A Public Limited Company (Société anonyme) with share capital of 1,008,053.52 euros
Registered office: 9 rue d'Enghien
75010 Paris, France
431 268 028 in the Paris Trade and Companies Register

2018 HALF-YEAR FINANCIAL REPORT

Contents

2018 Half-year activity report

1. COMPANY'S ACTIVITY AND EARNINGS

First half 2018 and Recent Highlights

- Sales declined 18%, primarily attributable to the first quarter with accelerating momentum in the second quarter

- Gross margin of 64% compared to 68% in first half of 2017, due to lag between Q2 2018 placements and usage

- Operational loss was €6.5 million (vs. €5.5 million in first half of 2017)

- Net loss was €6.8 million vs. €5.8 million in first half of 2017

- Cash and cash equivalents were €15.1 million as of June 30, 2018

First Half 2018 Financial Results

(in € thousands) – IFRS	1H 2018 (June 30, 2018)	1H 2017 (June 30, 2017)	Change %
Operating Revenue			
Sales	2,707	3,285	(18%)
Other Income	525	469	12%
Total Revenue	3,232	3,753	(14%)
Operating Expenses			
Cost of Sales	(987)	(1,040)	(5%)
Gross Margin (%)	64%	68%	
Research & Development	(2,235)	(2,196)	2%
Sales & Marketing	(4,376)	(4,211)	4%
Administrative Expenses	(2,069)	(1,664)	24%
Share-Based Payments	(43)	(183)	(426%)
Total Operating Expenses	(9,712)	(9,294)	4%
Operating Profit (Loss)	(6,479)	(5,540)	17%
Net Profit (Loss)	(6,836)	(5,787)	18%

First Half 2018 Revenue: 25 total systems shipped with 16 systems placed under consignment

As previously reported, the Company saw an 18% decline in sales in the first half of 2018, primarily attributable to a 35% decline in the first quarter, which was partially offset by accelerating momentum in the second quarter. While second quarter 2018 sales were stable compared to the same period prior year, we demonstrated 60% sequential growth driven by a significant increase in second quarter consumable sales. The Company shipped 25 Cellvizio systems in the first half of 2018, including 16 systems placed under consignment, compared to 22 systems in the first half of 2017, including 8 systems under consignment. The 16 systems consigned in the first half of 2018 not only represent a 100% increase compared to first half 2017 placements of 8 systems, but also exceed the 13 systems placed for all of 2017. In the first half of the year, revenue generated by the pay-per-use program declined by 14% compared to the same period prior year, as the limited number of sales representatives operating in the United States in the first quarter resulted in low utilization.

Clinical sales

Clinical sales in the US & Canada in the first half of 2018 were €1.3 million, a decrease of 7% compared to the same period last year. A total of 16 systems were consigned to the U.S. & Canada in the first half of the year, of which 11 systems were placed during the second quarter in addition to the five placed during the first quarter, reflecting the U.S. sales team's early ability to execute.

Clinical sales increased by 29% in the Asia-Pacific region as the Company continued generating top-line growth in China, driven by our partner's activities. This was offset by a 48% decline in EMEA coupled with an 87% decline in LATAM as the Company continued to focus its resources on the growth of its core clinical business in the U.S.

Pre-clinical sales

As stated in prior quarters, pre-clinical sales are by nature less recurring than clinical ones, resulting in a difficult comparison from one period to another. Pre-clinical sales declined by 23% in the first half 2018 compared to the year-ago period.

First Half 2018 Consolidated Results

Gross margin in the first half of 2018 was 64% compared to gross margin of 68% in first half of 2017 due to the time lag between the production and delivery costs of the pay-per-use probes and the associated recurring 3 revenues. This effect is accentuated by the strong investment in pay-per-use probes at the end of the second quarter, which has not yet had a corresponding impact on sales.

Sales and marketing expenses in the first half of 2018, including spending on clinical affairs, regulatory and reimbursement, were €4,376 thousand, a 4% increase compared to €4,211 thousand in the prior year. This increase was anticipated following the restructuring of our U.S. sales team, which was completed in the first quarter of 2018, and reflects the Company's commercial and marketing investments required to support the deployment of the pay-per-use model in the U.S.

Research and development expenses in the first half of 2018 were €2,235 thousand, an increase of 2% compared with €2,196 thousand in the prior year. Taking into account the research tax credit, net research and development expenses amounted to €1,726 thousand for the first half of 2018.

General and administrative expenses in the first half of 2018 were €2,069 thousand, a 24% increase compared with €1,664 thousand in the prior year. This increase reflects unfilled positions in 2017 (Finance and HR) as well as recruitment costs in the United States as part of the reconstitution of our American sales team in 2018.

Total operating expenses, including cost of sales, amounted to €9,712 thousand in first half of 2018, compared with €9,294 thousand in the same period last year. This amount includes €936 thousand in depreciation and provisions, up €355 thousand from first half of 2017.

Operating loss in the first half of 2018 was €6,479 thousand compared to €5,540 thousand in the prior year, reflecting the impact of decreased sales [of €578 thousand] coupled with the increase in depreciation and provisions [of €355 thousand].

Net loss in the first half of 2018 was €6,836 thousand compared to €5,787 thousand in the prior year.

As of June 30, 2018, the Company had €15.1 million in available cash.

Cash burn (total cash flows excluding cash flows from financing activities) remained stable at €5,860 thousand in the first half of 2018 compared to €5,689 thousand in first half 2017.

Mauna Kea Technologies had 98 employees as of June 30, 2018, compared to 90 as of December 31, 2017 and 81 as of June 30, 2017.

2. PROGRESS AND PROSPECTS

Clinical results and conferences: the medical value of optical biopsy

Gastroenterology

March 2018

Cellvizio® obtains positive assessment from the Korean National Evidence-based healthcare Collaborating Agency (NECA). New Health Technology Assessment (nHTA) Committee recognizes confocal laser endomicroscopy as "safe and effective technology in application for esophagus, stomach, bile duct". New Health Technology status enables specific reimbursement codes for Cellvizio® procedures in South Korea, third largest medical market in Asia

Avril 2018

Cellvizio® Demonstrates Superior Identification of Patients at Risk for Esophageal Cancer Compared to Current Diagnostic Standard. Results from new clinical study that enrolled 172 patients at 8 non-academic centers in the United-States was presented at 2018 World Congress of Endoscopic Surgery hosted by SAGES and CAGS on Thursday, April 12, 2018

In Vivo Confocal Laser Endomicroscopy with Cellvizio® allows the discovery of a previously unknown human structure, the interstitium, a study conducted on the initiative of researchers who used Cellvizio® to characterize an unknown structure of the human body, the "interstitium", up to know identified by standard histological techniques. The article, titled "Structure and Distribution of unrecognized Interstitium in Human Tissue" was published in Nature Group's Scientific Reports. According to the publication in Scientific Reports, this discovery may have significance in cancer metastasis and other diseases and could lead to new therapeutic approaches for cancer

Mai 2018

20 Presentations Highlighting Cellvizio's® Clinical Value in Evaluating IBDs and Pancreatic Cysts at DDW 2018. These abstracts focus on Barrett's esophagus, Inflammatory Bowel Disease / Syndrome (IBD / IBS), pancreatic cyst and other gastrointestinal diseases.

Pneumonology

June 2018

Publication of a prospective multicenter study (ClinicalTrials.gov Identifier: NCT01033201) that demonstrates the potential of Cellvizio to aid in the diagnosis of acute cellular rejection in lung transplant patients. Cellvizio's optical biopsy could become a safe and effective alternative to invasive biopsies in transplanted patients

Neurology

May 2018

Obtaining U.S. Food and Drug Administration (FDA) 510(k) clearance of the Cellvizio® 100 series F400 and F800 with a new Confocal MiniprobeTM, the CranioFlexTM, to be used during neurosurgical procedures. This marks the 15th U.S. FDA 510(k) clearance of Cellvizio® and the first-ever FDA clearance for CLE applications in neurosurgery.

3. DEVELOPMENT AND PROSPECTS

The Company is mainly focusing its efforts first on the American market, where conditions have improved significantly and particularly the transition to a consignment sale.

Furthermore, the implementation of our "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.

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

No significant events occurred after the 2018 half-year closing.

5. RISKS AND UNCERTAINTIES - TRANSACTIONS WITH RELATED PARTIES

The risks faced by the company are specified in Chapter 4 "Risk Factors" of the Company's 2017 Registration Document.

Relationships with related parties are covered in Note 21 to the 2018 half-yearly financial statements.

Mauna Kea Technologies

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS, AS OF JUNE 30, 2018

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	06/30/18	12/31/17
ASSETS			
Non-current assets			
Intangible assets	3	1,873	2,100
Property, plant, and equipment	4	1,813	1,466
Non-current financial assets		140	138
Total non-current assets		3,825	3,704
Current assets			
Inventories & Work in progress	5	2,251	1,969
Trade receivables	6	1,618	2,034
Other current assets	6	2,333	2,462
Current financial assets		40	125
Cash and cash equivalents	7	15,132	17,453
Total current assets		21,374	24,043
TOTAL ASSETS		25,199	27,747

	Note	06/30/18	12/31/17
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	1,008	974
Share premium	8	91,738	87,973
Reserves		(72,189)	(61,896)
Foreign currency translation on reserves		17	(61)
Profit / (loss)		(6,836)	(10,245)
Total equity		13,738	16,744
Non-current liabilities			
Long-term loans and borrowings	9	2,749	2,567
Non-current provisions	10	379	283
Total non-current liabilities		3,128	6,850
Current liabilities			
Short-term loans and borrowings	9	4,333	386
Trade payables		1,910	1,663
Other current liabilities	11	2,091	2,104
Total current liabilities		8,334	4,153
TOTAL EQUITY AND LIABILITIES		25,199	27,747

COMPREHENSIVE INCOME STATEMENT

(Amounts in thousands of euros)

	Note	06/30/18	06/30/17
Operating Revenue			
Sales	12	2,707	3,285
Other income	12	525	469
Total revenue		3,232	3,753
Operating Expenses			
Cost of sales		(987)	(1,040)
Gross margin		64%	68%
Research & Development	15	(2,235)	(2,196)
Sales & Marketing	15	(4,376)	(4,211)
Administrative expenses	15	(2,069)	(1,664)
Share-based payments	8	(43)	(183)
Total expenses		(9,712)	(9,294)
Current operating profit		(6,479)	(5,540)
Financial revenue	16	38	111
Financial expenses	16	(393)	(359)
Profit before tax		(6,836)	(5,787)
Income tax expense	17		
Profit / (loss)		(6,836)	(5,787)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences on defined benefit plans	10	(5)	(11)
Total items that will not be reclassified to profit or loss		(5)	(11)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		78	(76)
Total items that will be reclassified subsequently to profit or loss		78	(76)
Other comprehensive income for the year, net of tax		73	(87)
Comprehensive income		(6,763)	(5,874)
Weighted average number of shares outstanding (in thousands)		25,092	20,474
Basic earnings per share (EUR/share)	19	(0.27)	(0.28)
Weighted average number of potential shares (in thousands)		27,183	22,324

STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros)

		Issued capital	Share premium	Treasury shares	Reserves	Foreign currency translation on reserves	Profit / (loss)	Total equity
Equity as of	12/31/16	800	72,382	(72)	(52,322)	113	(9,744)	11,157
Allocation of the profit / (loss)					(9,744)		9,744	
Capital transactions		174	15,591					15,765
Share-based payment transactions					285			210
Treasury share transactions				(13)	44			31
Comprehensive income as of	12/31/17					(174)	(10,245)	(10,419)
Equity as of	12/31/17	974	87,973	(84)	(61,812)	(61)	(10,245)	16,744
Allocation of the profit / (loss)					(10,245)		10,245	
Capital transactions		34	3,765					3,799
Share-based payment transactions					43			43
Treasury share transactions				(44)	(42)			(86)
Comprehensive income as of	06/30/18				(5)	78	(6,836)	(6,763)
Equity as of	**06/30/18**	**1,008**	**91,738**	**(129)**	**(72,061)**	**17**	**(6,836)**	**13,738**

CASH-FLOW STATEMENT

(Amounts in thousands of euros)

	Note	06/30/18	06/30/17
Cash flows from operating activities			
Profit / (loss)		(6,836)	(5,787)
Elimination of amortization, depreciation and provisions		597	580
Share-based payment transaction expense and revenue	8	43	183
Other items excluded from the auto-financing capacity		312	75
Revenue and expenses related to the discounting of repayable advances	12/16	33	35
Revenue and expenses related to the bond	12/16	39	30
Financial interest	16	236	157
Other non-cash items		4	(147)
Capital gain or loss from asset sales	4	0	4
Auto-financing capacity		(5,906)	(4,946)
Change in WCR related to business activities		268	(163)
Inventories & Work in progress		(521)	(28)
Trade receivables		433	(81)
Other current assets		151	817
Trade payables		238	(843)
Other current liabilities		(33)	(28)
Net cash flows from operating activities (A)		(5,638)	(5,109)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	3/4	(308)	(628)
Proceeds from sale of property, plant and equipment and intangible assets		1	1
Change in loans and advances granted		85	46
Net cash flows from investing activities (B)		(222)	(581)
Cash flows from financing activities			
Proceeds from exercise of share options	8	3,799	2,740
Repurchases and resales of treasury shares		(86)	(37)
Net financial interest paid	16	(175)	(110)
Other cash flows from financing operations	9	(4)	3,662
Net cash flows from financing activities (C)		3,534	6,255
Net foreign exchange difference (D)		5	(22)
Change in cash (A) + (B) + (C) + (D)		(2,321)	544
Cash at the beginning of the period	7	17,453	9,053
Cash at the end of the period	7	15,132	9,596
Change in cash		(2,321)	544

Notes To The Financial Statements

Note 1: Accounting principles

1.1 Accounting principles applied by the Group

The financial statements are presented in thousands of euros.

The condensed consolidated financial statements of the first half-year 2018, approved by the Board of Directors' meeting on September 19, 2018, have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The going concern assumption was applied by the Board of Directors, taking into account the cash available as of June 30, 2018, which amounted to €15 million, and according to its expected cash flow. These elements should cover the Group's cash requirements until June 30, 2019, including in the event of the early repayment of the loan contracted with IPF in the amount of €4 million due to the non-compliance at June 30, 2018 with the financial ratios set out in the loan agreement (see notes 18 and 9)". The Company intends also to implement the appropriate financing solutions to cover its cash requirements beyond that date.

Since they are condensed financial statements, the half-year consolidated financial statements do not include all the financial disclosures required in a full set of annual financial statements. They should therefore be read in conjunction with the Group's financial statements for the year ended December 31, 2017, subject to the specific characteristics for the preparation of interim financial statements, described below.

1.2 Main accounting policies

Aside from the specific characteristics for the preparation of interim financial statements set out in Note 1.3 "Basis of preparation of half-year financial statements", the significant accounting policies used are the same as those used for the preparation of the consolidated financial statements for the financial year ended December 31, 2016, with the exception of the following new standards, revised standards and interpretations adopted by the European Union and mandatory for financial years beginning on or after January 1, 2018:

1.2.1. New standards and interpretations for mandatory application

The new standards, amendments to existing standards and interpretations whose application is mandatory for financial years beginning on or after January 1, 2018 have no material impact on the Group's financial statements and earnings. This pertains to the following standards:

- *IFRS 9 "Financial instruments"*
IFRS 9 changes the conditions for the recognition of hedging operations and the main accounting categories of financial assets and liabilities. It also modifies the recognition of the credit risk relating to financial assets by basing this on the expected losses approach rather than on losses incurred.
The Group has not identified any significant impact from the application of these new principles on opening equity at January 1, 2018. The Group does not expect any significant impact in fiscal year 2018.

- *IFRS 15 "Revenue from contracts with customers"*
IFRS 15, which replaces IAS 18 and IAS 11, is applicable from January 1, 2018.
IFRS 15 specifies as a new basic principle the recognition of income when control is transferred to the customer. IFRS 15 also sets out specific guidance regarding the disaggregation of contracts into performance obligations and the measurement of revenue in certain cases.
Following a full analysis of the changes in the standards across all its activities, the Group has not identified any significant impact from the application of these new principles on opening equity at January 1, 2018. The Group does not expect any significant impact in fiscal year 2018.

- *Amendments to IFRS 2 "Share-based payments" ;*

- *Annual improvements to IFRS (2014-2016 cycle)*

- *IFRIC 22 "Foreign currency transactions and advance consideration"*

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

- *IFRS 16 - "Leases"*
The new standard, adopted by the European Union on October 31, 2017, is applicable on January 1, 2019. The Group has not opted for the early application of this standard. The impact of IFRS 16 is currently being assessed by the Management team.

- IFRIC 23 "Uncertainty over income tax treatments"

- Annual improvements to IFRS (2015-2017 cycle)

- Amendments to IAS 12: Recognition of deferred tax assets in respect of unrealized losses

- Amendments to IAS 19: Employee benefits.
These amendments concern the way in which retirement expenses are calculated in the event of the amendment, curtailment or settlement of a defined benefit pension plan.

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

The Group has not opted for the early application of the standards and interpretations published by IASB but not yet adopted by the European Union as of June 30, 2018, in particular:

- amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"
- amendments to IAS 40 "Transfers of investment property"
- IFRS 17 "Insurance contracts"

1.3 Basis of preparation of the interim financial statements

1.3.1 Income tax

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

No income tax expense was recorded at June, 30 2018.

1.3.2 Impairment tests

The change in the business model results in lower sales, but the Company does not consider this to be an indication of impairment as of June 30, 2018 and, in accordance with the provisions of IAS 36, the Group has not conduced impairment tests on property, plant and equipment and intangible assets.

1.3.3 Commitments related to lump-sum compensation paid upon retirement

The Company does not finance its pension plan provision. The discount rate comes from iBoxx Corporate AA10+ references adjusted for the term of the Company's plan estimated at 23 years. No retirements took place in the first half 2018.

Note 2: Company and scope

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

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

	06/30/2018		12/31/2017		Consolidation method
Entities	**% of interests**	**% of control**	**% of interests**	**% of control**	
Mauna Kea Technologies SA (1)	100%	100%	100%	100%	Full consolidation
Mauna Kea Technologies Inc	100%	100%	100%	100%	Full consolidation

(1) Parent company

No change in scope took place during the period.

Note 3: Long-term intangible assets

The changes in intangible assets break down as follows:

INTANGIBLE ASSETS (Amounts in thousands of euros)	12/31/17	Increase	Decrease	Reclassification	06/30/18
Development costs	3,623				3,623
Patents, licenses and trademarks	1,674	16		4	1,694
Software packages	664	25			689
Patents, licenses and trademarks in progress	546	29		(4)	572
Total gross intangible assets	6,508	70			6,578
Amort. of development costs	(3,135)	(206)			(3,342)
Amort. of patents, licenses and trademarks	(789)	(59)			(848)
Amort. of software packages	(483)	(31)			(515)
Total amort. of intangible assets	(4,408)	(297)			(4,705)
Total net intangible assets	2,100	(227)			1,873

No development costs was capitalized at 30 June 2018 and during the previous year.

Note 4: Property, plant, and equipment

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

PROPRETY, PLANT AND EQUIPMENT (Amounts in thousands of euros)	12/31/17	Increase	Decrease / Scrapping	Exchange differences	Reclass.	06/30/18
Industrial equipment	2,061	10		6	349	2,426
Fixtures in buildings	51					51
Other tangible assets	1,601	228	(7)	5	(32)	1,794
Total gross property, plant and equipment	3,713	238	(7)	11	317	4,272
Dep. of industrial equipment	(1,325)	(30)		(5)	(116)	(1,477)
Dep. of fixtures in buildings	(49)	(1)				(50)
Dep. of other tang assets	(873)	(63)	7	(3)		(932)
Total dep. of property, plant and equipment	(2,248)	(94)	7	(9)	(116)	(2,459)
Total net property, plant and equipment	1,466	144	0	3	201	1,813

In the first half-year, property, plant and equipment reclassifications primarily included systems placed under consignment or made available. All of the systems produced by the company are initially recognized in inventory and then reclassified as fixed assets as they are subjected to consignment (in the United States) or made available (in France)

This reclassification has been made following a management analysis based on the final destination of the systems. They are amortized over their remaining life.

Note 5: Inventories and work in progress

The inventories and work in progress break down as follows:

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

	06/30/18	12/31/17
Inventories of raw materials	1,028	610
Inventories & work in progress of finished goods	1,369	1,465
Total gross inventories & work in progress	2,398	2,075
Dep. of inventories of raw materials	(54)	(54)
Dep. of inventories & work in progress of finished goods	(92)	(52)
Total dep. of inventories & work in progress	(146)	(106)
Total net inventories & work in progress	2,251	1,969

The first half-year recorded a €418 thousand increase in the gross value of raw materials inventories, mainly due to the increase in anticipated purchase volumes to meet future production, notably in relation to the U.S. market.

Note 6: Trade receivables and other current assets

6.1 Trade receivables

TRADE RECEIVABLES
(Amounts in thousands of euros)

	06/30/18	12/31/17
Trade receivables	3,103	3,215
Dep. of trade receivables	(1,484)	(1,181)
Total net trade receivables	1,618	2,034

The decrease in net trade receivables reflects an additional impairment provision of €303 thousand over the first half year 2018.

Trade receivables past due and not impaired amounted to €338 thousand as of June 30, 2018 compared with €961 thousand as of December 31, 2017.

6.2 Other current assets

Other current assets breaks down as follows:

OTHER CURRENT ASSETS
(Amounts in thousands of euros)

	06/30/18	12/31/17
Personnel and related accounts	35	0
Research Tax Credit	1,598	1,917
Other tax receivables	275	257
Other receivables	178	176
Prepaid expenses	247	112
Total gross other current assets	2,333	2,462
Dep. of other current assets		
Total net other current assets	2,333	2,462

The changes in the Research Tax Credit were as follows:

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

	12/31/17	Operating revenue	Payment received	Capitalized portion	06/30/18
Research Tax Credit	1,917	509	(828)		1,598

The estimated Research Tax Credit for the first half of 2018 was €509 thousand, compared with €448 thousand as of June 30, 2017. The 2016 Research Tax Credit was redeemed in February 2018.
The amount remaining in the balance sheet corresponds to the 2017 Research Tax Credit and the estimated amount for the first half of 2018.

Note 7: Cash and cash equivalents

Cash and cash equivalents break down as follows:

CASH AND CASH EQUIVALENTS
(Amounts in thousands of euros)

	06/30/18	12/31/17
Short-term bank deposits	15,132	17,453
Total cash and cash equivalents	15,132	17,453

Note 8: Share capital

8.1 Issued capital

The share capital is set at one million seven thousand nine hundred and ninety-three euros and fifty-two cents (€1,008,053.52). It is divided into 25,201,338 ordinary shares, fully subscribed and paid up, each with a par value of €0.04.

This figure does not include stock warrants (BSAs), founders' warrants (BSPCEs) or stock options (SOs) granted to certain investors and natural persons, who may or may not be employees of the Company, and free performance share units (PSUs).

The table below shows the history of the Company's share capital since June 30, 2018:

Type of transaction	Issued Capital (€K)	Share Premium (€K)	Number of shares comprising the issued capital (K)
	974	87 973	24 347
Exercise of BSA Plan of December 1, 2017	34	3 746	850
Exercise of SO	0	10	4
Other	0	9	0
Total	1 008	91 738	25 201

At June 30, 2018, 850,000 shares were subscribed via the financing lines with Kepler dated December 1, 2017.

8.2 Stock warrants and stock options

Since its formation, the Company has issued “Stock Warrants” (BSA) and stock subscription warrants for its employees (“BSPCE” and other), as well as stock options (SO) and free performance shares (PS), for which the changes since December 31, 2017 are presented below.

In 2018, the Company issued a new stock option plan and two new "Stock Warrant" plans:

Type	Date of grant	Exercise price	Outstanding as of 12/31/17	Granted	Exercised	Cancelled	Outstanding as of 06/30/18	Potential number of shares
Options granted before January 1, 2018			3,491,426		854,000(*)	907,011	1,730,415	1,701,087
SO	02/28/2018			300,000		15,000	285,000	285,000
BSA	02/28/2018			55,000			55,000	55,000
BSA	03/22/2018			50,000			50,000	50,000
			3,491,426	405,000	854,000	922,011	2,120,415	2,091,087

* Of which 850,000 BSA exercised as part of the PACEO financing line implemented in December 2017

The payment for the options is settled in stock shares. As of June 30, 2018, exercisable warrants entitle their holders to 935,687 shares.

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

	06/30/18	06/30/17
Share-based payments (capitalized portion)	0	0
Share-based payments (expense in the period)	43	183
Total share-based payments	43	183

Share-based payment expenses decreased by €140 thousand, from €183 thousand in June 2017 to €43 thousand on June 30, 2018. This decrease in expenses is mainly due to workforce movements, the absence of any new plan, changes in the stock price and stock volatility.

8.3 Treasury shares as of June 30, 2018

As of June 30, 2018, the Company held 46,507 Mauna Kea Technologies shares acquired at an average price of €2,76 representing an amount of €128,582. Their acquisition cost was €115,337.

Note 9: Loans and borrowings

The changes in loans and borrowings break down as follows:

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

	12/31/17	Receipt	Repayment	Capitalized interests	Reclass.	Other	06/30/18
Coface	154					2	155
Bond issues	232			61	3,848	39	4,179
Total short-term loans and borrowings	386			61	3,848	40	4,333

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

	12/31/17	Receipt	Repayment	Capitalized interests	Reclass.	Other	06/30/18
Repayable advances OSEO Funding	2,699					32	2,731
Deposits and guarantees received	16	12	(16)				12
Shareholders' accounts	5						5
Bond issues	3,848				(3,848)		0
Total long-term loans and borrowings	6,567	12	(16)		(3,848)	32	2,749

Given the non-compliance with the covenants set out in the loan agreement with IPF, the total amount of the debt was reclassified to short-term loans and borrowings at June 30, 2018

Note 10: Non-current provisions

NON-CURRENT PROVISIONS
(Amounts in thousands of euros)

	12/31/17	Allowance	Unused reversals	Used reversals	Other	06/30/18
Pension plan provision	184	12	(15)		5	184
Provisions for personnel disputes	28	57				85
Provision for software update	15					15
Other provisions for expenses	58	37				95
Total non-current provisions	283	106	(15)		5	379

Provisions for personnel disputes in the balance sheet concerns a dispute which arose in 2014 for €65 thousand and €20 thousand for new litigation which ended in June 2018.

"Other provisions for expenses" corresponds to the provision for the risk of repair of systems sold under the statutory one-year guarantee granted on the sale of a Cellvizio.

Note 11: Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES
(Amounts in thousands of euros)

	06/30/18	12/31/17
Tax payables	77	106
Staff and social security payables	1,436	1,438
Deferred revenue	579	560
Total other current liabilities	2,091	2,104

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

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

Deferred income essentially comprises maintenance contracts on systems sold (maintenance periods of one to three years).

Note 12: Sales and operating revenue

Sales and operating revenue consists of the following:

SALES AND OPERATING REVENUE
(Amounts in thousands of euros)

	06/30/18	06/30/17
Sales	2,707	3,285
Research Tax Credit and other tax credits	525	469
Total revenue	3,232	3,753

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

The competitiveness and employment tax credit is recognized under Research Tax Credit and other tax credits.

SALES BY TYPE
(Amounts in thousands of euros)

	06/30/18	06/30/17
Equipment	990	1,522
Consumables (probes)	1,197	1,098
Services	520	664
Total sales by type	2,707	3,285

Sales by geographical area as of June 30, 2018 break down as follows:

SALES BY GEOGRAPHICAL AREA
(Amounts in thousands of euros)

	06/30/18	06/30/17
EMEA (Europe, Middle-East, Africa)	630	1,049
of which France	*99*	*384*
United States and Canada	1326	1,379
of which USA	*1,320*	*1,361*
Latin America	23	180
Asia	728	677
of which China	*506*	*156*
of which Japan	*42*	*79*
Total sales by geographical area	2,707	3,285

Sales in the United States and Canada were previously reported with sales for the Latin America region under the Americas item.

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

As of June 30, 2018, one of the Group's customers in the APAC area accounted for more than 18% of sales revenue.

Note 13: Financial instruments on balance sheet

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

As of June 30, 2018	Value on the balance sheet	Fair value through profit or loss	Fair value through equity	Loans and receivables	Debt at amortized cost
Assets					
Non-current financial assets	140			140	
Trade receivables	1,618			1,618	
Other current assets (2)	1,987			1,987	
Current financial assets (1)	40			40	
Cash	15,132	15,132			
Total assets	18,917	15,132		3,785	
Liabilities					
Long-term loans and borrowings	2,749				2,749
Short-term loans and borrowings	4,333				4,333
Trade payables	1,910				1,910
Other current liabilities (2)	1,513				1,513
Total liabilities	10,505				10,505

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

As of December 31, 2017	Value on the balance sheet	Fair value through profit or loss	Fair value through equity	Loans and receivables	Debt at amortized cost
Assets					
Non-current financial assets	138			138	
Trade receivables	2,034			2,034	
Other current assets (2)	2,256			2,256	
Current financial assets (1)	125			125	
Cash	17,453	17,453			
Total assets	22,007	17,453		4,553	
Liabilities					
Long-term loans and borrowings	6,799				6,799
Short-term loans and borrowings	154				154
Trade payables	1,663				1,663
Other current liabilities (2)	1,544				1,544
Total liabilities	10,160				10,160

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

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

Note 14: Employee benefits expense

The Group employed 98 people as of June 30, 2018 compared with 81 as of June 30, 2017.

The employee benefits expense breaks down as follows:

EMPLOYEE BENEFITS EXPENSE
(Amounts in thousands of euros)

	06/30/18	06/30/17
Wages and salaries, social security costs	5,206	4,834
Net pension costs	(3)	12
Share-based payment transaction expenses	43	183
Total employee benefits expense	5,246	5,028

Employee benefits expense was up €372 thousand, mainly due to the recruitment of a sales team in the United States and the internalization of certain previously sub-contracted services.

Note 15: External expenses

15.1 Research & Development Department

RESEARCH & DEVELOPMENT
(Amounts in thousands of euros)

	06/30/18	06/30/17
Purchases consumed	44	10
Employee benefits expenses	1,253	1,309
External expenses	590	556
Net change in amortization and depreciation	348	321
Other	(1)	0
Total Research & Development expenses	2,235	2,196

15.2 Sales & Marketing Department

SALES & MARKETING
(Amounts in thousands of euros)

	06/30/18	06/30/17
Purchases consumed	(14)	32
Employee benefits expenses	2,701	2,561
External expenses	1,161	1,434
Net change in amortization and depreciation	504	184
Other	25	0
Total Sales & Marketing expenses	4,376	4,211

The sales and marketing expenses recorded an increase of €165 thousand due to the expansion in the sales force in the United States.

15.3 Administrative Expenses

ADMINISTRATIVE EXPENSES (Amounts in thousands of euros)	06/30/18	06/30/17
Purchases consumed	32	22
Employee benefits expenses	952	689
External expenses	904	786
Taxes	48	31
Net change in amortization and depreciation	67	78
Other	65	58
Total Administrative expenses	2,069	1,664

In the first half of 2018, the Company recorded a significant increase of €403 thousand in administrative expenses, mainly due to wages and salaries, social security costs and external expenses.

The increase in wages and salaries and social security costs is due to the internalization of certain services that were sub-contracted as of June 30, 2017.

The increase in external expenses is mainly due to activity.

Note 16: Financial income and expenses

Financial income and expenses break down as follows:

FINANCIAL INCOME AND EXPENSES (Amounts in thousands of euros)	06/30/18	06/30/17
Foreign exchange gains	38	86
Gains on cash equivalents	0	25
Total financial revenue	38	111
Foreign exchange losses	(85)	(111)
Interest expenses	(236)	(183)
Discounting expenses	(72)	(65)
Total financial expenses	(393)	(359)
Total financial revenue and expenses	(356)	(247)

Note 17: Income tax expense

The Group did not capitalize its tax losses.

Note 18: Commitments

The Company had the following commitments as of June 30, 2018:

Obligations pursuant to ordinary rental agreements

- No new operating leases were signed during the period. Commitments under operating leases totaled €193 thousand for terms of less than one year as of June 30, 2018, compared with €205 thousand as of December 31, 2017. Commitments under operating leases totaled €694 thousand for terms of more than one year as of June 30, 2018, compared with €789 thousand as of December 31, 2017.

Commitments under other contracts

- Commitments to suppliers totaled €1,771 thousand for terms of less than one year as of June 30, 2018, compared with €2,518 thousand as of December 31, 2017, and €423 thousand for terms of one to five years as of June 30, 2018, compared with €85 thousand as of December 31, 2017. This decrease in commitments is due to the renegotiation of a supply contract at the beginning of the period.
- The company is required to comply with certain financial ratios as part of its loan agreement with IPF. Given its non-compliance with these ratios at June 30, 2018, the total amount of IPF debt has been reclassified under short-term loans and borrowings at June 30, 2018.

Note 19: Net earnings per share

Instruments that grant rights to the share capital on a deferred basis (BSAs, BSPCEs or stock options) are considered anti-dilutive because they cause an increase in earnings per share. Thus, diluted earnings per share are identical to basic earnings per share.

Note 20: Management of financial risk

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

Note 21: Related party transactions

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

RELATED-PARTY TRANSACTIONS
(Amounts in thousands of euros)

	06/30/18	06/30/17
Wages and salaries - General management	110	156
Share-based payments – General management	0	66
Retirement commitments – General management	2	2
Attendance fees – Executive officers	114	113
Share-based payments - Executive officers	18	11

Note 22: Subsequent events

No significant events occurred after the closing of the half-year financial statements.

Exco Socodec

ERNST & YOUNG et Autres

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

Mauna Kea Technologies

Period from January 1 to June 30, 2018

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

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S.A.R.L. au capital de €3,200,000

Commissaire aux Comptes
Membre de la compagnie
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Mauna Kea Technologies
Period from January 1 to June 30, 2018

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Mauna Kea Technologies, for the period from January 1 to June 30, 2018;
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying the opinion expressed above, we draw your attention to note 1 « Accounting principles » to the half-year consolidated financial statements related to conditions of the continuing operation principle of Mauna Kea Technologies.

2. Specific verification

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

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

Paris and Paris-La Défense, September, 20, 2018

The statutory auditors

French original signed by

Exco Socodec	ERNST & YOUNG et Autres
Olivier Gallezot	Cédric Garcia

Attestation of the person responsible for the half-year financial report

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

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

Alexandre Loiseau

Chief Executive Officer