, the Company achieved 11% growth in sales in the first half of 2016, with growth accelerating from 5% in the first quarter to 16% in the second quarter. The Company shipped 32 Cellvizio systems in the first half of 2016, including 6 systems placed under consignment, compared to 27 systems in the first half of 2015. This included the shipment of 9 systems to the Company's strategic partners, compared to 0 in the same period last year, reflecting acceleration in the Company's strategic partnership model.

Clinical sales grew 22%, while pre-clinical sales declined (20%). On a geographic basis, the Company achieved strong growth in the Asia-Pacific region with sales up 134% compared to the first half of 2015, driven by sales momentum in China, reflecting an additional Chinese FDA clearance obtained in December 2015, as well as growth in Korea and Taiwan. EMEA region sales grew 19% and Americas region sales declined (26%), reflecting the Company's emphasis on growing its U.S. installed base among high volume users through its consignment model. In first half of 2016, revenue in the Americas represented 39% of total sales, compared with 33% and 27% for the APAC and EMEA regions, respectively.

At June 30, 2016, the Company had a total installed base of 527 Cellvizio systems, comprising 378 clinical systems and 149 pre-clinical systems, including 38 Cellvizio Dual Band systems.

The Company also achieved strong growth consumable probe sales, and particularly the reorder rate, reflecting increased utilization of the Cellvizio systems along with growth of the installed base. Consumable probes unit volume increased 35% to 414 units, compared to 307 probes in the first half of 2015. The number of probe reorders (probes sold to existing customers) increased from 191 in the first half of 2015 to 306 in the first half of 2016, representing 60% growth year-over-year.

Services revenues grew to €708 thousand in the first half of 2016, an increase of 103% from €348 thousand in the same period in the prior year.

Other income, which came to €476 thousand in the first half of 2016 (vs. €713 thousand in the same period last year), reflecting a decrease in research tax credit related income.

First Half 2016 Consolidated Results: Leveraging Planned Reductions in Operating Expenses

Gross margin in the first half of 2016 and 2015 was 68%, reflecting the increased mix of probes and services revenues (49% of total revenues in the first half of 2016, compared to 37% in the same period in the prior year), offset by a higher mix of sales from the Asia-Pacific region and a lower mix of sales in the Americas region.

Sales and marketing expenses in the first half of 2016, including spending on clinical affairs, were €4,386 thousand, a decrease of (32%) compared to €6,494 thousand in the same period in the prior year. The decrease reflects the Company's partnership strategy as well as staffing adjustments that drove a targeted reduction in direct sales and marketing costs.

Research and development (R&D) expenses in the first half of 2016 were €2,189 thousand, a decrease of (13%) compared with €2,505 thousand in the same period in the prior year. Including the research tax credit, net R&D expenses decreased by (6%) in the first half of 2016.

General and administrative expenses in the first half of 2016 were €2,035 thousand, compared with €1,766 thousand in the same period in the prior year.

With a positive contribution of the "share-based payments" expenses, due to the reduction in the number of employees, total operating expenses in the first half of 2016 were €9,919, a decrease of (20%) compared to (€12,341) in the same period in the prior year. Operating loss in the first half of 2016 was €4,977 thousand, a decrease of (35%) compared to €7,603 thousand in the same period in the prior year.

Net loss in the first half of 2016 was €4,919 thousand, a decrease of (34%) compared to €7,493 thousand in the same period in the prior year.

At June 30, 2016, the Company had €5.7 million in available cash. In July 2016, the Company completed a capital increase of approximately €4.4 million.

The group reduced its cash burn in the first half of 2016 (total cash flows excluding cash flows from financing activities) by (45%) to €4.6 million, down from €8.4 million in the first half of 2015.

Mauna Kea Technologies had 83 employees at June 30, 2016, compared to 91 employees at December 31, 2015 and 109 employees at June 30, 2015. This decline reflects several measures implemented in support of the new partnership strategy including the shutdown of direct sales and marketing operations in Germany, a reduction in staff in corporate marketing/clinical affairs, and departures in U.S. sales and operations; positions that were not replaced.

Gross margin in the first half of 2016 and 2015 was 68%, reflecting the increased mix of probes

2. PROGRESS AND PROSPECTS

Regulatory approvals and reimbursement coverage

May 2016: U.S FDA clearance for its near-infrared surgical miniprobes. FDA 510(k) clearance covers Confocal Miniprobes used with the near-infrared Cellvizio platform for urological and surgical applications. Image-guided surgery with intra-operative macroscopic fluorescence systems provides surgeons with enhanced anatomical guidance. The addition of microscopic fluorescence tissue pathological assessment may provide immediate, actionable information that may be used to improve diagnostic potential and further guide surgical treatments. The Cellvizio platform with near-infrared miniprobes will be compatible and complementary to existing macroscopic near-infrared endoscopic platforms proposed by a majority of surgical endoscopy manufacturers

Clinical results and conferences: the medical value of optical biopsy

February 2016: enrollment phase in the clinical study CONTACT II has been completed on time with more than 200 patients. New evidence on the nCLE application to pancreatic cysts are still expected to strengthen the technology, as Dr Saftoiu, UMCP Craiova, Romania, concludes that "nCLE appears to be a new imaging technique that promises to improve EUS–FNA diagnostic accuracy" ;

April 2016: clinical research collaboration to study the potential of combining EM Imaging's in vivo optical imaging agents and Mauna Kea's confocal laser endomicroscopy platform to diagnose cancer. The combination of novel molecular imaging agents and advanced visualization such as endomicroscopy is a promising avenue for advancing personalized cancer diagnosis ;

May 2016: Cook Medical, introduced the Cellvizio at the American Urological Association (AUA) annual meeting, one of the largest gathering of urologists in the world, providing unparalleled access to groundbreaking research, new guidelines and the latest advances in urologic medicine ;

May 2016: world congress for bronchology and interventional pulmonology, Cellvizio platform was specifically featured in a symposium, which was organized by the WCBIP, covered probe-based confocal laser endomicroscopy (pCLE) for use in the respiratory tract, interstitial lung diseases, COPD, and lung transplants ;

May 2016: strong presence of Cellvizio platform at major medical meetings focused on gastroenterology.
The first meeting highlighting Cellvizio is Digestive Disease Week (DDW) 2016, which is the world's largest gathering of physicians and researchers in the fields of gastroenterology, hepatology, endoscopy, and gastrointestinal surgery.
The second meeting highlighting Cellvizio is the 91st Congress of the Japan Gastroenterological Endoscopy Society (JGES), which was held in Tokyo

3. DEVELOPMENT AND PROSPECTS

Almost 12 months ago, Mauna Kea launched a strategy shift intended to both increase the global reach of Cellvizio and improve Mauna Kea's financial performance. Today's results represent an important and successful step towards the execution of the Company's partnership strategy, and additional evidence that worldwide clinical adoption of Cellvizio is increasing. Given an accelerating revenue growth, strategic partnerships with Cook Medical and Fujifilm China, the strengthened management team and the passionate commitment of all employees, the company is increasingly confident in it ability to make Cellvizio a must-have as the leading option for real-time cellular and molecular diagnosis of disease and an essential technology for a broad range of medical and surgical interventions.
Looking ahead, the company focused on executing on it current and new partnership opportunities, gaining new regulatory approvals for the Cellvizio system, and driving awareness and utilization of it technology through new clinical data and marketing activities with its partners.

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

July 2016: completion of a capital increase of approximately €4.4 million. The equity financing will support the execution of Mauna Kea's growth strategy and ongoing transition to a more capital-efficient, partnership-based commercial strategy.

August 2016: placement of a Cellvizio System at the Florida Hospital Center for Interventional Endoscopy (CIE) in Orlando, Florida. The CIE is an internationally recognized leader in therapeutic endoscopy and minimally invasive surgery for patients with complex digestive diseases, providing a significant opportunity to drive increased awareness of the Cellvizio platform in the clinical and research communities.

September 2016: the American Society of General Surgeons (ASGS) endorsed Cellvizio® as integral to the comprehensive assessment and therapeutic decisions for the treatment of Barrett's esophagus and Gastroesophageal Reflux Disease (GERD).

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 2016 half-yearly financial statements.

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS, AS OF JUNE 30, 2016

STATEMENT OF FINANCIAL POSITION
(Amounts in thousands of euros)

	Note	6/30/2016	12/31/2015
ASSETS			
Non-current Assets			
Intangible assets	3	2,999	3,135
Property, plant, and equipment	4	570	625
Non-current financial assets		149	133
Total of non-current assets		3,717	3,893
Current assets			
Inventories & Work in progress	5	2,287	2,644
Trade receivables	6	2,727	3,458
Other current assets	6	2,429	1,823
Current financial assets		81	65
Cash and cash equivalents	7	5,719	10,620
Total of current asets		13,244	18,610
TOTAL OF ASSETS		16,961	22,503

	Note	6/30/2016	12/31/2015
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	647	647
Share premium	8	66,050	66,050
Reserves		(52,847)	(40,069)
Foreign currency translation on reserve		74	106
Profit / (loss)		(4,919)	(12,643)
Total of equity		9,004	14,091
Non-current Liabilities			
Long-term loans and borrowings	9	2,206	2,182
Non-current provisions	10	278	246
Total of non-current liabilities		2,484	2,428
Current liabilities			
Short-term loans and borrowings	9	408	719
Trade payables		2,724	2,453
Other current liabilities	11	2,340	2,812
Total of current liabilities		5,472	5,984
TOTAL OF EQUITY AND LIABILITIES		16,961	22,503

COMPREHENSIVE INCOME STATEMENT
(Amounts in thousands of euros)

	Note	6/30/2016	6/30/2015
Operating Revenue			
Sales	12	4,466	4,025
Other income	12	476	713
Total of revenue		4,941	4,738
Operating Expenses			
Cost of sales		(1,437)	(1,272)
Gross margin		68%	68%
Research & Development	15	(2,189)	(2,505)
Sales & Marketing	15	(4,386)	(6,494)
Admnistrative expenses	15	(2,035)	(1,766)
Share-based payments	8	128	(303)
Total of expenses		(9,919)	(12,341)
Current operating profit		(4,977)	(7,603)
Financial revenue	16	136	366
Financial expenses	16	(79)	(255)
Profit before tax		(4,919)	(7,493)
Income tax expense	17		
Profit / (loss)		(4,919)	(7,493)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences on defined benefit plans	10	(28)	36
Total of items that will not be reclassified to profit or loss		(28)	36
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(32)	57
Total of items that will be reclassified subsequently to profit or loss		(32)	57
Other comprehensive income for the year, net of tax		(60)	93
Comprehensive income		(4,979)	(7,400)
Weighted average number of shares outstanding (in thousands)	19	16,137	14,435
Basic earnings per share (EUR/share)	19	(0.31)	(0.52)
Weighted average number of potential shares (in thousands)		17,719	16,658

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	12/31/2014	560	58,162	(105)	(26,499)	23	(13,973)	18,168
Allocation of the profit / (loss)					(13,973)		13,973	
Allocation of carry forward								
Capital transactions		87	7,888					7,975
Share-based payment transactions					450			450
Treasury shares transactions				(11)	(48)			(59)
Comprehensive income as of *	12/31/2015				117	84	(12,643)	(12,442)
Equity as of *	12/31/2015	647	66,050	(117)	(39,953)	106	(12,643)	14,091
Allocation of the profit / (loss)					(12,643)		12,643	
Capital transactions								
Share-based payment transactions (1)					(128)			(128)
Treasury shares transactions				64	(42)			21
Comprehensive income as of	06/30/2016				(28)	(32)	(4,919)	(4,978)
Equity as of	06/30/2016	647	66,050	(53)	(52,794)	74	(4,919)	9,004

CASH-FLOW STATEMENT
(Amounts in thousands of euros)

	Note	6/30/2016	6/30/2015
Cash flows from operating activities			
Profit / (loss)		(4,919)	(7,493)
Elimination of amortisations, depreciations and provisions		459	425
Share-based payment transaction expense and revenue	8	(128)	303
Other items excluded from the auto-financing capacity		27	50
Revenue and expenses related to the discounting of repayable advances	12/16	24	(69)
Net financial interest paid	16	(11)	(6)
Other non-cash items		14	125
Capital gain or loss from asset sales	4	22	8
Auto-financing capacity		(4,539)	(6,706)
Change in WCR related to business activities		244	(1,548)
Inventories & Work in progress		339	(416)
Trade receivables		727	457
Other current assets		(621)	(688)
Trade payables		273	(172)
Other current liabilities		(473)	(730)
Net cash flows from operating activities (A)		(4,295)	(8,254)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	3/4	(288)	(235)
Proceeds from sale of property, plant and equipment and intangible assets			
Proceeds from sale of current financial assets			
Change in loans and advances granted		(16)	11
Other cash flows from investing operations		(17)	
Net cash flows from investing activities (B)		(321)	(224)
Cash flows from financing activities			
Proceeds from exercise of share options	8		1,328
Proceeds from issue of shares	8		4,490
Repurchases and resales of treasury shares		21	(26)
Net financial interests paid	16	11	6
Other cash flows from financing operations	9	(311)	(150)
Net cash flows from financing activities (C)		(279)	5,648
Net foreign exchange difference (D)		(7)	32
Change in cash (A) + (B) + (C) + (D)		(4,901)	(2,798)
Cash at the beginning of the period	7	10,620	15,018
Cash at the end of the period	7	5,719	12,220
Change in cash		(4,901)	(2,798)

NOTES TO THE FINANCIAL STATEMENTS

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 2016, approved by the Board of Directors meeting on September 20, 2016, have been prepared in accordance with the international financial reporting standard IAS 34 "Interim Financial Reporting".

The going concern assumption was applied by the Board of Directors, taking into account the cash available as of June 30, 2016, which amounted to €5,7 million, the capital increase in July 2016 of approximately €4,4 million, the reimbursement of the 2015 tax research credit of €1,2 million in the second half of 2016 and according to its expected cash flow. These elements should cover the Group’s cash requirements until June 30, 2017. The Company intends also to implement the appropriate financing solutions to cover its cash requirements beyond that date.

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, 2015, 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 financial year ended December 31, 2015, with the exception of the following new standards, revised standards and interpretations adopted by the European Union and mandatory for financial years beginning on or after January 1, 2016:

1.2.1. New standards and interpretations for mandatory application

The new standards, amendments to existing standards and interpretations whose application is mandatory for the financial years beginning from January 1, 2016 have no material impact on the Group's financial statements and earnings. This pertains to the following standards:

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

- annual improvements (2010-2012) to IFRS;

- annual improvements (2012-2014) to IFRS;

- amendments to IAS 1 "Presentation of financial statements – Disclosure initiative"

- amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

- and to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization".

1.2.2. Standards and interpretations adopted by the European Union and subject to early application

The Group has not opted for the early application of these standards and interpretations. The impact is being assessed by management.

1.2.3. Standards and interpretations published by IASB but not yet adopted by the European Union

The Group has not opted for the early application of the standards and interpretations published by IASB but not yet adopted by the European Union as of June 30, 2016, in particular: Amendments to IAS 7 "Disclosure initiative".

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, 2016, and in accordance with the provisions of IAS 36, the Group did not conduct impairment tests on property, plant and equipment and intangible assets.

1.3.3. Commitments related to lump-sum compensation paid upon retirement

The Company does not finance its pension plan provision. The discount rate comes from iBoxx Corporate AA10+ references adjusted for the term of the Company's plan estimated at 23 years. No retirements took place in the first half 2016.

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.

	06/30/2016		12/13/2015		Consolidation method
Companies	% 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

No change in scope took place during the period.

Note 3: Long-term intangible assets

The changes in intangible assets break down as follows:

INTANGIBLE ASSETS (Amounts in thousands of euros)	12/31/2015	Increase	Decrease	Reclassification	6/30/2016
Development costs	3,623				3,623
Patents, licenses and trademarks	1,534	5		18	1,558
Software packages	545	153			697
Patents, licenses and trademarks in progress	526	38		(18)	546
Total gross of intangible assets	6,228	196			6,424
Amort. / dép. of development costs	(2,222)	(234)			(2,456)
Amort. / dép. of patents, licenses and trademarks	(559)	(55)			(614)
Amort. / dép. of software packages	(313)	(43)			(355)
Total amort. / dép. of intangible assets	(3,093)	(332)			(3,425)
Total net of intangible assets	3,135	(136)			2,999

During the half year, the increase in property, plant and equipment is due to the investment in PLM (Product Lifecycle Management) software for €138K.

No development costs were capitalized at 30 June 2016 and during the previous year.

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)	12/31/2015	Increase	Decrease / Scrappring	Exchange differences	6/30/2016
Industrial equipment	1,324	15	(58)	(4)	1,277
Fixture in buildings	51				51
Other tangible assets	998	78		(2)	1,073
Total gross of property, plant and equipment	2,373	93	(58)	(7)	2,401
Amort. / dép. of industrial equipment	(1,017)	(71)	36	2	(1,051)
Amort. / dép. of fixture in buildings	(37)	(3)			(41)
Dep other tang assets	(693)	(48)		2	(740)
Total amort. / dép. of property, plant and equipment	(1,748)	(123)	36	4	(1,831)
Total net of property, plant and equipment	625	(30)	(22)	(2)	570

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)

	6/30/2016	12/31/2015
Inventories of raw materials	720	819
Inventories & work in progress of finished goods	1,711	1,925
Total gross of inventories & work in progress	2,431	2,744
Dep. of inventories of raw materials	(52)	(51)
Dep. of inventories & work in progress of finished goods	(92)	(49)
Total dep. of inventories & work in progress	(144)	(99)
Total net of inventories & work in progress	2,287	2,644

The first half-year recorded a €313K reduction in inventory in gross value, due to lower purchases of raw materials and the production inventory matching the business activity.

Note 6: Trade receivables and other current assets

6.1. Trade receivables

TRADE RECEIVABLES
(Amounts in thousands of euros)

	6/30/2016	12/31/2015
Trade receivables	3,166	3,885
Dep. of trade receivables	(438)	(427)
Total net of trade receivables	2,727	3,458

The trade receivables past due and not impaired amounted to €1,053K as of June 30, 2016 versus €1,921K as of December 31, 2015. A decrease of € 868K which is mainly explained by receivables from customers of 2015 cashed on the beginning of year 2016 .

6.2 Other current assets

The other current assets break down as follows:

OTHER CURRENT ASSETS
(Amounts in thousands of euros)

	6/30/2016	12/31/2015
Personnel and related accounts	32	39
Research Tax Credit	1,663	1,201
Other tax receivables	246	184
Other receivables	246	289
Prepaid expenses	242	109
Total gross of other current assets	2,429	1,823
Dep. of other current asets		
Total net of other current assets	2,429	1,823

The changes in the Research Tax Credit were as follows:

CHANGES IN THE RESEARCH TAX CREDIT RECEIVABLE
(Amounts in thousands of euros)

	12/31/2015	Operating revenue	Payment received	Capitalised portion	6/30/2016
Research Tax Credit	1,201	462			1,663

The estimated Research Tax Credit for the first half of 2016 was €462K, compared with €658K as of June 30, 2015.
The reimbursement of the research tax credit for the year 2015 will be received current second half of 2016 .

Note 7: Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

CASH AND CASH EQUIVALENTS
(Amounts in thousands of euros)

	6/30/2016	12/31/2015
Short-term bank deposits	5,719	9,983
Money market funds	0	637
Total of cash and cash equivalents	5,719	10,620

Note 8: Share capital

8.1 Issued capital

The share capital is set at the sum of six hundred and forty-seven thousand and sixty-eight euros, twenty-eight cents (€647,068.28). It is divided into 16,176,707 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.

During the first half of 2016, no BSAs, BSPCEs and stock options were exercised.

8.2 Share purchase warrants and stock options

The Company issued share purchase warrants (BSA), warrants actions to its employees (" BSPCE " and others) as well as evolution of stock options from December 31, 2015 is represented below :

Type	Date of granting	Exercise price	Outstanding as of 12.31.2015	Granted	Exercised	Cancelled	Outstanding as of 06.30.2016	Potential number of shares
Options granted before January 1, 2016			3 513 156			337 000	3 176 156	1 490 700
SO	02/02/2016	*		91 000			91 000	91 000
			3 513 156	91 000	0	337 000	3 267 156	1 581 700

*95 % of the average of the last 20 sessions preceding the date of the Board of Directors that granted the options .

The payment for the options is settled in shares of stock. As of June 30, 2016, exercisable warrants entitle their holders to 1,487,455 shares.

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

	6/30/2016	6/30/2015
Share-based payments (capitalised portion)	0	0
Share-based payments (expense of the period)	-128	303
	-128	303

Payment based on shares recorded a positive balance for the first half 2016
Changes in expenses for share-based payments are due mainly to the cancellation of former employees' plans, which became invalid after their departure.

8.3 Treasury shares as of June 30, 2016

As of June 30, 2016, the Company held 30,282 Mauna Kea Technologies shares acquired at an average price of €1.76 per share, representing a net carrying amount of €53,201 (€52,993 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)

	12/31/2015	Receipt	Repayment	Others	6/30/2016
Repayable advances	2,896		(311)	24	2,609
Others	5				5
Total of loans and borrowings	2,902		(311)	24	2,614

A repayment of €311K was made to COFACE in the first half of 2016 as part of the advance granted for canvassing in the United States.

Note 10: Non-current provisions

NON-CURRENT PROVISIONS (Amounts in thousands of euros)	12/31/2015	Allowance	Unused reversals	Used reversals	Others	6/30/2016
Pension plan provision	140	26	(22)		28	172
Provisions for personnel disputes	91					91
Provision for software update	15					15
Others provisions for expenses						
Total of non-current provisions	246	26	(22)		28	278

Note 11: Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES (Amounts in thousands of euros)	6/30/2016	12/31/2015
Taxes payable	50	80
Staff and social security payable	1,632	2,122
Other payable	55	45
Deferred revenue	603	564
Total of other current liabilities	2,340	2,812

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)

	6/30/2016	6/30/2015
Sales	4,466	4,025
Subsidies		27
Research Tax Credit and other tax credits	476	686
Total of revenue	4,941	4,738

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)

	6/30/2016	6/30/2015
Total sales of "equipments"	2,294	2,521
Total sales of "consumables" (probes)	1,464	1,156
Total sales of "services"	708	348
Total sales by type	4,466	4,025

Sales by geographical region as of June 30, 2016 can be broken down as follows:

SALES BY GEOGRAPHICAL AREA
(Amounts in thousands of euros)

	6/30/2016	6/30/2015
EMEA (Europe, Middle-east, Africa)	1,224	1,024
including France	290	506
America	1,760	2,367
including USA	1,663	2,117
Asia	1,482	634
including China	670	24
including Japan	426	428
Total sales by geographical area	4,466	4,025

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, 2016, none of the Group's customers' accounts amounted to more than 10% of sales revenue. A distributor (APAC area) accounted over 10.8% of sales at June 30, 2016.

Note 13: Financial instruments on balance sheet

FINANCIAL INSTRUMENTS ON BALANCE SHEET AND THEIR IMPACT ON THE PROFIT (OR LOSS)
(Amounts in thousands of euros)

As of 30 June 2016	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	149			149	
Trade receivables	2,727			2,727	
Other current assets (2)	2,098			2,098	
Current financial assets (1)	81			81	
Cash equivalents	0	0			
Cash	5,719	5,719			
Total of assets	10,774	5,719		5,055	
Liabilities					
Long-term loans and borrowings	2,206				2,206
Short-term loans and borrowings	408				408
Trade payables	2,724				2,724
Other current liabilities (2)	1,737				1,737
Total of liabilities	7,076		0		7,076

As of 31 December 2015	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	133			133	
Trade receivables	3,458			3,458	
Other current assets (2)	1,585			1,585	
Current financial assets (1)	65	0	0	65	
Cash equivalents	637	637			
Cash	9,983	9,983			
Total of assets	15,861	10,620		5,241	
Liabilities					
Long-term loans and borrowings	2,182				2,182
Short-term loans and borrowings	719				719
Trade payables	2,453				2,453
Other current liabilities (2)	2,253				2,253
Total of liabilities	7,608				7,608

(1) The assessment of the fair value of these financial assets 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, and deferred income and prepaid expenses that are not defined as financial liabilities, are not included.

Note 14: Employee benefits expense

The Group employed 83 people as of June 30, 2016, compared with 109 as of June 30, 2015.

Employee benefits expense breaks down as follows:

EMPLOYEE BENEFITS EXPENSE
(Amounts in thousands of euros)

	6/30/2016	6/30/2015
Wages and salaries, social security costs	4,662	6,457
Net pension costs	4	49
Share-based payment transaction expenses	-128	303
Total of employee benefits expense	4,538	6,809

Note 15: External expenses

15.1 Research & Development Department

RESEARCH & DEVELOPMENT
(Amounts in thousands of euros)

	6/30/2016	6/30/2015
Purchases consumed	29	17
Employee benefits expenses	1,268	1,427
External expenses	526	744
Net change in amortisation and depreciation	347	317
Other	18	0
Total of Research & Development	2,189	2,505

15.2 Sales & Marketing Department

SALES & MARKETING
(Amounts in thousands of euros)

	6/30/2016	6/30/2015
Purchases consumed	60	37
Employee benefits expenses	2,501	3,722
External expenses	1,693	2,640
Net change in amortisation and depreciation	105	95
Other	27	
Total of Sales & Marketing	4,386	6,494

In the first half 2016, the company recorded a significant decrease in personnel expenses of € 1 221K . This decrease is related to the activity.

15.3 Administrative Expenses

ADMINISTRATIVE EXPENSES (Amounts in thousands of euros)	6/30/2016	6/30/2015
Purchases consumed	56	26
Employee benefits expenses	657	1,113
External expenses	1,128	475
Taxes	44	73
Net change in amortisation and depreciation	78	79
Other	70	
Total of Administrative expenses	2,035	1,766

Note 16: Financial revenue and expenses

Financial income and expenses are broken down as follows:

FINANCIAL REVENUE AND EXPENSES (Amounts in thousands of euros)	6/30/2016	6/30/2015
Foreign exchange gains	126	288
Gains on cash equivalents	11	9
Other financial incomes	0	69
Total of financial revenue	136	366
Foreign exchange losses	(54)	(251)
Other financial charges	(1)	(1)
Losses on cash equivalents	0	(3)
Discounting expenses	(24)	(0)
Total of financial expenses	(79)	(255)
Total of financial revenue and expenses	58	110

Note 17: Income tax expense

As per 2015 year-end, the Group did not capitalize its tax losses.

Note 18: Commitments

The Company had the following commitments as of June 30, 2016:

Obligations pursuant to ordinary rental agreements

- No new operating lease was signed during the period. Commitments under operating leases totaled €305K for terms of less than one year as of June 30, 2016, compared with €257K as of December 31, 2015. Commitments under operating leases totaled €1,206K for terms of more than one year as of June 30, 2016, compared with €1,070K as of December 31, 2015.

Commitments under other contracts

- Commitments to suppliers totaled €931K for terms of less than one year as of June 30, 2016, compared with €1,832K as of December 31, 2015, and €2,741K for terms of one to five years as of June 30, 2016, compared with €1,977K as of December 31, 2015. This increase in commitments is due to the renegotiation of a supply contract in the beginning of the period.

- 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 2014 to 2017. As of June 30, 2016, the commitment to the Foundation amounted to €5K for terms of less than one year and €2.5K for terms of more than one year. This foundation has as its mission the development of research in the area of hepato-gastroenterology.

Note 19: Net earnings per share

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 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)	6/30/2016	12/31/2015
Wages and salaries - General direction	129	219
Share-based payments		126
Share-based payments other related party		
Fees		

Note 22: Subsequent events

July 12,2016, the Company carried out a capital increase of approximately €4 million, subscribed by a limited number of investors operating in the health industry. The equity financing will support the execution of Mauna Kea's growth strategy and ongoing transition to a more capital-efficient, partnership-based commercial strategy.

COFIDEC

ERNST & YOUNG et Autres

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 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, 2016

Statutory Auditors' Review Report on the half-yearly financial information

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

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

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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, 2016

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 condensed half-yearly consolidated financial statements of Mauna Kea Technologies, for the period from January 1 to June 30, 2016;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly 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 half-yearly 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 condensed half-yearly 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 in respect of the condensed half-yearly consolidated financial statements subject to our review.

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

Paris and Paris-La Défense, September, 21, 2016

The statutory auditors

French original signed by

COFIDEC	ERNST & YOUNG et Autres
Olivier Robinault	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