Mauna Kea Technologies

Public Limited Company (Société anonyme) with share capital of 647 068,28 euros
Registered office: 9 rue d'Enghien
75010 Paris, France
431 268 028 in the Paris Trade and Companies Register Paris

Annual Financial Report 2015

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MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENT

1. PREAMBLE

The Board of Directors in its meeting of March 23, 2016 examined and approved the consolidated financial statements for the year ended December 31, 2015. These consolidated statements were prepared in accordance with the IFRS framework.

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

2.1 Report on activity and significant events during financial year 2015

Mauna Kea Technologies is a global medical device company whose mission is to eliminate the uncertainties associated with the diagnosis and treatment of cancers thanks to real-time visualization at 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.

During the financial year, Mauna Kea Technologies redefined its marketing strategy with strategic partners to address more indications while significantly reducing the use of its resources. The Company intends to exploit the full clinical potential of its proprietary platform for the numerous indications concerned and to develop a worldwide network of partners wishing to sell Cellvizio under their own brands or with a possible integration of the technology into their platforms. The Company actively develops such partnerships in interventional endoscopy, oncological surgery and interventional radiology, three specialties in which it has solid technical, regulatory and clinical experience and knowledge.

As of December 31, 2015, the Mauna Kea Technologies group Technologies is composed of a multidisciplinary team of 91 employees, an installed base of 495 facilities in over 40 countries, and since its inception, it has generated cumulative revenues of approximately €61.5 million, €8.5 million of which in fiscal year 2015.

Obtaining new reimbursement codes and regulatory approvals

Enactment by US health authorities of practitioner compensation

In March 2015 the Company obtained a new CPT code granted by the American Medical Association (AMA) for the use of endomicroscopy in endoscopic retrograde cholangiopancreatography (ERCP) procedures, allowing practitioners to diagnose biliary tract pathologies, notably stenoses and cancers. More than 500,000 ERCP procedures are carried out annually in the United States.

Obtaining regulatory approvals in Mexico

In April 2015, the Company obtained approval from COFEPRIS (Comisión Federal Para la Protección contra Riesgos Sanitarios), the Mexican health authority, for the marketing of Cellvizio.

Obtaining CE marking

In May 2015 the Company obtained "CE" marking for the use of Cellvizio in minimally invasive laparoscopic surgery indications. The wide field of application of this regulatory approval will favor the integration of Cellvizio into numerous image-guided surgery platforms in oncology.

In June 2015, the Company obtained CE marking for the use of Cellvizio in interventional radiology.. Crossing this major regulatory step opens the way to new applications. The new AQ-Flex 19 IR miniprobe widens the field of application of nCLE needle-based technology. Approval will facilitate ongoing clinical and product development including existing strategic collaborations.

In July 2015 the Company obtained the CE mark for its new Cellvizio 800 intra-operative platform, which provides infra-red endomicroscopic imaging during minimally invasive surgical procedures. This new regulatory approval covers a wide range of applications.

Obtaining regulatory approvals in Japan

In July 2015, the Company obtained regulatory approval from Japan's Ministry of Health, Labor and Welfare for its AQ-FLEX 19 confocal endomicroscopy miniprobe. This approval should allow wider adoption of the Cellvizio confocal laser endomicroscopy solution in one of the world's leading markets for endoscopy.

Obtaining FDA 510(k) clearance for use in surgery

In October 2015, the Company obtained 510(k) clearance from the U.S. FDA (Food and Drug Administration) for the use of Cellvizio® in surgery, enabling identification of cancerous tissue and effective guidance of treatment during surgery. This clearance opens the way to the potential use of Cellvizio in several million cancer operations performed every year in the United States. This new application of Cellvizio enhances its attraction in the context of the new partnership strategy.

Obtaining regulatory approvals in China

In December 2015 the Company obtained regulatory approval from the Chinese health authority (CFDA) to market the latest generation of its Cellvizio 100s as well as for the miniprobes dedicated to pancreatic (needle-based confocal laser endomicroscopy or nCLE) and urological applications. Accelerated growth is now possible in China, a market receptive to endomicroscopic technology.

Clinical results and conferences - the medical value of optical biopsy

In its January 2015 edition, the scientific journal Endoscopy published an editorial stressing the advantages of needle-based confocal laser endomicroscopy (nCLE) in the diagnosis of pancreatic cysts. The editorial accompanied publication of the findings of the CONTACT 1 multi-center prospective clinical study, according to which optical biopsy procedures carried out with Cellvizio confirm the benign nature of pancreatic cysts in 100% of patients in whom the presence of a superficial vascular network has been observed.

In April 2015, the international conference of Cellvizio users (ICCU) saw record attendance at its presentations and associated continuous training on endomicroscopy. Some three hundred doctors and surgeons gathered in Lisbon for the International Conference of Cellvizio Users to discuss the progress and benefits of endomicroscopy in a variety of medical and surgical indications.

In August 2015, the Company published the results of a new study on the use of endomicroscopy with Cellvizio in the peer-reviewed journal Neurosurgery, partly financed by Siemens Corporate Technology. The data gathered indicate that Cellvizio provides real-time histomorphological diagnosis with similar results to those of classical surgical biopsy.

In September 2015, the Company published two studies showing that endomicroscopy allows real-time identification of healthy and cancerous tissue during breast-conserving surgery. Publication of results of a clinical study on the use of CLE with Cellvizio in the scientific journal Breast Cancer Research and Treatment.

In December 2015, on the occasion of the congress of the Radiological Society of North America (RSNA) in Chicago, the Interventional Radiology team from Strasbourg's New Civil Hospital presented the first series of microscopic image-guided tumor biopsies and ablations. Tissue ablation monitored in real time at cellular level is a world first in interventional radiology.

Partnership

Mauna Kea Technologies and Cook Medical signed a multi-year partnership agreement for the worldwide marketing of endomicroscopy for urological applications

In December 2015, the Company signed a multi-year worldwide marketing partnership agreement with Cook Medical covering urological applications of its unique Cellvizio platform.
Cook Medical is a privately-held group with more than 11,000 employees and headquarters in Bloomington, Indiana in the United States. As one of the best known and respected players in the field of medical devices and supplies, Cook Medical is also a world leader in urology applications.
Cook will sell a private-label version of Cellvizio for urological applications.
Launch is scheduled for North America, Western Europe and China in 2016.

2.2 Research and Development, Innovations, and New Products

Research and Development

At the end of December 2015, the Research and Development team had 26 employees (doctors, engineers or technicians) covering the fields of expertise necessary for the development of the Group's products and technologies, namely:
- optics and optoelectronics;
- mathematics applied to image processing;
- digital and analog electronics;
- software development;
- micro-mechanical engineering, materials and processes for precision assembly.

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

A structured Research & Development Division

The Research & Development Division comprises two separate departments under the responsibility of the Operations Director, and a Scientific Director.

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

Upstream R&D

The Group is organized to develop the resources to directly create technological innovations that will enable it to expand in its market and win new markets by studying solutions likely to encourage the development of innovative new products in order to continue to improve the care given to patients.
Scientific and technological oversight occurs continuously under the Scientific Department to identify and verify the interest of emerging components or technologies. This oversight makes it possible to be at the forefront of technology as well as limit any risks associated with components that contribute to manufacturing by identifying technical alternatives upstream.

The upstream studies arising from this monitoring are conducted by R&D department teams, either internally or through external collaborative efforts.
They may constitute the preliminary phase of feasibility assessment that helps to decide whether to begin a product development project.

At the clinical level, the Group conducts efforts in collaboration with various hospitals to assess the potential interest and technical feasibility of using Cellvizio technology in new indications.
The upstream studies carried out in collaboration with academic laboratories are often co-funded to optimize the costs of research through grants or doctoral thesis scholarships. For example, the group is currently engaged in the following collaborative efforts:
- a "Smart Atlas" project which is a completely innovative software tool that searches for similarities using content in images. This "Smart Atlas" would integrate an observation sequence history under Cellvizio and conduct an immediate comparison of reference images with images in an ongoing procedure. This study was the subject of a thesis started in 2008 in close collaboration and under the direction of Nicholas Ayache, head of the INRIA Asclepios laboratory in Sophia Antipolis. Since 2012, it has existed in the form of an i-Lab contract between INRIA and the Group, in which two INRIA engineers who are experts in image processing are involved, in addition to the Group's engineers;

R&D Applied To Improving Current Products And Optimizing Their Manufacture (Product Support)
The mission of the Research and Development teams is to cause existing solutions to develop in a continual improvement approach, while listening to their internal and external clients, and more precisely with the missions:
- ensuring and improving product manufacturing as part of a "lean" approach. To this end, monthly meetings between each R&D department, the production team and the support team are organized;
- developing new functions or improving the performance of existing products. The improvements are implemented after analysis of the improvement needs expressed by clients and their technical feasibility by product marketing managers.
A particular effort is being made relative to the approval of new methods for disinfecting or sterilizing Confocal Miniprobes so that the system can be used in accordance with current hygiene regulations in the different countries in which it is marketed.

New products and technological advances
Marketing of Cellvizio F800 in clinical practice

In 2015, a new product was introduced to complete the Mauna Kea Technologies offer in the field of optical biopsy in clinical practice, the Cellvizio F800. The Cellvizio F800 opens the way to confocal endomicroscopy by miniprobes in the near infrared (NIR) field, thus enabling fluorescent markers such as IndoCyanine Green (ICG) to be used, or the molecular markers that are currently the subject of intensive development and validation activity in various research centers, both public and private.

The Cellvizio F800 is mainly intended for use in surgical, and neurosurgical in particular, applications for which MKT is also devoting a large part of its R&D activity towards developing and improving its confocal miniprobes.

As an example, MKT in 2015 launched its CelioFlex probe, devoted exclusively to minimally invasive surgery.

2.3 Clinical Research Activity

Reflecting doctors' growing interest in optical biopsy, Cellvizio and endomicroscopy were the subject of 145 clinical publications over the course of 2015, compared with 115 in 2014.

From 2007 to 2015 there were 719 publications, counting all indications together.

From among the most notable publications of 2015 we would highlight the following:

In October 2015, the peer-reviewed journal Surgical Endoscopy published a new article stressing the benefits of needle-based confocal laser endomicroscopy (nCLE) in the diagnosis of the different types of pancreatic cysts. The group of endoscopists-researchers of the CONTACT-1 study and their anatomist-pathologists retrospectively defined new criteria making it possible for the first time to classify malignant cysts and pseudocysts. They also confirmed the characteristics of the benign serous cysts published at the beginning of the year. This retrospective analysis concerned 33 patients monitored for one year, and targeted the diagnosis of solitary pancreatic cystic lesions with the help of Cellvizio. Independent endoscopists validated these criteria, with significant intra-observer agreement.

2.4 Sales and marketing

In marketing, at year-end 2015 the Group had a team of 11 persons covering the activities of Operational Marketing (France, Rest of Europe, USA and Asia), the Systems and Probes product development activity, Clinical Affairs and marketing communication.

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

In sales, in the EMEA region at year-end 2015, the team was comprised of six people: three "Systems" sales executives and three "Probes" sales executives.

At the end of December 2015, the US sales team was comprised of 10 people. The team is comprised of 3 regional “Systems” sales executives and 6 “Probes” sales executives. These sales teams are led by on Sales Director.

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

In total, at the end of 2015, the Group had a sales force of 22 people, compared with 26 as of December 31, 2014.

This change is explained mainly by direct marketing in Germany, and also by the departure of employees in the United States who have not been replaced in view of the Company's new distribution strategy.

2.5 Human Resources

The Group's workforce stood at 91 persons at year-end 2015, as against 120 at the end of 2014.

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

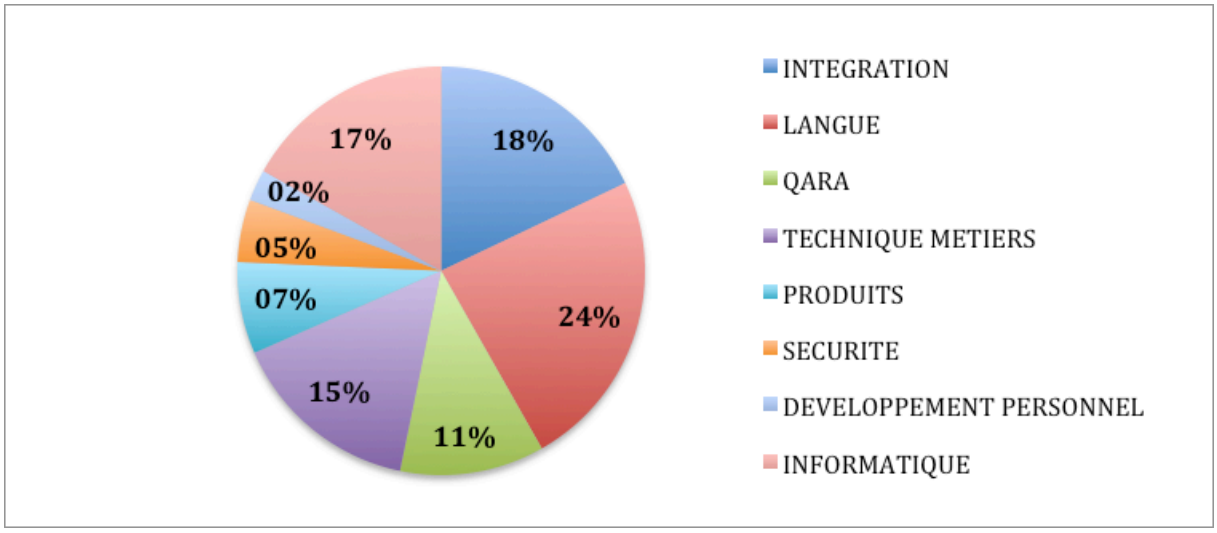
TRAINING (worldwide)	2015	2014
number of hours' training	1,129	1,877
number of employees receiving training	104	129
number of hours per month per employee trained	1.16	1.37

In 2015, training indicators fell, for three major reasons:

- lower demand on the part of the employees themselves, demand which then went up through the Performance and Development Reviews;

- a lower number of new arrivals: however, training efforts are very concentrated to train new employees;
- a lower investment in language courses, even though the distribution of training hours shows that this remains the primary investment focus.

Distribution of training hours:



It is worth noting that 58% of training hours are provided in-house (mainly quality assurance training, technical/clinical/product training on Cellvizio, and IT training).

2.6 Financing and capital structure

As of December 31, 2015 the Company had cash and cash equivalents of €10.6 million.

The Company proceeded with a specific review of its liquidity risk, taking account of prospective sales (including those deriving from signed partnership agreements), the receipt of its 2015 research tax credit and its forecast cash flows, and considers that it is able to meet its upcoming maturities.

The Company also intends to employ appropriate financing solutions to meet its future cash needs.

2.7 Advances made and problems encountered

2015 was a critical year in the implementation of the Company updated strategic plan and this affected the sales performance. Even so, the Company successfully delivered a significant improvement in our gross margin and operating performance by streamlining our cost structure to reduce fixed operating costs. Increased financial flexibility is expected to support the continued growth of our global user base.

The year 2015 was also marked by some important steps in the areas of regulation, reimbursement and clinical studies, and by the signing of a multi-year marketing partnership agreement with Cook Medical for endomicroscopy in urological applications. The agreement provides for Cook Medical to launch a private-label version of the Cellvizio platform for urological applications. Thanks to its international sales expertise, its marketing and medical know-how and its comprehensive portfolio of complementary products for urological applications, Cook Medical could quickly optimize sales opportunities for Cellvizio.

3. Position of the Group during the last fiscal year

3.1.1. Revenue and sales:

By business: continuation of the solid momentum in the Preclinical segment with the success of Cellvizio Dual Band

Mauna Kea Technologies posted revenues for 2015 down by 22% to €8,547 thousand (compared with €11,016 thousand in 2014). The Americas region posted a drop of 10% for the year, to €3,603 thousand (versus €4,012 thousand in 2014), mainly due to the lack of sales in Brazil, due in turn to the stagnation of the economy and a generalized slowdown in public financing.

By geographical region: growth in the United States

North America, led by the United States, grew by 14% to €3,490 thousand (versus €3,060 thousand), evidencing a recovery in this market and confirming the strategic validity of the choices made there. Sales in the APAC region fell by 35% to €2,491 thousand (versus €3,806 thousand in 2014), impacted by the delay in obtaining regulatory approval in China for the Cellvizio 100s, which was finally obtained in December 2015. In a difficult economic context, business in the EMEA region for the year declined by 23% to €2,453 thousand (versus €3,197 thousand).

By product and type: sales of consumables down

The 29% fall in Clinical activity, to €6,082 thousand (versus €8,591 thousand) was not offset by the slight +2% growth in Preclinical sales to €2,465 thousand (versus €2,425 thousand in 2014).

Sales of systems for the year declined by 28% to €5,190 thousand (versus €7,175 thousand), sales of consumables fell by 16% to €2,473 thousand (versus €2,958 thousand) and sales of Services held steady at €884 thousand (versus €882 thousand). In total, the Company sold 51 systems and 669 consumables (versus 88 and 896 respectively in 2014). Despite this fall in sales of consumables, the Company confirms the continued high rate of adoption of the technology, with 492 new orders for probes from existing clients ("reorders"), as against 420 in 2014, representing an increase of 17%.

3.1.2 Other revenues

Other revenue comes mainly from the non-capitalized portion of the research tax credit, for €1,201 thousand.

3.1.3 Production costs and gross margin

The cost of goods sold came to €2,534 thousand for 2015 versus €3,675 thousand for 2014, representing 25% and 30% of sales, respectively. Gross margin was 70% in 2015, versus 67% in 2014. This three-point improvement reflects the significant efforts made by the Company to optimize its procurement, as well as the rebound in the United States, which supported higher average selling prices.

3.1.4 Research and Development Costs

Throughout fiscal year 2015, for the systems segment, the Research and Development team continued its work on the Cellvizio F800 project. The development costs of this product have not been capitalized in the accounts, the development share being insignificant.
For the probes segment of the work, the team continued its research efforts on new models, in particular in the surgical field, which resulted in the launch of the CelioFlex probe.

In 2015, Research and Development expenses amounted to €4,648 thousand, versus €4,583 thousand for 2014.

In 2015, the annual portion of capitalized development expenses was zero. R&D expenses were mainly attributed to research. In 2014, the annual portion of capitalized development expenses was €207 thousand. Overall, total R&D expenses (both expensed and capitalized) were relatively stable compared with 2014.

3.1.5 Marketing and Sales Costs

Marketing and sales expenses are currently the largest overhead. These expenses were down by 9%, from €12,753 thousand in 2014 to €11,665 thousand in 2015.
This item remains the largest overhead for the Company, representing 51% of all operating expenses in 2015.

3.1.6 Administrative expenses

Administrative expenses were down by 5% on 2014, going from €3,819 thousand in 2014 to €3,642 thousand in 2015.

3.1.7 Share-based payments

As with previous fiscal years, the Group continued to issue warrants (BSPCEs and stock options) to its employees. Share-based payments in 2015 amounted to €450 thousand, compared with €1,257 thousand in 2014.

3.1.8 Operating Result

Operating expenses amounted to €22,939 thousand for the year, compared with €26,088 thousand in 2014, representing a decline of 12%, the main contributing factor being the decrease in share-based transaction expenses. As a result of this decrease and of the moderate decrease -18% in sales, the operating result for 2015 was a €(12,726) thousand, compared with a €(13,805) thousand in 2014.

3.1.9 Net Result

After taking into account a financial profit of +€84 thousand for the year to December 31, 2015, compared with -€168 thousand at December 31, 2014, the Company's net loss comes to -€12,643 thousand, compared with a net loss of -€13,973 thousand for the year ended December 31, 2014.

3.1.10 Cash or cash equivalents

Cash and cash equivalents as of December 31, 2015 stood at €10,620 thousand versus €15,018 thousand as of December 31, 2014.

3.2 RISKS AND UNCERTAINTIES – TRANSACTIONS WITH RELATED PARTIES

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

Exchange rate risk

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

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

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

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

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

- a variation in the EUR/USD exchange rate of +10% would have generated an improvement in earnings of €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.

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 debts.

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 held by the Company were for the most part invested in products with a maturity of less than 12 months.

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

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

Note 23 to the consolidated financial statements covers relations with the related parties.

3.4 Predictable developments and future perspectives

Implementation of the Vision 2020 strategic plan, which is set to make Mauna Kea Technologies a leading player in the digital transformation of medicine and surgery, is now well underway. After successfully bringing microscopes into the patient's body, the Company is now on the verge of bringing in vivo the connected laboratory of the future, harnessing the full power of the latest artificial intelligence techniques now available in the Cloud and the advent of next-generation molecular markers. The partnerships with Cook Medical, Siemens and EMI are concrete illustrations that the vision for Mauna Kea is becoming a reality, and the recent launch of Cellvizio by Cook Medical at the European Association of Urology Congress demonstrates the commercial leverage inherent to our new strategy. The Company remains confident in the potential of its key markets and in the power of its existing and future partners.

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

Extension of strategic partnership

On February 1, 2016 the Company announced the extension of its strategic partnership with Fujifilm China. 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.

Listing on the US stock market

On February 17, 2016 the Company announced that it had qualified to have its ADRs (American Depositary Receipts) traded in a segment of the OTCQX® International in the United States, reserved to non-U.S. companies listed on a foreign stock exchange, each ADR representing two shares traded on Euronext Paris. This announcement forms part of a newsflow which should intensify in tandem with the roll-out of a new strategy of partnerships allowing the Company to improve its visibility with its international investors and in its strategic markets.

Completion of recruitment for the CONTACT II clinical study

On February 25, 2016 the Company announced it had completed the recruitment of 200 patients for the CONTACT II study of the diagnosis of pancreatic cysts with needle-based confocal laser endomicroscopy (nCLE).
At the same time, the results of several clinical studies of confocal laser endomicroscopy were published in two peer-reviewed medical journals: the World Journal of Gastrointestinal Endoscopy and the Romanian Journal of Morphology and Embryology.

MANAGEMENT REPORT ON STATUTORY FINANCIAL STATEMENTS

To the Shareholders,

We present to you the management report on the Company's activities during the financial year starting January 1, 2015 and ended December 31, 2015 and submit the financial statements for that year for your approval.

We further propose that you approve the allocation of results for the year ended December 31, 2015 and the agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code and entered into over the course of the past financial year.

During the General Meeting you will also have the reports of the Statutory Auditors read to you.

We remind you that the reports of the Statutory Auditors, the reports of the Board of Directors and the financial statements have been made available to you at the Company's registered office in accordance with the legal and regulatory requirements so that you may take due note of them.

The financial statements for the year ended December 31, 2015, comprising the balance sheet, the income statement and the notes to the financial statements have been prepared in accordance with the standards, principles and methods of the accounting plan.

MANAGEMENT REPORT

1. Presentation of the Mauna Kea group (the "Group")

1.1 Presentation of the operations of the Group

Mauna Kea Technologies is a global medical device company whose mission is to eliminate the uncertainties associated with the diagnosis and treatment of cancers thanks to real-time visualization at 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.

During the financial year, Mauna Kea Technologies redefined its marketing strategy with strategic partners to address more indications while significantly reducing the use of its resources. The Company intends to exploit the full clinical potential of its proprietary platform for the numerous indications concerned and to develop a worldwide network of partners wishing to sell Cellvizio under their own brands or with a possible integration of the technology into their platforms. The Company actively develops such partnerships in interventional endoscopy, oncological surgery and interventional radiology, three specialties in which it has solid technical, regulatory and clinical experience and knowledge.

As of December 31, 2015, Mauna Kea Technologies is composed of a multidisciplinary team of 91 employees and benefits from an installed base of 495 facilities in 40 countries. Since its inception, Mauna Kea Technologies has generated cumulative revenues of approximately €61.5 million, €8.5 million of which in financial year 2015.

The Company's registered office is at 9, Rue d'Enghien, 75010 Paris. The commercial headquarters of its US subsidiary Mauna Kea Technologies Inc. is in Suwanee, Georgia (GA).

1.2 Highlights of the past financial year

1.2.1 Obtaining new reimbursement codes and regulatory approvals

Enactment by US health authorities of practitioner compensation
In March 2015 the Company obtained a new CPT code granted by the American Medical Association (AMA) for the use of endomicroscopy in endoscopic retrograde cholangiopancreatography (ERCP) procedures, allowing practitioners to diagnose biliary tract pathologies, notably stenoses and cancers. More than 500,000 ERCP procedures are carried out annually in the United States.

Obtaining regulatory approvals in Mexico
In April 2015 the Company obtained approval from COFEPRIS (Comisión Federal Para la Protección contra Riesgos Sanitarios), the Mexican health authority, for the marketing of Cellvizio.

Obtaining CE marking
In May 2015 the Company obtained CE marking for the use of Cellvizio in indications of minimally invasive laparoscopic surgery. The wide field of application of this regulatory approval will favor the integration of Cellvizio into numerous image-guided surgery platforms in oncology

In June 2015, the Company obtained CE marking for the use of Cellvizio in interventional radiology. Crossing this major regulatory step opens the way to new applications. The new AQ-Flex 19 IR miniprobe widens the field of application of nCLE needle-based technology. Approval will facilitate ongoing clinical and product development including existing strategic collaborations.

In July 2015 the Company obtained the CE mark for its new Cellvizio 800 intra-operative platform, which provides infra-red endomicroscopic imaging during minimally invasive surgical procedures. This new regulatory approval covers a wide range of applications.

Obtaining regulatory approvals in Japan
In July 2015, the Company obtained regulatory approval from Japan's Ministry of Health, Labor and Welfare for its AQ-FLEX 19 confocal endomicroscopy miniprobe. This approval should allow wider adoption of the Cellvizio confocal laser endomicroscopy solution in one of the world's leading markets for endoscopy.

Obtaining FDA 510(k) clearance for use in surgery
In October 2015, the Company obtained 510(k) clearance from the U.S. FDA (Food and Drug Administration) for the use of Cellvizio® in surgery, allowing identification of cancerous tissue and effective guidance of treatment during surgery. This clearance opens the way to the potential use of Cellvizio in several million cancer operations performed every year in the United States. This new application of Cellvizio enhances its attraction in the context of the new partnership strategy.

Obtaining regulatory approvals in China
In December 2015, the Company obtained regulatory approval from the Chinese health authority (CFDA) to market the latest generation of its Cellvizio 100s as well as for the miniprobes dedicated to pancreatic (needle-based confocal laser endomicroscopy or nCLE) and urological applications. Accelerated growth is now possible in China, a market receptive to endomicroscopic technology.

1.2.2 Partnerships and collaboration agreements

Mauna Kea Technologies and Cook Medical signed a multi-year partnership agreement for the worldwide marketing of endomicroscopy for urological applications

In December 2015, the Company signed a multi-year worldwide marketing partnership agreement with Cook Medical covering urological applications of its unique Cellvizio platform.
Cook Medical is a privately-held group with more than 11,000 employees and headquarters in Bloomington, Indiana. As one of the best known and respected players in the field of medical devices and supplies, CookMedical is also a world leader in urology applications.
Cook will sell a private-label version of Cellvizio for urological applications.
Launch is scheduled for North America, Western Europe and China.

1.2.3 Technological advances and new products

Marketing of Cellvizio F800 in clinical practice

In 2015, a new product was introduced to complete the Mauna Kea Technologies offer in the field of optical biopsy in clinical practice, the Cellvizio F800. The Cellvizio F800 opens the way to confocal endomicroscopy by miniprobes in the near infrared (NIR) field, thus enabling fluorescent markers such as IndoCyanine Green (ICG) to be used, or the molecular markers that are currently the subject of intensive development and validation activity in various research centers, both public and private.

The Cellvizio F800 is mainly intended for use in surgical, and neurosurgical in particular, applications for which the Company is also devoting a large part of its R&D activity towards developing and improving its confocal miniprobes.

As an example, the Company just launched in 2015 its CelioFlex probe, for use exclusively in minimally invasive surgery.

2. Examination of the financial statements and results

2.1 Financial statements of Mauna Kea Technologies

The financial statements for the year ended December 31, 2015 which we submit for your approval have been drawn up in accordance with the rules of presentation and valuation methods set out in current legislation.

Income

Net revenues amounted to €7,368,575 compared with €11,655,908 for the previous year, representing a decline of 36.78%.

We should add to this an amount of €1,402,235 corresponding to the variation in finished products of €777,691 and in auxiliary products of €624,544.

Consequently, operating revenues amounted to a total of €8,770,810 versus €11,633,883 for the previous year, representing a decline of 24.61%.

Operating expenses amounted to €18,069,083 versus €19,492,299 for the previous year, representing a decline of 7.30%, and consisted of the following items:

- purchases of merchandise:	€31,111
- purchases of raw materials and other supplies:	€2,032,451
- change in inventories:	€3,650
- other purchases and external charges:	€6,499,873
- taxes and duties:	€138,188
- wages and other employee benefits:	5,959,220
- social security expenses:	€2,546,525
- additions to depreciation, amortization and provisions:	€270,922
- allowances for impairments:	€453,120
- other expenses:	€141,325

The operating result was a negative €9,298,273 compared with a negative €7,858,417 for the previous year.

Financial income and expenses amounted to €676,832 and €8,067,459 respectively, i.e. a net negative financial result of €7,390,627 as against a negative €8,194,450 for the previous year. This loss is explained mainly by the impairment of the US subsidiary's current account for an amount of €7,793,126.

Consequently the pre-tax result before non-recurring items was a loss of €16,688,900 compared with a loss of €16,052,867 for the previous year.

Non-recurring items came to a loss of €369 compared with a loss of €244 for the previous year.

After taking account of the Research Tax Credit of €1,208,362 and other tax credits amounting to €56,234 the result for the year is a loss of €15,424,674 compared with a loss of €14,741,711 for 2014.

Balance sheet

Assets

Intangible assets amounted to €237,986 net.

Property, plant and equipment amounted to €516,468 net.

Financial assets as of December 31, 2015 stood at the net amount of €917,695.

Current assets stood at €18,204,617 net and prepaid expenses came to €97,069.

Liabilities

Share capital stood at €647,068 as of December 31, 2015, as against €559,701 at the end of the previous year, and share premiums in respect of issues and mergers came to a total of €66,049,538 as of December 31, 2015.

Accumulated losses amounted to €44,769,688 as at December 31, 2015.

Company's indebtedness position with regard to the volume and complexity of its business

Liabilities amounted to €4,568,104 (compared with €4,548,593 at the end of the previous year), consisting mainly of:

- trade payables: €2,373,984
- taxes payable and social liabilities: €2,057,448
- other liabilities: €27,243
- deferred revenue: €109,429

In application of Article L. 441-6-1 of the Commercial Code, we inform you that supplier payables totaling €1,178,506, compared with €1,240,080 for the previous year, break down by due date as follows:

	FY 2015 (in euros)	FY 2014 (in euros)
Less than 60 days	818,714	870,980
From 60 to 90 days	26,734	42,006
From 90 to 180 days	2,249	10,295
From 180 days to 9 months	134	47
More than 9 months	330,675	316,751

3. Progress made and difficulties encountered

2015 was a critical year in the implementation of the Company updated strategic plan and this affected the sales performance. Even so, the Company successfully delivered a significant improvement in our gross margin and operating performance by streamlining our cost structure to reduce fixed operating costs. Increased financial flexibility is expected to support the continued growth of our global user base.

The year 2015 was marked by some important steps in the areas of regulation, reimbursement and clinical studies, and by the signing of a multi-year marketing partnership agreement with Cook Medical for endomicroscopy in urological applications. The agreement provides for Cook Medical to launch a private-label version of the Cellvizio platform for urological applications. Thanks to its international commercial expertise, its marketing and medical know-how and its comprehensive portfolio of complementary products for urological applications, Cook Medical could quickly optimize sales opportunities for Cellvizio.

4. Main risks and uncertainties to which the Company and the Group are exposed – Use of financial instruments

The risks associated with the Company's activity, the hedging of these risks and the insurance policies covering them are described in Appendix B to this management report.

5. Activity in the field of research and development

At the end of December 2015, the Research and Development team had 26 employees (doctors, engineers or technicians) covering the fields of expertise necessary for the development of the Group's products and technologies, namely:
- optics and optoelectronics;
- mathematics applied to image processing;
- digital and analog electronics;
- software development;
- micro-mechanical engineering, materials and processes for precision assembly.

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

A structured Research & Development Division

The Research & Development Division comprises two separate departments under the responsibility of the Operations Director, and a Scientific Director.

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

Upstream R&D

The Group is organized to develop the resources to directly create technological innovations that will enable it to expand in its market and win new markets by studying solutions likely to encourage the development of innovative new products in order to continue to improve the care given to patients.
Scientific and technological oversight occurs continuously under the Scientific Department to identify and verify the interest of emerging components or technologies. This oversight makes it possible to be at the forefront of technology as well as limit any risks associated with components that contribute to manufacturing by identifying technical alternatives upstream.
The upstream studies arising from this monitoring are conducted by R&D department teams, either internally or through external collaborative efforts.
They may constitute the preliminary phase of feasibility assessment that helps to decide whether to begin a product development project.

At the clinical level, the Group conducts efforts in collaboration with various hospitals to assess the potential interest and technical feasibility of using Cellvizio technology in new indications.
The upstream studies carried out in collaboration with academic laboratories are often co-funded to optimize the costs of research through grants or doctoral thesis scholarships. For example, the group is currently engaged in the following collaborative efforts:
- a "Smart Atlas" project which is a completely innovative software tool that searches for similarities using content in images. This "Smart Atlas" would integrate an observation sequence history under Cellvizio and conduct an immediate comparison of reference images with images in an ongoing procedure. This study was the subject of a thesis started in 2008 in close collaboration and under the direction of Nicholas Ayache, head of the INRIA Asclepios laboratory in Sophia Antipolis. Since 2012, it has existed in the form of an i-Lab contract between INRIA and the Group, in which two INRIA engineers who are experts in image processing are involved, in addition to the Group's engineers;

R&D Applied To Improving Current Products And Optimizing Their Manufacture (Product Support)

The mission of the Research and Development teams is to cause existing solutions to develop in a continual improvement approach, while listening to their internal and external clients, and more precisely with the missions:
- ensuring and improving product manufacturing as part of a "lean" approach. To this end, monthly meetings between each R&D department, the production team and the support team are organized;

- developing new functions or improving the performance of existing products. The improvements are implemented after analysis of the improvement needs expressed by clients and their technical feasibility by product marketing managers.
A particular effort is being made relative to the approval of new methods for disinfecting or sterilizing Confocal Miniprobes so that the system can be used in accordance with current hygiene regulations in the different countries in which it is marketed.

6. Predictable developments and future perspectives of the Company

Implementation of the Vision 2020 strategic plan, which is set to make Mauna Kea Technologies a leading player in the digital transformation of medicine and surgery, is now well underway. After successfully bringing microscopes into the patient's body, the Company is now on the verge of bringing in vivo the connected laboratory of the future, harnessing the full power of the latest artificial intelligence techniques now available in the Cloud and the advent of next-generation molecular markers. The partnerships with Cook Medical, Siemens and EMI are concrete illustrations that the vision for Mauna Kea is becoming a reality, and the recent launch of Cellvizio by Cook Medical at the European Association of Urology Congress demonstrates the commercial leverage inherent to our new strategy. The Company remains confident in the potential of its key markets and in the power of its existing and future partners.

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.

7. Significant events after the reporting period

Extension of strategic partnership

On February 1, 2016, the Company announced the extension of its strategic partnership with Fujifilm China. 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.

Listing on the US stock market

On February 17, 2016 the Company announced that it had qualified to have its ADRs (American Depositary Receipts) traded in a segment of the OTCQX® International in the United States, reserved to non-U.S. companies listed on a foreign stock exchange, each ADR representing two shares traded on Euronext Paris. This announcement forms part of a newsflow which should intensify in tandem with the roll-out of a new strategy of partnerships allowing the Company to improve its visibility with its international investors and in its strategic markets.

Completion of recruitment for the CONTACT II clinical study

On February 25, 2016 the Company announced it had completed the recruitment of 200 patients for the CONTACT II study of the diagnosis of pancreatic cysts with needle-based confocal laser endomicroscopy (nCLE).
At the same time, the results of several clinical studies of confocal laser endomicroscopy were published in two peer-reviewed medical journals: the World Journal of Gastrointestinal Endoscopy and the Romanian Journal of Morphology and Embryology.

8. Employee shareholding

On the last day of the financial year, shareholdings of employees of the Company, calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code (i.e. in the context of collective investment), amounted to 0%.

9. General management of the Company

Mr. Alexandre Loiseau is Chief Executive Officer of the Company. As such, the Company is represented vis-à-vis third parties by Mr. Alexandre Loiseau in his capacity as Chief Executive Officer.

10. Information concerning corporate officers

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

Compensation of corporate officers

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

Summary of compensation, options and free shares granted to each corporate officer

	FY 2015	FY 2014
Alexandre Loiseau – Chief Executive Officer		
Compensation due for the period	€244,457	€219,169

Valuation of options granted during the period	N/A	€333,333 (*)

(*) 100,000 BPCE warrants granted on February 12, 2014, with a subscription price of €10.56.

Summary table of compensation of each corporate officer

The following tables show the compensation due to the corporate officers in respect of the financial years ended December 31, 2015 and 2014 and the compensation received by these persons during those financial years.

	FY 2015		FY 2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Alexandre Loiseau – Chief Executive Officer				
Fixed compensation	€205,000	€205,000	€205,000	€205,000
Variable compensation	€25,113	€0	€0	€70,000 (1)
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€0	€0	€0	€0
Benefits in kind	€14,344	€14,344	€14,169	€14,169
Total	€244,457	€219,344	€219,169	€289,169

(1) Premium due for the previous financial year

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

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

Lastly, you will find hereunder a list of the offices and functions performed by the corporate officers in all companies:

Name and role held n the Company	Main roles held in all companies	Other appointments held in all companies
Christopher McFadden – Chairman of the Board of Directors	Canyon Healthcare Partners, Managing Partner	Foundation Radiology Group, independent director ValueCentric, LLC, independent director The Natural History Museum of the Adirondacks Director and Manager
Alexandre Loiseau – Chief Executive Officer	N/A	Mauna Kea Technologies Inc., Chief Executive Officer
Jean-Luc Boulnois – independent director	Quadrature LLC, Chief Executive Officer Microline Surgical, Executive Chairman of the Board of Directors	Fiberoptic Components, Director
Marie Meynadier – independent director	EOS Imaging, Chief Executive Officer	STENTYS, director
Joseph Devivo	Chief Executive Officer de AngioDynamics	ADVAMED, Director

11. Significant equity interests acquired in companies based in France, or control of such companies; disposals of such holdings

In accordance with the provisions of Article L. 233-6 of the French Commercial Code, we inform you that the Company did not acquire or dispose of any equity interests during the year.

12. Activities of subsidiaries and associates

As of December 31, 2015, the Company had the following subsidiary:

Mauna Kea Technologies, Inc.: formerly based in San José, and now based in Suwanee (Georgia), Mauna Kea Technologies Inc. was founded in 2005. This entity markets the Group's products on U.S. territory and provides an interface with the regulatory authorities (FDA). As of December 31, 2015, it had 15 employees and had posted sales of US$3,434 thousand for the year (€3,095 thousand) and a net loss of US$5,165 thousand (-€4,655 thousand).

13. INFORMATION relating to the distribution of share capital and treasury shares – Share buyback program

In accordance with the provisions of Article L. 233-13 of the French Commercial Code, and taking account of the information received in application of Articles L. 233-7 and L. 233-12 of said Code, we indicate hereafter the identity of shareholders with direct or indirect holdings of more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.67%, 90% and 95% of the share capital or of the voting rights at the Company's General Meetings of Shareholders as at December 31, 2015:

Shareholders	Situation as at December 31, 2015		
	Number of shares	% of the capital	% of voting rights
The Capital Group Companies, Inc	958,400	5.92%	5.92%
Seventure	660,021	4.08%	4.08%
Alexandre Loiseau	549,240	3.40%	6.44%

As of December 31, 2015, the Finadvance company held less than 5% of the share capital.

On September 2, 2011, the Company entered into a liquidity contract with SG SECURITIES (PARIS) SAS. This contract was terminated, and by means of a contract signed on May 24, 2012, the Company decided to implement another liquidity contract with GILBERT DUPONT SNC.

By virtue of this contract, as at December 31, 2015 the Company held 36,363 shares representing 0.22% of its share capital.

The Company has not informed any other limited liability company that it holds more than 10% of its capital. The Company has no cross-holdings and has not therefore disposed of any shares.

14. Restrictions imposed by the Board in respect of the exercise of options granted or sale of bonus shares granted to executives.

The corporate officer does not hold any options or share warrants.

15. Changes in the composition of the share capital during the year

	Number	Nominal value (euros)	Share capital (in euros)
• Shares comprising the share capital at the beginning of the financial year	13,992,519	0.04	559,700.76
• Shares issued during the year			
Exercise of Stock Options	34,000	0.04	1,360.00
Exercise of BSPCEs	50,937	0.04	2,037.48
Exercise of BSAs	910,000	0.04	36,400.00
Capital increase	1,189,251	0.04	47,570.04
Shares comprising the share capital at the end of the financial year	16,176,707	0.04	647,068.28

16. Share performance – Risk of price change

During 2015, 18,393,830 shares of the Company were traded on the NYSE Euronext Paris regulated market.

The shares are quoted at €2.37 as of the date of this report, March 23, 2016.

The lowest closing price recorded was €2.36 on October 27, 2015, and the highest was €6.03 on January 5, 2015.

The Company's market capitalization as at the date of this report was €38 million.

17. Summary statement of transactions carried out during the year by managers and persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code in shares of the Company

N/A

18. Information required by article L. 225-100-3 of the French Commercial Code

18.1. Structure of the Company's issued capital

Shareholders	number of shares	% of the capital
Alexandre Loiseau	549,240	3.40%
Subtotal Board « of Directors » (*)	549,240	3.40%
Others shareholders holding more than 5% of the share capital		
The Capital Group Companies Inc.	809,599	5.00%
Inocap	1,099,560	6.80%
Subtotal of "Shareholders holding more than 5% of the share capital"	1,909,159	11.80%
Seventure	660,021	4.08%
Other registered	706,571	4.37%
Other free float	12,351,716	76.35%
TOTAL	16,176,707	100%

18.2. Statutory restrictions on the exercise of voting rights and the transfer of shares or clauses brought to the Company's attention in application of article L. 233-11 of the French Commercial Code

N/A

18.3. Direct or indirect stakes in the Company's share capital of which it is aware by virtue of Articles L. 233-7 and L. 233-12 of the French Commercial Code

See section 13 above.

18.4. List of holders of any securities conferring special rights of control and description of these rights

The Company is not aware of the existence of any special right of control.

18.5. Control mechanisms provided in any employee shareholding scheme where rights of control are not exercised by the employees

The Company has not put in place any employee shareholding scheme containing control mechanisms where rights of control are not exercised by the employees.

18.6. Rules applicable to the appointment and replacement of members of the Board of Directors and amendments to the Articles of Association

The applicable rules are statutory and are in accordance with the law.

18.7. Powers of the Board of Directors, in particular the issuance and buyback of shares

The Combined General Meeting of Shareholders of June 11, 2014 authorized the Board to implement, for a period of eighteen months after the Meeting, a share buyback program in the context of the

provisions of Articles L. 225-209 et seq. of the French Commercial Code and market practices accepted by the Autorité des Marchés Financiers (the French financial markets authority). The main terms of this authorization are as follows:

Maximum number of shares that may be purchased: 10% of the total number of shares at any time, with the proviso that when shares are acquired in order to improve the liquidity of the Company's shares, the number of shares used to calculate this limit will be the number of shares bought less the number of shares re-sold during the authorized period, and when they are bought with a view to holding them and subsequently using them for payment or exchange in a merger, split or contribution transaction, the number of shares acquired may not exceed 5% of the total number of shares; Maximum purchase price (excluding fees and commissions): €30 per share excluding fees and commissions, with a total limit of €5,000,000.

Objectives of the share buyback program:

- to ensure the liquidity of the Company's shares under the terms of a liquidity contract to be entered into with an investment services provider, in accordance with the charter of the French Financial Markets Association (AMAFI) of March 8, 2011;
- to meet the obligations related to stock options, bonus shares, or employee savings plans, or other share grants to the employees and executives of the Company or companies related to 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;

18.8. Agreements entered into by the Company which are amended or terminated in the event of a change of control of the Company

N/A

18.9. Agreements providing for indemnities for executive corporate officers or employees if they resign or are dismissed without due cause or if their employment is terminated as a result of a public takeover bid

See section 10 above.

19. Social and environmental information required by Article R. 225-105-1 of the French Commercial Code

Please refer to the Corporate Social Responsibility Report.

ALLOCATION OF THE PROFIT/(LOSS)

We propose to allocate the loss for the year ended December 31, 2015 of €15,424, 674 to "Accumulated Losses", the balance of which will thus be (€60,194,362) .

DIVIDENDS PREVIOUSLY DISTRIBUTED

In accordance with the law, we remind you that the Company has not paid a dividend for the past three financial years.

NON TAX-DEDUCTIBLE EXPENSES

In application of Article 223 quater of the French General Tax Code, we ask you to approve the sumptuary expenses and non-deductible expenses referred to in Article 39-4 of this Code, which amount to €10,148.

REGULATED AGREEMENTS

The special report of the Statutory Auditors on the agreements referred to by Articles L. 225-38 et seq. of the French Commercial Code will be read to you.

CHAIRMAN'S REPORT

Attached to this report as Appendix C is the report of the Chairman of the Board of Directors on how the Board operates and the internal control procedures put in place by the Company.

DELEGATIONS CONCERNING CAPITAL INCREASES

In accordance with the provisions of Article L.225-100, para. 4 of the French Commercial Code, you will find attached to this report as Appendix A, a summary table of the delegations of authority and powers granted by the General Meeting of Shareholders to the management board regarding capital increases in application of the provisions of Articles L.225-129-1 and L.225-129-2 of the aforementioned Code. The table shows the use made of these delegations during the year. (no details on use of the delegations)

The complementary reports drawn up by the Board of Directors and the Statutory Auditors regarding the management board's exercise of the powers delegated to it have been made available to you in application of the legal provisions.

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The Board of Directors

APPENDIX A

Summary of authorization granted to the Board of Directors to increase the share capital

Date of the Annual General Meeting	Purpose of the authorization	Expiration date	Use made by the Board of Directors
Mixed General Meeting of June 11, 2014			
June 11, 2014 (18th resolution)	*Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares or any securities giving access to the capital with preferential subscription rights for shareholders – Maximum nominal amount: €184,000*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015
June 11, 2014 (19th resolution)	*Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares or any securities giving access to the capital without preferential subscription rights for shareholders and a public offering – Maximum nominal amount: €184,000*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015
June 11, 2014 (20th resolution)	*Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares or any securities giving access to the share capital without preferential subscription rights for shareholders, as part of an offering for qualified investors or a limited circle of investors as referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code – Maximum nominal amount: €184,000*	August 11, 2016 (26 months)	1/ The Chief Executive Officer, in the exercise of the power sub-delegated to him by the Board of Directors on March 6, 2015, decided on March 11, 2015 to issue 1,390,000 share subscription warrants at a unit price of €0.0001, representing a total subscription amount of €139, to Société Générale 2/ The Chief Executive Officer, in the exercise of the power sub-delegated to him by the Board of Directors on April 13, 2015, decided on May 7, 2015 to carry out a capital increase in the nominal amount of €47,570.04 by issuing 1,189,251 new shares each with a nominal value of €0.04 representing a total subscription amount of €4,697,541.45
June 11, 2014 (22nd resolution)	*Delegation of authority for the Board to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights in accordance with the authority delegated above*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015

Date of the Annual General Meeting	Purpose of the authorization	Expiration date	Use made by the Board of Directors
June 11, 2014 (23rd resolution)	*Delegation of authority granted to the Board to issue ordinary shares and securities giving access to the Company's share capital, in the event of a public offering involving an exchange component initiated by the Company – Maximum nominal amount: €184,000*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015
June 11, 2014 (24th resolution)	*Delegation of authority granted to the Board to increase the share capital, within a limit of 10% of the share capital, as consideration for contributions in kind of equity instruments or securities giving access to the capital of other companies and not part of a public exchange offering – Maximum nominal amount: €184,000*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015
June 11, 2014 (26th resolution)	*Delegation of authority granted to the Board to increase the capital by the incorporation of premiums, reserves, profits or other items – Maximum nominal amount: €16,000*	August 11, 2016 (26 months)	The Board made no use of this delegation during 2015
June 11, 2014 (27th resolution)	*Delegation of authority granted by the Board of Directors for the purpose of issuing and freely allocating BSPCE warrants to employees and executives of the Company – Maximum number of BSPCE warrants:*	July 11, 2015 (13 months)	The Board made no use of this delegation during 2015
June 11, 2014 (28th resolution)	*Delegation of authority to be granted to the Board to issue and allocate share warrants to (i) members and non-voting members of the Board of Directors of the Company in office at the warrant allocation date and who are not employees or executives of the Company or of one of its subsidiaries, (ii) a service provider or consultant under contract to the Company, or (iii) members of any committee that the Board of Directors should establish who are not employees or executives of the Company or of one of its subsidiaries - Maximum number of share warrants: 400,000*	July 11, 2015 (13 months)	The Board made no use of this delegation during 2015
June 11, 2014 (29th resolution)	*Authorization given to the Board to grant options to subscribe for or buy Company shares – Maximum number of options - Maximum number of options: 400,000*	July 11, 2015 (13 months)	The Board made no use of this delegation during 2015
June 11, 2014 (30th resolution)	*Authorization given to the Board to allocate existing or new shares free of charge – Maximum number: 400,000*	July 11, 2015 (13 months)	The Board made no use of this delegation during 2015
Mixed General Meeting of May 27, 2015			
May 27, 2015 (10th resolution)	*Authorization given to the Board to grant options to subscribe for or buy Company shares – Maximum number of options: 400,000*	July 27, 2018 (38 months)	On September 8, 2015 the Board of Directors granted a total of 73,750 stock options to purchase 73,750 shares at a unit price of €2.94.

Date of the Annual General Meeting	Purpose of the authorization	Expiration date	Use made by the Board of Directors
May 27, 2015 (12th resolution)	*Delegation of authority granted to the Board of Directors to issue and allocate share warrants to (i) members and non-voting members of the Board of Directors of the Company in office at the warrant allocation date and who are not employees or executives of the Company or of one of its subsidiaries, (ii) a service provider or consultant under contract to the Company or to one of its subsidiaries, or (iii) members of any committee that the Board of Directors should establish who are not employees or executives of the Company or of one of its subsidiaries - Maximum number of share warrants*	November 27, 2016 (18 months)	The Board made no use of this delegation during 2015
May 27, 2015 (14th resolution)	*Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares or any securities giving access to the share capital without preferential subscription rights for shareholders, for the benefit of a certain category of persons under an equity financing facility*	November 27, 2016 (18 months)	The Chief Executive Officer, in the exercise of the power sub-delegated to him by the Board of Directors on June 16, 2015, decided on July 30, 2015 to issue 1,180,000 share subscription warrants at a unit price of €0.0001, representing a subscription of a total amount of €118, to Société Générale

APPENDIX B

Main risks and uncertainties to which the Company is exposed – Company's use of financial instruments

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

Exchange rate risk

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

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

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

A change in exchange rates has an impact on Group earnings and shareholders' equity in the same manner, as follows:
- a variation in the EUR/USD exchange rate of +10% would have generated an improvement in earnings of €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.

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 debts.

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 held 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.

ANNEXE C

MAUNA KEA TECHNOLOGIES
A Public Limited Company (Société anonyme) with share capital of 647 068,28 euros
Registered office: 9 rue d'Enghien – 75010 Paris, France
431 268 028 in the Paris Trade and Companies Register Paris

Report by the Chairman of the Board of Directors on corporate governance, internal control and risk management

To the Shareholders,

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

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

1. Corporate governance

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

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

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

1.1. Composition of the Board of Directors

In accordance with the applicable legal provisions and bylaws, the Board of Directors is composed of at least three and at most 18 members, appointed by the Annual General Meeting for a three-year

term and re-eligible for office at the end of their tenure. In the event of a vacancy, Board members may be co-opted under the conditions provided for by applicable law and regulations.

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

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

The recruitment of one or more other independent directors is envisaged by the Company in the context of the improvement of its corporate governance.

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

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

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

The following table indicates the members of the Board of Directors as appointed following the Annual General Meeting on June 11, 2014. No changes were made by the last Annual General Meeting on May 27, 2015.
As of December 31, 2015 the Board of Directors of the Company was comprised of 5 directors. Mr. André-Michel Ballester resigned on December 16, 2015 and was replaced by Mr. Joseph Devivo. No non-voting Board member was appointed by the last Annual General Meeting on May 27, 2015.

Name or company name	Role	Date of appointment	Expiration of term of office
Chris McFadden	Chairman of the Board of Directors, Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Alexandre Loiseau	Director and Chief Executive Officer	OGM of 05/25/2011, re-elected at the OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Jean-Luc Boulnois	Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016
Joseph Devivo	Independent director	To be appointed by the OGM of April 5, 2016	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2018

Marie Meynadier	Independent director	OGM of 06/11/2014	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2016

The Board of Directors in its meeting of December 17 acknowledged the resignation of André-Michel Ballester from his position as Director.

Consequently it was decided to fill the Board of Directors by appointing Mr. Joseph Devivo as a Director for a period of three years, expiring at the end of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2018.

1.2. Duties of the Board of Directors

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

The Board is charged principally with:

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

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

1.3. Preparation and Organization of tasks undertaken by the Board

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

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

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

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

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

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

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

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

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

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

1.4. Report on the Board's activities during the 2015 financial year

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

During financial year 2015, the Board of Directors of the Company, as a French public limited company (société anonyme), met 6 times, on February 9, April 13, June 16, September 8, November 17 and December 17. All meetings were chaired by the Chairman of the Board. The directors' attendance rate was close to 90%.

1.5. Audit Committee

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

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

The Audit Committee is responsible in particular for:

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

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

The members of the Audit Committee appointed on June 11, 2014 are:
- Jean-Luc Boulnois, Chairman of the Audit Committee, independent director;
- Chris McFadden, Chairman of the Board of Directors, independent director.

Joseph Devivo will be appointed by the meeting of the Board of Administration on March 23, 2016, as a member of the Audit Committee.

The appointment of two members was deemed sufficient in view of the total number of directors of the Company. The internal rules of procedure of the Audit Committee, adopted on May 25, 2011 after approval by the Board of Directors, outline the legal responsibilities and practices of the Audit Committee, including the minimum number of committee meetings each year. They also state that the Committee may interview any member of the Company's Board of Directors and request any internal or external audit for any matter that it considers within its remit. The chairman of the Audit Committee shall give prior notice of this act to the Board of Directors. In particular, the Audit Committee has the authority to hear persons who participate in the preparation of the financial statements or their review (Vice President of Finance, Director of Administration and Finance). It has the right of direct, independent and confidential consultation with the statutory auditors.

The Audit Committee met twice in 2015: on April 10 and September 3.

1.6. Compensation Committee

The Compensation Committee is responsible in particular for:

- examining the main objectives proposed by general management with respect to the compensation of executives who are not corporate officers of the Group, including the bonus share and stock option plans;

- examining the compensation of executives who are not corporate officers, including the bonus share and stock option plans, the pension and insurance benefit plans and the benefits in kind;

- making recommendations and proposals to the Board of Directors on:

    - the compensation, the pension and insurance benefit plans, the benefits in kind, the other financial rights, including those in the event of retirement, of the members of the Board of Directors. The committee proposes compensation amounts and structures, in particular, rules for determining the variable portion, taking into account the Company's strategy, objectives and results as well as market practices, and

    - the bonus share and stock option plans and any other similar profit-sharing arrangement, in particular, the personal allocations to the members of the Board of Directors;

- examining the total amount of director's fees and the arrangements for distribution among the members of the Board of Directors, as well as the conditions for reimbursement of expenses that might have been incurred by the members of the Board of Directors;

- preparing and presenting the reports, where applicable, set forth in the Board of Directors' internal rules; and

- preparing any other recommendation that might be asked of it by the Board of Directors with respect to compensation.

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

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

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

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

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

André-Michel Ballester resigned from his position as director on December 17, 2015, and because of that fact, also from his position as a member of the Compensation Committee.

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

The Committee met twice in 2015, on February 6 and September 8.

1.8. Principles and rules determining the compensation of corporate officers

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

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

For the financial year 2015, the variable compensation targets for the Chief Executive Officer were set and approved by the Board of Directors on the recommendation of the Compensation Committee on February 6, 2015. These objectives took into account, inter alia, the Company's sales growth.

At its meeting on February 2, 2016, the Board of Directors, on the proposal of the Compensation Committee meeting of the same date, examined the level of achievement of these targets and resolved to pay the Chief Executive Officer the variable compensation corresponding to those targets, which are contingent on the Company's performance.

As part of its executive and employee compensation and incentives policy, the Company granted founders' warrants (BSPCE) to Company employees and stock options to employees of its subsidiary on September 8, 2015.

Executive compensation

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

Summary table of compensation and options and shares granted to each executive officer		
(Chairman of the Board of Directors) Chris McFadden	Year ended 12/31/2015 (in euros)	Year ended 12/31/2014 (in euros)
Compensation due for the period (detailed in Table 2)	59,000	32,571
Valuation of options granted during the period	N/A	32,413
Valuation of performance shares granted during the period	N/A	N/A
(Chief Executive Officer) Alexandre Loiseau	Year ended 12/31/2015 (in euros)	Year ended 12/31/2014 (in euros)
Compensation due for the period (detailed in Table 2)	244,457	219,169
Valuation of options granted during the period	N/A	333,333
Valuation of performance shares granted during the period	N/A	N/A

Summary of compensation for each executive officer				
(Chairman of the Board of Directors) Chris McFadden	Amounts due for the year ended 12/31/2015 (in euros)		Amounts due for the year ended 12/31/2014 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	0	0	0	0
- variable compensation	0	0	0	0
- exceptional compensation	0	0	0	0
- directors' fees	59,000	59,000	32,571	32,571
- benefits in kind	0	0	0	0
TOTAL	59,000	59,000	32,571	32,571
(Chief Executive Officer) Alexandre Loiseau	Amounts due for the year ended 12/31/2015 (in euros)		Amounts due for the year ended 12/31/2014 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	205,000	205,000	205,000	205,000
- variable compensation	25,113	0	0	70,000 (1)
- exceptional compensation	0	0	0	0
- directors' fees	0	0	0	0
- benefits in kind[(2)]	14,344	14,344	14,169	14,169
TOTAL	244,457	219,344	219,169	289,169

(1) Premium due for the previous financial year

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

Subscription or purchase options for shares granted during the year to each executive officer by the issuer or any group company						
Name of the executive officer	Plan No. and date	Type of options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements	Number of options granted during the period	Exercise price	Exercise period
Chris McFadden	N/A					
Alexandre Loiseau	N/A					
TOTAL						

Stock options exercised during the financial year by each executive officer				
Chris McFadden (Chairman of the Board of Directors)	Plan No. and date	Number of options exercised during the period	Exercise price	Year of grant
N/A				
Alexandre Loiseau (Chief Executive Officer)	Plan No. and date	Number of options exercised during the period	Exercise price	Year of grant
N/A				

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

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

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

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

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

Table of directors' fees and other compensation received by non-executive officers		
Members of the Board of Directors	Directors' fees paid for the year ended 12/31/2015 (in euros)	Directors' fees paid for the year ended 12/31/2014 (in euros)
André-Michel Ballester		
- directors' fees	17,000	8,011
- other compensation	0	0
TOTAL	17,000	8,011
Jean-Luc Boulnois		
- directors' fees	25,000	N/A
- other compensation	0	N/A
TOTAL	25,000	
Marie Meynadier		
- directors' fees	25,000	N/A
- other compensation	0	N/A
TOTAL	25,000	

At its meeting on August 28, 2014, the Board of Directors set its members' compensation as follows, subject to shareholder approval at the Annual General Meeting on May 27, 2015:

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

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

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

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

2.1. General principles of risk management

A) Definition

Mauna Kea Technologies continues to formalize its risk management process.

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

B) Objectives of risk management

Mauna Kea Technologies has adopted the definition of risk management proposed by the Autorité des Marchés Financiers (the French Financial Markets Authority)[1], whereby risk management is one of the Company's management tools that helps to:

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

C) Components of the risk management system

The risk factors identified to date by the Company are presented in Section IV of the Registration Document filed with the AMF on June 25, 2015, which will be updated in 2016.

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

- the Competitive environment;
- commercialization, related in particular to the adoption rate by healthcare professionals, the reimbursement terms for endomicroscopic procedures, and the recruitment of a loyal sales force;
- intellectual property;
- manufacturing processes;
- risks relating to potential product liability;
- financial risks;
- legal risks, relating in particular to regulations governing medical devices , and to authorizations already obtained or in progress and the regulatory environment;
- organizational structure of the Company.

2.2. Congruence between risk management and internal control

The point of risk management is to identify the major risks and risk factors that might impact the activities, processes or objectives of the business and to define the means of containing these risks

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

at an acceptable level, including by adopting preventive measures and controls that fall within the scope of the internal control system.

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

2.3. General principles of internal control

A) Definition

Mauna Kea Technologies adopts the definition of internal control proposed by the Autorité des Marchés Financiers[2] (French Financial Markets Authority), whereby internal control is a system implemented by the Company to ensure:

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

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

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

B) Components of internal control

Organization of the validation system

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

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

The roles involved with the software package are Procurement/Suppliers, Sales/Clients, the role of Accounting, and Management Control.

Every year, the Company is the subject of a systems-information audit. In 2015, this audit did not find any significant anomalies. The weaknesses of the system, if applicable, are covered by compensatory means of control.

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

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

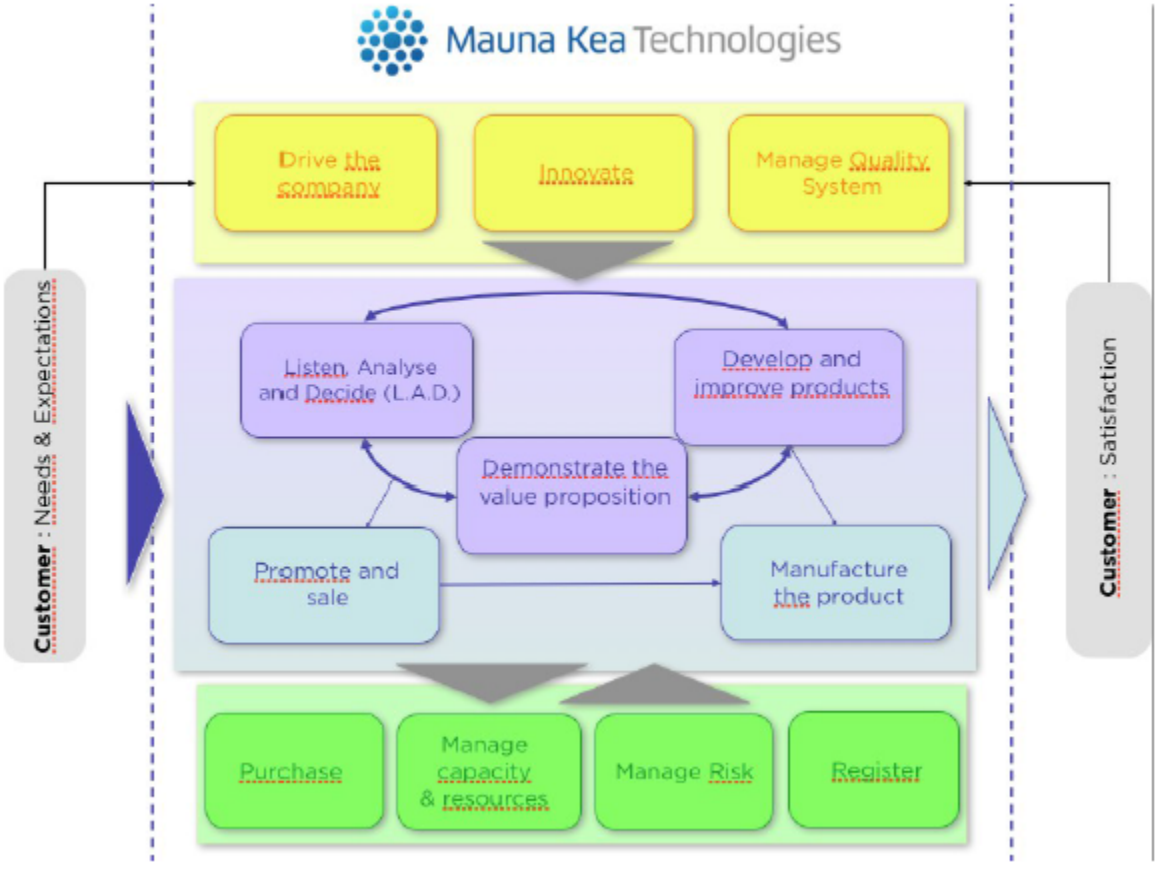
Procedures relating to operational processes

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

Each one of these processes is placed under the responsibility of a steering person, who manages, along with responsibility for quality, all of the quality-control procedures and forms describing the activities covered by the process, as well as the performance indicators connected to the process. The various processes are reviewed on a regular basis by the corporate management, at the time of the management's review.

The quality assurance system covers the following areas:

MKT Process mapping and major interactions



The system of quality management is audited once yearly by the certifying entity LNE GMED within the framework of the CE certification. In November 2015, following Recommendation No. 2013/473/UE of the European Commission, which makes it obligatory at least once during a three-year certification cycle, the Company was the subject of an unscheduled one-day audit. The results were positive, and if any nonconformities were found, the corrective actions were rapidly defined, and this audit did not cause the Company's CE certification to be called into question.

Financial reporting procedures

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

- the Company's General Management, and more specifically staff from the Finance Department, are responsible for improving internal control and adopting the recommendations of the external auditors and Audit Committee;
- the Company maintains an internal separation between the production and supervision of its financial statements and relies on independent experts to examine complex accounting entries such as the research Tax Credit and valuation of stock options or founders' warrants;
- a certified public accountant is in charge of preparing the consolidated financial statements under IFRS;
- the financial and accounting management of the U.S. subsidiary, Mauna Kea Technologies Inc., undergoes a regular internal review by the head office accounting team;
- payroll management in France and the U.S. is outsourced to a specialized independent firm.

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

At year-end, a detailed budget is prepared for the following financial year by the Finance Department and signed off by the General Management. This budget is presented to the Board of Directors. At the end of each half-year, the accounting teams close the consolidated accounts of Group companies.
The analytical validation of entries and a comprehensive spending review are carried out during periodic budget reviews organized with all operational managers. The Finance Department reports to the General Management and directors at each Board meeting. The reports are presented and discussed periodically at Board meetings.

2.4. Risk management and internal control actors

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

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

The Company seeks to adapt its risk management system to its information system (ERP) and to improve the monitoring of the action plans identified.

In the medium term, the Company could extend the functional coverage of its ERP system with additional functions such as production and after-sales service.

3. Gender representation on the Board of Directors

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

The Board of Directors has endorsed the content of this report, which will be presented to the Annual General Meeting held to approve the 2015 financial statements.

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Chairman of the Board of Directors

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

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Year ended December 31, 2015

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE *(CODE DE COMMERCE)*, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF MAUNA KEA TECHNOLOGIES

To the Shareholders,

In our capacity as statutory auditors of Mauna Kea Technologies and in accordance with article L. 225-235 of the French commercial code *(Code de commerce)*, we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French commercial code *(Code de commerce)* for the year ended December 31, 2015.

It is the chairman's responsibility to prepare and submit for the board of directors' approval a report on the internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French commercial code *(Code de commerce)* relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and

- confirm that the report also includes the other information required by article L. 225-37 of the French commercial code *(Code de commerce)*. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the board of directors in accordance with article L. 225-37 of the French commercial code *(Code de commerce)*.

Other information

We confirm that the report prepared by the chairman of the board of directors also contains the other information required by article L. 225-37 of the French commercial code *(Code de commerce)*.

Paris and Paris-La-Défense, April 7, 2016

The statutory auditors
French original signed by

COFIDEC	ERNST & YOUNG et Autres
Olivier Robinault	Cedric Garcia

CORPORATE AND ENVIRONMENTAL RESPONSIBILITY OF THE MAUNA KEA TECHNOLOGIES GROUP

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Section 1
CORPORATE RESPONSIBILITY OF MAUNA KEA TECHNOLOGIES

The mission of Mauna Kea Technologies is to eliminate diagnostic uncertainties by introducing and deploying in the medical field a break-out technology, called confocal laser endomicroscopy, which is capable of both in situ and in vivo cellular examination.

The Company's goal is to cover a vast field of applications, from research to surgery through clinical medicine, bringing together innovative means of imagery, data-sharing tools and powerful calculating tools, and implementing the most cutting-edge advances in molecular medicine.
The Company's activity, which is essentially multidisciplinary, requires a large range of competencies: scientific, technical, clinical, legal, commercial, with a very high degree of expertise. The Company's very ambitious objectives also require commitment and high standards on the part of employees.
The Company is thus particularly aware that its employees represent its most precious capital.

This is why it believes that the mission of Human Resources is to contribute to the growth and profitability of the Company over the long term, by developing and implementing practices which make it possible to attract, motivate, develop and retain the best employees, to meet its current needs and to anticipate its future needs, all while bringing together a culture, an identity, and strong values which are shared by all.

Particular care is given to new employee induction, with a presentation of all of the Company's activities, but also a broad overview of the technology, its applications, its utilization, and its challenges.

Employee development is key to the Company, and is regularly monitored during performance reviews, with priority given to training and to knowledge-sharing.

Working at Mauna Kea Technologies is much more than the simple performance of assigned tasks. The Company expects from each employee a faultless work ethic: honesty, candidness and respect are at the center of the values shared by all every day. Motivation, initiative, and creativity are also expected, at the cost, if necessary, of risk-taking, mistakes, or actions being called into question, but always attentive to new proposals. Innovation does not follow a straight and well-trodden path. To innovate, it is essential to know how to take risks, explore, make mistakes, question oneself, listen, and change.

Employees have now jointly defined and share a system of values which make for a strong business. This system relies upon four pillars:

- passion for performance
- thinking outside of the box
- the willingness to grow with the business
- team solidarity

These four values structure and provide direction to the work and daily exchanges between employees, as does the quality-control policy, of which they form an integral part.

Mauna Kea Technologies thus aims for excellence, but a sense of humor must remain one of its major principles: to be serious, without taking oneself seriously.

Thus, every day, the employees of Mauna Kea Technologies seek to contribute to a common objective: to offer health professionals the imaging and calculation technologies necessary to improve patient care by a faster, more reliable, and more effective diagnosis for health systems.

The employees of Mauna Kea Technologies firmly believe that they have opened the way to a new dimension in the exploration of the human body, and pursue their efforts to make innovation serve medical progress.

1.1. Staff numbers and employment

Staff numbers are distributed in the following fashion:

Distribution of average staff numbers by category :

	12/31/2015	12/31/2014	Change
Permanent contract	105.6	116.6	-9.43%
Fixed-term contract	1.8	3.5	-48.57%
Total workforce	107.4	120.1	-10.57%
Executives	93.8	104.6	-10.33%
Non-executives	11.8	14.1	-16.31%
Apprentices	1.8	1.4	28.57%

Most of the workforce is on a permanent contract, which is indeed the policy of the Company, which invests significantly in training for its new employees, and is therefore keen to retain them.
In addition, in 2015, 5 VIPs were seconded by Business France to support the clinical and commercial activity in the United States and in Japan. Moreover, the Company received the 2015 "Grand Prix Entreprise" of Business France, in the start-up category.

Distribution of employees by gender:

	12/31/2015	12/31/2014	Change
Men	68	74.2	-8.36%
Women	39.4	45.8	-13.94%
Total workforce	107.4	120.1	-10.57%

The gender distribution is due to the sales force and R&D workforce being predominantly male.

Distribution of workforce by geographical region:

	12/31/2015	12/31/14	Change
France	83.9	84.6	-0.81%
Europe excluding France	0.9	2.4	-61.81%
America	19.5	28.1	-30.60%
Asia-Pacific	3.1	5	-38.33%
Total workforce	107.4	120.1	-10.57%

Full-time equivalent staff decreased by 10.6%.
This drop can be explained by the cessation of direct marketing in Germany, but also by the departure of employees to the United States, who were not replaced, taking into account the new distribution strategy of the business, which now relies on new commercial partners.

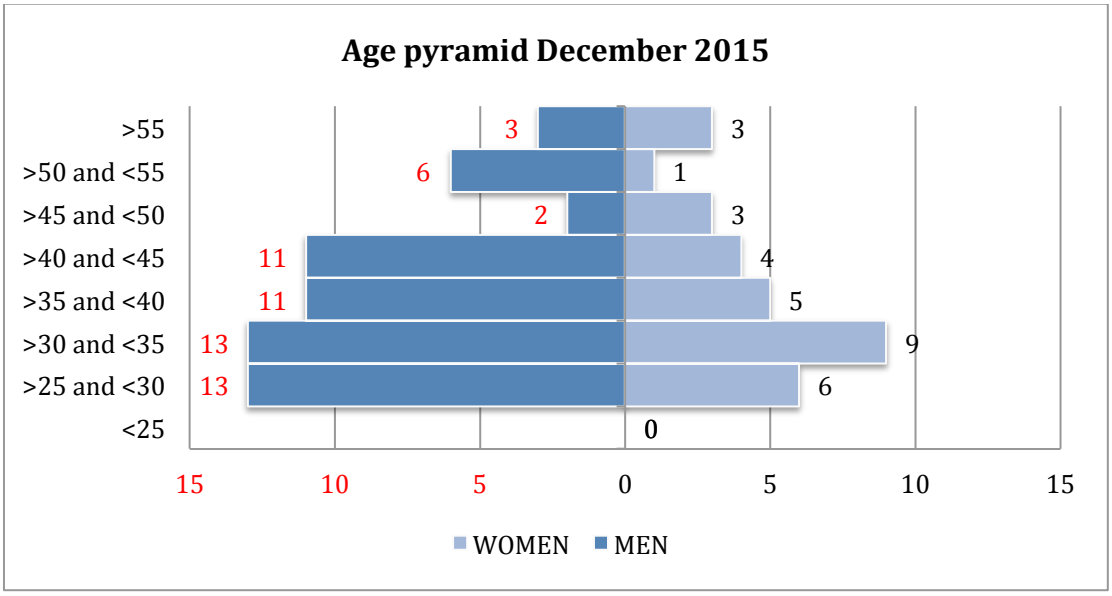
Entries and departures:

Number of new hires	2015	2014
Permanent contracts	10	37
Fixed-term contracts	1	3
Apprentice/intern	1	3
Total	12	43

The number of new hires decreased, despite an increased number of departures: certain departures were not replaced, taking into account the Company's new strategy.

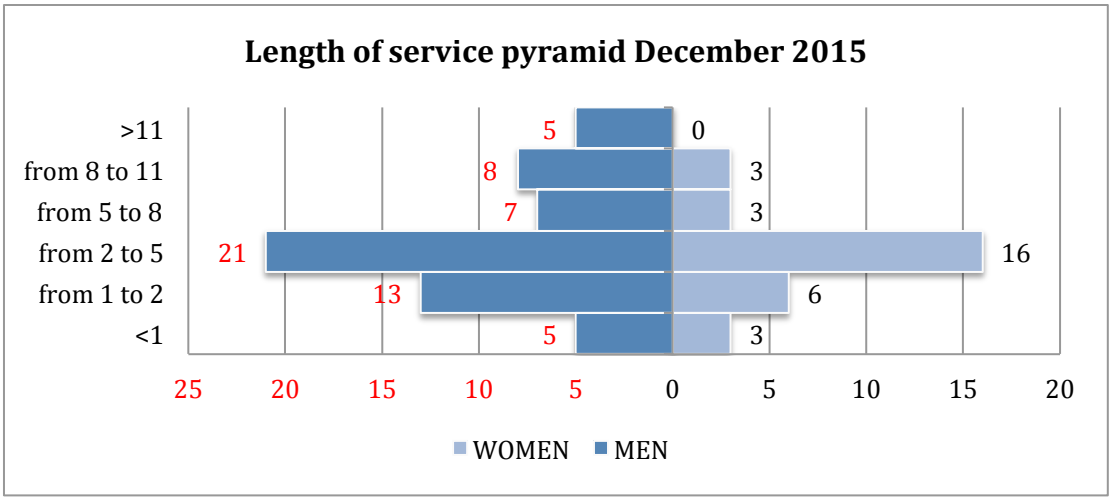
Departures by reason	2015	2014
Redundancies/dismissals	9	5
Voluntary departure	23	14
End of fixed-term contract	3	3
Others	8	7
Total	43	29

Age and length of service pyramid



Age pyramid
December 2015
Women
Men

20% of the employees are over the age of 45, and 20% also are under the age of 30, reflecting a very great diversity of age in the Company.



Length of service pyramid
December 2015
Women
Men

The length of service pyramid reflects the Company's strategy, namely, numerous hires between 2011 and 2014, in all positions, and thus affecting all age groups.

1.2. Organization of work hours

The majority of employees work on a daily contract basis, pursuant to the contractual framework, which allows them a contractual number of rest days (9 for the year 2015).
Other employees work on a basis of 36 hours and 50 minutes per week, thus benefiting from a contractual number of days of rest pursuant to French working time legislation (RTT).

The majority of employees work full time: only 2 employees are part-time.

Absenteeism (excluding paternity and maternity leave)

Scope - France only	2015	2014
Number of sick days / total number of hours theoretically worked	0.95%	1.37%

A marked decrease in absenteeism was noted in 2015.
The average number of days of absence per employee was thus 2.4 (4.6 days, including absences for maternity and paternity leaves), well below the figures announced by the specialized firms (Alma Consulting Group announced an average of 16.7 days absence per employee in 2014).

The Company has defined a policy for occasional telecommuting, which makes it possible for managers to authorize this for their employees when needed. This policy has contributed to the reduction in the Company's absenteeism rate.

Lastly, the Company has, since its founding, decided to give fathers paid paternity leave.

1.3. Compensation policy and its evolution

Compensation is reviewed annually, as a function of the employees' performance, assessed during Performance and Development reviews.

Comparative gross wages of active employees in January 2015 in relation to January 2014, showed an average increase of 6.7%, promotions included (France scope only).

Taking into account the financial position of the Company, no profit-sharing or incentive agreement has been put into place. Target-based bonuses are paid to all employees, with a portion linked to the Company's results, and the other on the basis of individual objectives.

Other elements of compensation:

- Since its founding, the Company has put into place a supplemental health and retirement plan; mutual insurance is covered 70% by the employer, and the retirement plan, 100%. It is worth noting that the health insurance plan offers a very good level of coverage.
- Employees benefit from restaurant vouchers, with the employer assuming 53% of the cost. The face value is €9 (to note, the average value of a voucher in 2014 was €7.31)

Lastly, all employees of Mauna Kea Technologies are connected with its performance through the allocation of Founders' warrants (BSPCE) in France or stock options in the United States.

1.4. Labor relations

Elections for employee representatives took place in March 2015; taking into account the size of the Company, the elected persons were grouped into a Sole Employee Representative Body.

The new organization of work hours was made on the basis of industry-wide agreements. (National Agreement of March 3, 2006 of the National Convention of Engineers and Executives in Metallurgy, and National Agreement of July 10, 1970, as amended, on Monthly Payment of Wages)

The company started to work with the Sole Employee Representative Body on an action plan for gender and age equality in the workplace; the figures were presented at the monthly meeting on October 23, 2014. The new members of the employee delegation elected in March have taken up the matter for decision.

The elections for employee representatives having taken place before the implementation of the Rebsamen Law, an election for the representatives to the Committee for Health, Safety, and Working Conditions (CHSCT) was also put into place. This body meets quarterly, in accordance with the legislation.

1.5. Health and safety

The Company prepared a Single Document, in accordance with the legal provisions. This document was totally redefined in 2012, and a detailed action plan was implemented with the Committee for Health, Safety, and Working Conditions. It is monitored at each quarterly meeting of the Committee for Health, Safety, and Working Conditions.

It is worth noting:

- No work- or travel-related accident took place in 2015
- The company owns an external defibrillator: the Company's First Aid Workers have been trained in the use of this equipment, as well as ten or so employee volunteers.

Employees who are exposed to contamination risks (because of frequent presence in hospitals) attend doctor visits, reinforced by blood-work analysis. Some employees also wear a radiation-protective dosimeter, to be worn in the operating room.
An initiative for raising awareness of Blood Exposure Accidents is being prepared by the Committee for Health, Safety, and Working Conditions, and will be implemented with the employees concerned during 2016.

1.6. Training

The Company's objective is to encourage the continuous development of employee competencies, with the ongoing to: match individual employee demands with the objectives and needs identified by the Company.
The training policy derives directly from the employee performance and development reviews (see 1.7) and the Company's strategy.
The principal training focuses defined by the Company are the following:

- to invest in increasing the competency directly connected to the job description, against which gaps are identified;
- to prepare employees' development for their current and future assignments, and to thus encourage their employability and their mobility;
- to support or anticipate changes, particularly in the areas of technology and company organization.

In 2015, Mauna Kea Technologies wanted to work more specifically on training for the introduction of new information systems (in particular, the new Customer Relationship Management (CRM) tool).

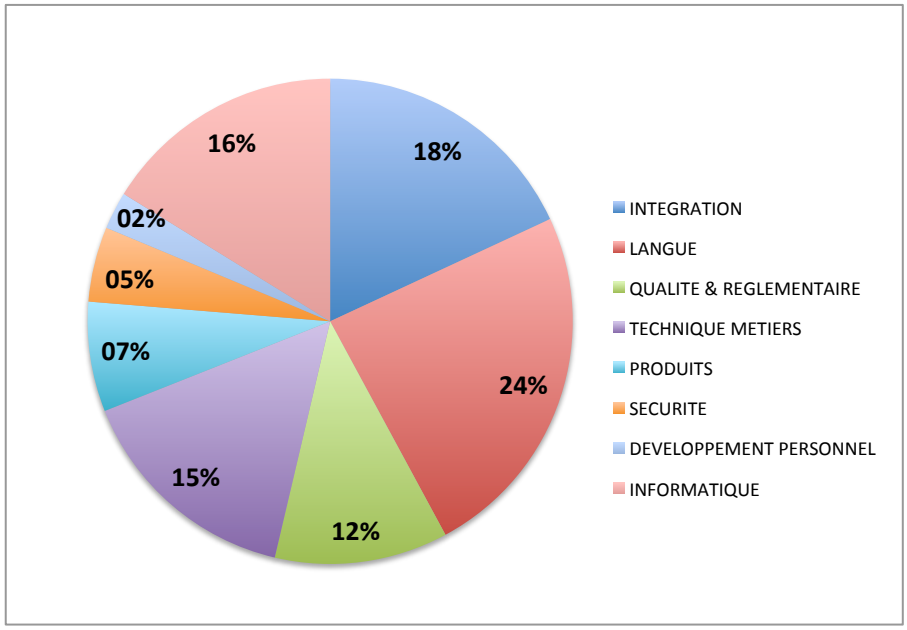
In 2015, training indicators dropped, for 3 major reasons:

- lower demand on the part of the employees themselves, demand which then went up through the Performance and Development Reviews;
- a lower number of new arrivals: however, training efforts are very concentrated to train new employees;
- a lower investment in language courses, even though the distribution of training hours shows that this remains the primary investment focus.

Training indicators:

Worldwide Scope	2015	2014
No. of training hours	1,120	1,877
No. of employees trained	105	129
No. of hours / month / employee	0.87	1.30

Distribution of training hours:



Integration
Language
Quality assurance and regulatory compliance
Technical occupations
Products
Safety
Employee development
Information technology

It is worth noting that 58% of training hours are provided in-house (mainly quality assurance training, technical/clinical/product training on Cellvizio®, and IT training).
As an example, IT training largely concerned the implementation of the new CRM (Customer Relationship Management); in the area of safety, with all of the First Aid Workers retraining; lastly, training was also provided for the implementation of an ALM (Application Lifecycle Management) tool, which was allocated to the Technical Occupations field.

1.7. Employee assessment at Mauna Kea Technologies: Performance and Development review

More than a simple performance evaluation, the Performance and Development review has as its objective to create a true dialogue between the employee and the manager on development goals in the Company.
It begins by an employee balance sheet, prepared by the employee, who can broadly express what he or she likes about his/her position, his or her professional aspirations, and his or her development goals. It contains a paragraph, "Growing with the business", one of the four Company values, leaving free range to the employee to express him or herself.
The employee is then asked to express him or herself on his or her performance, its adequacy with respect to Company values, and a self-evaluation of competencies required for the position. He or she then proposes objectives for the following year.
The manager then holds an interview on the basis of this employee balance sheet, and analyzes the progress observed on the development areas set the preceding year. The manager also sets, in agreement with the employee, developmental actions for the following year, based on the gaps noted.
These actions are the basis for the Company's training plan.

1.8. Mauna Kea Technologies and well-being at work

For two years, the Company has been measuring its employees' quality of life, through the Great Place to Work survey. This questionnaire is built around 59 questions, covering five areas: credibility, respect, fairness, pride, and friendly atmosphere.
These results gave rise to work groups, by department, in order to identify areas for improvement.
In 2015, the Company gained 3 points on average and in relation to the preceding year. Notably, it gained 2 points on the specific question of well-being at work, going from 62 to 64% employee satisfaction.

1.9. Diversity and equal opportunity

1.9.1. Employment and integration of disabled workers

The Company put into place a partnership with an ESAT (a French organization for the assisted employment of disabled persons) (cooperation workshops); it thus regularly employs disabled persons in logistical assignments (receiving, deliveries) and in printing.

Expenses incurred stood at €4,580 in 2015 as compared to €7,570 in 2014. This decrease is explained by a period of unavailability of the person seconded from the ESAT to the Company for a good part of 2015.

1.9.2. Fairness

Fairness is measured by the Great Place to Work survey, and shows that Mauna Kea Technologies receives very good scores, with most showing improvement, in all fairness criteria.

Employees are treated fairly regardless of :	2015	2014
Their age	87%	78%
Their ethnic or religious origin	94%	94%
Their gender	94%	89%
Their sexual orientation	94%	90%
Any disabilities they may have	91%	95%

Policy of gender parity and gender distribution.

Concerning the percentage of women executives out of the total executive employees: this percentage decreased in 2015 (3 women executives hired in 2015, for a total of 11).

Scope - France	12/31/2015	12/31/2014	Change
Women executives	36.2%	39.85%	-9.2%

Occupational gender equality: compensation

The Company does not discriminate in hiring: it is the profile which is best suited to the competencies being sought which is always what is considered.
Likewise, the Company does not discriminate in terms of wage increases or training policy.

Wage increases of Men / Women, Male Executives/ Women Executives

In €, Scope - France	12/31/2015	12/31/2014	Change
Average	4,713.63	4,416.65	6.7%
Men	5,011.90	4,737.64	5.8%
Women	4,322.78	3,996.05	8.2%

In €, Scope - France	12/31/2015	12/31/2014	Change
Executive	5,103.74	4,766.20	7.1%
Male executives	5,640.53	5,322.68	6.0%
Women executives	4,505.00	4,145.52	8.7%

Section 2

ENVIRONMENTAL RESPONSIBILITY OF MAUNA KEA TECHNOLOGIES

2.1. To reduce the environmental footprint of products all throughout the life cycle

The Company takes into account starting from product creation all European regulations pertaining to the environment (for example, REACH, ROHS, DEEE, etc.) which have the objective of:

- limiting wastes and their hazards;
- promote reuse and recycling ;
- improve conditions for disposal and control;
- limiting or prohibiting the use of certain hazardous materials.

These regulations and their requirements are completely integrated into the Company's quality-control system. Specific procedures, under the joint responsibility of Quality and R&D engineers, have been established in order to guarantee that no substance which is hazardous to the environment is incorporated into its products.

In 2014, an in-depth review of all documentation included in the nomenclature of our products was carried out by a work group consisting of an R&D engineer specialized in materials vigilance, a regulatory authority, and a buyer. The suppliers were questioned in order to prove their compliance with the REACH and RoHS regulations. Mauna Kea Technologies now systematically requires new documentation of the supplier's commitment to comply with these standards. To date, the Company is in compliance with RoHS regulations.

In addition, Mauna Kea Technologies called upon an approved eco-entity (Recylum) for the recycling of its products at the end of their useful life. Products reaching the end of their useful life are collected by the company, sorted and stored with a view to recycling, as required by the regulations in force.

2.2. Decrease the environmental footprint of the Company

2.2.1. Production and marketing activities

The activities of Mauna Kea Technologies do not implement hazardous products or contribute to any significant pollution. In fact, Mauna Kea Technologies has "clean" manufacturing, based upon optical and mechanical processes which use very little chemical product.
With respect to waste management, the soiled residue from production (disinfecting wipes, gloves, adhesive residues, etc.) presenting an infectious risk are stored in a special receptacle. These receptacles are collected by a specialized company (EDC, GC Group) which reduces their infectiousness to the level of household garbage.

The Company is committed to reusing products at the end of their useful life for trials and tests, for example, destructive tests or durability tests on our probes, or by recovering components for the production of models or prototypes during new product design.

2.2.2. Mauna Kea Technologies is committed to controlling the use of resources

Taking into account the number of employees and of its operations, the Company has little impact on its environment. Nevertheless, daily actions are performed in order to limit this footprint.
For example, in 2012, it renewed its pool of printers, and introduced a badge-swiping system, which enabled it to limit unnecessary printing and paper waste.

In addition, Mauna Kea Technologies is committed to limiting its carbon footprint, through the use of low-polluting vehicles in its automobile fleet (less than 130 gCO2/km).

Lastly, energy consumption is monitored: it was 161,525 kWh in 2015 as compared to 159,675 kWh for the 2014 financial year for the main site, which is 8,561 kg equivalent of CO_2 greenhouse gas as compared to 8,463 kg CO_2 equivalent, respectively (*). This slight increase can be explained by the fact that the Company enlarged its premises during the course of 2014.
(*) 53 g of CO2 equivalent per kWh, source EDF, average for last 15 years.

Section 3
CORPORATE RESPONSIBILITY OF MAUNA KEA TECHNOLOGIES

3.1. Regional, economic and social impact

3.1.1. Patient/system health benefit

The mission of Mauna Kea Technologies is to make available to patients, physicians, hospitals and healthcare systems, products which will improve patient care, and assist physicians in making good therapeutic decisions, and enable cost reductions for healthcare systems.

In comparison with a traditional biopsy, which consists of removing a specimen of tissue from a patient in order to have it analyzed under a microscope in a pathology lab, the digital optical biopsy offers visualization in real time - in other words, during the patient examination procedure - at the microscopic level, and without having to remove any tissue.

It offers the advantage of avoiding taking physical biopsies on areas identified as healthy by the digital optical biopsy; knowing that 90% of physical biopsies are negative, that corresponds to many millions of tissue removals which could be avoided, and a potential savings for healthcare systems of several hundreds of millions of euros, as presented during the Symposium organized by Mauna Kea Technologies with approximately one hundred experts in digestive pathology, which can be found in the book, "Endomicroscopy in digestive pathology", coordinated by Drs. Coron and Rahmi.

The digital optical biopsy results in comfort and the benefit of being able to reassure the patient in the numerous cases where the cells are healthy, by eliminating an anxiety-provoking wait of several days to several weeks for the pathology examination results.

3.1.2. Patents and innovation

At the time of its founding, the Company relied upon licensed patents from research institutes or laboratories. It has perfected its products by carrying out important research and development work, and invested several tens of millions of euros. This research work has given rise to numerous patent applications: 192 patents have already been issued in France, but also in the United States, in Europe, and in certain Asian countries.

In order to maintain its technological advance, to add to its product offering, and to increase the scope of utilization of optical biopsy, the Company still continues to invest in research and development. In 2015, the Company maintained a high level of investment, with €4,648 thousand following on from efforts carried out over the last three years (€4,583 thousand in 2014, €3,611 thousand in 2013).
In particular, it has invested in information systems, and has acquired a new CRM (Customer Relationship Management) system, and tools which assist development and management of the product life cycle, with an ALM (Application Lifecycle Management) and PLM (Product Lifecycle Management).

Also, 2014 saw two new in-house functions created, aimed at promoting innovation:

The Idea Booster is an activity whose objective is to manage innovative ideas, which would not be exploited in the context of a clearly identified project or a study. Any idea can be sent to the Idea Booster whose mission is to encourage its maturation, to evaluate it, and to grow its value.

The Hackfest is an event dedicated to creativity and innovation: 48 hours are devoted entirely to creation, in other words, the creation of a "hack" or a proof of concept, with a prize awarded by a jury specially named for the event.
In 2014, this in-house contest was first directed at R&D, then to marketing, In 2015, the "product design" teams (R&D and Marketing) were mixed together, in order to promote interdisciplinary exchange.

3.1.3. Job creation

As of late December 2015, the group consisted of 91 employees, 73 of whom were in France. Its workforce is highly qualified, with headcount consisting mostly of executives.

In terms of indirect jobs, the Company has established a network of privileged relationships with certain of its French, European and also Japanese suppliers, with whom it develops, designs, and manufactures its products.

3.2. Relationships with related parties

3.2.1. Related parties

Mauna Kea Technologies is evolving at the heart of a complex ecosystem, which includes many players.
The final beneficiaries of its products are the patients. It is in order to improve patient care that the Company develops its products, and in order to demonstrate this added value, the Company must carry out clinical investigations for each indication.

The clients - the purchasers of the products - are physicians and care institutions. The Company has thus developed strong relationships with the medical community, and in particular with opinion leaders, who have experience with our medical devices, and the scientific authority necessary for the adoption of a new medical technology by their colleagues. It is these same opinion leaders carrying out clinical trials who are going to make it possible to demonstrate the pertinence of these products. Most of the time, the physicians meet through a professional association or scholarly society. These scholarly societies have an important influence in obtaining reimbursement codes, or in implementing sound medical practices founded upon national or international recommendations; the reimbursement codes are issued by healthcare authorities, according to a scheme and a procedure which varies from one country to the next.

With respect to marketing authorizations, the Company works in each country with the relevant national healthcare authorities.
In the United States, it has obtained ten 510(k) regulatory authorizations from the Food and Drug Administration (FDA). The last 510(k), obtained in 2015, concerns the use of the CelioFlex™ probe, intended for the visualization of tissue during laparoscopic surgical procedures.
In Europe, it works with the G-MED, a "notified body" for the CE marking of its products.
Marketing authorization in Japan was obtained in April 2014. The Company obtained a double authorization: One of Class 1, for the use of Cellvizio® technology, and one of Class 2 (NINSHO), for the endoscopic use of Cellvizio® Confocal Miniprobes. Both of these cover all of Cellvizio®'s current clinicial indications: gastroenterology, urology, and pneumology.

In March 2012, the Company obtained the creation of three so-called CPT® codes of Category I in the United States, specifically created by the American Medical Association (AMA) for endomicroscopy in the upper digestive tract. The creation of these codes is a strong recognition of the interest of doctors and the healthcare system in optical biopsy and in the products of Mauna Kea Technologies in the United States. In spring of 2015, a CPT of Category III was obtained, for the use of endomicroscopy in bile ducts.
The Company is now working on the establishment of reimbursement for Cellvizio® procedures by public and private insurance companies in the United States. In parallel fashion, initiatives have been

taken in order to obtain reimbursement codes for the use of Cellvizio® in other countries (Germany and the United Kingdom), where the relevant national authorities have approved the marketing of the system.

Outside of the medical field, the Company maintains close relationships with both the European and the U.S. financial community. The Company has been listed on the NYSE-Euronext stock exchange in Paris since July 2011. It has a shareholder base of several thousand individual French shareholders, which is the vast majority, and individual European and U.S. institutional investors, general fund managers or healthcare specialists. It meets with these investors at conferences and "roadshows" in Europe and in the United States, arranged by banks which are specialized either in small- to mid-caps or in the healthcare sector. The Company's shares are also now listed on the OTCQX market in the United States, making it possible for U.S. investors to buy shares in dollars by means of American Depositary Receipts (ADRs).

3.2.2. Mauna Kea Technologies participates in the dynamism of the economic and industrial fabric in France

Convinced that it must encourage in France the emergence from start-up to success to generate economic value and jobs, the French government created the Initiative French Tech at the end of 2013. The "French Tech" refers to all those who work in or for French start-ups in France or abroad: firstly, the entrepreneurs, but also investors, engineers, large groups, organizations, the media, public operators, and research institutes which become involved in the growth of start-ups, on the one hand, and in their international growth, on the other hand.
The philosophy of French Tech is: to rely on initiatives of the members themselves of French Tech, to develop what is already existing, and to create a snowball effect. It is a shared ambition, driven by the State, but supported and built with all of the players.

In the vocabulary of French Tech, a "start-up" is a young enterprise with a worldwide ambition, seeking an economic model which will ensure its strong and rapid growth, or, an enterprise which has grown with such a model. Because they take risks by exploring new products or services, those which succeed become very rapidly international enterprises, with several hundred, even thousands, of employees.
It was thus completely natural that since 2014, Mauna Kea Technologies has been an active player in French Tech, with regular participation in conferences and in open-door days.

3.2.3. Partnership policy with schools and other initiatives

The Company has a partnership policy with certain schools. Thus, every year it welcomes in its offices students from the École Polytechnique de Paris, in order to present to them the Company's activities. This day of exchanges also makes it possible for the Company to present open internships, but also for the students to present their projects and their professional aspirations.
The last one took place on May 21, 2015.

In the same way, the Company works very closely with the Université Technologique de Compiègne, in the context of exchanges with former students.

For the 2nd consecutive year, Mauna Kea Technologies opened up its doors as part of the Start'up Assembly on May 11, 2015.
The Start'up Assembly is similar to start-up versions of the Heritage Days. This initiative, organized by French Tech, does indeed bring together those who are simply curious, but also, persons seeking employment, and students seeking an internship. The Company takes advantage of this event in order to share its technology and its values.

3.2.4. The confidentiality of the information exchanged is carefully managed.

Mauna Kea Technologies is growing in a competitive sector, it therefore emphasizes protection of its confidential and proprietary information, in order to ensure its technological advancement. The Company does, however, promote interactions with its technological environment, in the framework of partnerships and collaborative products, but also, with players in the market in which it operates, in the framework of its strategic development.
Confidential information thus communicated by the Company can be of various types: scientific and technical data (examples: the know-how, plans, schemes, etc.), financial and clinical data. Such exchanges are systematically covered by confidentiality agreements.
Models, specifically developed in accordance with the needs of Mauna Kea Technologies, are utilized in order to maintain the confidentiality of information exchanged with the various partners. They are mainly utilized outside of any contractual partnership.

3.2.5. Knowledge of our environment

Intelligence-gathering is an activity involving the collection of information and the development of knowledge on the environment outside of the Company, making it possible for the Company to anticipate change and to assist in directing strategic decision-making. Strategic decision-making is a key factor in the survival and evolution of a business, especially in the field of innovation.
Moreover, in a competitive sector, an effective R&D goes beyond the four walls of a business and explores what is developing and being marketed on the outside. The intelligence-gathering activity thus also extends the objective of promoting in-house innovation.
Mauna Kea Technologies has put into place an organized cross-functional system of intelligence, covering the collection, processing, and dissemination of knowledge. An in-house procedure was created in order to provide a framework for this activity.

3.3. Subcontracting and suppliers

Mauna Kea Technologies maintains privileged relationships with its suppliers. It worked during this year with about 160 suppliers for its production and research and development purchases, particularly in the optical, electronic and mechanical categories. 74% of the suppliers used for production were French.
The main countries with which it works are France, the United States, Japan, and Germany, for 36%, 26%, 15% and 13%, respectively, of the purchasing volume. These countries are not deemed to be at risk with respect to work conditions.
Its principal supplier, which represents 15% of production purchases, is a shareholder of the Company; a contract was entered into with it for the transfer of probe production (see Section 22 of the 2015 Registration Document).

The Company subcontracts the manufacture of electronic cards, the integration of Cellvizio® electromechanical casings and the manufacture of certain probes to the same French and Japanese subcontractors for about ten years.

In 2015, two new events should be noted:

- a study of the supplier pool was carried out over the last four years, in order to better understand the typology of the suppliers used, as well as their turnover rate. The results of this study enabled a primary analysis of the causes of the turnover rate to be made, and to define actions which would make it possible to improve the management of the supplier pool.
- supplier payment indicators were also created: on average, suppliers are paid on average 33 days following the invoice date, which is a good average payment time frame. Nevertheless, it was found that 56% of the invoices are paid late. This situation can be explained by supplier payment terms with payment due on the invoicing date.

Several years ago, a process was created to select strategic suppliers on the basis of a multi-criteria matrix, such as regulatory and standards compliance, solvency, and technical capacities starting from product conception.

The critical suppliers, numbering about 50, are those who have a direct impact on product performance, and are assessed every year on the basis of partnership, quality, and costs of the services or products supplied. They are also questioned with respect to their Corporate Social Responsibility (CSR) policy, particularly regarding actions implemented for employee health and safety. The assessment is revisited for all suppliers, as part of a continuous improvement approach.
Lastly, a supplier audit program is conducted every year. These audits are performed on-site at the supplier, by six auditors trained in the practice (purchases, R&D, production, quality assurance) and enable the assessment of the suppliers' compliance with different criteria, and ensure that the requirements of our ISO 13485 and ISO 9001 quality management system are met. Following each audit, a balance sheet is drawn up and an action plan established in agreement with the supplier. Thus, in 2015, five supplier audits were carried out, in the presence of Company representatives.

3.4. Fair practices

Fairness and ethical business conduct are part of the basic principles of Mauna Kea Technologies' activities. All activities are organized to ensure clients and patients of a product of the safety necessary for its medical use. Clinical affairs comply with the rules of ethical business conduct through the anonymity of patient data used during clinical trials, and the software incorporated into the products is developed in conformity with ISO Standard 62304.

3.4.1. Monitoring of activities

In order to ensure oversight of such activities, Mauna Kea Technologies remains attentive to its clients and to their feedback on the use of its products, by providing input to the continuous process of improvement.
As part of its monitoring of activities connected to the Quality Management System (QMS), internal audits are regularly performed, which enable the conformity and effectiveness of the key activities of the Company, such as Post-Market Surveillance (PMS) or materials vigilance, to be determined. These audits are performed by auditors who are independent from the activity being audited.
Within the context of product use in a medical environment, a specific process of Post-Market Surveillance and of materials vigilance has been put into place. This makes it possible to gather data on incidents presenting a potential risk to patient or user health connected to the use of our products. The incidents are analyzed, in liaison with the physician-users, in order to decide on the need to report the incident to the national health authorities. In 2015, the percentage of incidents reported to the competent authorities according to the applicable European directive and national legislation, was less than 0.2% ofthe procedures carried out with Cellvizio®, lower than the published data for such studies, when they are carried out without

3.4.2. clinical trials

The Company is a sponsor of numerous clinical trials, according to the definition of the international ISO 14155 standard. A rigorous process is followed: for each trial, a clinical study plan (protocol) is submitted to Ethics Committees and to National Competent Authorities upon which the participating study centers depend, and according to their local legislation, for example, to the Committee for the Protection of Persons (*Comité de Protection des Personnes*) and to the National Agency for the Safety of Medicine and Healthcare Products (*Agence Nationale de Sécurité du Médicament et des Produits de Santé*) for France.
The protocol describes in detail the nature of the trials carried out, and is committed to demonstrating the pertinence of the study, by giving priority to the potential benefit for the patient and the associated risks.
The patients who participate in the trial receive an information notice which specifies the nature of the trial in which the physician proposes to include them, the risks involved, and the benefits of the clinical evidence which may be concluded from this trial.
They thus co-sign an "informed" consent with their investigator-physician, and keep a copy.
Only the data which is pertinent to the clinical demonstration is gathered during the clinical trials. All personal and/or sensitive patient data is processed in compliance with the laws and regulations in

force pertaining to the protection of data, its management, and its processing. Identifying information is removed from all data gathered for a specific patient, and is sometimes coded, in order to guarantee respect of their privacy.
Mauna Kea Technologies makes regular visits to the study sites in order to ensure compliance with the protocol, and remits each year an analysis to the ethics committees, pursuant to local legislation and requirements.
All investigators and/or their institutions draw up a specific agreement for each trial with the Company, in order to reiterate their independence, the respective duties of the parties, and the terms of compensation, in compliance with local legislation and the principle of transparency. They thus maintain their full freedom of expression regarding the technology and its performances.
Mauna Kea Technologies put into place a Medical Advisors Group or "Medical Advisory Board," consisting of physician experts (opinion leaders) who assist in the definition of the Company's clinical development strategy.

3.4.3. Transparency of benefits granted to healthcare professionals

Within the framework of the Bertrand Act of May 29, 2011 and of its Decree No. 2013-414 of May 21, 2013 relating to benefits granted by businesses producing or marketing products which have a healthcare-related or cosmetic end use for humans, the following information is made public:

- The existence of agreements entered into with health professionals and other similar persons (with the exception of agreements governed by Articles L. 441-3 and L. 441-7 of the French Commercial Code),
- The total benefits granted for which the amount is equal to or greater than €10.

Such information is centralized on a single website which is managed by the Ministry of Health.
In the United States, the Company is subject to compliance with the provisions of the Sunshine Act, the equivalent of the Bertrand Act.
Thus, in order to comply with these legal provisions, procedures enabling the necessary information to be gathered have been put into place, and the teams, in their relationships with health professionals, have been made aware.

Lastly, the Company has organized every year since 2009 the ICCU event (International Conference of Cellvizio® Users). 2015 saw the 7th edition of this event. Before the success of this event (with 40 participants in 2009 during the 1st edition, to 264 participants in 2014), an independent scientific committee was created for the selection and revision of the scientific works submitted for public presentation.
Thus, the different presentations or posters were selected in full independence, under the aegis of a Scientific Secretariat comprised of 18 experts representing the various specialties which may be found during this event.
An education committee was also put into place to coordinate the specialized course or "Post-Graduate Course", intended for physicians wishing to improve their skills, particularly in the interpretation of confocal endomicroscopic images.

3.4.4. Code of conduct and rules of independence

The Company scrupulously complies with the rules of independence with respect to health professionals, in order to guarantee that their product-purchasing decisions will always be made in the interest of the patient, thanks in particular to a code of conduct signed by all U.S. sellers (over 2/3 of its sales force) defining the conduct to be adopted vis-à-vis healthcare professionals, based upon the Advamed code of ethics and inspired by the Eucomed and BVMed codes.

3.4.5. Patient websites

In 2013, Mauna Kea Technologies launched two websites dedicated to the following indications:

- Barrett's esophagus
- Pancreatic Cysts

The websites are: http://diagnosingpancreaticcysts.com and http://diagnosingbarretts.com.
The objective of these patient use websites is to provide information on these illnesses, their diagnostic method, and the contribution of optical biopsy.
There one can find patient testimonials, specialist search engines by country, as well as treatment options for these pathologies.
The sites are therefore an aid for the patients and their family, but also very useful for general practitioners and specialists.

SCOPE AND EXCLUSIONS

The data presented in this report takes into account all of the Group's companies for the year ended December 31, 2015:

- Mauna Kea Technologies SA, the head office of the group, based in Paris (10th arr.) which designs, develops, and markets products for the whole world;
- Mauna Kea Technologies Inc., a distribution subsidiary based in the United States, in Atlanta, Georgia.

Employees who are seconded in Germany and in Asia are also part of the scope of this report.

All indicators have been calculated for the entire scope, with the exception of the following indicators:

- absenteeism rate: calculated only for the France scope;
- organization of work hours: For France scope only, because it is directly tied to French legislation;
- employment and integration of disabled workers: for France scope only, because it is directly tied to French legislation;
- compensation, other components of compensation, and wage increases: for France scope only.

The following items were excluded from the report, because they were deemed not pertinent with regard to the business:

- the protection of biodiversity;
- the amount of provisions and guarantees for risks in environmental matters;
- the taking into account of noise pollution and any other form of pollution that is specific to an activity;
- water consumption and water supply, in relation to local constraints;
- consumption of raw materials, and measures taken in order to improve the efficiency of their use;
- land use;
- adaptation to the consequences of climate change;
- impact on neighboring or local populations;
- actions in favor of human rights;
- promotion and compliance with the stipulations of the fundamental ILO Conventions.

TABLE OF CORRESPONDENCE

Thème	Information	Page
Emploi	l'effectif total et la répartition des salariés par sexe, par âge et par zone géographique	4
Emploi	les embauches et les licenciements	4 & 5
Emploi	les rémunérations et leur évolution	6
Organisation du travail	l'organisation du temps de travail	6
Organisation du travail	l'absentéisme	6
Relations sociales	Organisation du dialogue social	6
Relations sociales	le bilan des accords collectifs	6
Santé et sécurité	les conditions de santé et de sécurité au travail	7
Santé et sécurité	le bilan des accords signés avec les organisations syndicales ou les représentants du personnel en matière de santé et de sécurité au travail	7
Santé et sécurité	les accidents du travail, notamment leur fréquence et leur gravité, ainsi que les maladies professionnelles	7
Formation	les politiques mises en œuvre en matière de formation	7
Formation	le nombre total d'heures de formation	7
Egalité de traitement	les mesures prises en faveur de l'égalité entre les femmes et les hommes	8
Egalité de traitement	les mesures prises en faveur de l'emploi et de l'insertion des personnes handicapées	8
Egalité de traitement	la politique de lutte contre les discriminations	8
Promotion et respect des stipulations des conventions fondamentales de l'OIT	au respect de la liberté d'association et du droit de négociation collective	NA
Promotion et respect des stipulations des conventions fondamentales de l'OIT	à l'élimination des discriminations en matière d'emploi et de profession	NA
Promotion et respect des stipulations des conventions fondamentales de l'OIT	à l'élimination du travail forcé ou obligatoire	NA
Promotion et respect des stipulations des conventions fondamentales de l'OIT	Abolition effective du travail des enfants	NA
Politique générale en matière environnementale	l'organisation de la société pour prendre en compte les questions environnementales et, le cas échéant, les démarches d'évaluation ou de certification en matière d'environnement	10
Politique générale en matière environnementale	les actions de formation et d'information des salariés menées en matière de protection de l'environnement	10
Politique générale en matière environnementale	les moyens consacrés à la prévention des risques environnementaux et des pollutions	NA
Politique générale en matière environnementale	les mesures de prévention, de réduction ou de réparation de rejets dans l'air, l'eau et le sol affectant gravement l'environnement	NA
Politique générale en matière environnementale	le montant des provisions et garanties pour risques en matière d'environnement, sous réserve que cette information ne soit pas de nature à causer un préjudice sérieux à la société dans un litige en cours	NA
Pollution et gestion des déchets	les mesures de prévention, de recyclage et d'élimination des déchets	10
Pollution et gestion des déchets	la prise en compte des nuisances sonores et de toute autre forme de pollution spécifique à une activité	NA
Utilisation durable des ressources	la consommation d'eau et l'approvisionnement en eau en fonction des contraintes locales ;	NA
Utilisation durable des ressources	la consommation de matières premières et les mesures prises pour améliorer l'efficacité dans leur utilisation	NA
Utilisation durable des ressources	la consommation d'énergie, les mesures prises pour améliorer l'efficacité énergétique et le recours aux énergies renouvelables	10
Utilisation durable des ressources	l'utilisation des sols	NA
Changement climatique	les rejets de gaz à effet de serre	10
Changement climatique	l'adaptation aux conséquences du changement climatique	NA
Protection de la biodiversité	les mesures prises pour préserver ou développer la biodiversité	NA
Impact territorial, économique et social de l'activité de la société	en matière d'emploi et de développement régional	11
Impact territorial, économique et social de l'activité de la société	sur les populations riveraines ou locales	NA
Relations entretenues avec les personnes ou les organisations intéressées par l'activité de la société, notamment les associations d'insertion, les établissements d'enseignement, les associations de défense de l'environnement, les associations de consommateurs et les populations riveraines	les conditions du dialogue avec ces personnes ou organisations	12
Relations entretenues avec les personnes ou les organisations intéressées par l'activité de la société, notamment les associations d'insertion, les établissements d'enseignement, les associations de défense de l'environnement, les associations de consommateurs et les populations riveraines	les actions de partenariat ou de mécénat	12 & 13
Sous-traitance et fournisseurs	la prise en compte dans la politique d'achat des enjeux sociaux et environnementaux.	14
Sous-traitance et fournisseurs	l'importance de la sous-traitance et la prise en compte dans les relations avec les fournisseurs et les sous-traitants de leur responsabilité sociale et environnementale	14
Loyauté des pratiques	les actions engagées pour prévenir la corruption	NA
Loyauté des pratiques	les mesures prises en faveur de la santé et de la sécurité des consommateurs	14
Autres actions engagées en faveur des droits de l'homme	Autres actions engagées en faveur des droits de l'homme	NA

INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[3], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Mauna Kea Technologies, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31st December 2015, presented in the CSR chapter of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company procedures (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to the CSR chapter of the management report.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);

- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work was undertaken by a team of three people between October 2015 and March 2016 for an estimated duration of two weeks.

[3] Scope available at www.cofrac.fr

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000[4].

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code *(Code de commerce)*.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce)*.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce)* with the limitations specified in the Methodological Note in the CSR chapter of the management report.

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook five interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

[4] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

For the CSR Information which we considered the most important[5] at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 25th March 2016

French original signed by:

[5] **Environmental and societal information:**

- *Qualitative information*: general environmental policy, pollution and waste management (preventative measures, recycling and waste management), sustainable use of resources and climate change (energy consumption); territorial impact, economic and social (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption, measures undertaken in favour of consumers' health and safety).

Social information:

- *Indicators (quantitative information)*: total headcount, absenteeism rate, hiring and terminations, number of training hours, work accidents.

- *Qualitative information*: organisation of working time, labour relations (social dialogue, collective agreements), training policies

Independent Verifier ERNST & YOUNG et Associés	
Partner, Sustainable Development Eric Duvaud	Partner Bruno Perrin

Consolidated Financial Statements as of 31 December 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

Erreur ! Liaison incorrecte.

Erreur ! Liaison incorrecte.

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**	340	251
Financial expenses	**20**	(256)	(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**

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)**

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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)
31/12/14	**Total**	**560**	**58 162**	**13 993**
28/02/15	Exercice BSPCE	0	46	12
19/03/15	Exercice BSA	3	349	70
19/03/15	PACEO	0	0	0
24/03/15	Exercice BSA	3	350	70
31/03/15	Exercice SO	0	36	9
31/03/15	Exercice BSPCE	0	35	9
31/03/15	Exercice BSA	3	316	70
31/03/15	annulation bons	0	0	
30/04/15	Exercice SO	1	99	25
12/05/15	Augmentation de capital	48	4 436	1 189
31/05/15	Exercice BSPCE	0	40	10
19/06/15	annulation Paceo	0	0	0
30/06/15	Exercice BSPCE	1	45	20
27/08/15	Exercice BSA	4	297	100
03/11/15	Exercice BSA	4	311	100
13/11/15	Exercice BSA	4	311	100
11/12/15	Exercice BSA	10	760	250
11/12/15	Exercice BSA	6	456	150
31/12/15	**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.

EVOLUTION DES AVANCES REMBOURSABLES
(Montants en milliers d'euros)

	31/12/13	Encaissement	Remboursement	Autres	31/12/14
OSEO Financement (1ère avance)					
OSEO Financement (2ème avance)	297			3	300
OSEO Financement (3ème avance)	2 075			149	2 224
COFACE	894		(203)	24	715
Total des avances remboursables	**3 266**		**(203)**	**153**	**3 239**

	31/12/14	Encaissement	Remboursement	Autres	31/12/15
OSEO Financement (1ère avance)					
OSEO Financement (2ème avance)	300		(300)		0
OSEO Financement (3ème avance)	2 224			(47)	2 177
COFACE	715			4	719
Total des avances remboursables	**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	Non-financial instruments
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	**8 186**				**8 186**	

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	Non-financial instruments
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	1 295	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	113
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.
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COFIDEC

ERNST & YOUNG et Autres

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Mauna Kea Technologies

Year ended 31 décembre 2015

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Year ended December 31, 2015

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2015, on:

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

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

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to note 1.1 "Accounting principles, rules and methods for consolidation purposes" of the notes to the financial statements on the conditions of the application of the going concern principle of group Mauna Kea.

II. Justification of our assessments

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

- As part of our assessment of the accounting policies used by your group, we examined the methods used to capitalize, depreciate and impair intangible assets. We ensured that the information provided in notes "1.4: Intangible assets" and "1.6: Recoverable amount of the non-current tangible and intangible assets" to the consolidated financial statements provide appropriate information on the methods used by your group.

- Intangible assets have also been subject to an impairment test according to policies described in note "3: Intangible assets" to the consolidated financial statements. As part of our work, we have reviewed the methodology and assumptions used by your group to determine the recoverable amount of these assets. On this basis, we have assessed the reasonableness of these estimates.

- Since its creation, your group has set up compensation plans settled in equity instruments whose methods of recognition and measurement are described in notes "1.12: Share-based Payments" and "17: Share-based Payments" to the consolidated financial statements. As part of our work, we appreciated the relevance of the valuation model used and reviewed the assumptions used by your group to measure the fair value of these instruments. On this basis, we have assessed the reasonableness of these estimates.

- The methods used by your company to recognize the Research Tax Credit are specified in note "1.17: Other - Research Tax Credit" and the income amount for the year under this tax credit is mentioned in note "7.2 Other Current Assets - Research Tax Credit" of the consolidated financial statements. As part of our work, we have reviewed the methodology used by your group to assess the amount and performed tests on research expenses included in the calculation. On this basis, we concluded on the reasonableness of the revenue recognized.

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

III. Specific verification

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

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

Paris and Paris-La Défense, April 6, 2016

The statutory auditors
French original signed by

COFIDEC

Olivier Robinault

ERNST & YOUNG et Autres

Cédric Garcia

Statutory Financial Statements as of 31 December 2015

I. BALANCE SHEET AS AT 12/31/2015

A. Balance sheet Assets

Rubric	Gross amount	Depr., amort. and prov.	Net 12/31/2015	Net 12/31/2014
Uncalled issued capital				
INTANGIBLE ASSETS				
Start-up costs				
Development costs				
Concessions, patents and similar rights	543,449	305,462	237,986	181,343
Goodwill				
Other intangible assets				
Advances, prepayments on intangible assets				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings	51,090	37,391	13,700	20,269
Technical facilities, machinery and equipment	1,105,058	897,433	207,625	273,038
Other property, plant and equipment	846,965	592,846	254,119	291,491
Assets under construction	41,024		41,024	29,790
Advances and prepayments				
LONG-TERM INVESTMENTS				
Companies accounted for by the equity method				
Other participating interests	23,077	23,077		
Loans related to participating interests	34,883,085	34,266,489	616,595	1,090,212
Other fixed securities				
Loans				
Other long-term investments	301,100		301,100	330,668
FIXED ASSETS	**37,794,847**	**36,122,698**	**1,672,148**	**2,216,811**
INVENTORIES & WORK IN PROGRESS				
Raw materials and supplies	818,725	50,713	768,012	741,703
Work in progress - goods				
Work in progress - services				
Semi-finished and finished goods	1,623,284	48,716	1,574,568	799,333
Goods				
Advances and prepayments on orders	120,434		120,434	156,759
RECEIVABLES				
Trade receivables	4,085,472	426,916	3,658,556	3,815,795
Other receivables	1,675,839		1,675,839	1,738,364
Capital subscribed and called but not paid				
MISCELLANEOUS				
Investment securities	636,256		636,256	642,401
Cash and cash equivalents	9,673,883		9,673,883	14,003,597
ACCRUALS				
Prepaid expenses	97,069		97,069	316,102
CURRENT ASSETS	**18,730,962**	**526,346**	**18,204,617**	**22,214,055**
Deferred issuance expenses				
Bond redemption premium				
Unrealized foreign exchange losses	2,936		2,936	3,879
TOTAL	**56,528,745**	**36,649,044**	**19,879,701**	**24,434,745**

B. Balance sheet - Liabilities

Rubrics	FY 2015	FY 2014
Share capital (of which paid up:)	647,068	559,701
Issue, merger and contribution premiums	66,049,538	58,161,723
Revaluation reserve		
Legal reserve		
Statutory or contractual reserves		
Regulated reserves		
Other reserves		
Retained earnings	(44,769,688)	(30,027,977)
PROFIT/(LOSS) FOR THE YEAR	**(15,424,674)**	**(14,741,711)**
Investment subsidies		
Regulated provisions		
SHAREHOLDERS' EQUITY	**6,502,244**	**13,951,736**
Proceeds from the issue of participating securities		
Conditional advances	2,995,795	3,295,795
OTHER EQUITY	**2,995,795**	**3,295,795**
Provisions for risks	93,572	94,989
Provisions for expenses	14,782	57,566
PROVISIONS	**108,354**	**152,555**
FINANCIAL DEBTS		
Convertible bonds		
Other bonds		
Loans and borrowings from credit institutions		
Other loans and borrowings		
Advances and prepayments received on current orders		
OPERATING LIABILITIES		
Trade payables	2,373,984	2,182,332
Tax and employee-related liabilities	2,057,448	2,248,976
OTHER LIABILITIES		
Amount due on fixed assets and related accounts		
Other payable	27,243	47,168
ACCRUALS		
Deferred revenues	109,429	70,117
LIABILITIES	**4,568,104**	**4,548,593**
Unrealized foreign exchange gains	5,705,204	2,486,067
TOTAL	**19,879,701**	**24,434,745**

II. INCOME AS AT 12/31/2015

Rubrics	FY 2015 France	FY 2015 Exports	FY 2015 Total	FY 2014
Sale of goods	3,847		3,847	1
Sale of manufactured goods	876,684	5,668,288	6,544,972	10,539,984
Sale of services rendered	63,799	755,958	819,756	1,115,923
NET SALES	**944,329**	**6,424,246**	**7,368,575**	**11,655,908**
Production in stock			777,691	(88,248)
Fixed asset production				16,001
Operating subsidies			145,000	3,625
Write-backs of impairment, provisions (and amortization), cost transfers			477,986	38,214
Other income			1,558	8,383
OPERATING REVENUE			**8,770,810**	**11,633,883**
Purchases of goods (including customs duties)			31,111	**69,338**
Change in stocks (goods)				69,338
Purchases of raw materials and other supplies			2,032,451	2,160,794
Change in stocks (raw materials and supplies)			(3,650)	104,577
Other purchases and external expenses			6,499,873	7,318,475
Taxes and similar payments			138,188	218,057
Wages and salaries			5,959,220	6,280,883
Social security expenses			2,546,525	2,746,803
Depreciation, amortization and provisions - operating				
Depreciation and amortization on fixed assets			270,922	345,556
Impairment on fixed assets				
Impairment on current assets			453,120	84,538
Provisions				97,986
Other expenses			141,325	65,292
OPERATING EXPENSES			**18,069,083**	**19,492,299**
OPERATING REVENUE			**(9,298,273)**	**(7,858,417)**
Joint ventures				
Profits transferred in and losses transferred out				
Profits transferred out and losses transferred in				
FINANCIAL REVENUE			**676,832**	**871,882**
Financial income from participating interests				
Income from other investments and long-term receivables				
Other interest and similar income			362,892	164,845
Write-backs of provisions and cost transfers			8,079	649,280
Foreign exchange gains			305,860	57,756
Net proceeds from disposals of investment securities				
FINANCIAL EXPENSES			**8,067,459**	**9,066,332**
Depreciation, amortization and provisions - financial items			7,795,588	8,786,201
Interest and similar expenses			86,401	167,039
Foreign exchange losses			185,470	113,092
Net expenses on disposals of investment securities				
FINANCIAL NET INCOME			**(7,390,627)**	**(8,194,450)**
PROFIT BEFORE TAX			**(16,688,900)**	**(16,052,867)**
NON-RECURRING INCOME				1,438
Non-recurring income from non-capital transactions				1,324
Non-recurring income from capital transactions				114
Write-backs of provisions and cost transfers				
OPERATING EXPENSES			**369**	**1,682**
Non-recurring expenses on non-capital transactions			26	66
Non-recurring expenses on capital transactions			343	
Depreciation, amortization and provisions - exceptional items				1,615
NON-RECURRING INCOME			**(369)**	**(244)**
Employee profit-sharing				
Income tax			(1,264,596)	(1,311,400)
TOTAL INCOME			**9,447,642**	**12,507,202**
TOTAL EXPENSES			**24,872,315**	**27,248,913**
PROFIT OR LOSS			**(15,424,674)**	**(14,741,711)**

III. NOTES

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1. THE COMPANY'S ACTIVITY AND HIGHLIGHTS OF THE FISCAL YEAR

1.1. The Company's activity

Mauna Kea Technologies is a global medical device company focused on leading innovation in endomicroscopy and optical biopsy. The Company designs, develops and markets innovative tools to visualize and detect cell abnormalities in real time during standard gastrointestinal and pulmonary endoscopy procedures. Its flagship product, Cellvizio®, is a confocal miniprobe endomicroscopy system which provides physicians and researchers high-resolution images of tissues at the cellular level. Large-scale, international, multi-center clinical trials have demonstrated Cellvizio's ability to help physicians to more accurately detect early forms of diseases and make immediate treatment decisions. Designed to help physicians in their diagnoses, provide patients with better treatment and reduce hospital costs, the Cellvizio system can be used with practically all endoscopes.

1.2. Highlights of the fiscal year

The financial statements for the year given below cover the period 01/01/2015 to 12/31/2015, a period of 12 months.

There are no significant events leading to a major accounting change which would impede comparison with the previous fiscal year to report.

2. MAJOR EVENTS SINCE THE REPORTING PERIOD

On February 1, 2016, following the recent approval of Cellvizio 100 by the Chinese FDA, the Company decided to extend its strategic partnership with Fujifilm China.

Fujifilm 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 was listed on the American market segment OTCQX International. The securities exchanged are in the form of sponsored level 1 ADR (American Depositary Receipts).

The Company's shares will continue to be traded on Euronext under their current code MKEA.

OTCQX International is an OTCQX market segment, limited to quality non-American companies officially listed on a foreign market.

3. ACCOUNTING RULES AND METHODS

The Company's annual financial statements were prepared according to the standards, principles and methods of the general accounting plan attached to regulation 2014-03 of the French Accounting Standards Authority (*Autorité des Normes Comptables*) of June 5, 2014, approved by order of September 8, 2014, in accordance with the provisions of French legislation, in line with the principle of prudence and in accordance with the general rules for preparing and presenting the annual financial statements:

i. continuity of accounting methods from one fiscal year to another;
ii. independence of fiscal years;
iii. going concern.

The assumption of going concern was endorsed by the Board of Directors, given the following elements:

- As of December 31, 2015, the Company had cash amounting to €10,310,139,
- the Company proceeded with a specific review of its liquidity risk, taking account of prospective sales (including those deriving from signed partnership agreements), the receipt of its 2015 research tax credit and its forecast cash flows, and considers that it is able to meet its deadlines until December 31, 2016;
- the Company also intends to employ appropriate financing solutions to meet its future cash needs."

The accounting elements are valued according to the historical cost method.

The most significant accounting principles and methods, used in the preparation of the company financial statements are as follows:

3.1. Fixed assets

3.1.1. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded at the cost of acquisition and their depreciation and amortization is calculated on the basis of their estimated useful lives. The depreciation method and period by category of fixed assets is as follows:

Category	Term	Method	
Software packages	1 to 3 years	Straight method	Line
Patents, licenses and trademarks	10 years	Straight method	Line
Other property, plant and equipment:			
- fixtures	7 years	Straight method	Line
- tools	2 to 7 years	Straight method	Line
- IT equipment	3 years	Straight method	Line
- furniture	5 years	Straight method	Line

Development costs are recorded under expenses.

3.1.2. Long-term investments and investment securities

The elements constituting the fixed assets were valued according to the historical cost method, which is marked by the use of nominal costs expressed in current euros. The gross value comprises the purchase price, excluding

transaction costs. Where the inventory value is less than the gross value, a provision for impairment is recorded for the difference.

3.2. Evaluation of stocks

Stocks are valued at their cost of acquisition according to the following methods:

Description	Method
Raw materials	First-in first-out
Work in progress	Cost of work in progress
Finished products	Cost price, except for marketing costs

The cost of acquisition comprises:

- the purchase price, including customs duties and other non-recoverable taxes;
- post-deduction of trade rebates, deductions, cash discounts and other similar elements;
- transport, handling, and storage costs (if justified by specific operating conditions;
- and other costs directly attributable to the acquisition.

The cost of production includes consumption of raw materials, direct costs, depreciation of assets used in production.

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

Where applicable, stocks were impaired through provisions to take into account their realizable value on the reporting date.

3.3. Receivables

Receivables are recorded at their nominal value. A provision for impairment is made where the inventory value is less than the book value.

3.4. Provisions

Pursuant to the principle of prudence, provisions for risks and expenses are made to face probable outflows of resources in favor of third parties with no counterparty for the Company. These provisions are estimated by taking into consideration the most probable assumptions on the reporting date.

3.5. Foreign currency transactions

The expenses and revenue in foreign currency are recorded for their corresponding value on the transaction date.

Foreign currency receivables and payables existing at year-end are converted at the exchange rate on this date. The conversion difference is recorded in the balance sheet under "Translation differences".

Unrealized foreign exchange gains, which have not been offset, are recorded under provision for risks.

Foreign currency cash accounts existing at year-end are converted at the exchange rate on this date. The unrealized foreign exchange gains or losses resulting from this conversion are recorded in profit/loss.

3.6. Subsidies and conditional advances

The Company receives a certain number of forms of assistance, in the form of subsidies or conditional advances. Details of these aids are provided in the balance sheet notes.

Subsidies are recorded:

- where there is reasonable assurance that the Company will comply with the conditions attached to the subsidies;
- and when they are received.

In practice, subsidies are thus recognized when the record justifying the R&D expenses incurred has been accepted by the funding agency.

Conditional advances from public authorities were made subject to a contract with BPI (formely "OSEO Innovation") and "Coface".

The Company has received two such advance contracts as at December 31, 2015. These advances are 100% repayable (at their nominal value) in the event of technical and/or commercial success.

3.7. 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 Company receives research tax credit since its establishment.

The Company received reimbursement of the Research Tax Credit for all prior years during the year following the closing of the fiscal year in question. It requested the reimbursement of the 2015 Research Tax Credit under the regime for EU SMEs, in accordance with the regulations in force.

3.8. Deviations from general principles

3.8.1. Change in the valuation methods

There was no notable change in the valuation method during the fiscal year.

3.8.2. Changes in the presentation methods

General accounting conventions were applied in line with the principle of prudence and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method considered for the valuation of elements is the historical cost method.

4. INFORMATION ON BALANCE SHEET ASSETS

4.1. Property, plant and equipment and intangible assets

4.1.1. Table of acquisitions and disposals during the fiscal year

Figures expressed in euros	As at 12/31/2014	Acquisitions	Transfers between items and corrections +/-	Sales	As at 12/31/2015
Start-up and development costs					
Other intangible fixed asset items	412,940	130,509			543,449
Total intangible fixed assets	**412, 940**	**130, 509**	**0**	**0**	**543, 449**
Land					
Buildings on freehold land					
Buildings on non-freehold land					
Buildings, installations, fixtures, etc.	51,090				51,090
General installations and fixtures	304,954	48,219			353,173
Technical facilities, machinery and equipment	1,080,583	24,475			1,105,058
Vehicles					
Office and computer equipment, furniture	481,431	12,362			493,792
Recoverable packaging and other items					
Total Property, plant and equipment	**1, 918 058**	**85 056**	**0**	**0**	**2 ,003 ,113**
Property, plant and equipment in progress(1)	29,790	11,234			41,024
Total property, plant and equipment outstanding	**29, 790**	**11 234**	**0**	**0**	**41 024**
Prepayments					
TOTAL	**2, 360 ,788**	**226 799**	**0**	**0**	**2, 587, 586**

(1) The changes in the Property, plant and equipment and intangible asset items from one fiscal year to another are due to asset acquisition and sale transactions by the Company for its business.

4.1.2. Depreciation and amortization table

The depreciation and amortization of property, plant and equipment and intangible assets are calculated on a straight line or digressive basis, according to the nature of the goods and based on the estimated useful life.

Technical depreciation and amortization table:

Figures expressed in euros	As at 12/31/2014	Allowance	Decreases or write-backs	As at 12/31/2015
Start-up and development costs				
Other intangible assets	231,596	73,866		305,462
Total amort. of intangible assets	**231, 596**	**73, 866**	**0**	**305,, 462**
Land				
Buildings	30,821	6,570		37,391
General installations and fixtures	157,743	41,318		199,061
Technical facilities, machinery and equipment	807,544	89,889		897,433
Vehicles				
Office and computer equipment, furniture	337,151	56,635		393,785
Recoverable packaging and other items				
Total deprec. of property, plant and equipment	**1, 333, 259**	**194 ,412**	**0**	**1, 527 ,670**
TOTAL	**1, 564 ,855**	**268, 278**	**0**	**1 ,833, 132**

4.1.3. Provisions for fixed asset impairment

Refer to section 5.2. Statement of provisions.

4.2. Long-term investments

Table of transactions for the fiscal year:

Figures expressed in euros	Gross value as at 12/31/2014	Acquisitions and transfers between items	Sales and transfers between items	Gross value as at 12/31/2015	Provision	Net value as at 12/31/2015
Other participating interests	27,586,652	7,319,509		34,906,161	34,289,566	616,595
Loans and other long-term investments	334,868	(33,768)		301,100		301,100
TOTAL	**27 ,921, 520**	**7 ,285, 741**	**0**	**35 ,207 ,261**	**34, 289, 566**	**917, 695**

4.3. Stocks of goods and work-in-progress

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%.

The stock amount is broken down as follows:

Figures expressed in euros	Gross amount	Impairment	Balance as at 12/31/2015
Raw materials	818,725	50,713	768,012
Finished products	1,623,284	48,716	1,574,568
TOTAL	**2, 442, 009**	**99 ,429**	**2 ,342 ,580**

4.4. Provisions for impairment of stocks and receivables

Refer to section 5.2. Statement of provisions.

4.5. Maturity of receivables

The gross value of receivables held by the Company amounts to € 41,042,565 euros as at 12/31/2015 and can be broken down as follows:

Figures expressed in euros	Gross amount	At no more than one year	At more than one year
FIXED ASSETS:	**35 ,184, 185**	**35, 184 ,185**	**0**
Loans related to participating interests	34,883,085	34,883,085	
Loans			
Other long-term investments	301,100	301,100	
CURRENT ASSETS:	**5, 858, 380**	**5 ,858 380**	**0**
Receivables	4,085,472	4,085,472	
Doubtful receivables			
Personnel and related accounts	30,508	30,508	
Social security bodies	3,297	3,297	
Statement: Various taxes	1,473,250	1,473,250	
Group companies and associates			
Sundry debtors	168,784	168,784	
Prepaid expenses	97,069	97,069	
TOTAL	**41 , 042, 565**	**41 ,042 ,565**	**0**
Amounts of loans granted during the year Amounts of repayments received during the year Loans and advances granted to associates (individuals)			

4.6. Trade receivables

RECEIVABLES	Gross amount	Depr., amort. and prov.	Net 12/31/2015	Net 12/31/2014
Trade receivables	4,085,472	426,916	3,658,556	3,815,795
Other receivables	1,675,839		1,675,839	1,738,364
Capital subscribed and called but not paid				
TOTAL	**5, 761, 311**	**426 ,916**	**5 ,334, 395**	**5 ,554 ,159**

including Group receivables:

Figures expressed in euros	2015	2014
Receivables of consolidated group companies	461,026	602,374
TOTAL	**461,026**	**602 ,374**

Provisions are determined as per the terms and conditions described in section 5.2.5.

4.7. Accrued revenue

The amount of accrued revenue included in the following balance sheet items is:

Figures expressed in euros	As at 12/31/2015	As at 12/31/2014
Receivables – Invoices to be raised	285,008	0
Accrued revenue	160,692	42,692
TOTAL	**445,700**	**42,692**

Accrued revenue corresponds to the subsidies from the National Research Agency.

4.8. Investment securities

As at December 31, 2015, the Company held money market funds totaling € 636,256, broken down as follows:

MONEY MARKET FUNDS (in euros)	Quantity	Rate as at 12/31/2015	Valuation	Cost price	Impairment	Net value
BNP Paribas share P deposit	622	1,023	636,362	636,256		636,362
Total of money market funds			**636,362**	**636,256**		**636,362**

4.9. Accruals

4.9.1. Prepaid expenses

Prepaid expenses amount to € 97,069.

Figures expressed in euros	As at 12/31/2015	As at 12/31/2014
Operating expenses	97,069	316,102
Financial expenses		
Non-recurring expenses		
TOTAL	**97, 069**	**316 ,102**

4.9.2. Translation differences

DIFFERENCE ON THE ASSET SIDE		DIFFERENCE ON THE LIABILITY SIDE	
	Euros		**Euros**
Decrease in receivables	2,936	Decrease in liabilities	0
Increase in liabilities	0	Increase in receivables	5,705,204
TOTAL	**2,936**	**TOTAL**	**5, 705, 204**

5. INFORMATION ON BALANCE SHEET LIABILITIES

5.1. Shareholders' equity

Share 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.

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.

Stock warrants and options

The Company issued share warrants (BSA) representative of compensation, share warrants intended for its employees (BSPCE and others), as well as share options 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 bought back and cancelled 1,180,000 unsubscribed share warrants issued for the benefit of Société Générale.

Following the consolidation of shares (four old shares for one 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.

Company's buyback 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 €4,888.24.

Appropriation of earnings for fiscal year 2014 :

The financial statements for 2014 showed a net loss of (14,741,711) euros. Following the decision of the Ordinary Shareholders' Meeting approving the financial statements, this loss was allocated to retained earnings.

5.2. Statement of provisions

Details of the provisions by nature are as follows:

5.2.1. Provisions for risks

Figures expressed in euros	As at 12/31/2014	Allowance	Write-backs	As at 12/31/2015
Provisions for foreign exchange losses	3,879		1,417	2,462
TOTAL	**3, 879**		**1,417**	**2, 462**

5.2.2. Provisions for expenses

Figures expressed in euros	As at 12/31/2014	Allowance	Write-backs	As at 12/31/2015
Other provision for risks and expenses	57,566		42,784	14,782
TOTAL	**57, 566**		**42,784**	**14, 782**

5.2.3. Provisions for fixed asset impairment

Figures expressed in euros	As at 12/31/2014	Allowance	Write-backs	As at 12/31/2015
Provisions for other long-term investments	26,500,640	7,793,126	4,200	34,289,566
TOTAL	**26, 500, 640**	**7 ,793, 126**	**4,200**	**34, 289, 566**

During 2015, an advance of €7,319,509 had been granted to the subsidiary Mauna Kea Technologies Inc. The total amount of advances stood at €34,883,085. This sum had been provisioned for the negative net asset value of the subsidiary, i.e. €34,266,489.

5.2.4. Provisions for impairment of stocks

Figures expressed in euros	As at 12/31/2014	Allowance	Write-backs	As at 12/31/2015
Raw materials	74,142	50,713	74,142	50,713
Finished products	45,489	48,716	45,489	48,716
TOTAL	**119,631**	**99 429**	**119 631**	**99,429**

5.2.5. Provisions for impairment of receivables

Figures expressed in euros	As at 12/31/2014	Allowance	Write-backs	As at 12/31/2015
Item: Doubtful receivables	73,226	353,690		426,916
Item: Other receivables				
TOTAL	**73,226**	**353,690**	**0**	**426,916**

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

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

5.3. Liability repayment schedule

LIABILITIES	Gross amount fin ex.	< 1 year	1 to 5 years	> 5 years
Convertible bonds				
Other bonds				
Loans and borrowings from credit institutions:				
repayable within a maximum of 1 year at inception				
repayable after more than 1 year at inception				
Other loans and borrowings				
Trade payables	2,373,984	2,373,984		
Personnel and related accounts	1,058,487	1,058,487		
Social security and other welfare agencies	839,959	839,959		
State and other public authorities:				
Income tax				
Value added tax	45,124	45,124		
Guaranteed bonds				
Other taxes and related accounts	113,878	113,878		
Amount due on fixed assets and related accounts				
Group companies and associates	5,000	5,000		
Other payable	22,243	22,243		
Liabilities representing borrowed securities or securities provided as collateral				
Deferred revenue	109,429	109,429		
TOTAL	**4, 568 104**	**4, 568 104**	**0**	**0**
Loans taken out during the year				
Loans repaid during the year				

Details of repayable advances to the conventions mentioned in 3.6 are :

- €2,277,322 for the advances of BPI (formely OSEO), 100% long term
- €718,473 for advances Coface, 100% short term

5.4. Trade payables

Figures expressed in euros	As at 12/31/2015	As at 12/31/2014
Group suppliers		
Suppliers in France	778,679	872,640
International suppliers	399,827	372,055
Suppliers whose invoices are not yet received	1,195,477	938,637
Net book value	**2, 373 983**	**2 ,182 332**

5.5. Accrued expenses

The amount of accrued expenses included in the following balance sheet items is:

Rubrics	FY 2015	FY 2014
OPERATING LIABILITIES		
Trade payables	1,195,477	937,637
Tax and employee-related liabilities	1,547,044	1,708,038
FINANCIAL DEBTS		
Convertible bonds		
Other bonds		
Loans and borrowings from credit institutions		
Other loans and borrowings (of which loans to individuals)		
Advances and prepayments received on current orders		
OTHER LIABILITIES		
Amount due on fixed assets and related accounts		
Other payable		
ACCRUALS		
Deferred revenue		
LIABILITIES	**2, 742 521**	**2, 645, 675**

5.6. Accruals

5.6.1. Deferred revenue

Deferred revenue breaks down as follows:

Figures expressed in euros	As at 12/31/2015	As at 12/31/2014
Operating revenue	109,429	70,117
Financial revenue		
Non-recurring revenue		
TOTAL	**109 ,429**	**70, 117**

5.6.2. Translation differences

See Section 4.9.2.

5.7. Amounts due to related companies

The Company has no liability towards its subsidiary.

6. INFORMATION ON INCOME

6.1. Breakdown of the net sales amount

Sales for fiscal year 2015 break down as follows:

Figures expressed in euros	FY 2015			FY 2014
	France	EEC + Export	Total	Total
Sales of goods	3,847		3,847	1
Sales of finished products	876,684	5,668,288	6,544,972	10,539,984
Sale of services rendered	63,799	755,958	819,756	1,115,923
Sales	**944,329**	**6,424,246**	**7,368,575**	**11,655,908**
%	12.82%	87.18%	100%	

6.2. Other operating revenue

Figures expressed in euros	As at 12/31/2015	As at 12/31/2014
Production in stock	777,691	(88,248)
Fixed asset production		16,001
Other management revenue and operating subsidies	145,000	3,625
Write-backs of depreciation and amortization, provisions, cost transfers and other revenue	479,544	46,597
TOTAL	**1, 402, 235**	**(22, 025)**

The cost transfers include insurance compensation amounting to €262,739 , re-invoicing of training costs to the OPCAIM, employee benefits in kind, as well as refunds related to health insurance.

6.3. Compensation of the statutory auditors

Depending on their mission statements, the summary of fees of the statutory auditors for the current and previous fiscal years is as follows:

Amount (in euros)	FY 2015		FY 2014	
	EY	COFIDEC	EY	COFIDEC
Audit				
Statutory auditors, certification and review of the annual financial statements and the consolidated financial statements				
- Mauna Kea Technologies SA	65,650	53,500	65,650	52,500
- Fully consolidated subsidiaries	45,450		45,450	
Other diligences and services directly related to the statutory auditors' mission	36,800	5,000	49,800	6,500
Sub-total	**147,900**	**58,500**	**160,900**	**59,000**
Others services rendered by the network to the fully consolidated subsidiaries				
Legal, fiscal and social				
Others	8,000	0	12,000	
Sub-total	**8,000**	**0**	**12,000**	
Total	**155,900**	**58,500**	**172,900**	**59,000**

6.4. Financial net income

The financial net income for the year was (7,390,627) euros and breaks down as follows:

Rubrics	FY 2015	FY 2014
FINANCIAL REVENUE	**676,832**	**871,882**
Financial revenue from participating interests		
Revenue from other investments and long-term receivables		
Other interest and similar revenue	362,892	164,845
Write-backs of provisions, cost transfers	8,079	649,280
Foreign exchange gains	305,860	57,756
Net proceeds from disposals of investment securities		
FINANCIAL EXPENSES	**8,067,459**	**9,066,332**
Depreciation, amortization and provisions - financial items	7,795,588	8,786,201
Interest and similar expenses	86,401	167,039
Foreign exchange losses	185,470	113,092
Net expenses on disposals of investment securities		
FINANCIAL NET INCOME	**(7,390,627)**	**(8,194,450)**

The Company has not paid any dividends.
The financial allowances of €7,793,126 relate to the impairment of current account advances to the subsidiary Mauna Kea Technologies Inc.

6.5. Non-recurring income

The non-recurring income of (369) euros for the fiscal year breaks down as follows:

Rubrics	FY 2015	FY 2014
NON-RECURRING REVENUE		1,438
Non-recurring revenue from non-capital transactions		1,324
Non-recurring revenue from capital transactions		114
Write-backs of provisions, cost transfers		
NON-RECURRING EXPENSES	**369**	**1,682**
Non-recurring expenses on non-capital transactions	26	66
Non-recurring expenses on capital transactions	343	
Depreciation, amortization and provisions - exceptional items		1,615
NON-RECURRING INCOME (EXPENSE)	**(369)**	**(244)**

The non-recurring allowances relate to the non-recurring impairment of deactivated assets.

6.6. Income tax

6.6.1. Tax situation

As at December 31, 2015, the Company has a tax loss carry forward of €66,383,029.

6.6.2. Deferred taxes

BASES	Opening balance (K€)	Change in net income for the fiscal year (K€)	Closing balance (K€)
Differences between the tax regime and the accounting treatment of some revenues and expenses:			
Social security contribution	17,962	(17,962)	0
Other provisions for risks	3,879	(1,417)	2,462
TOTAL	**21, 841**	**(19 ,379)**	**2, 462**

6.6.3. Tax Credits

The Company benefits from the provisions of Articles 244 quater B and 49 septies F of the French General Tax Code relating to research tax credits. The Research Tax Credit amount for fiscal year 2015 was 1,201,372 euros. The amount of other tax credits stood at €57,035 and corresponds mainly to the tax credit for competitiveness and employment and the tax credit for apprenticeship.

In accordance with the information note from the ANC dated February 28, 2013, the tax credit for competitiveness and employment (CICE) is recorded as a decrease in corporate income tax.

During the year ended December 31, 2015, the CICE made it possible to undertake certain expenses allowing the Company to improve its competitiveness. The actions taken by the Company during the year were largely for research and innovation.

7. MISCELLANEOUS INFORMATION

7.1. Average number of salaried and temporary employees

Over the 2015 fiscal year, the average number of employees broke down as follows:

2015 tax year	Workforce
Executives	70
Supervisors, technicians and employees	10
Operators	2
TOTAL	**82**

7.2. List of subsidiaries and investments

In associated companies	Issued capital	Capital held	Shareholders' equity including profit/loss	Net profit/loss
Mauna Kea Technologies Inc ;	27,555	100%	(34,308,142)	(4,785,490)

7.3. Information on related parties

There is no information on transactions between related parties as current transactions are excluded from the list of transactions with related parties.

7.4. Compensation of administrative bodies

The compensation paid to members of management bodies is not disclosed as this would indirectly lead to the disclosure of individual compensation.

7.5. Financial commitments

7.5.1. Commitments given

Commitments given	Total	<1 year	1 to 5 years	> 5 years
Related to leases	1,277,041	226,945	841,903	208,193
Related to supply contracts	3,809,735	1,832,049	1,977,686	
	5,086,776	**2,058,994**	**2,819,589**	**208, 193**

In order to cover the exchange rate risk exposure of a part of its foreign currency operating flows, the Group implemented a yen hedging policy in 2013. It expired in 2014. There are no other contracts on this risk.

7.5.2. Commitments received

No commitment was received as at 12/31/2015.

7.6. Commitments towards employees

7.6.1. Retirement commitments

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 activity, turnover was reclassified from low to high.

As at December 31, 2015, the pension commitment was estimated at €139,630. No provision was recorded in income.

7.6.2. Individual right to training (DIF)

In accordance with the provisions of law no. 2004-391 of May 4, 2004 on professional training, the Group's French companies grant their employees an individual right to training of a minimum of 20 hours per calendar year, which can be accumulated for a maximum period of six years. At the end of this period, and if the employee fails to make use thereof, all the rights will be limited to a maximum of 120 hours.

From January 1, 2015, the Professional Training Account (CPF) will replace the DIF. As of December 31, 2015, the aggregate hours under CPF should be used before December 31, 2021.

This account is no longer managed by the Company but directly by the *Caisse des Dépôts et Consignation*. To benefit from the aggregate hours under CPF, employees must register on the CPF's website: http://www.moncompteformation.gouv.fr

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S.A.R.L. au capital de € 32.800

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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Year ended December 31, 2015

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2015, on:

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

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

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to note 1.1 "Accounting principles, rules and methods for consolidation purposes" of the notes to the financial statements on the conditions of the application of the going concern principle of group Mauna Kea.

II. Justification of our assessments

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

- As part of our assessment of the accounting policies used by your group, we examined the methods used to capitalize, depreciate and impair intangible assets. We ensured that the information provided in notes "1.4: Intangible assets" and "1.6: Recoverable amount of the non-current tangible and intangible assets" to the consolidated financial statements provide appropriate information on the methods used by your group.

- Intangible assets have also been subject to an impairment test according to policies described in note "3: Intangible assets" to the consolidated financial statements. As part of our work, we have reviewed the methodology and assumptions used by your group to determine the recoverable amount of these assets. On this basis, we have assessed the reasonableness of these estimates.

- Since its creation, your group has set up compensation plans settled in equity instruments whose methods of recognition and measurement are described in notes "1.12: Share-based Payments" and "17: Share-based Payments" to the consolidated financial statements. As part of our work, we appreciated the relevance of the valuation model used and reviewed the assumptions used by your group to measure the fair value of these instruments. On this basis, we have assessed the reasonableness of these estimates.

- The methods used by your company to recognize the Research Tax Credit are specified in note "1.17: Other - Research Tax Credit" and the income amount for the year under this tax credit is mentioned in note "7.2 Other Current Assets - Research Tax Credit" of the consolidated financial statements. As part of our work, we have reviewed the methodology used by your group to assess the amount and performed tests on research expenses included in the calculation. On this basis, we concluded on the reasonableness of the revenue recognized.

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

III. Specific verification

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

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

Paris and Paris-La-Défense, April 6, 2016

The statutory auditors
French original signed by

COFIDEC

Olivier Robinault

ERNST & YOUNG et Autres

Cédric Garcia

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Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies

General meeting of shareholders to approve the financial statements for the year ended December 31, 2015

Statutory auditors' report on related party agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms, conditions and the reasons for the company's interest of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (*Code de commerce*) concerning the implementation, during the year, of the agreements and commitments already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Agreements and commitments submitted for approval by the general meeting of shareholders

We hereby inform you that we have not been advised of any agreements or commitments authorized in the course of the year to be submitted to the general meeting of shareholders for approval in accordance with article L. 225-38 of the French commercial code *(Code de commerce)*.

Agreements and commitments already approved by the general meeting of shareholders

We hereby inform you that we have not been advised of any agreements or commitments already approved by the general meeting of shareholders, whose implementation continued during the year.

Paris and Paris-La Défense, April 7, 2016

The statutory auditors
French original signed by

COFIDEC — ERNST & YOUNG et Autres

Olivier Robinault — Cédric Garcia

Attestation of the person responsible for the Annual 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 financial statements 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 activity report presents an accurate picture of the significant events occurring during 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. »

Alexandre Loiseau

Directeur Général