

Mauna Kea Technologies

Public Limited Company (Société anonyme) with share capital of 607,270.80 euros
Registered office: 9 rue d'Enghien
75010 Paris, France
431 268 028 in the Paris Trade and Companies Register Paris

Consolidated financial statements in accordance with a IFRS standards as of December 31, 2015

STATEMENT OF FINANCIAL POSITION
(Amounts in thousands of euros)

	Note	As of 31 December 2015	2014
ASSETS			
Non-current Assets			
Intangible assets	**3**	3,135	3,542
Property, plant, and equipment	**4**	625	794
Non-current financial assets	**5**	133	105
Total of non-current assets		**3,893**	**4,440**
Current assets			
Inventories & Work in progress	**6**	2,644	1,912
Trade receivables	**7**	3,458	3,874
Other current assets	**7**	1,823	2,165
Current financial assets	**8**	65	128
Cash and cash equivalents	**9**	10,620	15,018
Total of current asets		**18,610**	**23,098**
TOTAL OF ASSETS		**22,503**	**27,538**

STATEMENT OF FINANCIAL POSITION
(Amounts in thousands of euros)

	Note	As of 31 December 2015	2014
EQUITY AND LIABILITIES			
Equity			
Issued capital	**10**	647	560
Share premium	**10**	66,050	58,162
Reserves		(40,069)	(26,604)
Foreign currency translation on reserve		106	23
Profit / (loss) *		(12,643)	(13,973)
Total of equity		**14,091**	**18,168**
Non-current Liabilities			
Long-term loans and borrowings	**11**	2,182	2,606
Non-current provisions	**12**	246	518
Total of non-current liabilities		**2,428**	**3,124**
Current liabilities			
Short-term loans and borrowings	**11**	719	638
Trade payables	**13**	2,453	2,238
Other current liabilities *	**13**	2,812	3,370
Total of current liabilities		**5,984**	**6,246**
TOTAL OF EQUITY AND LIABILITIES		**22,503**	**27,538**

* Retreated of the impact of IFRIC 21

COMPREHENSIVE INCOME STATEMENT

(Amounts in thousands of euros)

	Note	As of 31 December 2015	2014
Operating Revenue			
Sales	**15**	8,547	11,016
Other income	**15**	1,434	1,267
Total of revenue		**9,981**	**12,282**
Operating Expenses			
Cost of sales		(2,534)	(3,675)
Gross margin		*70%*	*67%*
Research & Development	**18**	(4,648)	(4,583)
Sales & Marketing	**18**	(11,665)	(12,753)
Admnistrative expenses *	**18**	(3,642)	(3,819)
Share-based payments	**17**	(450)	(1,257)
Total of expenses		**(22,939)**	**(26,088)**
Current operating profit		**(12,958)**	**(13,805)**
Other operating profit/expense	**19**	232	
Operating profit		**(12,726)**	
Financial revenue	**20**	383	251
Financial expenses	**20**	(299)	(419)
Profit before tax *		**(12,643)**	**(13,973)**
Income tax expense	**21**	0	0
Profit / (loss)		**(12,643)**	**(13,973)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences on defined benefit plans	**12**	117	(79)
Total of items that will not be reclassified to profit or loss		**117**	**(79)**
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		84	147
Cash flow hedge	**11**	0	30
Total of items that will be reclassified subsequently to profit or loss		**84**	**178**
Other comprehensive income for the year, net of tax		**200**	**99**
Comprehensive income		**(12,442)**	**(13,874)**
Weighted average number of shares outstanding (in thousands)	**24**	15,031	13,905
Basic earnings per share (EUR/share)	**24**	**(0.84)**	**(1.00)**
Weighted average number of potential shares (in thousands)		16,814	15,588

* 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)**	**(11,516)**	**30,159**
Allocation of the profit / (loss)					(11,516)		11,516	
Allocation of carry forward								
Capital transactions		8	660					668
Share-based payment transactions					1,295			1,295
Treasury shares transactions				33	(114)			(81)
Comprehensive income as of *	12/31/2014				(48)	147	(13,973)	(13,874)
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		87	7,888					7,975
Share-based payment transactions (1)					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**

* Retreated of the impact of IFRIC 21

CASH-FLOW STATEMENT

(Amounts in thousands of euros)

	Note	As of 31 December 2015	2014
Cash flows from operating activities			
Profit / (loss) *		(12,643)	(13,973)
Elimination of amortisations, depreciations and provisions		773	884
Share-based payment transaction expense and revenue	**16/17**	450	1,257
Other items excluded from the auto-financing capacity		135	99
Revenue and expenses related to the discounting of repayable advances		*(43)*	*153*
Net financial interest paid	***20***	*(2)*	*(99)*
Other non-cash items		*180*	*44*
Auto-financing capacity		**(11,284)**	**(11,733)**
Income tax expense paid			
Change in WCR related to business activities		(446)	(998)
Inventories & Work in progress		*(585)*	*153*
Trade receivables		*483*	*(673)*
Other current assets		*179*	*(303)*
Trade payables		*208*	*(211)*
*Other current liabilities **		*(731)*	*36*
Net cash flows from operating activities (A)		**(11,729)**	**(12,731)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**3/4**	(363)	(618)
Proceeds from sale of property, plant and equipment and intangible assets			
Proceeds from sale of current financial assets			
Change in loans and advances granted		36	51
Net cash flows from investing activities (B)		**(326)**	**(567)**
Cash flows from financing activities			
Proceeds from exercise of share options	**10**	3,485	668
Proceeds from issue of shares**	**10**	4,490	
Repurchases and resales of treasury shares		(59)	(81)
Net financial interests paid		2	99
Gain from cash equivalents		*13*	*123*
Loss from cash equivalents		*(11)*	*(25)*
Other cash flows from financing operations	**11**	(300)	(203)
Net cash flows from financing activities (C)		**7,618**	**483**
Net foreign exchange difference (D)		41	41
Change in cash (A) + (B) + (C) + (D)		**(4,398)**	**(12,774)**
Cash at the beginning of the period	**9**	15,018	27,792
Cash at the end of the period	**9**	10,620	15,018
Change in cash		**(4,398)**	**(12,774)**

* Retreated of the impact of IFRIC 21

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Accounting principles 7
Note 2: Company and scope 16
Note 3: Intangible assets 17
Note 4: Property, plant and equipment 18
Note 5: Non-current financial assets 18
Note 6: Inventories and work in progress 19
Note 7: Trade receivables and other current assets 19
Note 8: Current financial assets 21
Note 9: Cash and cash equivalents 21
Note 10: Share capital 22
Note 11: Borrowings and financial debts 24
Note 12: Non-current provisions 27
Note 13: Trade payables and other current liabilities 29
Note 14: Financial assets and liabilities on balance sheet and their impact on the profit 30
Note 15: Sales revenue and operating revenue 31
Note 16: Staff costs 32
Note 17: Share-based payments 32
Note 18: External expenses 34
Note 19: Other income and operating expenses 34
Note 20: Financial income and expenses 34
Note 21: Income tax expense 35
Note 22: Commitments 36
Note 23: Transactions with related parties 36
Note 24: Net earnings per share 37
Note 25: Management of financial risk 38
Note 26: Subsequent events 39

Mauna Kea Technologies is a global medical device company focused on eliminating diagnostic and treatment uncertainties thanks to direct visualization at the cellular level. The Company's flagship product, Cellvizio, has received clearance to sell for a wide range of applications in more than 40 countries, including the United States, Europe, Japan, China, Canada, Brazil and Mexico.

Mauna Kea is shifting to a broader and more capital-efficient commercialization strategy and intends to leverage the broad applicability of its unique and proprietary platform with large-scale partners acting under their own brand with possible integration of the Cellvizio technology inside their own platforms. The company is currently actively developing such partnerships in interventional endoscopy, surgical oncology and interventional radiology, three market segments in which the Cellvizio technology complements and adds significant value to the existing equipment offerings.

Note 1: Accounting principles

1.1 Accounting principles applied by the Group

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

They were approved by the Board of Directors' meeting of March 23, 2016. These financial statements will be definitive only after their approval by the Annual General meeting.

The financial statements are prepared on the basis of their historical cost, with the exception of the financial assets, which are valued at their fair value. The preparation of the financial statements according to IFRS principles requires that estimates be made and assumptions formulated, which impacts the amounts and the information provided in the financial statements, with respect to assessing the share-based payment expenses, the assessment of the research tax credit, as well as the values in use taken into account with respect to impairment tests. These assumptions and estimates have been made on the basis of situations at the date of drawing up the accounts and may turn out in the future to differ from the actual results. As applicable, a sensitivity analysis may be implemented if this variation is significant.

The assumption of a going concern has been relied upon by the Board of Directors, taking into account the level of cash at the end of December 2015, sales prospects (including therein those of signed partnership agreements), receipt of its 2015 research tax credit, and with respect to its forecast cash-flows. The Company proceeded with a specific review of its liquidity risk and it considers itself very well positioned to face its future maturity schedules.

The principles adopted for the preparation of this financial information result from the application of all the standards and interpretations adopted by the European Union, the application of which was mandatory at December 31, 2015. These are available on the website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The new standards, amendments, revisions and interpretations of standards adopted by the European Union with mandatory application for accounting periods beginning on or after January 1, 2015 and applied for the first time by the Company for the fiscal year are:

- IFRS 3, "Exclusion of Partnerships from the Scope";
- IFRS 13, "Assessment of Fair Value";
- IAS 40, "Investment Property".

These standards do not have any impacts on the consolidated financial statements.

- The IFRIC 21 interpretation, "Levies Charged by Public Authorities", the impact of which on the financial statements is presented below.

The first implementation of IFRIC 21, applied retroactively to January 1, 2014, generated a positive impact in

shareholder equity at that date, of €18 thousand, consisting of the impacts from the time lag of the corporate social solidarity contribution (C3S).
The restatement of IFRIC 21 on the operating profit as at December 31, 2014 was a charge of €18 thousand.
The 2014 financial statements, in comparison, were presented with the impact of the IFRIC 21 restatement.

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

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

- Amendments to IFRS 9, "Financial instruments";
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations".
- 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 IFRS 10, IFRS 12 and IAS 28, "Exemption from Consolidation Applicable to Investment Entities".

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

1.2. Consolidation methods

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

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

1.3 Net investments abroad

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

1.4 Intangible assets

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

Research and development expenses

The research expenses are consistently recognized as expenses.

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

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

In application of this standard, the Company recognized all its R&D costs as expenses, until the first prototypes of Cellvizio were refined.
Development expenditures related to the refinement of new products were recognized as assets. Expenses related to research and the improvements of existing products remain as expenses for the fiscal year.

Development costs entered into assets are amortized on a straight-line basis over seven years, which is their useful life. The latter is treated as the period that runs until the obsolescence of the products recognized as assets.

No development costs were capitalized with respect to the 2015 fiscal year.

Patents

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

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

Software

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

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

1.5 Property, plant, and equipment

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

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

The Cellvizios which are entrusted to hospitals with which we have partnership agreements (Reference Centers) are recorded under capital assets.

The depreciation periods used are the following:

Fixtures and improvements in structures …… …… 7 years,
Research and development …… 2 to 5 years,
Production tools …….. …… 3 to 7 years,
Cellvizios entrusted to reference centers…… 5 years,
Research equipment and Technical facilities …… 7 years,
Office equipment and furniture …… 5 years,
Computer equipment ……..… 3 years.

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

Intangible assets and property, plant, and equipment are tested for impairment if the recovery of their book value is uncertain. With respect to the intangible assets in progress, even in the absence of indicators of impairment, an impairment test is conducted annually.
An impairment loss is recognized to the extent of the excess of the carrying value over the recoverable value of the asset. The recoverable value of an asset corresponds to its fair value minus the costs of sale or its value in use, if the latter is higher.

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

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

1.7 Financial assets

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

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

Loans and receivables

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

These instruments are initially recognized to the accounts at their fair value and then at the amortized cost calculated with the EIR method. The short-term receivables without an interest rate are measured at the amount of the original invoice unless the application of an implicit interest rate has a significant effect. For variable-rate loans and receivables, a periodic reestimation of cash flows variation, in order to translate the changing interest rates of the market, modifies the effective interest rate, and consequently, the valuation of the loan or receivable.

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

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

Assets at fair value through profit or loss

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

1.8 Inventories and work in progress

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

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

1.9 Cash and cash equivalents

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

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

1.10 Issued capital

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

1.11 Liquidity contract

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

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

1.12 Share-based payments

Since its formation, the Company has established several plans for compensation paid in equity instruments in the form of "stock subscription warrants for business creator shares" [*bons de souscription de parts de créateur d’entreprise*, (BSPCEs)] awarded to employees and/or executives, in the form of "stock subscription warrants" [*bons de souscription d’actions*, (BSAs)] awarded to non-employee members of the Board of Directors or of the Supervisory Board and in the form of stock subscription options granted to employees of the subsidiary Mauna Kea Technologies Inc.

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

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

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

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

1.13 Measurement and recognition of financial liabilities

Financial liabilities at the amortized cost

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

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

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

Liabilities at fair value through profit and loss

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

1.14 Conditional advances

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

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

The amount resulting from the benefit of the rate obtained at the time of the granting of repayable advances does not bear interest and is considered a subsidy. This benefit is determined by applying a discount rate equal to the contractual rate, if the latter is known, or at the rate of similar 10-year Treasury bonds (10-year fungible treasury bonds (OAT).

1.15 Provisions

Provisions for risks and expenses

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

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

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

Retirement pension and post-employment benefits

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

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

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

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

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

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

1.16 Revenue from ordinary business activities

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

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

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

1.17 Other income

Subsidies

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

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

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

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

Research Tax Credit

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

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

1.18 Other income and operating expenses

This concerns income or expenses in a very limited number, unusual, and infrequent - of a significant amount - that the Company presents in a distinct manner in its profit-and-loss statement, in order to facilitate understanding of the recurring operating performance and to give the reader of the financial statements information that is useful in identifying trends in financial performance.

1.19 Cost of sales

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

1.20 Rental agreements

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

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

1.21 Taxes

Income tax

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

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

1.22 Segment information

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

1.23 Other comprehensive income

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

- EUR/USD currency translation differences of the subsidiary Mauna Kea Technologies, Inc;
- changes in pension plan provisions arising from changes in the actuarial assumptions.

1.24 Decisive accounting estimates and judgments

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

Valuation of the stock subscription warrants and stock subscription options

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

Valuation of the Research Tax Credit

The valuation of income related to the research tax credit rests on the methods detailed in Note 1.17 Other income – Research Tax Credits

Valuation of the long-term intangible assets

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

1.25 Events after the closure of accounts

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

The other events subsequent to the closing date that have not resulted in adjustments are presented in Note 26: Subsequent events.

Note 2: Company and scope

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

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

	As of 31 December				
	2015		2014		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 of the Group.

No change in scope took place during the period.

Note 3: Intangible assets

The intangible assets are broken down as follows:

INTANGIBLE ASSETS
(Amounts in thousands of euros)

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

INTANGIBLE ASSETS
(Amounts in thousands of euros)

	12/31/2014	Increase	Decrease	Reclassification	12/31/2015
Development costs	3,623				3,623
Patents, licenses and trademarks	1,340	64		130	1,534
Software packages	413	131			545
Development costs in progress					
Patents, licenses and trademarks in progress	596	60		(130)	526
Other intangible assets in progress					
Total gross of intangible assets	**5,972**	**255**			**6,228**
Amort. / dép. of development costs	(1,741)	(481)			(2,222)
Amort. / dép. of patents, licenses and trademarks	(454)	(105)			(559)
Amort. / dép. of software packages	(236)	(76)			(313)
Total amort. / dép. of intangible assets	**(2,431)**	**(662)**			**(3,093)**
Total net of intangible assets	**3,542**	**(407)**			**3,135**

ANNUAL CHANGE IN DEVELOPMENT COSTS (CAPITALISED PORTION)
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
External costs		
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	(481)	(406)
Net change in development costs	**(481)**	**(199)**

Patents pending are subject to an annual impairment test to determine their value in use, which is based on a valuation by the discounted cash flow method and determined as follows:

- cash flow projections are determined for the years 2016 to 2020 on the basis of future sales forecasts which correspond to the best estimates made by the management. For the tests conducted on patents pending, a final value calculated by taking into account a discounted normalized flow with a growth rate to infinity of 2% is integrated, to the extent that the residual period of protection is greater than five years;
- the discounting rate used is the weighted average cost of the share capital of the Group of 12%. This is the rate used by financial analysts in the business sector who cover value.

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

Note 4: Property, plant, and equipment

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

PROPRETY, PLANT AND EQUIPMENT
(Amounts in thousands of euros)

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

PROPRETY, PLANT AND EQUIPMENT
(Amounts in thousands of euros)

	12/31/2014	Increase	Decrease / Scrappring	Exchange differences	Reclassification	12/31/2015
Industrial equipment	1,293	33		25	(27)	1,324
Fixture in buildings	51					51
Other tangible assets	914	75	(3)	11		998
Total gross of property, plant and equipment	**2,259**	**107**	**(3)**	**36**	**(27)**	**2,373**
Amort. / dép. of industrial equipment	(864)	(152)	6	(8)	1	(1,017)
Amort. / dép. of fixture in buildings	(31)	(7)				(37)
Dep other tang assets	(570)	(117)	2	(9)		(693)
Total amort. / dép. of property, plant and equipment	**(1,465)**	**(275)**	**8**	**(17)**	**1**	**(1,748)**
Total net of property, plant and equipment	**794**	**(167)**	**5**	**19**	**(26)**	**625**

Over the fiscal year, the reclassification concerned transfers of capital-asset demonstration systems to inventory, for €27 thousand.

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

Note 5: Non-current financial assets

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

Note 6: Inventories and work in progress

Inventories and work in progress are broken down as follows:

INVENTORIES & WORK IN PROGRESS
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Inventories of raw materials	819	816
Inventories & work in progress of finished goods	1,925	1,216
Total gross of inventories & work in progress	**2,744**	**2,032**
Dep. of inventories of raw materials	(51)	(74)
Dep. of inventories & work in progress of finished goods	(49)	(45)
Total dep. of inventories & work in progress	**(99)**	**(120)**
Total net of inventories & work in progress	**2,644**	**1,912**

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

Note 7: Trade receivables and other current assets

7.1 Trade and accounts payable

The trade receivables are broken down as follows:

TRADE RECEIVABLES
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Trade receivables	3,885	3,948
Dep. of trade receivables	(427)	(73)
Total net of trade receivables	**3,458**	**3,874**

Trade receivables past due and not impaired amounted to €1,921 thousand at December 31, 2015, as compared with €928 thousand at December 31, 2014. 56% of receivables were received at the beginning of 2016.

The provision for collection of doubtful accounts represents 11% of the total receivables. The increase of such provision can be mainly explained by the depreciation of certain receivables with an age of more than one year.

7.2 Other current assets

The other current assets are broken down as follows:

OTHER CURRENT ASSETS
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Personnel and related accounts	39	50
Research Tax Credit	1,201	1,251
Other tax receivables	184	328
Other receivables	289	208
Prepaid expenses	109	328
Total gross of other current assets	**1,823**	**2,165**
Dep. of other current asets		
Total net of other current assets	**1,823**	**2,165**

Other tax receivables are related to deductible VAT and reimbursement of VAT requested for a total of €136 thousand.

Other receivables mainly include advances to suppliers, amounting to €128 thousand.

The prepaid expenses correspond, in 2015, mostly to insurance, costs of studies, and communication expenses.

Research Tax Credit

The changes in the Research Tax Credit were as follows:

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

	12/31/2013	Operating revenue	Payment received	Capitalised portion	12/31/2014
Research Tax Credit	984	1,178	(984)	73	1,251

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

	12/31/2014	Operating revenue	Payment received	Capitalised portion	12/31/2015
Research Tax Credit	1,251	1,201	(1,251)		1,201

The Company requested the reimbursement of the 2015 Research Tax Credit under the regime for EU SMEs, in accordance with the regulations in force. This reimbursement will be made in 2016.

Note 8: Current financial assets

The current financial assets item corresponds to the cash balance of the securities account opened under the Company's liquidity contract domiciled with Gilbert Dupont, i.e. €65,000 at December 31, 2015 compared with €128,000 at December 31, 2014.

Note 9: Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

CASH AND CASH EQUIVALENTS
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Short-term bank deposits	9,983	14,375
Money market funds	637	643
Total of cash and cash equivalents	**10,620**	**15,018**

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

The money market funds are broken down as follows:

MONEY MARKET FUNDS

	Quantity	Price as of 12.31.2015 (in €)	Valuation (in K€)	Cost price (in K€)
Actions BNP Paribas deposit P	622	1,023	637	637
Total of money market funds	**622**		**637**	**637**

Note 10: Share capital

10.1 Share capital issued

The share capital is set at the sum of six hundred 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.

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

Date	Type of transaction	Issued capital (en K€)	Share premium (en K€)	Number of shares comprising the issued capital (in thousands)
12/31/2014	**Total**	**560**	**58,162**	**13,993**
02/28/2015	BSPCE	0	46	12
03/19/2015	BSA	3	349	70
03/19/2015	PACEO	0	0	0
03/24/2015	BSA	3	350	70
03/31/2015	SO	0	36	9
03/31/2015	BSPCE	0	35	9
03/31/2015	BSA	3	316	70
04/30/2015	SO	1	99	25
05/12/2015	Capital increase	48	4,427	1,189
05/31/2015	BSPCE	0	40	10
06/30/2015	BSPCE	1	45	20
08/27/2015	BSA	4	307	100
11/03/2015	BSA	4	311	100
11/13/2015	BSA	4	311	100
12/11/2015	BSA	10	760	250
12/11/2015	BSA	6	456	150
12/31/2015	**Total**	**647**	**66,050**	**16,177**

On May 7, 2015, the Company carried out a private placement of 1,189,251 new ordinary shares, at a price of €3.95. The net proceeds from this transaction were €4.5 million.

10.2 Stock warrants and options

The Company issued share warrants (BSAs) representative of compensation, share warrants intended for its employees (BSPCEs and others), as well as share warrants which had changed as of December 31, 2014, as follows:

Type	Date of granting	Exercise price	Outstanding as of 12.31.2014	Granted	Exercised	Cancelled	Outstanding as of 12.31.2015	Potential number of shares
Options granted before January 1, 2015			**3,572,406**		**339,748**	**257,002**	**2,975,656**	**1,345,789**
BSA	03/19/2015			1,390,000	210,000	1,180,000		
BSA	08/03/2015			1,180,000	700,000		480,000	480,000
Stocks options	09/08/2015			57,500			57,500	57,500
			3,572,406	**2,627,500**	**1,249,748**	**1,437,002**	**3,513,156**	**1,883,289**

The BSAs issued on March 11, 2015 relate to the equity line of financing set up with Société Générale. Three drawdowns of 70,000 warrants each were carried out on 3/18, 3/24 and 4/17, at respective prices of €5.03, €5.04 and €4.56. On May 31, 2015, the Company redeemed and cancelled 1,180,000 unsubscribed share warrants issued to the benefit of the Société Générale.

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.

Starting from July 2014, the Company could no longer issue any new BSPCE plans, because it had exceeded the threshold of €150 million in market capitalization more than three years ago.

10.3 Acquisition by the Company of its own shares

The Combined General Meeting of May 27, 2015 authorized the Board of Directors, for a period of 38 months from the date of the meeting, to implement a share buyback program, on one or more occasions, in accordance with the provisions of Article L. 225-209 et seq. of the French Commercial Code and in accordance with the General Regulation of the *Autorité des Marchés Financiers* (AMF) under the conditions described below:

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

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

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

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

Summary of the shares purchased and sold over the year:

	2015				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Securities purchased	333,080	156,391	216,958	274,662	981,091
Price	5.33	4.49	3.28	3.06	
Total amount	1,775	703	711	842	4,030
Securities sold	319,569	164,528	214,252	263,916	962,265
Price	5.35	4.54	3.23	3.10	
Total amount	1,709	747	692	817	3,966

As at December 31, 2015, the Company held 36,363 Mauna Kea Technologies shares, purchased at an average price of €3.20 and valued at €3.07, resulting in a loss of €5 thousand.

Note 11: Borrowings and financial debts

11.1 Advances from BPI (formerly OSEO)

Conditional advances from public authorities were made subject to a contract with "OSEO Innovation".

The Company benefited from three advance contracts of this type as at December 31, 2015, changes in which are summarized below. These advances are 100% repayable (at their nominal value) in the event of technical and/or commercial success.

The reimbursable portion of the advances received with repayment terms of more than one year is posted as "Long-term debt", while the portion with repayment terms of less than one year is posted as "Short-term borrowings and financial debt".

First advance

On August 5, 2004, OSEO granted Mauna Kea Technologies interest-free aid in the amount of €400 thousand for the development of an industrial prototype of a multi-wavelength fiber confocal microscopy system to be used for in vivo molecular imaging. This first advance was totally repaid as from December 31, 2013.

Second advance

On October 10, 2006, Mauna Kea Technologies obtained an interest-free repayable innovation aid in the amount of €620 thousand from OSEO for the development of a multi-modal endoscopic device to be used for medical diagnostics. The OSEO payments have been paid in installments between the date the agreement was signed and the end of the project as follows:

- First payment of €300 thousand after the agreement was signed (on October 30, 2006);
- Second payment of €180 thousand on May 14, 2010;
- Last payment of €140 thousand on June 10, 2013.

Repayment of this aid to support innovation began following the technical and commercial success of the project in accordance with the following terms:

- September 30, 2012 €150 thousand
- September 20, 2013 €170 thousand
- No later than September 30, 2015 €300 thousand

As of December 31, 2015, this advance had been fully repaid.

Third advance

On May 31, 2010, Mauna Kea Technologies obtained repayable innovation aid of in the amount of €3,416 thousand from OSEO as part of the PERSEE project. It is the ambition of this project to develop, validate, and then market a device capable of improving diagnostic and pre-operative assessment techniques for cancer patients. The first payments on this advance are as follows:

- First payment of €454 thousand on May 31, 2010;
- Second payment of €1,138 thousand on December 21, 2011;
- Third payment of €685 thousand on May 29, 2013.

The OSEO grant stipulates two further payments totaling €1,107 thousand, of which €606 thousand must be received once Key Stage 3 has been reached.

Based on the initial contract, the Company is required to reimburse OSEO a total of €3,996 thousand, including 2.45% interest, once total sales of €2,500 thousand is reached. This amount will be updated according to the amounts actually received.

11.2 COFACE advances

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

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

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

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

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

From 2011 to 2015, the Company made repayments to COFACE amounting in all to €986 thousand. In January 2016, on the basis of the most recent commercial forecasts, the Company repaid €311 thousand of the €718 thousand remaining to be paid. The repayment of the balance should take place not later than year-end 2016.

CHANGES IN REPAYABLE ADVANCES
(Amounts in thousands of euros)

	12/31/2013	Receipt	Repayment	Others	12/31/2014
OSEO Funding (1st advance)					
OSEO Funding (2nd advance)	297			3	300
OSEO Funding (3rd advance)	2,075			126	2,224
COFACE	894		(203)	24	715
Total of repayable advances	**3,266**		**(203)**	**153**	**3,239**

	12/31/2014	Receipt	Repayment	Others	12/31/2015
OSEO Funding (1st advance)					
OSEO Funding (2nd advance)	300		(300)		0
OSEO Funding (3rd advance)	2,201			(47)	2,177
COFACE	715			4	719
Total of repayable advances	**3,216**		**(300)**	**(43)**	**2,896**

11.3 Long-term loans and borrowings

Long-term debt is broken down as follows:

LONG-TERM LOANS AND BORROWINGS
(Amounts in thousands of euros)

	12/31/2012	Receipt	Reclassification	Others	12/31/2014
Shareholders' accounts	5				5
Repayable advances OSEO Funding	2,075			149	2,224
Repayable advances COFACE	563		(209)	23	377
Total of long-term loans and borrowings	**2,643**		**(209)**	**172**	**2,606**

	12/31/2014	Receipt	Reclassification	Others	12/31/2015
Shareholders' accounts	5				5
Repayable advances OSEO Funding	2,224			(47)	2,177
Repayable advances COFACE	377		(377)		
Total of long-term loans and borrowings	**2,606**		**(377)**	**(47)**	**2,182**

Over 2015, the whole repayable COFACE balance was of a short-term maturity (See Note 11.5).

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

11.4 Cash flow hedges

In order to cover its foreign-exchange risk exposure of a portion of its foreign-currency operational flows, the Group had set up a yen hedging policy over the 2013 fiscal year. The Group no longer held any derivative financial instrument as from December 31, 2013.

11.5 Repayment terms of financial liabilities

The terms for repayment of financial liabilities as of December 31, 2015 are broken down as follows:

REPAYMENT TERMS OF FINANCIAL LIABILITIES
(Amounts in thousands of euros)

	Gross amount	Less than one year	One to three years	Three to five years
Long-term loans and borrwings	2,182		2,182	
Short-term loans and borrowings	719	719		
Trade payables	2,453	2,453		
Other current liabilities	2,812	2,812		
Total of financial liabilities	**8,167**	**5,984**	**2,182**	**0**

The terms for repayment of long-term loans and borrowings and short-term loans and borrowings relating to repayable advances are determined based on the planned repayment estimates as at December 31, 2015.
At the end of December 2015, the maturity of the full repayable COFACE advance became short-term.

Note 12: Non-current provisions

Non-current provisions are broken down as follows:

NON-CURRENT PROVISIONS
(Amounts in thousands of euros)

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

NON-CURRENT PROVISIONS
(Amounts in thousands of euros)

	12/31/2014	Allowance	Unused reversals	Used reversals	Others	12/31/2015
Pension plan provision	287	3	(34)		(117)	140
Provisions for personnel disputes	91					91
Provision for software update	15					15
Others provisions for expenses	125		(48)	(85)	8	
Total of non-current provisions	**518**	**3**	**(82)**	**(85)**	**(109)**	**246**

The changes listed under "Others" related first to actuarial differences in valuation of pension obligations of €(117) thousand in 2015 against €79 thousand in 2014; and secondly, currency exchange adjustments of €8 thousand in 2015 versus €16 thousand in 2014.

A dispute in the United States reported in 2014 was settled with a disbursement equivalent to €85 thousand.

12.1 Commitments related to lump-sum compensation paid upon retirement

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

PENSION PLAN PROVISION

	As of 31 December	
	2015	2014
% social security expenses	48%	48%
Salary increases	2%	2%
Discount rate	2.43%	1.89%

- Retirement age: 65;
- Terms of retirement: voluntary retirement;
- Mortality table: INSEE 2015 in 2015 and INSEE 2014 in 2014;
- Collective agreement: metal industries;
- Digressive employee turnover based on age;
- Turnover: high.

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

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

Taking into account the population of the Company's workforce, of an average age of 35, and of the Company's operations, turnover was recategorized from low to high.

12.2 Provisions for employee litigation

As of December 31, 2015, no new labor court dispute was reported. The provision in the balance sheet for €91 thousand concerns disputes which arose in 2014. There was no change in the assessment of these provisions during the course of the 2015 fiscal year.

12.3 Other provision for risks and expenses

The provisions for updating of software packages were recognized in order to cover the costs of updating Cellvizio products from version 1.0 to version 1.5.
The provision for electronic equipment waste has become no longer relevant, and has been reversed in full. The Company subcontracts directly with a service provider for the recycling of electronic equipment waste.

Note 13: Trade payable and other current liabilities

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

13.1 Trade payables

Trade payables were broken down as follows:

TRADE PAYABLES
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Trade payables	2,453	2,238

13.2 Other current liabilities

The other current liabilities are broken down as follows:

OTHER CURRENT LIABILITIES
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Taxes payable *	80	184
Staff and social security payable	2,122	2,466
Other payable	45	53
Deferred revenue	564	667
Total of other current liabilities	**2,812**	**3,370**

* Retreated of the impact of IFRIC 21

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

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

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

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

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

As of 31 December 2014	Value on the balance sheet	Fair value through profit or loss	Fair value through equity	Loans and receivables	Debt at amortised cost
Assets					
Non-current financial assets	105			105	
Trade receivables	3,874			3,874	
Other current assets (2)	1,672			1,672	
Current financial assets (1)	128			128	
Cash equivalents	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**

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			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**

* Retreated of the impact of IFRIC 21

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

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

Note 15: Sales revenue and operating revenue

Sales and operating revenue consist of the following:

SALES AND OPERATING REVENUE
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Sales	8,547	11,016
Subsidies	145	4
Research Tas Credit and other tax credits	1,265	1,239
Discounted portion of repayable advances		23
Other income	24	1
Total of revenue	**9,981**	**12,282**

The Group's sales consist of the sale of Cellvizio products and accessories (probes, software and others) as well as services.
In 2015, the other tax credits incorporate the amount of the competitiveness and employment tax credit.

SALES BY TYPE
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Total sales of "equipements"	5,190	7,175
Total sales of "consumables" (probes)	2,473	2,958
Total sales of "services"	884	882
Total sales by type	**8,547**	**11,016**

Sales revenue by geographical area is as follows:

SALES BY GEOGRAPHICAL AREA
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
EMEA (Europe, Middle-east, Africa)	2,453	3,197
including France	*974*	*1,047*
America	3,603	4,013
including USA	*3,230*	*2,810*
Asia	2,491	3,806
including China	*189*	*995*
including Japan	*1,182*	*1,446*
Total sales by geographical area	**8,547**	**11,016**

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

At December 31, 2015 none of the Group's customers' accounts were more than 10% of sales revenue.

Note 16: Staff costs

The Group employed 91 persons as of December 31, 2015 compared with 120 persons as of December 31, 2014.

Employee expense was as follows:

EMPLOYEE BENEFITS EXPENSE
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Wages and salaries, social security costs	11,515	12,364
Net pension costs	(30)	27
Share-based payment transaction expenses	450	1,257
Total of employee benefits expense	**11,935**	**13,648**

Note 17: Share-based payments

Share-based payment expenses concern all warrants (BSAs/BSPCE/stock options) allocated to employees or to service providers.

They were recorded in expenses as from the fiscal year of allocation, knowing that the exercise procedures for the founders' warrants (BSPCE) and of the stock options are as follows:
- 25% of the BSPCEs/stock options may be exercised starting on the first anniversary of their allocation;
- 25% of the BSPCEs BSPCEs//stock options may be exercised starting on the second anniversary of their allocation;
- 25% of the Stock Options may be exercised starting on the third anniversary of their allocation;
- the remaining balance, i.e., 25% of the BSPCEs/stock options, may be exercised starting on the fourth anniversary of their allocation;
- not later than within ten years from their issuance, or seven years, for the stock options granted before 2011, it being specified that the BSPCEs/stock options which have not yet been exercised by the expiry of such 10-year period shall automatically become null and void.

The terms and conditions governing the exercise of the BSAs allocated during the 2011 and 2014 fiscal years are the following:
- 33.3% of the BSAs may be exercised starting on the first anniversary of their allocation;
- 33.3% of the BSAs may be exercised starting on the second anniversary of their allocation;
- the remaining balance, i.e., 33.3% of the BSAs, may be exercised starting on the third anniversary of their allocation:
- not later than within 10 years from their issuance, it being specified that the BSAs which have not yet been exercised by the expiry of such 10-year period, shall automatically become null and void.

Their breakdown is as follows:

SHARE-BASED PAYMENTS

Type	Date of granting	Exercise price	Maturity	Number of shares	Cancelled	Exercised	Oustanding bond at 12/31/2015	Vestable bond at 12/31/2015	Equivalents actions des bons exerçables au 12/31/2015
BSPCE 5	03/10/2006	0.916	03/10/2016	310,950	17,500	178,450	115,000	28,750	28,750
BSPCE 5	08/10/2006	0.916	08/10/2016	100,000	20,000	45,000	35,000	8,750	8,750
BSPCE 5	09/13/2006	0.916	09/13/2016	20,000	10,000	0	10,000	2,500	2,500
BSPCE 5	10/09/2006	0.916	10/09/2016	25,000	0	0	25,000	6,250	6,250
SO 2008	06/02/2008	1	06/02/2018	670,000	270,000	188,592	211,408	52,852	52,852
BCE-A	08/04/2008	1	08/04/2018	500,000	0	4	499,996	124,999	124,999
BSPCE 6	08/04/2008	1	08/04/2018	1,225,000	570,008	382,492	272,500	68,125	68,125
BSPCE 6	12/08/2008	1	12/08/2018	35,000	0	0	35,000	8,750	8,750
BSPCE 6	11/24/2009	1	11/24/2019	637,500	273,756	192,492	171,252	42,813	42,813
SO 2008	03/01/2010	1	03/01/2017	250,000	100,000	10,000	140,000	35,000	35,000
SO 2010	01/31/2011	1	01/31/2021	245,000	88,750	56,250	100,000	25,000	25,000
BSPCE 2010	02/15/2011	1	02/15/2021	915,000	178,748	278,252	458,000	114,500	114,500
SO 2010	02/15/2011	1	02/15/2021	50,000	50,000	0	0	0	0
BSPCE 2010	03/01/2011	1	03/01/2021	200,000	0	150,000	50,000	12,500	12,500
BSA	07/05/2011	13	07/05/2021	80,000	0	0	80,000	80,000	80,000
BSPCE 2011	12/05/2011	13	12/05/2021	129,500	79,500	0	50,000	50,000	50,000
SO 2011	12/05/2011	11.44	12/05/2021	288,153	268,153	0	20,000	20,000	20,000
BSCPCE 2012	12/04/2012	10.79	12/04/2022	239,500	75,875	625	163,000	163,000	163,000
SO 2012	12/04/2012	10.79	12/04/2022	161,000	139,000	0	22,000	22,000	16,500
BSPCE 2013	05/07/2013	10.28	05/07/2023	63,000	18,000	0	45,000	45,000	22,500
SO 2013	12/09/2013	10.05	12/09/2023	101,000	20,000	0	81,000	81,000	40,500
SO 2014	02/12/2014	10.56	02/12/2024	10,000	2,000	0	8,000	8,000	2,000
BSPCE 2014	02/12/2014	10.56	02/12/2024	181,000	35,000	0	146,000	146,000	36,500
BSPCE 2014	02/12/2014	10.56	02/12/2024	100,000	0	0	100,000	100,000	25,000
BSA 2014	09/01/2014	6.12	09/01/2024	100,000	0	0	100,000	100,000	25,000
SO 2015	09/08/2015	2.94	09/08/2025	57,500	0	0	57,500	57,500	0
				6,694,103	**2,216,290**	**1,558,157**	**2,995,656**	**1,403,289**	**1,011,789**

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

- Risk-free interest rate: rate of government borrowing (GFRN index);
- Dividend: none;
- Turnover: 15%;
- Volatility: 60% for the BSAs, BSPCEs and stock options granted before December 31, 2011, 35% for the BSPCEs and stock options granted in 2012, 34% for the BSPCEs and stock options granted in 2013, 32% and 33% for plans granted in 2014, and 33% for plans granted in 2015.

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

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

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

DETAILS OF THE RESTATEMENT OF SHARE-BASED PAYMENTS

(Amounts in thousands of euros)

	Au 31 décembre	
	2015	**2014**
BSPCE plans	282	905
Stock-options plans	102	327
BSA plans	67	63
Part activated in developped costs		-38
Cost IFRS 2 of the period	**450**	**1,257**

Note 18: External expenses

18.1 Research & Development Department

RESEARCH & DEVELOPMENT
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Purchases consumed	26	59
Employee benefits expenses	2,692	2,607
External expenses	1,294	1,259
Net change in amortisation and depreciation	636	658
Total of Research & Development	**4,648**	**4,583**

18.2 Sales & Marketing Department

SALES & MARKETING
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Purchases consumed	91	89
Employee benefits expenses	6,496	7,516
External expenses	4,702	5,086
Net change in amortisation and depreciation	375	62
Total of Sales & Marketing	**11,665**	**12,753**

18.3 Overhead

ADMINISTRATIVE EXPENSES
(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014 ***
Purchases consumed	58	56
Employee benefits expenses	1,826	1,752
External expenses	1,522	1,739
Taxes	75	112
Net change in amortisation and depreciation	161	159
Total of Administrative expenses	**3,642**	**3,819**

* Retreated of the impact of IFRIC 21

Note 19: Other income and operating expenses

The other income and operating expenses relat to the result of an insurance compensation received by the Company on non–current elements.

Note 20: Financial income and expenses

Financial income and expenses are broken down as follows:

FINANCIAL REVENUE AND EXPENSES

(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014**
Foreign exchange gains	327	124
Gains on cash equivalents	13	123
Discounting products	43	0
Other financial incomes	0	
Total of financial revenue	**383**	**251**
Foreign exchange losses	(288)	(218)
Losses on cash equivalents	(11)	(25)
Discounting expenses	0	(176)
Total of financial expenses	**(299)**	**(419)**
Total of financial revenue and expenses	**83**	**(168)**

Note 21: Income tax expense

According to the legislation in force, the Group has total tax losses of €66,383 thousand that may be carried forward indefinitely in France and total tax losses of €32,596 thousand that may be carried forward for 20 years in the United States, that is, a total of €98,979 thousand as of December 31, 2015. The deferred tax asset base net of temporary passive differences was not capitalized in order to be conservative, pursuant to the principles described in Note 1: Accounting principles.

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

TAX RECONCILIATION

(Amounts in thousands of euros)

	As of 31 December	
	2015	**2014 ***
Profit / (loss)	(12,643)	(13,973)
Income tax expense		0
Profit before tax	**(12,643)**	**(13,973)**
Theoretical tax expense - 34,43%	**(4,353)**	**(4,811)**
Other non-deductible expenses and tax-exempt income	62	28
Effect of tax rate differences	(26)	(34)
Deferred tax assets not recognised	4,317	4,817
Actual income tax expense		

* Retreated of the impact of IFRIC 21

Note 22: Commitments

Obligations pursuant to ordinary rental agreements

The premises used by the Group are the following:

- Registered office in Paris: located at 9, rue d'Enghien (75010) on five floors of the building, the surface area of which is approximately 1,133 sq.m. (including the basement). The Company has five separate leases contracted with SCI Enghien 9, which is the owner thereof.
- Premises in the United States: Commercial lease between Capkey Gates at Sugarloaf Partners LLC and Mauna Kea Technologies Inc. That lease was signed on January 15, 2013 and was renewed until February 28, 2017 for the rental of the offices located at 1325 Satellite Boulevard, Unit 108, Suwanee, GA, 30024, United States.

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

The firm and unconditional commitments under ordinary rental agreements are broken down as follows as of December 31, 2015:

OBLIGATIONS PURSUANT TO ORDINARY RENTAL AGREEMENTS
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Portion with terms of less than 1 year	257	224
Portion with terms of between 1 and 5 years	862	448
Portion with terms of more than 5 years	208	89
Total of commitments pursuant to ordinary rental agreements	**1,328**	**761**

Commitments under other contracts

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

OBLIGATIONS PURSUANT TO OTHER AGREEMENTS
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Portion with terms of less than 1 year	1,832	1,526
Portion with terms of between 1 and 5 years	1,977	1,858
Total of supplier commitments	**3,809**	**3,384**

The Company is committed to make an equity investment in the Fondatin San T Dige in a total amount of €20 thousand, in yearly amounts of €5 thousand from 2014 to 2017. As of December 31, 2015, a provision of €5 thousand was recorded. This foundation has as its mission the development of research in the area of hepato-gastroenterology.

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

Note 23: Transactions with related parties

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

RELATED PARTY TRANSACTIONS
(Amounts in thousands of euros)

	As of 31 December	
	2015	2014
Wages and salaries - General direction	219	219
Wages and salaries other related party		86
Share-based payments	126	333
Share-based payments other related party		1
Fees		36

Note 24: Net earnings per share

Basic earnings

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

EARNINGS PER SHARE

	As of 31 December	
	2015	2014
Profit / (loss) (in K€) *	**(12,643)**	**(13,973)**
Weighted average number of shares outstanding (in thousands)	15,031	13,905
Earnings per share (in €)	**(0.84)**	**(1.00)**
Weighted average number of potential shares (in thousands)	16,814	15,588

* Retreated of the impact of IFRIC 21

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 25: Management of financial risk

The main financial instruments used by the Group are financial assets, cash, and investment securities. The purpose of managing these instruments is to finance the Company's business activity. It is the Group 's policy not to subscribe to financial instruments for speculative purposes. In 2013, the Company acquired for the first time a derivative financial instrument for hedging future cash flows.
The primary risks to which the Group is exposed are interest rate risk and credit risk.

Exchange rate risk

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

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Georgia is to distribute and market the Group's products in the United States. To this end, it is fully financed by the parent company, with which it has established three agreements:
- a cash management agreement for a current account in USD;
- a distribution agreement;
- a service agreement (Management fees).

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

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

- a variation in the EUR/USD exchange rate of +10% would have generated an improvement in earnings of €423 thousand as of December 31, 2015;
- a variation in the EUR/USD exchange rate of -10% would have generated a drop in earnings of €(517) thousand as of December 31, 2015.

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

Liquidity risk

See Note 1.9: Cash and cash equivalents

Interest Rate Risk

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

As of December 31, 2015, the Company's financial debt was not subject to interest rate risk because it primarily involved interest-free repayable advances in a total non-discounted amount of €2,896 thousand as described in Note 11: Borrowings and financial debt.

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

Credit Risk

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

The Company manages its available cash in a prudent manner. Cash and cash equivalents include available cash and current financial instruments owned by the Company (mostly money market funds). As of December 31, 2015, the available cash and investment securities owned by the Company were for the most part invested in products with a maturity of less than 12 months.

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

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

Fair value

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

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

Note 26: Subsequent events

With the recent Chinese FDA clearance for Cellvizio 100 series, The Company decided to expand its strategic partnership with Fujifilm China in February, 1. Fujifilm China will commercialize Cellvizio for gastroenterological and pulmonary applications in China and will increasingly integrate the Cellvizio platform into its commercial offers for advanced endoscopy systems.

On February 17, 2016, the Company announced its listing in the form of an ADR (American Depositary Receipt) for an OTCQX® International market segment in the United States, used for non-U.S. companies which are officially listed on a foreign stock exchange, each ADR representing two traded securities on Euronext Paris. This announcement falls within the framework of a newsflow, which should intensify in the accompaniment of the new partnership strategy, which will enable the company to improve its visibility to international investors and in its strategic markets.