Mauna Kea Technologies

Public Limited Company (*Société anonyme*) with share capital of €1,223,588
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Annual Financial Report 2020

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MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. FOREWORD

At its meeting on April 20, 2021 the Board of Directors reviewed the consolidated financial statements for the financial year ended December 31, 2020 and approved said financial statements. These consolidated financial statements were produced using the IFRS guidelines.

2. FINANCIAL POSITION OF THE GROUP DURING THE PAST FINANCIAL YEAR

2.1 Report on significant activity and events during the 2020 financial year

Mauna Kea Technologies is a medical device design and sales company whose mission is to eliminate uncertainties in diagnosis and treatment and to improve patient care for a number of clinical indications. In becoming a global player in real-time cellular diagnostics, the Company's prime objectives are to constantly improve the quality of care provided to patients and efficiency of healthcare professionals and systems. The Company's flagship product, Cellvizio, has received market authorizations for a wide range of applications in more than 40 countries, including the United States, Europe, Japan and China.

As of December 31, 2020, the Mauna Kea Technologies Group is made up of a multidisciplinary team of 98 employees, has an installed base of almost 694 systems in over 40 countries and has achieved around €97.5 million in sales since its founding, including €6.5 million in the 2020 financial year.

The going concern assumption was adopted by the Board of Directors taking into account the following elements:

- cash available at December 31, 2020 stood at €8.6 million;
- a new equity financing line with Kepler Cheuvreux, which will enable €9.3 million to be raised in the coming 12 months, this amount being dependent on the share price;
- the grant of a repayable advance and a grant for PERSEE project of €0.6 million in 2021;
- the receipt of the 2020 Research Tax Credit for €0.7 million;
- sales outlook taking into account the impact of the Covid-19 crisis.

In this context, the Group considers that it is in a position to meet its commitments until the second quarter of 2022.

Highlights of the financial year:

<u>New authorizations</u>

On March 3, 2020, Mauna Kea Technologies has obtained 510(k) clearance (K193416) from the U.S. Food and Drug Administration (FDA) and CE marking of the next-generation Cellvizio® endomicroscopy platform, built with the Company's new proprietary system architecture. This marks the 18th U.S. FDA 510(k) clearance of the Cellvizio® pCLE/nCLE platform.

The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms.
The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted image interpretation. The ergonomic and significantly reduced footprint of the new Cellvizio should integrate easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of

hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.

Clinical results and conferences: the medical value of optical biopsy

Gastroenterology

On November 4, 2020, the Company announced the release of two publications, a meta-analysis and an international Delphi consensus, in peer-reviewed journals, both based on systematic reviews of published clinical studies of needle endomicroscopy for the evaluation of cystic pancreatic lesions.

The first publication entitled "Needle-based Confocal Laser Endomicroscopy in Pancreatic Cysts: a Meta-Analysis", was published in the European Journal of Gastroenterology & Hepatology (2020, DOI: 10.1097/MEG.0000000000001728). Ten studies involving 536 patients were included, and the authors evaluated diagnostic accuracy, sensitivity, specificity, and average procedure time. The meta-analysis concluded that confocal laser endomicroscopy "significantly outperformed" needle-based endoscopic ultrasound imagery in terms of diagnostic accuracy (with a ratio equal to 3.94, [1.58 - 9.82]; P = 0.003) and recommends the use of needle-based endomicroscopy as a safe and effective tool in the diagnostic evaluation algorithm for pancreatic cysts.

The second publication, "Confocal Endomicroscopy for the Evaluation of Pancreatic Cystic Lesions: A Systematic Review and an International Delphi Consensus Report", was published in the peer-reviewed journal, Endoscopy International Open (2020, DOI: 10. 1055/a-1229-4156), and is based on the consensus of an international panel of 15 experts in pancreatic diseases who reviewed the evidence for the application, performance, indications, training, and skills required to perform needle-based endomicroscopy in the evaluation of pancreatic cystic lesions. The consensus summary reflects a high level of agreement regarding the experts' claims and establishes that needle-based endoscopic ultrasound imagery is a minimally invasive and safe procedure that improves the evaluation of pancreatic cystic lesions and "should be routinely performed when needle-based aspiration is indicated for the evaluation of pancreatic cysts". The report also concluded that the use of needle-based endomicroscopy as an adjunct to needle-based aspiration could improve patient management and provide value for money in healthcare by reducing diagnostic errors, stopping unnecessary ongoing monitoring, and avoiding unnecessary surgical procedures.

Pulmonology

As part of his collaboration with Johnson & Johnson's Lung Cancer Initiative (LCI), Dr. Christopher Manley, Director of the Department of Interventional Pulmonology and Assistant Professor of Medicine at the Fox Chase Cancer Center (FCCC) in Philadelphia, and Dr. Jouke T. Annema, Professor of Pulmonary Endoscopy at the University of Amsterdam Medical Center, obtained approval to initiate a pilot clinical study, combining nCLE and robotic bronchoscopic navigation, using both Cellvizio® and the Monarch™ platform from Auris Health, Inc. one of Johnson & Johnson's medical device companies, for the diagnosis of peripheral lung nodules. The trial will be co-funded by Johnson & Johnson's LCI and Mauna Kea Technologies (Clinicaltrials.gov: NCT04441749). The main objective of this study is to assess the feasibility and safety of nCLE during bronchoscopy with robotic navigation in the assessment of peripheral lung lesions. This study will cover 25 patients with peripheral nodules.

Urological Oncology

On December 15, 2020, the Company and Telix Pharmaceuticals Limited, a company focused on the development of diagnostic and therapeutic products based on "Targeted Molecular Radiation" (TMR) technology ("Telix"), announced the start of an exclusive scientific and clinical research collaboration in the field of molecular imaging-guided urological oncology.

The scientific research collaboration between Telix and Mauna Kea called the "Alliance for Imaging and Robotics in Surgery (IRiS)", or "IRiS Alliance", was created to develop and validate the potential of the two companies' combined technologies. The IRiS Alliance is based on the conviction that the use of cancer-

specific positron emission tomography (PET) molecular imaging agents combined with fluorescent dyes, in conjunction with laser confocal endomicroscopy, can significantly improve surgical techniques and clinical outcomes in patients with urological cancers.

The IRiS Alliance aims to demonstrate that preoperative planning, intraoperative guidance, evaluation of surgical resection margins and other surgical parameters can be improved by combining these methods. The primary objective of the IRiS Alliance is to develop and evaluate the use of Telix's dual-modality PET and fluorescence imaging molecular marker with the near-infrared version of the Cellvizio endomicroscopy platform to improve surgical interventions for prostate and kidney cancers.

New financing

On April 20, 2020, the Company obtained through its subsidiary Mauna Kea Inc. the payment of a loan convertible under conditions into a grant in the amount of €0.6 million under the Paycheck Protection Program in the U.S. Having reasonable assurance as of December 31, 2020 that the criteria for forgiveness will be met, and in accordance with IAS 20, this loan has been deemed to be a government grant and is presented under "Other income" in the income statement.

On July 8, 2020, in accordance with the loan agreement of June 19, 2020 with the EIB, as amended on June 19, 2020, the Company received Tranche 2 for €6 million. This second tranche will bear annual interest of 3% and capitalized interest of 4% payable in 5 years with the principal. Tranche 2 is also accompanied by the issue of share subscription warrants (BSA) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e. 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan. BNP Paribas and Bpifrance have each a loan of €2 million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No. 2020-289 of March 23, 2020). Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term. At August 11, 2020, the loan was fully drawn down. At the reporting date of the financial statements, Management believes that the Company will certainly request a postponement of the repayment of its government-backed loans.

Pandemic Covid-19

Due to the Covid-19 pandemic, a set of preventive measures has been put in place within the Company, and this, by absolute necessity to preserve the health of its employees. The Company has therefore asked its employees in France to work from home and to organize remote meetings and events as much as possible. For those employees who need to be in the workplace, physical distancing measures and hygiene precautions are in place.

All measures proposed by the French government have been examined from a financial point of view. The Group benefited in particular from employee partial employment payments for €90 thousand, presented under "Other income" in the income statement. The Group also benefited from the deferred payment of social security contributions. As of December 31, 2020, €493 thousand of deferred contributions remains to be paid.
BNP Paribas and Bpifrance have also approved €4 million in financing for the Group in the form of a government-backed loan. At August 11, 2020, the loan was fully drawn down.

Lastly, the Company obtained through its subsidiary Mauna Kea Inc the payment of a loan convertible under conditions into a grant in the amount of €0.6 million under the Paycheck Protection Program in the United States.

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020, with an overall decrease of 47% on the previous year over this period. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half and enabled a 27% growth in revenues compared to the second half of 2019, reflecting the general improvement in the global economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €6.5 million, i.e., a 12% decrease compared to the previous year.

Given the general climate of uncertainty, it is impossible to predict the duration and extent of potential damage to the Company's business from the current Covid-19 pandemic.
However, these effects could have a significant impact on the Company's access to capital resources and operations. The Company also continues to closely monitor the potential impact of the pandemic on the conduct of clinical studies and discussions with health authorities.

In the first quarter of 2021, the Group's business grew by 7% compared to the first quarter of 2020, driven by a 13% increase in consumables sales. The Group is counting in particular on increasing demand for these consumables as the global recovery continues.

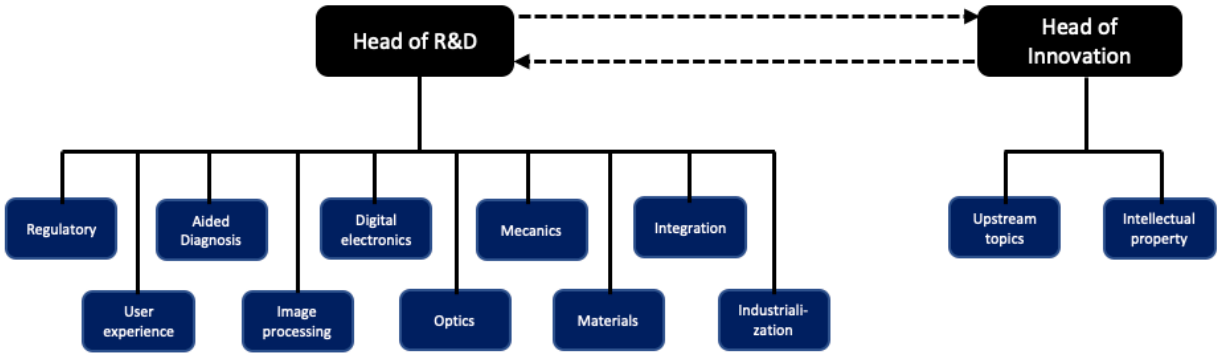
2.2 Research and development, innovation and new products

Research and Development

At the end of December 2020, 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 optotronics;
- 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.



Upstream R&D

The Company is organized to draw on the necessary resources to directly inspire technological innovations that will enable it to expand in its market, and win new markets, by exploring solutions likely to encourage the development of innovative solutions to improve the care given to patients.
The Innovation Department provides ongoing scientific and technological oversight. Its objective is to identify and validate the ability of the technologies or components to remain at the leading edge of technology while limiting any risk of obsolescence relative to key components 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.

On the clinical level, the Company collaborates with various hospitals to assess the potential relevance and usability of the 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.

Since November 2019, Mauna Kea Technologies has been part of an optical molecular imaging consortium for lung diseases that received €5.4 million from the Perspective program of the Netherlands Organization for Scientific Research (NWO). Molecular imaging provides insight into molecular and cellular processes in the body, and has the potential to transform healthcare by offering earlier detection and enabling more precise treatment of diseases. For over a decade, the Netherlands has been striving to be a leader in unifying, advancing and optimizing molecular imaging, with an ultimate goal of improving human health. In a continuing effort to promote molecular imaging, the international Photonics Translational Research – Medical Photonics (MEDPHOT) consortium, led by professor of Biophotonics Johannes de Boer of Vrije Universiteit Amsterdam has been awarded a 5.4 million euro grant from the NWO for the program “Light for a better view on diseases.” This consortium will include four Dutch universities (VU Amsterdam, UvA, UU, TU Delft) well-recognized and established in the field of molecular imaging and the Dutch Applied Natural Science Research Organization, three academic Dutch hospitals (Amsterdam UMC, UMC Groningen, Leiden UMC) and several international companies including Mauna Kea Technologies. The objective of this 5-year research program is to develop and validate new optical biomarkers that will enable earlier diagnosis, improved treatment and better quality of life for patients. A total of 75 scientists will be working on this research program focusing on technological innovations and clinical assessment, involving a total budget of 18 million euros. Through this program, we will be able to evaluate new molecular imaging markers with miniprobe and needle-based confocal laser endomicroscopy. “These markers could allow physicians to make decisions not only more quickly but also with greater accuracy and confidence, and could allow for personalized care in lung disease,” said Dr. J. T. Annema, Professor of Lung Endoscopy, Amsterdam University Medical Center.

R&D applied to improving current products and optimizing their production (product support)

The mission of the Research and Development teams is to encourage the development of existing solutions in a continual improvement approach, while listening to internal and external clients, and carrying out the following:

- to ensure and improve product manufacturing as part of a “lean” approach. To this end, monthly meetings between the R&D department, the production team and the support team are held;

- to develop new functions or improve the performance of existing products. The improvements are implemented after analysis of the improvement needs expressed by clients and the heads of product marketing and their technical feasibility by the R&D teams.

A particular effort is being made relative to the approval of new methods for disinfecting or sterilizing Confocal Miniprobes so that they can be used in accordance with current hygiene regulations in healthcare facilities in the different countries in which they are marketed.

Technical product development

Within this mission, the Research and Development teams are working with Product Managers and Clinical Affairs Managers to develop new products as part of the Company's project management.

Current major projects include the new generation Cellvizio: this program which is in the process of being finalized is aimed at overhauling Mauna Kea Technologies's offering. The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms. The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted image interpretation. The ergonomic and significantly reduced footprint, integrates easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.
With a redesigned user interface, Cellvizio offers smart navigation with greater efficiency and improved ergonomics. The brand new touch screen and one-handed connection to the probe make it easy to install and use. Developed to bring precision imaging to a greater number of patients with 9 dedicated Confocal Miniprobes™, the new Cellvizio offers high quality imaging capability and provides clinicians with a highly effective imaging solution for endoscopies, minimally invasive procedures and surgeries.

Development is also an opportunity for the R&D Division to rethink the solutions offered by the Company to continue to reduce manufacturing costs while improving durability. This is cross-functional work that relates as much to the system (capital equipment) as the miniprobes themselves (the consumables).

2.3 Clinical Research Activity

Endomicroscopy was the subject of 70 clinical publications in 2020 versus 73 in 2019, 88 in 2018 and 129 in 2017, reflecting the constant interest in optical biopsy from physicians.
In the period between 2007 and 2020 over 1,070 publications were published, all indications combined.

In 2020, many scientific articles confirmed, with a high level of evidence, the benefits of endomicroscopy in a broad spectrum of indications such as the recognition of different types of pancreatic cysts, the detection of early stages of gastric and esophageal cancer (Barrett's esophagus), or the short-term prognosis of chronic inflammatory bowel diseases. In fact, in May 2020, the *"Technologies and value assessment"* Committee (TAVAC) of the Society of American Gastrointestinal and Endoscopic Surgeons (SAGES) published a study on the safety and efficacy of confocal laser endomicroscopy as a diagnostic tool for the evaluation of gastrointestinal pathologies. The article, entitled "SAGES TAVAC safety and efficacy analysis confocal laser endomicroscopy", was published in the international peer-reviewed journal Surgical Endoscopy (doi.org/10.1007/s00464-020-07607-3), the official publication of SAGES. The SAGES TAVAC Committee publishes technology alerts on a monthly basis and reviews on the safety and efficacy of new technologies periodically on a longer basis. This publication in Surgical Endoscopy is based on a systematic review of clinical studies published on CLE in PubMed/Medline up to May 2018 as well as key reference bibliographies for relevant studies not available in PubMed. The objective of TAVAC was to assess the safety, clinical value and efficacy of CLE in the diagnosis and monitoring of gastrointestinal diseases. The results of the TAVAC analysis led to the conclusion that the CLE provides an excellent safety profile with rare adverse events related to the use of fluorescent agents. It has been shown to increase the detection of early cancer signs (dysplasia) in Barrett's esophagus, in the stomach and of the dysplasia associated with chronic inflammatory bowel disease compared to standard assessment protocols. It also allows for better differentiation and classification of colorectal polyps, indeterminate biliary strictures and cystic lesions of the pancreas.

Feasibility trials in peer-reviewed journals have also confirmed the technology's potential for use in interventional pulmonology and, *in vivo,* during surgical procedures. The Company has also continued clinical trials as part of robot-assisted surgery and has sponsored several clinical trials in interventional pulmonology for the detection and characterization of lung cancers and in molecular imaging.

Investigations in interventional pulmonology

In the field of endoscopy, the only parts of the respiratory system that can be viewed are the central bronchi and the first peripheral divisions. Indeed, the very small diameter of the terminal bronchi as well as the very small size of the alveoli mean that existing endoscopes cannot be used successfully. This major limitation prevents clinicians from gaining a greater understanding of the lung and certain pathologies (for example interstitial pathologies, and from characterizing peripheral nodules). As such, high-resolution imaging tools used to observe the peripheral pulmonary system (terminal bronchi and alveoli) can be used to meet very high clinical demand. In the case of the branch on pulmonary nodules, new analysis was conducted in 2017 combining CT and CLE data, and showed improved diagnostic accuracy compared with CT alone.

A multi-center prospective study was published in June 2018, demonstrating Cellvizio®'s potential in diagnosing acute cell rejection in patients with lung transplantation. Cellvizio®'s optical biopsy could become a safe and effective alternative to invasive biopsies in transplanted patients.

In addition, the team of Professor J. T. Annema, M.D. Ph.D., head of pulmonology department at Amsterdam University Medical Centers, has demonstrated, for the first time, that imaging and identifying benign and malignant cellular structures within pulmonary nodules and lymph nodes using needle-based confocal laser endomicroscopy, was not only possible but could also be reproduced in a presentation at the ERS (European Respiratory Society) Congress held in Paris in September 2018. The availability of nCLE for lungs clearly has the potential to have a major accuracy impact on the diagnosis of peripheral nodules, one of the biggest challenges in the fight against lung cancer. An article "Needle-based confocal laser endomicroscopy for real-time diagnosing and staging of lung cancer" was published in the European Respiratory Journal (2019, DOI: 10.1183/13993003.01520-2018) in 2019. The use of needle-based endomicroscopic imaging makes it possible to obtain precise results on the nature of the lung lesions and metastatic lymph nodes, according to the team of Prof. J. T. Annema, Professor of Lung Endoscopy at Amsterdam University Medical Centers. In a well-designed pilot clinical trial, it was shown that nCLE can be used to detect pulmonary tumors and metastatic lymph nodes with an 89% accuracy rate with significant intra- and inter-observer reliability. These promising findings confirm the fact that nCLE could be significant in complementing navigational bronchoscopy for the purposes of targeting and identifying pulmonary tumors in real time. It is a major publication which further supports new market opportunities in interventional pulmonology for Mauna Kea. Indeed, it shows that the use of our needle-based endomicroscopy platform is opening up a new era in interventional pulmonology, allowing more accurate navigation in the optimal sampling area with potential for the diagnosis, evaluation and treatment of pulmonary lesions in real time. Indeed, existing navigation systems offer advanced and minimally invasive access to peripheral nodules but have limited means of viewing directly outside the respiratory tract. Cellvizio, with the AQ-Flex™ 19 confocal miniprobe, can now be used through the operating channel of existing navigation systems to offer a direct "needle-based" view of the inside of peripheral lesions. Cellvizio is the leading endomicroscopic device on the market and can be integrated into robot-assisted bronchoscopic navigation platforms. As such, the approval of needle-based probes for bronchial applications is a critical milestone in continuing the exploration of possible indications for the Cellvizio technology in a field at the cutting edge of medical research.

In February 2019, Mauna Kea obtained a new FDA 510(k) authorization in the United States for the use of the AQ-Flex 19 confocal miniprobe through transbronchial needles with existing bronchoscopes and bronchoscopic accessories. This is the 16th 510(k) authorization received from the U.S. FDA for the Cellvizio® platform. Obtaining this authorization is a major regulatory milestone for Mauna Kea, particularly as it supports our market development strategy: evaluating the commercial potential of our Cellvizio technology on the interventional pulmonology market. The AQ-Flex™ 19 confocal miniprobe is opening up a new era in interventional pulmonology, allowing more accurate navigation in the optimal sampling area with potential for the diagnosis, evaluation and treatment of pulmonary lesions in real time.

In 2019, the Company also sponsored a pilot clinical study with the team of Professor J. T. Annema, M.D. Ph.D., Head of the Department of Pulmonology at Amsterdam University Medical Center, intended to evaluate the use of needle-based endomicroscopic in peripheral lung lesions. This study was completed in 2020 and included 26 patients. The preliminary results were presented at the ERS 2020 (European Respiratory Society) congress in September 2020. The results of this study are extremely positive. In fact, nCLE imaging was performed on 26 patients. No adverse events occurred. In 24 patients (92%), good to high quality videos were obtained (final diagnosis: lung cancer n = 23, organized pneumonia n = 1). nCLE imaging detected malignancy in 22/23 lung cancer patients. Blinded reviewers differentiated malignancy criteria from normal airway/lung parenchyma (over 280 nCLE sequences) with 95% diagnostic accuracy. The inter-observer agreement was substantial ($\kappa = 0.76$) and excellent intra-observer reliability (mean ± SD $\kappa = 0.81 \pm 0.05$). The authors concluded that nCLE bronchoscopic imaging of peripheral lung lesions is feasible, safe and allows real-time detection of lung cancer. Blinded reviewers accurately distinguished nCLE videos of lung cancer from those of airway parenchyma and lung parenchyma, demonstrating the potential of nCLE imaging as a real-time guidance tool.

In order to support these clinical efforts in the field of interventional pulmonology, Mauna Kea is also carrying out technical trials in order to remove the technological obstacles of incompatibility with bronchoscopes on the market, and in particular the most innovative ones likely to gain market share in the coming years.
This is why feasibility tests were carried out in April 2019 with two innovative robotic interventional pulmonology platforms: Monarch (Auris, recently acquired by J&J) and ION (Intuitive Surgical).

Following the encouraging results of these feasibility tests, a more in-depth study was carried out with assistance from Auris to ensure the compatibility of the AQ-Flex 19 and AlveoFlex probes with the Monarch robotic platform. The main points of verification concerned the resistance of the probes to the radii of curvature and the forces of curvature imposed by the robot, non-disturbance of the robot's maneuverability and not disturbing its positioning system in space by electromagnetic field. These tests made it possible to demonstrate the compatibility of the current probes with the Monarch navigation system and bronchoscope.

As part of the collaboration with Johnson & Johnson's Lung Cancer Initiative (LCI)[1], Dr. Christopher Manley, Director of the Department of Interventional Pulmonology and Assistant Professor of Medicine at the Fox Chase Cancer Center (FCCC) in Philadelphia, and Dr. Jouke T. Annema, Professor of Pulmonary Endoscopy at the University of Amsterdam Medical Center, obtained approval from the FCCC to initiate a pilot clinical study, combining nCLE and navigation robotic bronchoscopy, using both Cellvizio® and the Monarch™ platform from Auris Health, Inc. one of Johnson & Johnson's medical device companies, for the diagnosis of peripheral lung nodules. This study is co-financed by Johnson & Johnson's LCI and Mauna Kea Technologies (Clinicaltrials.gov: NCT04441749).
The main objective of this study is to assess the feasibility and safety of nCLE during bronchoscopy with robotic navigation in the assessment of peripheral lung lesions. This study began in 2020 and concerns 20 patients with peripheral nodules. This study will be completed in 2021.

In the context of the Covid-19 pandemic, Mauna Kea Technologies is funding a pilot clinical study, led by Jouke T. Annema, MD, Ph.D., of the Amsterdam University Medical Center (A UMC), which uses pCLE to assess Covid-19 patients in intensive care with respiratory failure (study registered in the Dutch clinical trials register under number: NL9281). Prof. Annema and his team have previously demonstrated that endomicroscopic imaging of patients suffering from non-Covid severe acute respiratory syndrome is safe and provides microscopic and high-quality alveolar imaging to differentiate certain morphological criteria[2] (Clinicaltrials.gov: NCT04479007). They concluded that endomicroscopic imaging has an added value compared to chest CT scans and that it has the potential to distinguish the main causes of respiratory failure in critically ill patients in intensive care. The characteristics of pCLE in severe acute respiratory syndrome related to Covid-19 are unknown. Endomicroscopic imaging during intensive care unit bronchoscopy could improve the diagnosis/etiology of severe acute respiratory syndrome related to Covid-19 and have a potential impact on treatment.

[1] The legal entity of the Lung Cancer Initiative at Johnson & Johnson is Johnson & Johnson Enterprise Innovation, Inc.
[2] Confocal laser endomicroscopy (CLE) in patients with acute respiratory failure on the ICU. Kirsten A. Mooij-Kalverda, Lizzy Wijmans, Lieuwe Bos, Marry Smit, Inge Van Den Berk, Daniel De Bruin, Peter Bonta, Marcus Schultz, Jouke Annema

Development of new surgical indications

In terms of robotic surgery, the Company has continued to expand its clinical activities as part of the BPI-funded PERSEE project. Surgery, and in particular minimally invasive surgery, is a medical field in which real-time microscopic imaging technology may have multiple applications. The PERSEE project, launched in 2010, is a collaborative project aimed at developing a flexible, miniature and robot-assisted endomiscroscope designed for minimally invasive exploration of the abdominal cavity in order to detect possible contraindications to excision surgery. The aim is to offer cancer patients the best therapeutic strategy between surgery, chemotherapy and radiotherapy. Multiple trials were undertaken, at the conclusion of which physicians shared their enthusiasm for and interest in the potential of these solutions which they were able to test in this first study.

The second pilot phase of the PERSEE II project launched in 2017 with the objective of confirming the findings of the initial phases of the project with other physicians at other investigational sites. These objectives will be met through a multi-center trial, using specific tools developed using the Cellvizio technology.

In 2018 researchers finalized the protocols for the two pilot multi-center trials. The protocol for the urology trial involving IMM, the Diaconesses Hospital and the Tenon Hospital was approved and the first patient was included in early 2019. The gastroenterology pilot trial was finalized and researchers obtained final approval from the French Medicines Agency, ANSM, in January 2019.

In 2019 the urology trial and the gastroenterology pilot trial were launched and continuing as planned. The objective of the trial is to reproduce the technical feasibility and safety of endomicroscopic imaging (Cellvizio® system and Persée system) in a multi-center trial and to increase the number of indications:

- Approving instrument improvements (VizioBot-P including probes, remote diagnosis, markers), image processing and the feasibility of sharing communications (voice, video) across operating theaters and anatomical pathology laboratories in a duplex or multiplex layout within the network of the various investigational sites;
- Developing interactions between investigational sites through the sharing of data/images/videos on the Cloud;
- Confirming the absence of risk associated with the procedure by comparing the learning curves of the investigational sites;
- Expanding and confirming the atlas of videos and images.

We have set target indicators and associated clinical procedures that we want to assess as part of the trial:

- Exploratory and/or resection surgery for abdomino-pelvic cancers through manual or robot-assisted laparoscopy,
    - With a particular focus on pancreas and liver cancer,
    - Intended recruitment: at least 35 patients for each specific indication,
    - Using indocyanine green (ICG) as the sole contrast agent, since the other marker used during the single-center trial, Patent Blue, did not give better results. As such these trials use our F800 system at 785 nm;
- Prostatectomy and/or urology surgery,
    - Nerve protection using real-time microscopic imaging,
    - Checking of resection margins in real time at microscopic level,
    - Intended recruitment: at least 100 patients, and at least 10 per participating site.

Trial protocols were written and prototypes developed in 2018. Recruitment began in early 2019 as approval for two clinical trials by the ethics committees (CPPs) and French Medicines Agency (ANSM) and the signing of single contracts with the various investigatory sites took a lot longer than expected.

In 2019 and 2020, two clinical trials were completed:

- a digestive surgery trial;
- a clinical trial in urological surgery.

Digestive surgery trial

The study took place at IMM during the months of May through December 2019. The study design was based on two phases: an *ex vivo* phase and an *in vivo* phase. The *ex vivo* phase enabled a panel of images on the surgical specimens resected by the digestive surgeon during the hepatectomy procedure performed in the operating room to be acquired. A total of 12 patients were included in this first phase. The surgical specimens were of different nature, i.e., both primary (hepatocellular carcinoma) or secondary (metastasis from colorectal cancer or other organ) tumors. All of the resection specimens could be imaged with the confocal endomicroscopy device in the anatomopathology laboratory of the IMM on the same day of the surgery.

The analysis of the specimens showed that:

- The detection of subcapsular liver tissue is reproducible: we can differentiate a normal hepatic architecture with regular hepatocellular trabecular from a tumoral appearance with disorganized tissue;
- It is more difficult to obtain interpretable images on the side of the liver resection specimen that has undergone electrocoagulation in order to be separated from the rest of the liver (called the liver resection margin) during the surgical procedure. Indeed, the liver is a richly vascularized organ (both by its arterial network and by its portal venous system containing nutrients absorbed by the gastrointestinal tract) on which it is essential to perform a meticulous cauterization during surgical dissection. As a result, the use of the electric scalpel "burns" this resection margin significantly in most cases. Obtaining interpretable endomicroscopic images on the margins proved to be non-reproducible:
- The fluorescence signal emitted by the ICG acting as a contrast agent could be detected on a part of the surgical specimens. The signal was satisfactory on the liver capsule, low intensity on the resection margin and acceptable inside the surgical specimen (after cutting the latter into two parts with the cold scalpel).

Endomicroscopic imaging was performed on a patient *in vivo* during the hepatectomy procedure.
The ease of manipulation of the CelioFlex™ UHD Confocal™ Mini-Probe by the digestive surgeon within the abdominal cavity was of a satisfactory standard. The probe could be positioned on all the areas of interest identified by the doctor. For several anatomical areas, it was necessary to manipulate the probe a few extra seconds in order to apply the probe perpendicular to the liver tissue to be imaged.
During this imaging, it was not possible to detect ICG fluorescence. In the same way as the *ex vivo* phase, ICG was injected the day before the operation at a dose equal to 0.5 mg/kg corresponding to the maximum dosage authorized by the health authorities in France.
In view of these contrasting results, it was decided not to include the pool of patients initially planned during the *in vivo* phase.

During this digestive surgery trial, several limitations could be highlighted:

- ICG has a different fluorescence level and bio-distribution at a cellular level from one patient to another. All patients received the same dosage of 0.5 mg/kg the day before surgery. It appears that other factors must be taken into consideration to correctly detect the contrast agent. Elements including the morphological aspect of the liver or the state of liver functions could have an impact: the degree of fibrosis and/or hepatic steatosis and the grade of hepatic insufficiency would contribute to modify the kinetics and the proportion of ICG internalized by the hepatocytes. Thus, it seems appropriate to propose more personalized injection protocols based on the individual's pathological state;
- Electrocoagulation used to dissect the liver tissue produces a thin layer of "burns" on the surface. This procedure appears to overly degrade liver cells located on this resection margin that would have potentially internalized the ICG. In order to overcome this barrier represented by this surface layer, it may be necessary for the Confocal Miniprobe™ to have an even greater focal length than the one we developed for these clinical trials in order to visualize beyond (e.g., at a distance of 100 micrometers or more). However, technical analyses have shown that there are problems with laser signal penetration at the wavelengths used in endomicroscopy for ICG visualization (788 nm) beyond 100 microns and thus only a little of the laser signal would penetrate into the tissue at these depths. On the other hand, the laser beam emitted by the confocal endomicroscope could

also be disrupted/deflected by this superficial burn layer and prevent its penetration into deeper tissue.

The digestive surgery trial was therefore stopped at the end of 2019 after the inclusion of 12 patients.

Clinical trial in urological surgery

A preliminary *ex vivo* study was performed in the anatomopathology laboratory of Tenon Hospital in late 2018. Its objective was to establish an endomicroscopic imaging atlas of prostate tissue that would provide knowledge and facilitate tracking during the *in vivo* phase of radical prostatectomy procedures.
Pathologists, on the basis of histological analysis of prostatic resection specimens, have been able to establish correlations with endomicroscopic images, namely:

- Detection of the prostatic vascularization;
- The location of the periprostatic adipose tissue;
- Characterization of normal prostate glands;
- Characterization of prostatic tumor glands (a different degree of fluorescein impregnation by tumor glands compared to normal glands could be observed). Moreover, it was possible to correlate the tumor glands with histology according to their level of malignancy, based on the Gleason score which enables the tumor grade of prostate cells to be evaluated;
- The detection of nerve tissue with the visualization of axons corresponding to the extension of the cell body of a neuron;
- Visualization of striated muscle fibers of the bladder neck, playing a role in continence.

These data were the subject of an abstract at the European Congress in Urology (EAU congress) and the publication of a scientific article[3].

Based on this initial work on *ex vivo* analysis of prostate tissue, a prospective multi-center *in vivo* study was set up to evaluate endomicroscopic imaging during robotic radical prostatectomies. It is the result of a collaboration between the IMM, the Diaconesses Croix Saint-Simon Hospital Group and the Tenon Hospital of the Assistance Publique - Hôpitaux de Paris. The first two centers completed the enrolment of 31 patients during the period from January 2019 to October 2020. The analyses of the endomicroscopic images and their correlation with the final histopathological diagnoses were carried out with the anatomopathology laboratory of the IMM and the anatomopathology department of the Tenon Hospital.
The surgeons performed their radical prostatectomy procedure with no change in routine practice. The prostate dissection is performed with the assistance of the Da Vinci surgical robot. Once the latter was completed, fluorescein was used: several methods were practiced. This contrast agent was administered intravenously or applied directly to the prostate surface with a fluorescein-impregnated pad.

All the data collected during this *in vivo* study in urology enabled it to be demonstrated that:

- The use of confocal laser endomicroscopy is feasible in robot-assisted radical prostatectomy procedures;
- The CelioFlex™ UHD 5 Confocal Miniprobe™ is safe to use. A manipulation learning curve exists but considered very short. It is therefore relevant to support future new users of this Confocal Miniprobe™ model during their first procedures;
- The design of the Celio Flex™ UHD 5 Confocal Miniprobe™ is adapted for the majority of laparoscopic surgery configurations;
- The method of applying fluorescein directly to the surface of the organ is sufficient to obtain imaging with a good level of contrast for interpretation. This also helps to reduce the risk described in the scientific literature of anaphylactic shock following intravenous administration of this molecule;
- The inter-center tele-pathology system is reliable. The visualization interface could be adapted to improve its ergonomics, such as the addition of a time indicator or the number of the image on the video to easily locate the time on an imaging sequence.

The analysis of the data was drafted and submitted as an abstract to the European Congress of Urology (EAU congress).

[3] Daniele Panarello, Eva Compérat, Olivia Seyde, Alexandre Colau, Carlo Terrone and Bertrand Guillonneau, "Atlas of Ex Vivo Prostate Tissue and Cancer Images Using Confocal Laser Endomicroscopy: A Project for Intraoperative Positive Surgical Margin Detection During Radical Prostatectomy", *European Urology Focus*, vol. 6, nº 5, September 2020, p. 941‑958.

Development of imaging with fluorescent molecular markers

The concept of optical biopsy is becoming a reality thanks to fluorescence guided surgery (FGS). In the space of ten years or so, molecular imaging has significantly changed the situation. This intraoperative detection technique, devised many years ago, is now being developed in operating theaters where imaging systems are increasingly numerous and, above all, increasingly efficient. There will certainly be further technical improvements, but several medical devices are now available in the clinic (for example, the Spectrum system and the SpyPhi intraoperative fluorescence column) thanks to a very active research and development activity in recent years. The principle consists of injecting the patient with a fluorescent liquid which, depending on the molecular markers present on certain cells, will react differently. While the use of non-targeted dyes may be useful in certain pathologies, specific contrast agents are essential in oncology.

For various reasons of physical properties of incident light and induced fluorescence, and because of the properties of biological tissues, the most relevant fluorochromes for FGS are in the near infrared range (NIR, near-infrared; 650-900 nm). Unfortunately, the dyes currently authorized for clinical use (fluorescein, methylene blue, ICG, IRD800CW) do not emit in these wavelengths and/or are non-targeted dyes. These molecules are very useful in ophthalmology and were even evaluated in oncology surgery, but they are not the most suitable. Oncology surgeons need high-performance NIR fluorescent agents targeted at tumors for optimal guidance of their surgical procedure. Tumor-specific fluorescent contrast agents can be divided into two main categories: permanent fluorescent agents and activatable agents. This latter category uses (a) certain specificities of the tumor environment (acidity, presence of enzymes, etc.) or (b) certain properties of the dye (fluorescence quenching) or of the antibody (internalization) so that the fluorescence is only inducible when the tumor target is reached. The category of permanent fluorescent contrast agents includes different targeting molecules: antibodies and their fragments, protein frameworks (Affibody®, Nanofitin®), peptides and small molecules.

Numerous pre-clinical studies and some clinical studies concerning the development of fluorescent tracers for FGS have been the subject of numerous reviews. Indeed, if the extrapolation of the results of the pre-clinical models to the situation in humans is always difficult, this is even more true for FGS due to the impact of the size of the organism on imaging performance. The size of a mouse makes it possible to detect almost any fluorescent nodule while the detection of deep nodules is a real challenge in humans. It is in fact known that fluorescent radiation does not have the capacity to penetrate tissues more than approximately 10 to 15 mm thick.

This is one of the reasons why endomicroscopic imaging could be essential in order to be able to assess deeper tissues *in situ* with endomicroscopy.

Another indication for combining endomicroscopic imaging with FGS is the chance to improve the specificity of macroscopic molecular imaging so that the surgeon can obtain, in real time, on his screen a set of information invisible to the naked eye or even by imaging at the time of diagnosis.

Parameters important for the success of FGS with fluorescent molecular imaging markers

The antigen density of the target for the effectiveness of the FGS is very important. Indeed, if fluorescence allows precise imaging delineating the tumor nodules that have fixed the contrast agent, it remains less sensitive than other techniques such as, for example, nuclear medicine. It is therefore essential to use an abundant target at the cell surface. Also, in the optimal configuration, the expression of the marker should be low or even non-existent in healthy tissues, at least when the target is accessible to a molecular imaging marker injected intravenously. It must also be stable at the cell surface, with little or no internalization, but also stable between the primary tumor and any local metastases and recurrences.

The affinity of the marker for its target must be high, in particular, the rate of dissociation must be very low to enable the conjugate to persist on the target when the serum concentration decreases. This is essential to obtain the best fluorescence ratio between the tumor and the surrounding tissue.

The dye must have a high fluorescence yield because the amount conveyed by the target remains low. This is a very different situation from that of non-targeted dyes which are used in high doses in, for example, the search for possible vascular leaks (Fluorescein and ICG). There is currently a consensus to use dyes in the near infrared range (650-900 nm). The two dyes being clinically tested in target-dye conjugates, IRDye800CW and BM104, have different excitation and fluorescence emission wavelengths, respectively, 774/789 nm and 685/705 nm. The debate between the advantages and disadvantages of these two pairs of wavelengths is not over. The area around 800 nm allows better penetration of the incident light and better recovery of the emitted fluorescence, but it is penalized by a poorer camera performance. At around 700 nm, the maximum penetration of light into living tissue is practically reached and the use of a targeted contrast agent at 700 nm makes it possible to combine it with an untargeted dye at 800 nm, allowing analysis of healthy tissues or vessels.
The Company has developed Cellvizio 100 series models capable of emitting at wavelengths of 660 and 785 nanometers and which could be used to image tissue at the cellular level during surgery and allow more precise resection and also improve the specificity of fluorescence imaging by visualizing the type and organization of fluorescent cells.

The formats of molecular markers and their sizes have an impact on the pharmacokinetics of the conjugate and its penetration into the tumor. Whatever the markers used, all the tests carried out to date have used a timeframe of one to five days with, often, better results at the latest times. Moreover, the dye which absorbs and emits in the near infrared is necessarily coarse and hydrophobic. By using larger markers, the hydrophobicity of the dye has a limited effect on the overall hydrophilicity of the conjugate. The ideal time period certainly depends on the antigenic target, the pathology targeted and the antibody used. Ongoing clinical studies should provide arguments concerning the best timeframe to use. While a short timeframe (one day) seems easier to manage in terms of hospital organization, a longer period (three to five days) will allow a better quality FGS if a high-affinity antibody is used.

Research collaboration with Telix Pharmaceuticals

In the context of future developments in urological surgery, Mauna Kea Technologies announced in December 2020 a scientific collaboration with a pharmaceutical company, Telix. This exclusive scientific and clinical research collaboration aims to combine our two complementary technologies to offer greater precision in the diagnosis and surgical management of urological cancers. It is based on the conviction that the use of cancer-specific positron emission tomography (PET) molecular imaging agents combined with fluorescent dyes, in conjunction with laser confocal endomicroscopy, can significantly improve surgical techniques and clinical outcomes in patients with urological cancers.
This collaboration aims to demonstrate that pre-operative planning, intraoperative guidance, evaluation of surgical margins and other surgical parameters can be improved by combining these methods. The primary objective of this collaboration is to develop and evaluate the use of Telix's dual-modality PET and fluorescence imaging agent with the unique near-infrared version of our endomicroscopy platform to improve fluorescence imaging-guided surgery for prostate and kidney cancers.

2.4 Sales and marketing

In marketing, at year-end 2020 the Group had a team of 9 people covering Operational Marketing (France, Rest of Europe, USA and Asia), Systems and Probes product development, 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.

At the end of 2020, the sales team for the EMEA region comprised 7 people.

At the end of December 2020, the U.S. sales team was comprised of 16 people.

In all, the Group had a sales force of 23 people at the end of 2020 versus 24 as of December 31, 2019.

2.5 Human Ressources

The Group had a workforce of 98 (excluding apprentices) at the end of 2020, versus 101 (excluding apprentices) at the end of 2019.

The Company's aim is to promote the continuous development of employees' skills with consistently high standards: balancing the individual requirements of employees with the objectives and requirements identified by the business.

The training policy is directly based on performance and development reviews of employees and the corporate strategy.

The Company's main areas of training are as follows:

- Investing in skills development directly related to the job profile where discrepancies are observed;
- Preparing for career progression in the current and future duties of employees and thus support employability and mobility;
- Supporting or anticipating changes, particularly in the technology or organizational sectors.

In terms of health and safety and due to the Covid-19 pandemic which began in early 2020, a number of preventive measures were taken within the Company in early 2020 in the form of regular communications on the prevention measures recommended by the World Health Organization, the provision of hydroalcoholic gel in offices, the introduction of specific instructions for teams travelling to hospitals, remote working for the majority of teams since April 16, 2020, and a reduced presence for other teams, the introduction of regular management video conferences and regular communications to the Social and Economic Committee (CSE) and ordering masks.

Despite the decrease in the budget (due to the Covid-19 pandemic), a base level of training activity was maintained in 2020 with 496 hours of training provided. Emphasis was placed on the technical/business and regulatory skills required for the development of Mauna Kea Technologies, as well as training relating to staff safety.

2.6 Financing and capital structure

The going concern assumption was adopted by the Board of Directors taking into account the following elements:

- cash available at December 31, 2020 stood at €8.6 million;
- a new equity financing line with Kepler Cheuvreux, which will enable €9.3 million to be raised in the coming 12 months, this amount being dependent on the share price;
- the grant of a repayable advance and a grant for PERSEE project of €0.6 million in 2021;
- the cash balance of the 2020 Research Tax Credit for €0.7 million;
- sales outlook taking into account the impact of the Covid-19 crisis.

In this context, the Group considers that it is in a position to meet its commitments until the second quarter of 2022.

2.7 Progress achieved and difficulties encountered

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020, with an overall decrease of 47% on the previous year over this period. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half and enabled a 27% growth in revenues compared to the second half of 2019, reflecting the general improvement in the global

economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €6.5 million, i.e. a 12% decrease compared to the previous year.

In 2021, the Company will focus on continuing to grow sales of Cellvizio consumables in the gastroenterology market. The Company mainly focuses its efforts on the American market where conditions have improved significantly, in particular due to the reimbursement of procedures in the upper digestive tract. More specifically, the Group is currently targeting 1,100 hospitals (1,500 physicians) in the United States specializing in digestive endoscopy, whether community hospitals with a high level of activity around gastroesophageal reflux disease or Ambulatory Surgical Centers (ASCs) that treat a very large number of these patients. Mauna Kea has a major opportunity to penetrate the American gastroenterology market and is also evaluating its next commercial clinical indication.

In 2019 and 2020, the Company began the process of evaluating the commercial potential of the Cellvizio system in the interventional pulmonology market. The work done so far in this area is very encouraging, with the start of a collaboration with Johnson & Johnson and its Lung Cancer Initiative (LCI) in December 2019. This work will continue in 2021.

3. Financial situation of the Group during the past financial year

3.1 Operations of the Group

Income statement

(in € thousands) – IFRS	FY 2020	FY 2019 restated (*)	Change	FY 2019
Sales	6,526	7,431	(12%)	7,431
Other income	1,416	1,077	31%	1,077
Total of revenues	**7,942**	**8,509**	**(7%)**	**8,509**
Production costs	(2,148)	(2,556)	(16%)	(2,260)
Gross margin	**4,378**	**4,871**	**(10%)**	**5,171**
Gross margin (%)	*67.1%*	*65.6%*		*69.6%*
Research & Development	(3,232)	(3,160)	2%	(3,160)
Sales & Marketing	(8,120)	(8,682)	(6%)	(8,978)
Administrative expenses	(5,785)	(6,187)	(6%)	(6,187)
Share-based payments	(616)	(952)	(35%)	(952)
Total operating expenses	(17,753)	(18,981)	(6%)	(19,277)
Operating profit/(loss) from continuing operations	(11,959)	(13,028)	(8%)	(13,028)
Non-recurring operating profit/(loss)	143		100%	
Operating Profit/(Loss)	**(11,816)**	**(13,028)**	**(9%)**	**(13,028)**
Financial interests	(975)	(2,244)	(57%)	(2,244)
Profit/(loss)	**(12,791)**	**(15,272)**	**(16%)**	**(15,272)**

(*) The income statement at December 31, 2019 has been restated to take into account a change in the presentation of the depreciation of the systems made available to customers under Pay-Per-Use contracts in the United States (Cf. Note 1.1 Accounting principles applied by the Group - § Change in presentation of the income statement in the notes to the consolidated financial statements).
At December 31, 2019 (non-restated), this depreciation represented €296 thousand and was presented as expenses under “Sales and Marketing”. At December 31, 2020, they amounted to €308 thousand and are presented in “Cost of sales”, in order to improve the relevance of the gross margin calculation.

3.1.1 Sales

Full Year 2020 Sales

(in € thousands) – IFRS	2020	2019	Change %
1st quarter	1,473	1,716	(14%)
2nd quarter	627	2,221	(72%)
3rd quarter	2,044	1,803	13%
4th quarter	2,382	1,691	41%
Total Sales	**6,526**	**7,431**	**(12%)**

Full Year 2020 sales by category

(in € thousands) – IFRS	2020	2019	Change %
Systems	2,584	2,301	12%
Consumables	2,829	4,122	(32%)
Services	1,113	1,007	11%
Total Sales	**6,526**	**7,431**	**(12%)**

Total sales for the first half of 2020 stood at €6.5 million, down 12% on the previous year. The sales results for the full year 2020 were due to a 32% decrease in sales of consumables, partially offset by a 12% increase in system sales and a 11% increase in service sales, compared to the same period of the previous year.

2020 sales by geographical area

(in € thousands) – IFRS	FY 2020	FY 2019	Change
United States & Canada	3,586	3,434	4%
Asia-Pacific	1,762	2,562	(31%)
EMEA & ROW	1,178	1,435	(18%)
Total Sales	6,526	7,431	(12%)

The change in total sales for the full year 2020 is mainly due to lower sales in the Asia-Pacific and EMEA & ROW regions, which decreased by 31% and 18%, respectively, year-on-year, partially offset by a 4% increase in sales in the U.S. market, compared to the same period of the previous year.

3.1.2 Other income

As of December 31, 2020, other income includes:

- research and innovation tax credits of €711 thousand;
- partial employment payments made by the French government to help companies through the Covid-19 pandemic, in the amount of €90 thousand;

- the loan convertible under certain conditions into a subsidy of €616 thousand under the Paycheck Protection Program in the United States.

3.1.3 Cost of production and gross margin

The cost of products sold amounted to €2,148 thousand for 2020 compared to €2,556 thousand for 2019 restated (*), corresponding to 33% of sales in 2020 and 34% in 2019. Gross margin was 67.1% in 2020 and 65.6 in 2019. This improvement is mainly due to an unfavorable sales mix in 2019, particularly in the first half of 2019.

(*) The income statement at December 31, 2019 was restated to take into account a change in the presentation of the depreciation of the systems made available to customers under Pay-Per-Use contracts in the United States (note 18.1). At December 31, 2019 (non-restated), this depreciation represented €296 thousand and was presented as expenses under "Sales and Marketing". At December 31, 2020, they amounted to €308 thousand and are presented in "Cost of sales", in order to improve the relevance of the gross margin calculation.

3.1.4 Research and Development expenses

Throughout financial year 2020, the Research and Development team continued its work on the next generation of systems.

In financial year 2020, Research and Development expenses amounted to €3,232 thousand, versus €3,160 thousand for 2019.

In 2019, the annual portion of capitalized development expenses was €947 thousand. The Company maintains a high level of R&D expenses mainly attributed to research and development in the fulfillment of projects led from several years.

3.1.5 Marketing and Sales costs

Marketing and Sales expenses are currently the largest overhead. They amounted to €8,120 thousand in 2020 compared to €8,682 thousand for the restated 2019 financial year (see 3.1.3).

The decrease in external expenses compared with December 31, 2019 is mainly due to cost reduction measures and the impact of the health crisis, which saw the cancellation of seminars and promotional events and a reduction in travel by the sales force.

This expense remains the Company's largest expenditure item and represents 41% of total operating expenses for the year 2020.

3.1.6 Administrative expenses

Administrative expenses decreased by 6% compared to 2019, from €6,187 thousand in 2019 to €5,785 thousand in 2020. This decrease is mainly due to the decrease in wages and salaries, social security costs, in particular due to a reduction in variable compensation, as a result of the health crisis and its impact on the Group's performance in financial year 2020.

3.1.7 Share-based payments

As with previous financial years, the Group continued to issue stock options to its U.S. employees, and also warrants (BSA) to its independent board directors. The Group has also set up free performance share plans and free share plans, whose terms and conditions are voted on and approved by shareholders at the Annual General Meeting. The share-based payments in 2020 amounted to €616 thousand, compared with €952 thousand in 2019.

3.1.8 Operating Profit/(Loss)

Operating profit/(loss) for the financial year 2020 was €(11,816) thousand compared to €(13,028) thousand in 2019.
This 9% improvement was due in particular to a 31% increase in other income and a 6% decrease in operating expenses (excluding production costs), which offset the 10% decrease in gross margin for the financial year.

In addition, non-recurring revenue of €143 thousand was recognized following an agreement to terminate a commercial relationship with IDEX. This revenue was used to cover costs incurred in prior years.

3.1.9 Profit/(Loss)

After taking into account a financial loss of €(975) thousand at December 31, 2020, compared with a loss of €(2,244) thousand at December 31, 2019, the Company's net loss comes to €(12,791) thousand, compared with a net loss of €(15,272) thousand for the financial year ended December 31, 2019.

3.1.10 Cash and cash equivalents

At December 31, 2020 cash and cash equivalents totaled €8,606 thousand compared with €9,982 thousand at December 31, 2019.

3.2 Risks and uncertainties – transactions with related parties

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.
The primary risks to which the Group is exposed are interest rate risk, credit risk and exchange rate risk.

Exchange rate risk

The main currency for which the Group is exposed to significant exchange rate risk is the U.S. dollar.

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Massachusetts 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 services agreement (Management fees).

The Group's major exchange rate risk is linked to the EUR/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 U.S. 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 +10% change in the EUR/USD exchange rate would result in a rise in earnings of €333 thousand at December 31, 2020;

- A -10% change in the EUR/USD exchange rate would result in a drop in earnings of €(407) thousand at December 31, 2020.

Liquidity risk

Note 1.1 to the Consolidated financial statements describes the items and assumptions relating to the going concern assumption.

Note 11 to the Consolidated financial statements describes the financial liabilities to which the Group is committed.

Note 22 to the Consolidated financial statements describes the commitments and obligations given by the Group.

Interest Rate Risk

At December 31, 2020, the Company did not hold any investment securities, whose interest rate changes have a direct impact on the rate of return for these investments and the cash flows generated.

The loan with EIB is at a fixed rate and is therefore not subject to interest rate risk.

The repayable BPI/OSEO advances at a 2.45% interest rate for an overall, non-discounted amount of €2,904 thousand are detailed in Note 11 Borrowings and financial debts in the notes to the consolidated financial statements. They are not subject 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 cash on hand only.

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 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 reporting date. The market prices used for financial assets held by the Company are the purchase prices in effect on the market at 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.

3.3 Foreseeable developments and future prospects

In 2021, the Company will focus on continuing to grow sales of Cellvizio consumables in the gastroenterology market. The Company mainly focuses its efforts on the American market where conditions have improved significantly, in particular due to the reimbursement of procedures in the upper digestive tract. More specifically, the Group is currently targeting 1,100 hospitals (1,500 physicians) in the United States specializing in digestive endoscopy, whether community hospitals with a high level of activity around gastroesophageal reflux disease or Ambulatory Surgical Centers (ASCs) that treat a very large number of these patients. Mauna Kea has a major opportunity to penetrate the American gastroenterology market and is also evaluating its next commercial clinical indication.

In 2019 and 2020, the Company began the process of evaluating the commercial potential of the Cellvizio system in the interventional pulmonology market. The work done so far in this area is very encouraging, with the start of a collaboration with Johnson & Johnson and its Lung Cancer Initiative (LCI) in December 2019. This work will continue in 2021.

For several months, the Group has also begun research in the field of molecular imaging. It announced in this field on December 15, 2020 the creation of The IRiS Alliance with Telix, based on the conviction that the use of Telix's cancer-specific positron emission tomography (PET) molecular imaging agent, combined with fluorescent dyes, in conjunction with MKT's laser confocal endomicroscopy, can significantly improve surgical techniques and clinical outcomes in patients with prostate and kidney cancers. The first phase of the partnership concerns a pre-clinical and feasibility study, which could be followed by multi-center studies and potentially open up commercial opportunities in a few years.

3.4 Significant events having occurred between the end of the financial year and the drafting of this report

Financing transaction

On April 22, 2021, the Group announced that it had established an equity financing facility with Kepler Cheuvreux acting as financial intermediary under an underwriting agreement.

Under the terms of the agreement, Kepler Cheuvreux has undertaken to underwrite a maximum of 6,000,000 shares at its own initiative, over a maximum period of 24 months, provided that the contractual conditions are met. The shares will be issued based on a volume-weighted average share price over the two trading days preceding each issue, less a maximum discount of 6.0%. These terms and conditions allow Kepler Cheuvreux to underwrite the shares over time.

Mauna Kea Technologies retains the right to suspend or terminate this agreement at any time.

With this additional flexible financing, representing an indicative net amount of €9.3 million, the Group will strengthen its cash position to enable it to finance the continuation of its operations based on its current strategy until the second quarter of 2022.

Covid-19 pandemic

The first quarter of 2021 was marked by the spread on a larger scale of a new variant of the SARS-Cov2 virus detected in September 2020 in the United Kingdom, controlled by a large-scale vaccination campaign. According to The Lancet, this strain is 70% more transmissible than the original strain, which it seems to be gradually replacing. As of the date of this document, this strain has contributed to a strong growth in Covid-19 cases in the United Kingdom. Since the beginning of 2021, this strain has grown in the majority of developed countries. This situation is likely to pose a risk to the potential economic recovery at the beginning of 2021 and therefore to the Company's commercial operations.

However, the first quarter of 2021 was marked by the release of several vaccines in the United States and Europe, approved under a special procedure authorizing their emergency use from December 2020. Most developed countries have access to several vaccines, produced and marketed by Pfizer and BioNtech, Moderna Therapeutics, Astra Zeneca and J&J.

MANAGEMENT REPORT ON THE COMPANY FINANCIAL STATEMENTS

Ladies and Gentlemen,

We present to you the management report on the operations of the Company for the financial year beginning on January 1, 2020 and ending on December 31, 2020 and hereby submit the annual financial statements for this financial year for your approval.

We propose that you appropriate the profit (loss) for the financial year ended on December 31, 2020 and approve the agreements referred to in Articles L. 225-38 *et seq.* of the French Commercial Code entered into during the past financial year.

In view of the loss of more than half of the share capital at end-2020, we propose that you decide on the use of the going concern basis. In fact, shareholders' equity at the end of 2020 amounted to -€12,070,101 and the share capital represented €1,223,588. It is therefore the responsibility of the Board of Directors, according to Article L. 225-248, to convene an Extraordinary General Meeting within four months of the approval of the financial statements showing the loss. Shareholders' equity was already less than half of the share capital at December 31, 2019 without an Extraordinary General Meeting having been convened. This will be regularized at the Extraordinary General Meeting on June 3, 2021.

In accordance with the provisions of Article L. 225-37 paragraph 6 of the French Commercial Code, the report on corporate governance (section II) is included in this management report.

During the meeting, you will also hear read aloud the statutory auditors' reports.

We remind you that the statutory auditors' reports, the reports of the Board of Directors and the annual financial statements have been made available to you at the head office in accordance with the legal and regulatory requirements, so that you may examine them.

The financial statements at December 31, 2020, including the balance sheet, income statement and notes, were prepared in accordance with French generally accepted accounting standards, principles and methods.

I. MANAGEMENT REPORT

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

1.1 Presentation of the Group's operations

Mauna Kea Technologies is a medical device design and sales company whose mission is to eliminate uncertainties in diagnosis and treatment and to improve patient care for a number of clinical indications. In becoming a global player in real-time cellular diagnostics, the Company's prime objectives are to constantly improve the quality of care provided to patients and efficiency of healthcare professionals and systems. The Company's flagship product, Cellvizio, has received market authorizations for a wide range of applications in more than 40 countries, including the United States, Europe, Japan and China.

At December 31, 2020, the Mauna Kea Technologies Group is made up of a multidisciplinary team of 98 employees, has an installed base of almost 694 systems in over 40 countries and has achieved more than €98 million in aggregate sales since its founding, including €6.5 million in the 2020 financial year.

Its head office in France is located at 9 rue d'Enghien, 75010 Paris, France. The sales office of its U.S. subsidiary, Mauna Kea Technologies Inc. is located in Boston, Massachusetts (MA).

The going concern assumption was adopted by the Board of Directors taking into account the following elements:

- cash available at December 31, 2020 stood at €8.6 million;
- a new equity financing line with Kepler Cheuvreux, which will enable €9.3 million to be raised in the coming 12 months, this amount being dependent on the share price;
- the grant of a repayable advance and a grant for PERSEE project of €0.6 million in 2021;
- the cash balance of the 2020 Research Tax Credit for €0.7 million;
- Sales outlook taking into account the impact of the Covid-19 crisis.

In this context, the Group considers that it is in a position to meet its commitments until the second quarter of 2022.

1.2 Highlights of the past financial year

New authorizations

On March 3, 2020, Mauna Kea Technologies has obtained 510(k) clearance (K193416) from the U.S. Food and Drug Administration (FDA) and CE marking of the next-generation Cellvizio® endomicroscopy platform, built with the Company's new proprietary system architecture. This marks the 18th U.S. FDA 510(k) clearance of the Cellvizio® pCLE/nCLE platform.

The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms.
The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted image interpretation. The ergonomic and significantly reduced footprint of the new Cellvizio should integrate easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.

Clinical results and conferences: the medical value of optical biopsy

Gastroenterology

On November 4, 2020, the Company announced the release of two publications, a meta-analysis and an international Delphi consensus, in peer-reviewed journals, both based on systematic reviews of published clinical studies of needle endomicroscopy for the evaluation of cystic pancreatic lesions.

The first publication entitled "Needle-based Confocal Laser Endomicroscopy in Pancreatic Cysts: a Meta-Analysis", was published in the European Journal of Gastroenterology & Hepatology (2020, DOI: 10.1097/MEG.0000000000001728). Ten studies involving 536 patients were included, and the authors evaluated diagnostic accuracy, sensitivity, specificity, and average procedure time. The meta-analysis concluded that confocal laser endomicroscopy "significantly outperformed" needle-based endoscopic ultrasound imagery in terms of diagnostic accuracy (with a ratio equal to 3.94, [1.58 - 9.82]; P = 0.003) and recommends the use of needle-based endomicroscopy as a safe and effective tool in the diagnostic evaluation algorithm for pancreatic cysts.

The second publication, "Confocal Endomicroscopy for the Evaluation of Pancreatic Cystic Lesions: A Systematic Review and an International Delphi Consensus Report", was published in the peer-reviewed journal, Endoscopy International Open (2020, DOI: 10. 1055/a-1229-4156), and is based on the consensus of an international panel of 15 experts in pancreatic diseases who reviewed the evidence for the application, performance, indications, training, and skills required to perform needle-based endomicroscopy in the evaluation of pancreatic cystic lesions. The consensus summary reflects a high

level of agreement regarding the experts' claims and establishes that needle-based endoscopic ultrasound imagery is a minimally invasive and safe procedure that improves the evaluation of pancreatic cystic lesions and "should be routinely performed when needle-based aspiration is indicated for the evaluation of pancreatic cysts." The report also concluded that the use of needle-based endomicroscopy as an adjunct to needle-based aspiration could improve patient management and provide value for money in healthcare by reducing diagnostic errors, stopping unnecessary ongoing monitoring, and avoiding unnecessary surgical procedures.

Pulmonology

As part of his collaboration with Johnson & Johnson's Lung Cancer Initiative (LCI), Dr. Christopher Manley, Director of the Department of Interventional Pulmonology and Assistant Professor of Medicine at the Fox Chase Cancer Center (FCCC) in Philadelphia, and Dr. Jouke T. Annema, Professor of Pulmonary Endoscopy at the University of Amsterdam Medical Center, obtained approval to initiate a pilot clinical study, combining nCLE and robotic bronchoscopic navigation, using both Cellvizio® and the Monarch™ platform from Auris Health, Inc., one of Johnson & Johnson's medical device companies, for the diagnosis of peripheral lung nodules. The trial will be co-funded by Johnson & Johnson's LCI and Mauna Kea Technologies (Clinicaltrials.gov: NCT04441749). The main objective of this study is to assess the feasibility and safety of nCLE during bronchoscopy with robotic navigation in the assessment of peripheral lung lesions. This study will cover 25 patients with peripheral nodules.

Urological Oncology

On December 15, 2020, the Company and Telix Pharmaceuticals Limited, a company focused on the development of diagnostic and therapeutic products based on "Targeted Molecular Radiation" (TMR) technology ("Telix"), announced the start of an exclusive scientific and clinical research collaboration in the field of molecular imaging-guided urological oncology.

The scientific research collaboration between Telix and Mauna Kea called the "Alliance for Imaging and Robotics in Surgery (IRiS)", or "IRiS Alliance", was created to develop and validate the potential of the two companies' combined technologies. The IRiS Alliance is based on the conviction that the use of cancer-specific positron emission tomography (PET) molecular imaging agents combined with fluorescent dyes, in conjunction with laser confocal endomicroscopy, can significantly improve surgical techniques and clinical outcomes in patients with urological cancers.

The IRiS Alliance aims to demonstrate that preoperative planning, intraoperative guidance, evaluation of surgical resection margins and other surgical parameters can be improved by combining these methods. The primary objective of the IRiS Alliance is to develop and evaluate the use of Telix's dual-modality PET and fluorescence imaging molecular marker with the near-infrared version of the Cellvizio endomicroscopy platform to improve surgical interventions for prostate and kidney cancers.

New financing

On July 8, 2020, in accordance with the loan agreement of June 20, 2019 with the EIB, as amended on June 19, 2020, the Company received Tranche 2 for €6 million. This second tranche will bear annual interest of 3% and capitalized interest of 4% payable in 5 years with the principal. Tranche 2 is also accompanied by the issue of share subscription warrants (BSA) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e. 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan. BNP Paribas and Bpifrance have each a loan of €2

million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No. 2020-289 of March 23, 2020). Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term. At August 11, 2020, the loan was fully drawn down. At the reporting date of the financial statements, Management believes that the Company will certainly request a postponement of the repayment of its government-backed loans.

Covid-19 pandemic

Due to the Covid-19 pandemic, a set of preventive measures has been put in place within the Company, and this, by absolute necessity to preserve the health of its employees. The Company has therefore asked its employees in France to work from home and to organize remote meetings and events as much as possible. For those employees who need to be in the workplace, physical distancing measures and hygiene precautions are in place.

All measures proposed by the French government have been examined from a financial point of view. The Group benefited in particular from employee partial employment payments for €90 thousand, presented under "Other income" in the income statement. The Group also benefited from the deferred payment of social security contributions. At December 31, 2020, €493 thousand of deferred contributions remains to be paid.
BNP Paribas and Bpifrance have also approved €4 million in financing for the Group in the form of a government-backed loan. At August 11, 2020, the loan was fully drawn down.

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020, with an overall decrease of 47% on the previous year over this period. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half and enabled a 27% growth in revenues compared to the second half of 2019, reflecting the general improvement in the global economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €6.5 million, i.e., a 12% decrease compared to the previous year.

Given the general climate of uncertainty, it is impossible to predict the duration and extent of potential damage to the Company's business from the current Covid-19 pandemic.
However, these effects could have a significant impact on the Company's access to capital resources and operations. The Company also continues to closely monitor the potential impact of the pandemic on the conduct of clinical studies and discussions with health authorities.

In the first quarter of 2021, the Group's business grew by 7% compared to the first quarter of 2020, driven by a 13% increase in consumables sales. The Group is counting in particular on increasing demand for these consumables as the global recovery continues.

2. Review of the financial statements and results

The financial statements for the year ended December 31, 2020, which we submit for your approval, have been prepared in accordance with the rules of presentation and valuation methods pursuant to current legislation.

Income statement

Net sales amounted to €4,403,044 compared with €6,632,371 for the previous financial year, representing a decrease of 34%.

Operating income amounted to €4,878,913 compared to €8,099,198 for the previous financial year, a decrease of 40%. In 2019, these revenues included a reversal of the provision on trade receivables of €1,057 thousand recorded as a loss during the year.

Operating expenses amounted to €14,278,895 *versus* €16,199,926 for the previous financial year, representing an increase of 12%, and consisted of the following items:

- Purchases of merchandise:	€0
- Change in merchandise inventories:	€0
- Purchases of raw materials and other supplies:	€923,963
- Change in inventories of raw materials inventories and other supplies:	€(297,381)
- Other purchases and external charges:	€5,525,087
- Taxes and levies:	€233,858
- Wages and salaries:	€5,132,959
- Social security expenses:	€2,107,782
- Depreciation, amortization and provisions:	€264,092
- Impairment allowances:	€54,309
- Other expenses:	€334,226

The operating loss was -€9,399,982 compared with -€8,100,728 for the previous financial year.

Financial income and expenses amounted to €514,721 and €1,031,547 respectively, representing a net financial loss of -€516,826, compared with -€8,435,744 for the previous financial year. This improvement is mainly due to the lower impairment of the U.S. subsidiary's current account advance in 2020 compared with 2019 (reversal of €5,110 in 2020 compared with a charge of €6,285,388 in 2019) and to lower financial expenses in 2020 (€956,036 in 2020 compared with €2,661,064 in 2019).

Consequently, the profit (loss) before tax stood at a loss of -€9,916,808 compared with -€16,536,472 for the previous financial year.
Non-recurring income stood at a loss of €238,617 compared with a loss of €75,641 for the previous financial year.

After taking into account the Research Tax Credit and Innovation Tax Credit of €710,870, the profit (loss) for the financial year is a loss of €9,444,555 compared with €15,534,771 for 2019.

Balance sheet

Assets

Intangible assets amounted to a net €215,487.

Property, plant and equipment amounted to a net €515,577.

Financial assets at December 31, 2020 amounted to a net €4,515,791.

Current assets amounted to a net €13,622,437.

Liabilities

The share capital amounted to €1,223,588 at December 31, 2020, compared to €1,222,870 at the end of the previous financial year, and share premiums represented €98,285,514 at December 31, 2020.

Other reserves amounted to €57,935 at December 31, 2020.

Accumulated losses amounted to -€102,192,583 at December 31, 2020.

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

Liabilities amounted to €27,327,579 (compared with €15,888,791 at the end of the previous financial year), consisting mainly of:

- the EIB loan:	€18,581,034
- the government-backed loan:	€4,013,806
- miscellaneous borrowings of:	€11,311
- trade payables for:	€2,149,396
- tax and employee-related liabilities for:	€2,193,331
- other payables for:	€50,515
- deferred revenues for:	€328,186

In accordance with Article L. 441-6-1 of the French Commercial Code, we point out that trade receivables totaling €1,529,526 (*versus* €2,230,862 the previous financial year) and trade and customer payables totaling €2,149,396 (*versus* €2,272,799 the previous financial year) break down by due date as follows:

Invoices received and issued but unpaid at the end of the financial year and which are due

	Article D. 441 I-1°: invoices received and unpaid on the reporting date which are due						Article D. 441 I-2°: invoices issued and unpaid at the reporting date which are due					
	0 days	1 to 30 days	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)	0 jour	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)
(A) Payment default tranches												
Number of invoices concerned	80					155	12					35
Total amount of invoices concerned incl. tax (payables and receivables) (in €K)	302	189	28	-	14	533	860	11	18	-	452	1341
Percentage of total amount of purchases (excl. tax) in the financial year	4.7%	2.9%	0,4%	0,0%	0,2%	8,3%						
Percentage of sales (excl. tax) in the financial year							19.5%	0,3%	0,4%	0,0%	10,3%	30,5%
(B) Invoices omitted from (A) relating to doubtful or unrecognized receivables and payables												
No. of invoices omitted	0						0					
Total amount of invoices omitted	0						0					
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calculate payment default	■ Contractual terms: payment on the 15th or 30th day of the month after the due date indicated by the suppliers □ Legal terms						■ Contractual terms □ Legal terms					

Table of results for the past five financial years

The table of results for the last five financial years is in Appendix 1 to this report.

Loans granted pursuant to Article L. 511-6, 3 *bis* of the French Monetary and Financial Code

No inter-company loans referred to in Article L. 511-6, 3 *bis* of the French Monetary and Financial Code were granted by the Company during the financial year ended December 31, 2020.

3. Progress achieved and difficulties encountered

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half, reflecting the overall improvement in the global economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €4.4 million, i.e., a 34% decrease compared to the previous year.

In 2021, the Company will focus on continuing to grow sales of Cellvizio consumables in the gastroenterology market. The Company mainly focuses its efforts on the American market where

conditions have improved significantly, in particular due to the reimbursement of procedures in the upper digestive tract. More specifically, the Group is currently targeting 1,100 hospitals (1,500 physicians) in the United States specializing in digestive endoscopy, whether community hospitals with a high level of activity around gastroesophageal reflux disease or Ambulatory Surgical Centers (ASCs) that treat a very large number of these patients. Mauna Kea has a major opportunity to penetrate the American gastroenterology market and is also evaluating its next commercial clinical indication.

In 2019 and 2020, the Company began the process of evaluating the commercial potential of the Cellvizio system in the interventional pulmonology market. The work done so far in this area is very encouraging, with the start of a collaboration with Johnson & Johnson and its Lung Cancer Initiative (LCI) in December 2019. This work will continue in 2021.

4. Main risks and uncertainties facing the Company and the Group – Use of financial instruments

The risks related to the Company's business, the coverage of these risks and the related insurance are described in Appendix 2 of this management report.

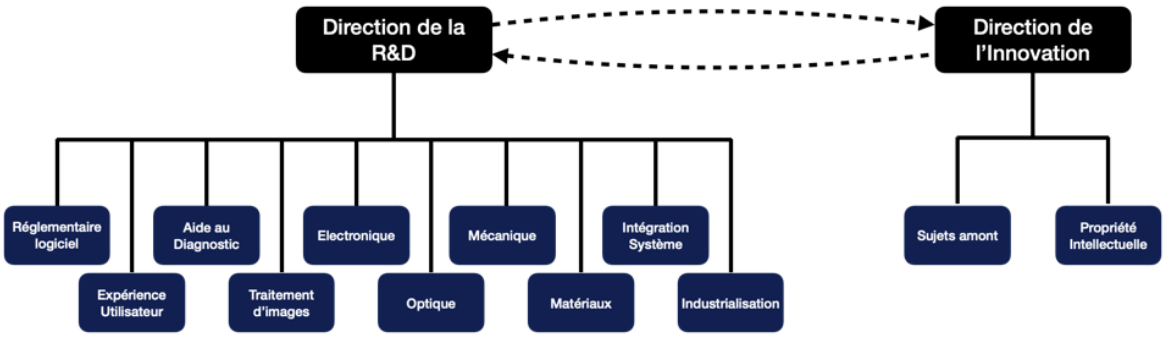
5. Research and Development Activity

During the financial year 2020, the Company committed €3,764,365 to R&D.

At the end of December 2020, 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 optotronics;
- 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.



Upstream R&D

The Company is organized to draw on the necessary resources to directly inspire technological innovations that will enable it to expand in its market, and win new markets, by exploring solutions likely to encourage the development of innovative solutions to improve the care given to patients.

The Innovation Department provides ongoing scientific and technological oversight. Its objective is to identify and validate the ability of the technologies or components to remain at the leading edge of technology while limiting any risk of obsolescence relative to key components 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.

On the clinical level, the Company collaborates with various hospitals to assess the potential relevance and usability of the 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.

Since November 2019, Mauna Kea Technologies has been part of an optical molecular imaging consortium for lung diseases that received €5.4 million from the Perspective program of the Netherlands Organization for Scientific Research (NWO). Molecular imaging provides insight into molecular and cellular processes in the body, and has the potential to transform healthcare by offering earlier detection and enabling more precise treatment of diseases.
For over a decade, the Netherlands has been striving to be a leader in unifying, advancing and optimizing molecular imaging, with an ultimate goal of improving human health. In a continuing effort to promote molecular imaging, the international Photonics Translational Research – Medical Photonics (MEDPHOT) consortium, led by professor of Biophotonics Johannes de Boer of Vrije Universiteit Amsterdam has been awarded a 5.4 million euro grant from the NWO for the program "Light for a better view on diseases."
This consortium will include four Dutch universities (VU Amsterdam, UvA, UU, TU Delft) well-recognized and established in the field of molecular imaging and the Dutch Applied Natural Science Research Organization, three academic Dutch hospitals (Amsterdam UMC, UMC Groningen, Leiden UMC) and several international companies including Mauna Kea Technologies.
The objective of this 5-year research program is to develop and validate new optical biomarkers that will enable earlier diagnosis, improved treatment and better quality of life for patients. A total of 75 scientists will be working on this research program focusing on technological innovations and clinical assessment, involving a total budget of €18 million.
Through this program, we will be able to evaluate new molecular imaging markers with miniprobe and needle-based confocal laser endomicroscopy. "These markers could allow physicians to make decisions not only more quickly but also with greater accuracy and confidence, and could allow for personalized care in lung disease," said Dr. J. T. Annema, Professor of Lung Endoscopy, Amsterdam University Medical Center.

R&D applied to improving current products and optimizing their production (product support)

The mission of the Research and Development teams is to encourage the development of existing solutions in a continual improvement approach, while listening to internal and external clients, and carrying out the following:

- to ensure and improve product manufacturing as part of a "lean" approach. To this end, monthly meetings between the R&D department, the production team and the support team are held;
- to develop new functions or improve the performance of existing products. The improvements are implemented after analysis of the improvement needs expressed by clients and their technical feasibility by the heads of product marketing.

A particular effort is being made relative to the approval of new methods for disinfecting or sterilizing Confocal Miniprobes so that they can be used in accordance with current hygiene regulations in healthcare facilities in the different countries in which they are marketed.

Technical product development

Within this mission, the Research and Development teams are working with Product Managers and Clinical Affairs Managers to develop new products as part of the Company's project management.

Current major projects include the next generation Cellvizio: this program which is in the process of being finalized is aimed at overhauling Mauna Kea Technologies's product offering. The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms. The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted image interpretation. The ergonomic and significantly reduced footprint, integrates easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.
With a redesigned user interface, Cellvizio offers smart navigation with greater efficiency and improved ergonomics. The brand new touch screen and one-handed connection to the probe make it easy to install and use. Developed to bring precision imaging to a greater number of patients with 9 dedicated Confocal Miniprobes™, the new Cellvizio offers high quality imaging capability and provides clinicians with a highly effective imaging solution for endoscopies, minimally invasive procedures and surgeries.

Development is also an opportunity for the R&D division to rethink the solutions offered by the Company to continue to reduce manufacturing costs while improving durability. This is cross-functional work that relates as much to the system (capital equipment) as the miniprobes themselves (the consumables).

In terms of robotic surgery, the Company has continued to expand its clinical activities as part of the BPI-funded PERSEE project. Surgery, and in particular minimally invasive surgery, is a medical field in which real-time microscopic imaging technology may have multiple applications. The PERSEE project, launched in 2010, is a collaborative project aimed at developing a flexible, miniature and robot-assisted endomicroscope designed for minimally invasive exploration of the abdominal cavity in order to detect possible contraindications to excision surgery. The aim is to offer cancer patients the best therapeutic strategy between surgery, chemotherapy and radiotherapy. Multiple trials were undertaken, at the conclusion of which physicians shared their enthusiasm for and interest in the potential of these solutions which they were able to test in this first study.

The second pilot phase of the PERSEE II project launched in 2017 with the objective of confirming the findings of the initial phases of the project with other physicians at other investigational sites. These objectives will be met through a multi-center trial, using specific tools developed using the Cellvizio technology.

In 2018 researchers finalized the protocols for the two pilot multi-center trials. The protocol for the urology trial involving IMM, the Diaconesses Hospital and the Tenon Hospital was approved and the first patient was included in early 2019. The gastroenterology pilot trial was finalized and researchers obtained final approval from the French Medicines Agency, ANSM, in January 2019.

In 2019 the urology trial and the gastroenterology pilot trial were launched and continuing as planned. The objective of the trial is to reproduce the technical feasibility and safety of endomicroscopic imaging (Cellvizio® system and Persée system) in a multi-center trial and to increase the number of indications:

- Approving instrument improvements (VizioBot-P including probes, remote diagnosis, markers), image processing and the feasibility of sharing communications (voice, video) across operating theaters and anatomical pathology laboratories in a duplex or multiplex layout within the network of the various investigational sites;
- Developing interactions between investigational sites through the sharing of data/images/videos on the Cloud;
- Confirming the absence of risk associated with the procedure by comparing the learning curves of the investigational sites;
- Expanding and confirming the atlas of videos and images.

We have set target indicators and associated clinical procedures that we want to assess as part of the trial:

- Exploratory and/or resection surgery for abdomino-pelvic cancers through manual or robot-assisted laparoscopy,
    - With a particular focus on pancreas and liver cancer,
    - Intended recruitment: at least 35 patients for each specific indication,
    - Using indocyanine green (ICG) as the sole contrast agent, since the other marker used during the single-center trial, Patent Blue, did not give better results. As such these trials use our F800 system at 785 nm;
- Prostatectomy and/or urology surgery,
    - Nerve protection using real-time microscopic imaging,
    - Checking of resection margins in real time at microscopic level,
    - Intended recruitment: at least 100 patients, and at least 10 per participating site.

Trial protocols were written and prototypes developed in 2018. Recruitment began in early 2019 as approval for two clinical trials by the ethics committees (CPPs) and French Medicines Agency (ANSM) and the signing of single contracts with the various investigatory sites took a lot longer than expected.

In 2019 and 2020, two clinical trials were completed:

- a digestive surgery trial;
- a clinical trial in urological surgery.

Digestive surgery trial

The study took place at IMM during the months of May through December 2019. The study design was based on two phases: an *ex vivo* phase and an *in vivo* phase. The *ex vivo* phase enabled a panel of images on the surgical specimens resected by the digestive surgeon during the hepatectomy procedure performed in the operating room to be acquired. A total of 12 patients were included in this first phase. The surgical specimens were of different nature, i.e., both primary (hepatocellular carcinoma) or secondary (metastasis from colorectal cancer or other organ) tumors. All of the resection specimens could be imaged with the confocal endomicroscopy device in the anatomopathology laboratory of the IMM on the same day of the surgery.

The analysis of the specimens showed that:

- The detection of subcapsular liver tissue is reproducible: we can differentiate a normal hepatic architecture with regular hepatocellular trabecular from a tumoral appearance with disorganized tissue;
- It is more difficult to obtain interpretable images on the side of the liver resection specimen that has undergone electrocoagulation in order to be separated from the rest of the liver (called the liver resection margin) during the surgical procedure. Indeed, the liver is a richly vascularized organ (both by its arterial network and by its portal venous system containing nutrients absorbed by the gastrointestinal tract) on which it is essential to perform a meticulous cauterization during surgical dissection. As a result, the use of the electric scalpel “burns” this resection margin significantly in most cases. Obtaining interpretable endomicroscopic images on the margins proved to be non-reproducible;
- The fluorescence signal emitted by the ICG acting as a contrast agent could be detected on a part of the surgical specimens. The signal was satisfactory on the liver capsule, low intensity on the resection margin and acceptable inside the surgical specimen (after cutting the latter into two parts with the cold scalpel).

Endomicroscopic imaging was performed on a patient *in vivo* during the hepatectomy procedure.
The ease of manipulation of the CelioFlex™ UHD Confocal™ Mini-Probe by the digestive surgeon within the abdominal cavity was of a satisfactory standard. The probe could be positioned on all the areas of interest identified by the doctor. For several anatomical areas, it was necessary to manipulate the probe a few extra seconds in order to apply the probe perpendicular to the liver tissue to be imaged.
During this imaging, it was not possible to detect ICG fluorescence. In the same way as the *ex vivo* phase, ICG was injected the day before the operation at a dose equal to 0.5 mg/kg corresponding to the maximum dosage authorized by the health authorities in France.

In view of these contrasting results, it was decided not to include the pool of patients initially planned during the *in vivo* phase.

During this digestive surgery trial, several limitations could be highlighted:

- ICG has a different fluorescence level and bio-distribution at a cellular level from one patient to another. All patients received the same dosage of 0.5 mg/kg the day before surgery. It appears that other factors must be taken into consideration to correctly detect the contrast agent. Elements including the morphological aspect of the liver or the state of liver functions could have an impact: the degree of fibrosis and/or hepatic steatosis and the grade of hepatic insufficiency would contribute to modify the kinetics and the proportion of ICG internalized by the hepatocytes. Thus, it seems appropriate to propose more personalized injection protocols based on the individual's pathological state;
- Electrocoagulation used to dissect the liver tissue produces a thin layer of "burns" on the surface. This procedure appears to overly degrade liver cells located on this resection margin that would have potentially internalized the ICG. In order to overcome this barrier represented by this surface layer, it may be necessary for the Confocal Miniprobe™ to have an even greater focal length than the one we developed for these clinical trials in order to visualize beyond (e.g., at a distance of 100 micrometers or more). However, technical analyses have shown that there are problems with laser signal penetration at the wavelengths used in endomicroscopy for ICG visualization (788 nm) beyond 100 microns and thus only a little of the laser signal would penetrate into the tissue at these depths. On the other hand, the laser beam emitted by the confocal endomicroscope could also be disrupted/deflected by this superficial burn layer and prevent its penetration into deeper tissue.

The digestive surgery trial was therefore stopped at the end of 2019 after the inclusion of 12 patients.

Clinical trial in urological surgery

A preliminary *ex vivo* study was performed in the anatomopathology laboratory of Tenon Hospital in late 2018. Its objective was to establish an endomicroscopic imaging atlas of prostate tissue that would provide knowledge and facilitate tracking during the *in vivo* phase of radical prostatectomy procedures.
Anatomopathologists, on the basis of histological analysis of prostatic resection specimens, have been able to establish correlations with endomicroscopic images, namely:

- Detection of the prostatic vascularization;
- The location of the periprostatic adipose tissue;
- Characterization of normal prostate glands;
- Characterization of prostate tumor glands (a different degree of fluorescein impregnation by tumor glands compared to normal glands could be observed). Moreover, it was possible to correlate the tumor glands with histology according to their level of malignancy, based on the Gleason score which enables the tumor grade of prostate cells to be evaluated;
- The detection of nerve tissue with the visualization of axons corresponding to the extension of the cell body of a neuron;
- Visualization of striated muscle fibers of the bladder neck, playing a role in continence.

These data were the subject of an abstract at the European Congress in Urology (EAU congress) and the publication of a scientific article[4].

Based on this initial work on *ex vivo* analysis of prostate tissue, a prospective multi-center *in vivo* study was set up to evaluate endomicroscopic imaging during robotic radical prostatectomies. It is the result of a collaboration between the IMM, the Diaconesses Croix Saint-Simon Hospital Group and the Tenon Hospital of the Assistance Publique – Hôpitaux de Paris. The first two centers completed the enrolment of 31 patients during the period from January 2019 to October 2020. The analyses of the endomicroscopic images and their correlation with the final histopathological diagnoses were carried out with the anatomopathology laboratory of the IMM and the anatomopathology department of the Tenon Hospital.

[4] Daniele Panarello, Eva Compérat, Olivia Seyde, Alexandre Colau, Carlo Terrone and Bertrand Guillonneau, "Atlas of Ex Vivo Prostate Tissue and Cancer Images Using Confocal Laser Endomicroscopy: A Project for Intraoperative Positive Surgical Margin Detection During Radical Prostatectomy", *European Urology Focus*, vol. 6, nº 5, September 2020, p. 941-958.

The surgeons performed their radical prostatectomy procedure with no change in routine practice. The prostate dissection is performed with the assistance of the Da Vinci surgical robot. Once the latter was completed, fluorescein was used: several methods were practiced. This contrast agent was administered intravenously or applied directly to the prostate surface with a fluorescein-impregnated pad.

All the data collected during this *in vivo* study in urology enabled it to be demonstrated that:

- The use of confocal laser endomicroscopy is feasible in robot-assisted radical prostatectomy procedures;
- The Celio Flex™ UHD 5 Confocal Miniprobe™ is safe to use. A manipulation learning curve exists but considered very short. It is therefore relevant to support future new users of this Confocal Miniprobe™ model during their first procedures;
- The design of the Celio Flex™ UHD 5 Confocal Miniprobe™ is adapted for the majority of laparoscopic surgery configurations;
- The method of applying fluorescein directly to the surface of the organ is sufficient to obtain imaging with a good level of contrast for interpretation. This also helps to reduce the risk described in the scientific literature of anaphylactic shock following intravenous administration of this molecule;
- The inter-center tele-pathology system is reliable. The visualization interface could be adapted to improve its ergonomics, such as the addition of a time indicator or the number of the image on the video to easily locate the time on an imaging sequence.

The analysis of the data was drafted and submitted as an abstract to the European Congress of Urology (EAU congress).

6. Foreseeable development and future prospects of the Company

In 2021, the Company will focus on continuing to grow sales of Cellvizio consumables in the gastroenterology market. The Company mainly focuses its efforts on the American market where conditions have improved significantly, in particular due to the reimbursement of procedures in the upper digestive tract. More specifically, the Group is currently targeting 1,100 hospitals (1,500 physicians) in the United States specializing in digestive endoscopy, whether community hospitals with a high level of activity around gastroesophageal reflux disease or Ambulatory Surgical Centers (ASCs) that treat a very large number of these patients. Mauna Kea has a major opportunity to penetrate the American gastroenterology market and is also evaluating its next commercial clinical indication.

In 2019 and 2020, the Company began the process of evaluating the commercial potential of the Cellvizio system in the interventional pulmonology market. The work done so far in this area is very encouraging, with the start of a collaboration with Johnson & Johnson and its Lung Cancer Initiative (LCI) in December 2019. This work will continue in 2021.

For several months, the Group has also begun research in the field of molecular imaging. It announced in this field on December 15, 2020 the creation of The IRiS Alliance with Telix, based on the conviction that the use of Telix's cancer-specific positron emission tomography (PET) molecular imaging agent, combined with fluorescent dyes, in conjunction with MKT's laser confocal endomicroscopy, can significantly improve surgical techniques and clinical outcomes in patients with prostate and kidney cancers. The first phase of the partnership concerns a pre-clinical and feasibility study, which could be followed by multi-center studies and potentially open up commercial opportunities in a few years.

7. Significant events since the end of the financial year

Financing transaction

On April 22, 2021, the Group announced that it had established an equity financing facility with Kepler Cheuvreux acting as financial intermediary under an underwriting agreement.

Under the terms of the agreement, Kepler Cheuvreux has undertaken to underwrite a maximum of 6,000,000 shares at its own initiative, over a maximum period of 24 months, provided that the contractual conditions are met. The shares will be issued based on a volume-weighted average share price over the two trading days preceding each issue, less a maximum discount of 6.0%. These terms and conditions allow Kepler Cheuvreux to underwrite the shares over time.

Mauna Kea Technologies retains the right to suspend or terminate this agreement at any time.

With this additional flexible financing, representing an indicative net amount of €9.3 million, the Group will strengthen its cash position to enable it to finance the continuation of its operations based on its current strategy until the second quarter of 2022.

Covid-19 pandemic

The first quarter of 2021 was marked by the spread on a larger scale of a new variant of the SARS-Cov2 virus detected in September 2020 in the United Kingdom. According to The Lancet, this strain is 70% more transmissible than the original strain, which it seems to be gradually replacing. As of the date of this document, this strain has contributed to a strong growth in Covid-19 cases in the United Kingdom, controlled by a large-scale vaccination campaign. Since the beginning of 2021, this strain has grown in the majority of developed countries. This situation is likely to pose a risk to the potential economic recovery at the beginning of 2021 and therefore to the Company's commercial operations.

However, the first quarter of 2021 was marked by the release of several vaccines in the United States and Europe, approved under a special procedure authorizing their emergency use from December 2020. Most developed countries have access to several vaccines, produced and marketed by Pfizer and BioNtech, Moderna Therapeutics, Astra Zeneca and J&J.

8. Employee shareholding

No share capital was held by the Company's employees, including the corporate officers, subject to collective management (employee savings plans (PEE) or employee shareholding funds (FPCE)), calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code.

Free shares – stock options

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, your Board of Directors informs you, in its special report, of the transactions carried out pursuant to Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code concerning the award of free shares.

In accordance with the provisions of Article L. 225-184 of the French Commercial Code, your Board of Directors informs you, in its special report, of the transactions carried out pursuant to the provisions of Articles L. 225-177 to L. 225-186 of the French Commercial Code concerning the award of stock options.

The Company did not acquire any shares intended for awards to employees as part of the incentive scheme, the award of free shares or the grant of stock options to employees or executives.

9. Significant stakes acquired in companies headquartered in France, or takeovers of such companies; disposals of such stakes

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 sell any stakes during the financial year.

We inform you that the Company does not have a branch in France.

10. Activities of subsidiaries and controlled companies

At December 31, 2020, the Company held the following subsidiary:

Mauna Kea Technologies, Inc .: Formerly based in Suwanee, Georgia, Mauna Kea Technologies Inc. was founded in 2005 and is now located in Boston (Massachusetts). This entity markets the Group's products on U.S. territory and provides an interface with the regulatory authorities (FDA). At December 31, 2020, it had 25 employees and posted sales of $5,008 thousand (i.e., €4,081 thousand) and a net loss of $5,024 thousand (i.e., €4,094 thousand).

Allocation of the profit (loss)

We propose to allocate the losses for the financial year ended on December 31, 2020, i.e. -€9,444,555, to the retained earnings account, which will thus stand at €(111,637,137).

Reminder of dividends distributed

In accordance with the law, we remind you that the Company has not paid a dividend during the last 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 €316.

11. Information on breakdown 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 into account the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we inform you of the identity of the natural persons or legal entities holding, directly or indirectly, more than one-twentieth, one-tenth, three-twentieth, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at the Company's General Meetings at December 31, 2020:

Johnson & Johnson Innovation Inc. holds 17.51% of the Mauna Kea Group since December 2019 and holds 16.90% of the voting rights.

The Company entered into a contract signed on May 24, 2012 with GILBERT DUPONT SNC to manage its liquidity contract.

Under this agreement, the Company held, at December 31, 2020, 45,255 shares, representing 0.15% of its share capital. At this date, the portfolio value was €59,555.58, based on the closing price at December 31, 2020, i.e. €1.316.

During the financial year 2020 under this contract, 1,219,660 shares were bought at an average price of €1.31 and 1,210,191 shares were sold at an average price of €1.32.

The Company did not buy back its treasury shares for other reasons.

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.

Treasury shares – Share buyback program

- Share buyback program adopted at the Company's Ordinary General Meeting on July 5, 2019

The Company's Extraordinary General Meeting of July 5, 2019 authorized the Board to implement, for a period of eighteen months from the date of the meeting, a share buyback program in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and market practices approved by the French Financial Markets Authority (AMF).
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 Ethics approved by the AMF;
- to meet the obligations related to stock option, free share award, or employee savings plans, or other awards of shares to the employees and executives of the Company or the companies associated with it;
- to tender shares upon 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
- conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities.

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.

- Share buyback program adopted at the Company's Combined General Meeting on July 2, 2020

The Combined General Meeting of July 2, 2020, authorized the Board of Directors, for a period of 18 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 terms and conditions described below. This program took the place of the program adopted at the Ordinary General Meeting of July 5, 2019.

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 an ethics charter approved by the AMF; and/or
- to honor obligations linked to stock option and free share plans;
- company savings schemes or other share awards to employees and executives of the Company or its associates; and/or

- to tender shares upon exercise of the rights attached to securities giving access to the share capital; and/or
- to purchase shares to be held for their subsequent exchange or use as consideration in potential acquisitions in compliance with market practices permitted by the AMF; and/or
- in general, to conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities, it being specified that, in such a situation, the Company would inform its shareholders through a press release.

Maximum purchase price: €5 per share, excluding fees and commissions (this purchase price will be adjusted to take account of capital transactions, in particular in the capitalization of reserves, free share grants, stock splits or reverse stock splits), with an overall ceiling of €4,000,000.

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.

The number of shares acquired by the Company to be held and subsequently exchanged or used as consideration for the purpose of any merger, de-merger, or capital contribution may not exceed 5% of the total number of shares.

Buyback methods: the acquisition, sale or transfer of shares may be carried out by any means, on one or more occasions, in particular on the market or over-the-counter, including by block purchases or sales, public offers, using options or derivative mechanisms, under the conditions pursuant to the market authorities and in compliance with applicable regulations.

Summary of transactions carried out by executives and persons mentioned in Article L. 621-18-2 of the French Monetary and Financial Code during the financial year

N/A.

12. Risk management and internal control procedures implemented by the Company

For the drafting of this part of its report, the Company relied on the implementation guide of the reference framework on internal control adapted to medium and small companies, updated and published by the AMF on July 22, 2010.

12.1. 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*[5] (the French Financial Markets Authority), whereby risk management is one of the Company's management tools that helps to:

- create and preserve the Company's value, assets and reputation;
- safeguard the Company's decision making and processes to promote the achievement of its objectives;
- ensure the Company's actions are consistent with its values;
- engage the employees around 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 4 of the Universal Registration Document (URD) filed with the AMF.

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

- Risks related to the markets in which the Company operates;
- Legal risks (regulation applicable to medical devices and to authorizations already obtained or to ongoing processes and to the regulatory environment, intellectual property, product liability claims, etc.)
- Financial risks;
- Risks related to the Company's business and organization.

12.2. Co-ordination 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 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 coordinating 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".

12.3. General principles of internal control

A) Definition

Mauna Kea Technologies adopts the definition of internal control proposed by the *Autorité des Marchés Financiers*[6] (the French Financial Markets Authority), whereby internal control is a system implemented by the Company to ensure:

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

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

- compliance with laws and regulations;
- the enforcement of instructions and guidelines set by General Management;
- the proper functioning of the Company's internal processes;
- the reliability of financial information; and

in general, contributes to the control and effectiveness of its operations and the efficient use 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) Internal control components

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 functions concerned by this software are Purchasing/Suppliers, Sales/Customers, Accounts and Management Control.

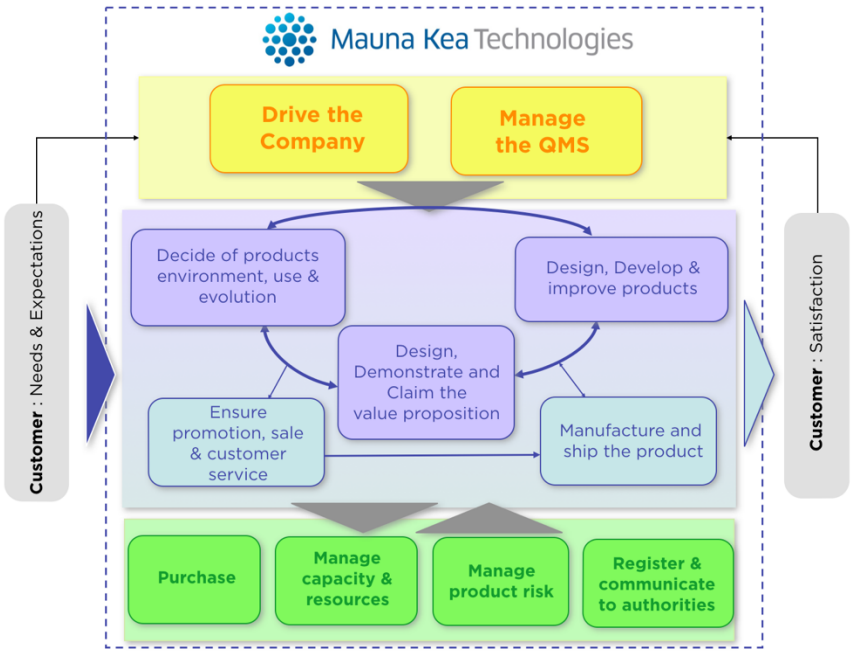
The last audit of the information systems completed in 2018 did not reveal significant anomalies.

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:



The quality management system is audited once yearly by the notified entity GMED within the framework of the CE marking for medical devices. Since 2017, the results of the annual follow-up audits have shown by the lack of non-compliance that the quality system has come of age. CE marking has been ensured and maintained since its first certification. Furthermore, in 2018, the Company's quality system has been inspected by the FDA according to the requirements of 21 CFR 820. The result was positive, and while only one instance of non-compliance was revealed, corrective action was quickly defined, and this outcome did not jeopardize the U.S. marketing authorizations. The Company provides to its day-to-day operations the level of efficiency needed to maintain compliance with the requirements to which it is subject, involving all its employees.

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 stock warrants for business creator shares;
The financial and accounting management of the U.S. subsidiary, Mauna Kea Technologies Inc., undergoes a regular internal review by the registered office accounting team;
Payroll management in France and the review of U.S. payroll 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 Group's consolidated financial statements.
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.

12.4. Risk management and internal control actors

Since the creation of the Company, General Management, supported by the Audit Committee, has played a leading role in defining and driving the internal control system and risk management.

12.5. 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.

12.6. Financial risks related to the effects of climate change

Given its business, the Company is only slightly exposed to climate change. The financial risks associated with these changes are therefore negligible for the Company, which nevertheless constantly monitors these matters.

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

In accordance with the provisions of Article L. 225-185 and L.22-10-57 of the French Commercial Code, the Board of Directors decided to set at 10% the proportion of shares resulting from the exercise of the options that the Chief Executive Officer must retain in registered form until the end of the termination of his duties as Chief Executive Officer of the Company.

In accordance with the provisions of Article L. 225-197-1 and L.22-10-59 of the French Commercial Code, the Board of Directors decided that the Chief Executive Officer must hold in registered form, until the termination of his duties, 10% of the shares awarded by the Board of Directors, up to a limit of a number of shares whose cumulative value does not exceed one year's total gross compensation.

14. Statement of non-financial performance required by Article R. 225-102-1 of the French Commercial Code

As the Company does not exceed the thresholds provided for in Article R. 225-102-1 of the French Commercial Code, it decided not to prepare a statement of non-financial performance for the year 2020.

II. REPORT ON CORPORATE GOVERNANCE

1. General Management of the Company

Since October 22, 2018, Mr. Robert Gershon has served as Chief Executive Officer of the Company. Thus, the Company is represented vis-à-vis third parties by Mr. Robert Gershon as Chief Executive Officer. The Chief Executive Officer is not subject to any limit of powers implemented by the Board of Directors. He is assisted in his duties by a Deputy CEO, Mr. Christophe Lamboeuf, who is vested with the same powers as the CEO and is also the Company's Chief Financial Officer.

2. Corporate governance

2.1 Corporate governance methods

Until May 25, 2011, the Company was incorporated as a simplified joint stock company. As part of its IPO, the Company was transformed on May 25, 2011 into a public limited company (*société anonyme*) with a Board of Directors and adopted new governance rules. The Company is administered by a Board of Directors and managed by a Chief Executive Officer.

At its meeting of May 25, 2011, the Board of Directors adopted internal rules which specify the role and composition of the Board, the principles of conduct and the obligations of the members of the Board of Directors of the Company and the operating procedures of the Board of Directors and Committees and specifies the rules for determining the compensation of their members.

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

The Board is responsible for:

- determining the general direction of the Company's business and ensuring its implementation. Subject to the powers expressly granted to the shareholders' meetings, and within the limit of the Company purpose, the Board will deal with any question pertaining to the smooth running of the Company and will settle the business that concerns the Company in its deliberations;
- appointing the Chairman of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers and setting their compensation;
- authorizing the agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code; and
- proposing the appointment of the statutory auditors to the General Shareholders' Meeting;
- approving the report of the Chairman of the Board on corporate governance and internal control; and
- preparing the draft resolutions referred to in Article L. 225-37-2 of the French Commercial Code and the related report.

It ensures the quality of the information provided to shareholders and the markets.

In accordance with the provisions of Article L. 225-35 paragraph 4 of the French Commercial Code, the Board must give prior approval for sureties, endorsements and guarantees.

To organize its governance, the Company has chosen to refer to the corporate governance code for medium and small-sized companies as published in December 2009 and revised in September 2016 by MiddleNext and validated as a reference code by the French Financial Markets Authority (the "MiddleNext Code").

At its meeting of April 20, 2021, the Board of Directors, in accordance with recommendation No. 19 of the MiddleNext Code, acknowledged the points of vigilance of the said Code and undertook to review them regularly.

The Board initiated a process aimed at gradually bringing itself into compliance with the recommendations of the MiddleNext Code as revised in its September 2016 edition and, to this end, amended its internal rules at the Board meeting of March 21, 2017.

Below is a list of the terms of office and roles performed by the corporate officers in all company(ies) during the past financial year:

Name and roles held within the Company	Main roles held in all companies	Other appointments held in all companies
Alexandre Loiseau, Chairman of the Board of Director	Therapixel SA, Chairman of the Board of Directors	MDoloris SA, member of the Strategic Committee Lifen, member of the Strategic Committee Aqemia, representative of Elaia on the Strategic Committee SeqOne, member of the Strategic Committee InHeart, observer on the Board of Directors i-Virtual, observer on the Board of Directors
Chris McFadden – Independent Director	Kohlberg Kravis Roberts, Managing Director	InnovaTel Telepsychiatry, Director One Call, Director Fastaff Travel Nursing, observer on the Board of Directors Athena Health, observer on the Board of Directors
Joseph DeVivo Independent Director	Teladoc Health Inc, Chairman of Hospital & Health Systems	American Telemedicine Association, Director
Jennifer F. Tseng Independent Director	Boston University School of Medicine, Chief and Chair of the Surgery Department	N/A
Molly O'Neill Independent Director	Medforth Global Healthcare Education, Chief Growth and Strategy Officer	Qure Medical, Director Rocky Vista University Boards, Director
Robert Gershon CEO	Mauna Kea Technologies, CEO	N/A
Claire Biot Independent Director	Dassault Systèmes, VP of Industrie de la Santé	N/A
Jacquelien Ten Dam Independent Director	Mimetas, Chief Financial Officer	N/A

2.2 Members of the Board of Directors

At December 31, 2020, the Board of Directors of the Company was composed of seven Directors. No non-voting Board members were appointed on this day.

Name or company name	Role	Date of appointment	Expiration of term of office	Committee
Alexandre Loiseau	Chairman of the Board of Directors	Appointment as a Director by the OGM of May 3, 2017 Appointed Chairman of the Board of Directors on October 10, 2018 with effect from October 22, 2018	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	Member and Chairman of the Strategic Committee – Member of the Compensation Committee
Chris McFadden	Independent Director	OGM of May 3, 2017	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	Member and Chairman of the Compensation Committee
Joseph DeVivo	Independent Director	OGM of May 3, 2017	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	Member of the Audit and Strategic Committees
Molly O'Neill	Independent Director	OGM of May 30, 2018	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	Member and Chair of the Audit Committee
Robert Gershon	Director	Coopted by the Board of Directors of October 10, 2018 with effect from October 22, 2018 – Ratified by the OGM of December 19, 2018	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	N/A
Claire Biot	Independent Director	OGM of July 2, 2020	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	N/A
Jacquelien Ten Dam	Independent Director	Co-opted by the Board of Directors on December 2, 2020 – Awaiting ratification by the OGM approving the financial statements for the year	At the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021	N/A

In accordance with recommendation No. 1 of the MiddleNext Code, the executive directors do not hold more than two other appointments as Directors in listed companies outside the Board's Group.

2.3 Balanced gender representation

The Board includes three women out of seven members at the date of this report. The Company is in compliance with the law of January 27, 2011 on balanced gender representation on boards of directors, the Board of Directors being comprised of less than eight members, therefore the difference between the number of directors of each sex shall not be greater than two.

2.4 Independent Directors

In accordance with its internal rules, the Board of Directors has decided to adopt the definition of independence proposed by the MiddleNext Code in its recommendation No. 3 "Composition of the Board", which is characterized by the following five criteria:

- is not, and has not over the past five years been, an employee or executive corporate officer of the Company or of any company in its Group;

- is not, and has not over the past two years been, in a significant relationship with the Company or its Group (as a client, supplier, competitor, service provider, creditor, banker, etc.);

- is not a reference shareholder of the Company and does not hold a significant portion of its voting rights;

- does not have a close relationship or family ties with a corporate officer or reference shareholder of the Company; and

- has not, over the past six years, been a statutory auditor of the Company.

At its meeting of April 20, 2021, the Board of Directors determined that five of its members met all the criteria, namely Mr. Christopher McFadden, Mr. Joseph DeVivo, Ms. Molly O'Neill, Ms. Claire Biot and Ms. Jacquelien Ten Dam.

Every year, the Board of Directors will assess, on a case-by-case basis, the status of each member vis-à-vis the aforementioned criteria.

2.5 Terms of office

In accordance with the thirty-fourth resolution adopted by the Combined General Meeting of July 2, 2020, the Director's term of office has been reduced to two years, *versus* three years previously. This term is tailored to the specific requirements of the Company. The reappointment of Directors is not staggered, as recommended by the MiddleNext Code (recommendation No. 9). In fact, all members are reappointed at the same time.

2.6 Ethics

The internal rules and code of ethics were approved by the Board of Directors. These documents outline the rules which must be followed by the members of the Board, in accordance with recommendation No. 1 of the MiddleNext Code.

2.7. Director selection

When each Director is appointed or reappointed, information on his or her experience, skills and the list of offices held is provided in the Reference Document and to the General Meeting. This information is available online on the Company's website, as suggested in the MiddleNext Code, under recommendation No. 8. The appointment and/or renewal of each Director shall be the subject of a specific resolution submitted to the shareholders' vote.

3. Preparation and Organization of tasks undertaken by the Board

The Company's Board of Directors has a set of internal rules, in accordance with recommendation No. 7 of the MiddleNext Code. This document, approved by the Board of Directors at its meeting of May 25, 2011 and amended by the Board of Directors at its meeting of March 21, 2017, is available on the Company's website.

In compliance with recommendation No. 2, these internal rules, in the clause entitled "Disclosure of interest" on the prevention of conflicts of interest, state that a director who finds him or herself in a situation of conflict of interest, is obliged to inform the members of the Board as such and to determine whether he/she should abstain from voting and/or taking part in Board discussions.

In compliance with recommendation No. 4 of the MiddleNext Code, outside of Board meetings and when in the interest of the Company, the Directors must regularly be provided with all important information relating to the Company, that is likely to have an impact on the commitments and financial position thereof. They may ask for any further explanations or additional information, and more generally, may request access to any information they deem useful.

To take an effective part in the Board's work and deliberations, each member of the Board is provided with whatever additional 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 Deputy Chief Executive 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 No. 11 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.

4. Report on the Board's activities during the 2020 financial year

The minutes of each meeting are prepared by the Chief Executive Officer, 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 the 2020 financial year, the Board of Directors of the Company met 13 times. All meetings were chaired by the Chairman of the Board. The Directors' attendance rate was 100%.

As set out in recommendation No. 14 of the MiddleNext Code, the majority of issues are addressed at the meetings of the Board. Nevertheless, the issues relating to the assumption of an accident and the sudden unavailability of the executive were not addressed during 2020 and will be added to the agenda of the next Board meeting.

Prior to Board meetings, the Directors are sent all documents required to enable them to prepare for the issues to be discussed.

Lastly, in accordance with recommendation No. 12 of the MiddleNext Code, executives must offer minority shareholders the opportunity to meet with them and discuss the operation of the Company. In 2020, this was done during the General Meeting, which was held in Paris on July 2, 2020.

5. Organization of the committees

In accordance with recommendation No. 6 of the MiddleNext Code, the Board of Directors decided to set up three specialized committees: the Audit Committee, the Compensation Committee and the Strategic Committee.

5.1 Audit Committee

At its meeting of May 25, 2011, the Company's Board of Directors decided to create an Audit Committee.

The mission of the Audit Committee is, independently from the Company's executives, to assist the Board of Directors and ensure the fairness of the financial statements, the quality of internal control and the relevance of the information provided and the proper performance by the statutory auditors.

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 legal audit of the annual financial statements and the consolidated financial statements by the statutory auditors;
- issuing a recommendation on the statutory auditors proposed for appointment by the General Meeting and reviewing the terms of their compensation;
- monitoring the independence of the statutory 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 are as follows:

- Molly O'Neill, Chair and Independent Director, appointed by the Board of Directors meeting of October 10, 2018;
- Joseph DeVivo, member of the Audit Committee, appointed by the Board of Directors on March 23, 2016.

The appointment of two members was deemed sufficient in view of the total number of Directors of the Company. The internal rules 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 Chair 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 during the 2020 financial year.

5.2 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 free share and stock option plans;

- examining the compensation of executives who are not corporate officers, including the free 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 a termination of employment, 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 free share and stock option plans and any other similar incentive arrangement, in particular, the personal awards to the members of the Board of Directors;

- examining the total amount of Directors' 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.

The members of the Compensation Committee appointed on June 11, 2014, March 21, 2017 and October 10, 2018 are:

- Mr. Chris McFadden, Chairman of the Compensation Committee and Independent Director;
- Mr. Alexandre Loiseau, Independent Director;
- Ms. Jennifer F. Tseng, Independent Director (until the Board of Directors meeting of December 2, 2020).

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 during the 2020 financial year.

5.3 Strategic Committee

The Strategic Committee constituted by the Board of Directors of October 10, 2018 is responsible for making recommendations to the Board on the Company's strategic approaches.

It is composed of three members: Mr. Alexandre Loiseau, Mr. Robert Gershon and Mr. Joseph DeVivo.

The Committee met once during the 2020 financial year.

6. Compensation of corporate officers

In accordance with the provisions of Article L. 22-10-9 of the French Commercial Code, we hereby report to you on the total compensation and benefits in kind paid during the past 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 information below is prepared by referring to the MiddleNext corporate governance code for small and mid-size companies as amended in September 2016.

Each member of the Board may receive Directors' fees, whose amount is voted on by the Ordinary General Meeting and whose distribution is decided by the Board, based on the attendance of Board members and the time they devote to their roles, including, where applicable, within the committee or committees set up by the Board.

Any compensation paid to the Chairman is set by the Board, after consulting the Compensation Committee.

Board members may also receive compensation for specific duties entrusted to them by the Board of Directors in addition to their normal roles on the Board.

Each Director is entitled to the reimbursement of reasonable travel expenses incurred in the financial year for the performance of his or her duties.

Summary table of compensation and options and shares granted to each executive corporate officer		
Alexandre Loiseau (Chairman of the Board of Directors as of October 22, 2018)	Financial year ended 12/31/2020 (in euros)	Financial year ended 12/31/2019 (in euros)
Compensation due for the financial year (detailed in Table 2)	244,061	251,845
Valuation of options granted during the period	N/A	N/A
Valuation of performance shares and free shares awarded during the financial year	81,308	N/A
(Chief Executive Officer) – as of October 22, 2018 Robert Gershon	Financial year ended 12/31/2020 (in euros)	Financial year ended 12/31/2019 (in euros)
Compensation due for the financial year (detailed in Table 2)	514,985	532,350
Valuation of options granted during the period	27,917	N/A
Valuation of performance shares and free shares awarded during the financial year	N/A	N/A
(Deputy CEO) – as of October 22, 2018 Christophe Lamboeuf	Financial year ended 12/31/2020 (in euros)	Financial year ended 12/31/2019 (in euros)
Compensation due for the financial year (detailed in Table 2)	237,158	239,821
Valuation of options granted during the period	N/A	N/A
Valuation of performance shares and free shares awarded during the financial year	37,944	N/A

Summary of compensation for each executive corporate officer				
(Chairman of the Board of Directors) Alexandre Loiseau	Amounts due for the year ended 12/31/2020 (in euros)		Amounts due for the year ended 12/31/2019 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	155,707 (1)	163,740	163,740	163,740
- variable compensation	0	0	0	0
- exceptional compensation	0	0	0	0
- Directors' fees	73,000	73,000	73,000	68,950
- benefits in kind	15,354	15,354	15,105	15,105
TOTAL	244,061	252,094	251,845	247,795
(Chief Executive Officer) Alexandre Loiseau	Amounts due for the year ended 12/31/2020 (in euros)		Amounts due for the year ended 12/31/2019 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	N/A	N/A	N/A	N/A
- variable compensation	N/A	N/A	N/A	39,899 (1)
- exceptional compensation	N/A	N/A	N/A	N/A
- Directors' fees	N/A	N/A	N/A	N/A
- benefits in kind	N/A	N/A	N/A	N/A
TOTAL	N/A	N/A	N/A	39,899
(Chief Executive Officer) Robert Gershon	Amounts due for the year ended 12/31/2020 (in euros)		Amounts due for the year ended 12/31/2019 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	363,401 (2)	356,191	352,805	352,805
- variable compensation	151,584 (6)	173,072 (5)	179,545 (4)	16,471 (3)
- exceptional compensation	0	0	0	0
- Directors' fees	0	0	0	0
- benefits in kind	0	0	0	0
TOTAL	514,985	529,263	532,350	369,276
(Deputy CEO) Christophe Lamboeuf	Amounts due for the year ended 12/31/2020 (in euros)		Amounts due for the year ended 12/31/2019 (in euros)	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed compensation	188,700	188,700	185,000	185,000
- variable compensation	47,227 (6)	55,176 (5)	53,928 (4)	16,096 (3)

- exceptional compensation	0	0	0	0
- Directors' fees	0	0	0	0
- benefits in kind	1,231	1,231	893	893
TOTAL	237,158	245,107	239,821	201,989

(1) Compensation paid in 2020 was overstated. The overpayment was regularized in February 2021.
(2) Compensation paid in 2020 was understated. This was regularized in January 2021.
(3) Variable compensation due for financial year 2018 paid in 2019.
(4) Variable compensation provisioned in respect of financial year 2019 paid in 2020.
(5) Variable compensation due for financial year 2019 paid in 2020.
(6) Variable compensation provisioned in respect of financial year 2020 which will be paid in 2021.

Stock options granted during the financial year to each executive corporate officer by the issuer and by each Group company						
Name of the executive corporate 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 financial year	Exercise price	Exercise period
Robert Gershon (Chief Executive Officer)	SO 07/22/2020	Stock options	27,917	100,000	€1.22	2021 to 2024

Stock options exercised during the financial year by each executive corporate officer				
Name of the executive corporate officer	Plan No. and date	Number of options exercised during the period	Exercise price	Year of grant
N/A				

Free shares granted during the financial year to each executive corporate officer by the issuer and by any Group company						
Name of the executive corporate officer	Plan No. and date	Number of shares granted during the period	Valuation of the options according to the method used for the consolidated financial statements	Acquisition date	Vesting date	Performance conditions
Alexandre Loiseau (Chairman of the Board)	Free shares (AGA) 07/22/2020	75,000	81,308	07/22/2021	07/22/2023	N/A
Christophe Lamboeuf (Deputy CEO)	Free shares (AGA) 07/22/2020	35,000	37,944	07/22/2021	07/22/2023	N/A

Free shares vesting during the period for each executive corporate officer				
Name of the executive corporate officer	Plan No. and date	Number of shares vesting during the period	Vesting condition	Year of grant
Alexandre Loiseau (Chairman of the Board)	AP 2016 07/26/2016	160,000	N/A	2016

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

Executive corporate officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due owing to termination or change of role		Compensation for non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Robert Gershon Chief Executive Officer		X		X	X			X
Date on which term of office started:	October 22, 2018							
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, 2021							

Executive corporate officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due owing to termination or change of role		Compensation for non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Christophe Lamboeuf Deputy CEO	X			X		X		X
Date on which term of office started:	October 22, 2018							
Date on which term of office expired:	N/A							

Equity ratios

Article L. 22-10-9 of the French Commercial Code on executive compensation, provides that companies whose shares are admitted to trading on a regulated market must present in the Board of Directors' report on corporate governance the information shown in the table below, it being specified that:

- the equity ratios were determined according to the methodology recommended by AFEP in its guidelines on compensation multiples published on December 19, 2019;
- in accordance with these guidelines, employees who are continuously present from January 1 to December 31 in the workforce of Mauna Kea Technologies SA and its subsidiary in the United States are taken into account in the calculation of the ratios;
- the compensation used is the gross compensation paid in 2020 (fixed and variable including benefits in kind) – stock options, performance shares and free shares have been excluded (their non-recurring nature does not allow for comparability of the year-to-year ratios)

	Equity ratio – Average compensation				
	2016	2017	2018	2019	2020
Chairman of the Board	n/a	n/a	n/a	3.19	3.15
Chief Executive Officer	3.95	4.07	3.87	5.26	6.61
Deputy CEO	n/a	n/a	n/a	2.60	3.06

	Equity ratio – Median compensation				
	2016	2017	2018	2019	2020
Chairman of the Board	n/a	n/a	n/a	4.55	4.34
Chief Executive Officer	4.82	5.15	4.90	7.52	9.11
Deputy CEO	n/a	n/a	n/a	3.71	4.22

Principles and rules determining the compensation of corporate officers

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

For the 2020 financial year, the variable compensation targets for the Chief Executive Officer were set and approved by the Board of Directors on April 27, 2020 on the recommendation of the Compensation Committee. These objectives took into account the Company's sales growth.

At its meeting on March 12, 2021, the Compensation Committee examined the level of achievement of these targets and decided to pay the Chief Executive Officer the variable compensation corresponding to those targets, subject to the Company's performance.

Executive corporate officers do not receive Directors' fees in respect of their corporate office within the Company. In addition, they are not entitled to any deferred compensation, severance pay or pension commitments, in accordance with recommendation Nos. 16 and 17 of the MiddleNext Code.

As part of its compensation policy and to motivate its executives and employees, the Company granted free preference shares to the Company's employees and stock options to the employees of its subsidiary.

Contrary to recommendation No. 18 of the MiddleNext Code, the Company implements a policy of awarding free shares to its Chief Executive Officer. It is specified that for the award of free shares, when the plans benefited the executive, they also benefited all Group employees, who received either free shares or stock options.

Directors' fees and other compensation received by non-executive corporate officers

Table of Directors' fees and other compensation received by non-executive corporate officers		
Members of the Board of Directors	Directors' fees paid for the year ended 12/31/2020 (in euros)	Directors' fees paid for the year ended 12/31/2019 (in euros)
Alexandre Loiseau		
- Directors' fees	73,000	68,950
- other compensation	0	0
TOTAL	73,000	68,950

Christopher McFadden		
- Directors' fees	40,000	49,831
- other compensation	0	0
TOTAL	40,000	49,831
Joseph DeVivo		
- Directors' fees	46,000	46,278
- other compensation	0	0
TOTAL	46,000	46,278
Jennifer F. Tseng		
- Directors' fees	38,000	38,084
- other compensation	0	0
TOTAL	38,000	38,084
Molly O'Neill		
- Directors' fees	40,000	33,806
- other compensation	0	0
TOTAL	40,000	33,806
Claire Biot		
- Directors' fees	15,000	0
- other compensation	0	0
TOTAL	15,000	0

The Board of Directors on May 25, 2016 set the principles for distributing Directors' fees between its members as follows:

- the Board of Directors distributes Directors' fees on an annual basis. They are paid on a quarterly basis,
- the Chairman of the Board of Directors is allocated €55,000 per year, *prorata temporis*;
- the Independent Directors, with the exception of the Chairman of the Board of Directors and executives, are each allocated €30,000 pro rated to their attendance rate at Board meetings;
- the Chairs of the Audit, Strategic and Compensation Committees are each allocated €10,000 per year for this role;
- the members of the Audit Committee, the Strategic Committee and Compensation Committee (other than the Chairs) are allocated €8,000 for this role.

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

It is recalled that the General Meeting of July 2nd, 2020 set the budget for Directors' fees at €285,000 for the 2017 financial year as well as for each subsequent financial year, until otherwise decided by the Ordinary General Shareholders' Meeting.

Approval of the elements of compensation due or granted to the Chairman and the Chief Executive Officer for the 2020 financial year

In accordance with Article L. 22-10-34 of the French Commercial Code, the fixed, variable and exceptional elements of compensation granted or still to be granted for the 2020 financial year to the Chairman and the Chief Executive Officer by virtue of their offices, as approved by the Board of Directors in line with the principles and criteria approved by the General Shareholders' Meeting on December 19, 2018 under its second and fourth resolutions and set out in the "Compensation of corporate officers" section above, will be submitted for approval by shareholders at the General Meeting called to approve the financial statements for the 2020 financial year.

Principles and criteria for determining, allocating and granting the fixed, variable and exceptional elements of total compensation and benefits in kind due to the Chairman, the Chief Executive Officer and the Deputy CEO for 2021

Pursuant to Article L. 22-10-8 of the French Commercial Code, the Board of Directors submits to the approval of the General Meeting the principles and criteria applicable to the determination, distribution and allocation of variable, and exceptional elements of the total compensation and benefits in kind attributable to the Chairman, Chief Executive Officer and Deputy CEO by virtue of their offices for the 2021 financial year and constituting the compensation policy relating to them.

These principles and criteria, adopted by the Board of Directors on the recommendation of the Compensation Committee, are set out below:

For Mr. Alexandre Loiseau, Chairman of the Board of Directors:

Compensation elements	Principles	Criteria for determination
Fixed compensation	The Chairman receives a fixed compensation payable in 12 monthly installments.	The gross annual amount of this compensation, which takes into account the additional significant tasks entrusted by the Board of Directors to its new Chairman, was set at €187,772, less the Directors' fees paid to him during the same period.
Directors' fees	The Chairman receives Directors' fees.	As for every Director, the Chairman may receive Directors' fees, the amount of which is decided by the Board, within the limit of the budget approved by the General Meeting) and the principles adopted by the Board of Directors. The Board, based on its his attendance and the time devoted to his office, including, where applicable, within the committee or committees set up by the Board.
Benefits in kind	Provision of a vehicle GSC insurance	

In addition, the Chairman may be granted the option to subscribe, (i) for valuable consideration, to share warrants subject to presence conditions and/or (ii) for free consideration, to free shares and/or stock-options, subject to presence conditions.

For Mr. Robert Gershon, Chief Executive Officer:

Compensation elements	Principles	Criteria for determination
Fixed compensation	The CEO receives a fixed compensation payable in 12 monthly installments.	This fixed compensation will be determined by the Board of Directors on the proposal of the Compensation Committee.

Variable compensation	The Chief Executive Officer receives a variable compensation up to 100% of his fixed compensation, if 100% of the objectives have been attained.	This variable compensation is based half on Company objectives and half on objectives set by the Board of Directors on the recommendation of the Compensation Committee. These objectives are not made public for reasons of confidentiality.

In addition, the CEO may be granted stock options, subject to conditions of attendance and performance.

Finally, Mr. Robert L. Gershon may claim a severance compensation under the following conditions:

In the event of dismissal not caused by gross or serious misconduct or resignation caused by a significant reduction of its awards or compensation, or following a change of control of the Company, Mr. Robert L. Gershon would receive, provided that he has attained the objectives on which his normal free is based (up to 100% of his fixed compensation) by more than 50%, (i) a monthly indemnity equal to his salary for 12 months following his departure, (ii) the *pro rata* of his annual free until the date of his departure (calculated by reference to the level of achievement of the Company's objectives for the last fully completed financial year, if the departure is during the first half-year, or the current financial year if during the second half-year, and (iii) an amount equivalent to the cost of maintaining his medical insurance for 12 months. The schedule for exercising his options would continue in this case for 12 months following his departure as if he had not left the Company.

Granting this severance compensation was authorized by the Board of Directors meeting on October 10, 2018, in accordance with the provisions of Article L. 225-38 of the French Commercial Code.

It is recalled, to the extent necessary, that no payment of any kind whatsoever may be made before the Board of Directors acknowledges, on or after termination of his duties, compliance with the above conditions.

For Mr. Christophe Lamboeuf, Deputy CEO:

It is recalled that all of the compensation received by Mr. Christophe Lamboeuf is for his salaried CFO duties:

Compensation elements	Principles	Criteria for determination
Fixed compensation	The Deputy CEO receives a fixed compensation payable in 12 monthly installments.	This fixed compensation was determined by the Board of Directors on the proposal of the Compensation Committee and was set at €192,474.
Variable compensation	The Deputy CEO receives a variable compensation up to 55% of his fixed compensation, if 100% of the objectives have been attained.	This variable compensation is based 30% on Company objectives, and 25% on objectives set by the Board of Directors on the recommendation of the Compensation Committee. These objectives are not made public for reasons of confidentiality.
Benefits in kind	Provision of a vehicle	

In addition, the Deputy CEO may be granted share subscription options and/or free shares, subject to conditions of attendance and performance.

In accordance with Article L. 22-10-34 of the French Commercial Code, the amounts resulting from the implementation of these principles and criteria will be submitted for shareholder approval at the General Meeting called to approve the financial statements for the 2020 financial year.

Participation of shareholders in Annual General Meetings

In accordance with recommendation No. 12 of the MiddleNext Code, the Board hereby reports on the Company's shareholder relations.

The Company held a Combined General Meeting on July 2, 2020.

In view of the state of health emergency in force until July 10, 2020, in accordance with Article 4 of Decree No. 2020-418 of April 10, 2020 covering the rules for meetings and deliberations of the meetings and governing bodies of legal entities and unincorporated entities under private law due to the Covid-19 epidemic, the Company's head office, located at 9 rue d'Enghien, 75010 Paris, France, where the Annual General Meeting had been convened, was impacted on the convocation date by the provisions of Decree No. 2020-663 of May 31, 2020 prescribing the general measures necessary to confront the Covid-19 epidemic as part of the state of health emergency. In this context, in accordance with Article 4 of the Ordinance No. 2020-321 of March 25, 2020, the Board of Directors decided to hold the Annual General Meeting in camera, without the physical presence of shareholders, at the Company's head office.

Shareholders present or represented comprised 26.83% of the Company's voting rights. Given that shareholders will be unable to physically attend the meeting, the latter were able to give a proxy to the Chairman or vote by absentee ballot using the form provided for this purpose, which can be downloaded from the Company's website from the twenty-first business day prior to the meeting. Voting by absentee ballot and the proxy forms could be sent to the Company under the conditions provided for in Article 6 of Decree No. 2020-418 of April 10, 2020.

The ordinary resolutions were all adopted with more than 97% of votes. The ordinary resolutions were all adopted with more than 72% of votes.

The ways to participate in general meetings are set out in Article 19 of the bylaws, available online at www.maunakeatech.com.
The right to participate in the meetings shall be governed by applicable legal and regulatory provisions, and shall in particular be subject to the registration of the securities under the name of the shareholder or the proxy registered on the shareholder's behalf two (2) business days prior to the meeting at 12:00 a.m., Paris time, either in the accounts of registered securities held by the Company, or in the accounts of bearer securities held by the authorized intermediary. Any shareholder unable to attend a meeting in person may select one of the following three options on each occasion under the legal and regulatory conditions in force:

- grant a power of attorney under the conditions authorized by law and regulations;
- vote by absentee ballot; or
- vote by internet; or
- send a power of attorney to the Company, without indicating a proxy.

7. Information on share capital

7.1 Changes in the composition of the share capital during the year

	Number of shares	Nominal value (euros)	Share capital (euros)
Shares comprising the share capital at the beginning of the financial year	30,571,740	0.04	1,222,869.60
Conversion of Preference Shares	17,960	0.04	718.40
Shares comprising the share capital at the end of the financial year	30,589,700	0.04	1,223,588

7.2 Change in share price – Risk of price fluctuations

In 2020, 72,730,518 shares of the Company traded on the NYSE Euronext Paris regulated market.

The share was quoted at €1.66 at the date of preparation of this report on April 20, 2021.

The lowest closing price recorded was at €0.65 on March 16, 2020 and the highest price at €1.83 on January 22, 2020.

The Company's market capitalization at the date of preparation of this report was €51 million.

7.3 Information required by Article L. 225-37-5 of the French Commercial Code

7.3.1 Capital structure of the Company

Shareholders	Number of shares	% of the capital
Alexandre Loiseau	511,740	1.67%
Sub-total "Board of Directors" (*)	511,740	1.67%
Registered shareholders		
Johnson & Johnson Innovation – JJDC Inc.	5,357,142	17.51%
"Other registered"	688,864	2.25%
Free float	23,986,699	78.42%
Own shares	42,255	0.15%
TOTAL	30,589,700	100.00%

(*) In its current composition

7.3.2 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

7.3.3 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 7.3.1 above.

7.3.4 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 special rights of control.

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

The Company has not set up employee shareholding systems likely to contain control mechanisms when control rights are not exercised by employees.

7.3.6 Rules applicable to the appointment and replacement of members of the Board of Directors and to the amendment of the bylaws

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

7.3.7 Powers of the Board of Directors, in particular the issuance or buyback of shares

The Extraordinary General Meeting of the Company of July 2, 2020 authorized the Board to implement, for a period of eighteen months from the date of the meeting, a share buyback program in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and market practices accepted by the AMF (see the "Treasury shares – Share buyback program" section of the management report.

7.3.8 Agreements entered into by the Company that are amended or terminated in the event of a change of control of the Company

N/A

7.3.9 Agreements providing for compensation for executive corporate officers or employees if they resign or are dismissed without real or serious cause or if their employment is terminated due to a public offer

See item 6. above.

AGREEMENTS REFERRED TO IN ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE ENTERED INTO BY AN EXECUTIVE OR SIGNIFICANT SHAREHOLDER OF THE COMPANY WITH A SUBSIDIARY

We inform you that no agreement referred to in Article L. 225-37-4 of the French Commercial Code was entered into during the past financial year.

CAPITAL INCREASE DELEGATIONS

In accordance with the provisions of Article L. 225-100-4 of the French Commercial Code, attached to this report in Appendix 3 is a table summarizing the currently valid delegations of authority and powers granted by the General Meeting to the Board of Directors regarding capital increases pursuant to 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 financial year.

The additional reports prepared by the Board of Directors and the statutory auditors when the management board uses the delegations granted to it have been made available to you in accordance with legal provisions.

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The Board of Directors

APPENDIX 1

Table of results for the past five financial years

Type of indication/period	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Duration of the financial year	12 months	12 months	12 months	12 months	12 months
a) Share capital	1,223,588	1,222,870	1,008,053	973,893	800,074
b) Number of shares issued	17,960	5,357,142			
c) Number of bonds convertible into shares					
a) Sales excluding taxes	4,403,044	6,632,371	8,338,447	6,287,244	7,331,438
b) Profit/(loss) before tax, depreciation, amortization and provisions	-9 364 852	-10 965 379	-6 786 079	-6 652 102	-6 335 344
c) Income tax	-710 870	-1.077 342	-1,141,064	- 1 144 487	- 863 631
d) Profit/(loss) after tax, but before depreciation, amortization and provisions	-8 923 982	-9 888 037	-5 645 015	- 5 507 615	- 5 491 713
e) Profit/(loss) after tax, depreciation, amortization and provisions	-9 444 555	-15,534,771	-11 871 126	-3 982 199	-10 610 123
f) Amount of profits distributed					
g) Employee shareholding					
a) Profit/(loss) after tax, but before depreciation and amortization					
b) Profit/(loss) after tax, depreciation, amortization and provisions					
c) Dividends paid per share					
a) Number of employees	75	75	74	71	62
b) Total payroll	5,132,959	4,821,421	4,888,217	4,572,162	4,664,788
c) Employee benefits paid	2,107,782	2,210,751	2,143,104	2,005,466	2,069,015

Table of results for the past five consolidated financial years (in € thousand)

Type of indication/period	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Duration of the financial year	12 months	12 months	12 months	12 months	12 months
a) Share capital	1,224	1,223	1,008	974	800
b) Number of shares issued	17,960	5,357,142			
c) Number of bonds convertible into shares					
a) Sales excluding taxes	6,526	7,431	6,760	6,687	8,787
b) Profit/(loss) before tax, depreciation, amortization and provisions	-11 627	-14 094	-11 411	-9 171	-8 815
c) Income tax	0	0	0	0	0
d) Profit/(loss) after tax, but before depreciation, amortization and provisions	-11 627	-14 094	-11 411	-9 171	-8 815
e) Profit/(loss) after tax, depreciation, amortization and provisions	-12 791	-15 272	-12 785	-10,245	-9,744
f) Amount of profits distributed					
g) Employee shareholding					
a) Profit/(loss) after tax, but before depreciation and amortization					
b) Profit/(loss) after tax, depreciation, amortization and provisions					
c) Dividends paid per share					
a) Number of employees	100	101	100	90	76
b) Total payroll	11,459	11,922	10,345	8,874	8,744
c) Amounts paid under pension commitments and share-based payments	633	979	128	238	319

APPENDIX 2

Main risks and uncertainties facing the Company – Use of financial instruments by the Company

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.

The primary risks to which the Group is exposed are interest rate risk, credit risk and exchange rate risk.

Exchange rate risk

The main currency for which the Group is exposed to significant exchange rate risk is the U.S. dollar.

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Massachusetts 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 services agreement (Management fees).

The Group's major exchange rate risk is linked to the EUR/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 U.S. 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 +10% change in the EUR/USD exchange rate would result in a rise in earnings of €333 thousand at December 31, 2020;
- A -10% change in the EUR/USD exchange rate would result in a drop in earnings of €(407) thousand at December 31, 2020.

Liquidity risk

Note 1.1 to the Consolidated financial statements describes the items and assumptions relating to the going concern assumption.

Note 11 to the Consolidated financial statements describes the financial liabilities to which the Group is committed.

Note 22 to the Consolidated financial statements describes the commitments and obligations given by the Group.

Interest Rate Risk

At December 31, 2020, the Company did not hold any investment securities, whose interest rate changes have a direct impact on the rate of return for these investments and the cash flows generated.

The loan with EIB is at a fixed rate and is therefore not subject to interest rate risk.

The repayable BPI/OSEO advances at a 2.45% interest rate for an overall undiscounted amount of €2,904 thousand are not subject 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 cash on hand only.

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 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 reporting date. The market prices used for financial assets held by the Company are the purchase prices in effect on the market at 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.

APPENDIX 3

Summary table of the current delegations of authority and powers granted by the General Meeting to the Board of Directors with respect to capital increases pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code and use made of these delegations during the financial year 2020

Date of the Annual General Meeting	**Purpose of the authorization**	**Expiration date**	**Use made by the Board of Directors**
Extraordinary General Meeting of October 5, 2018			
October 5, 2018 (2nd resolution)	Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares and/or any securities that are equity securities giving access to other equity securities or giving entitlement to the allocation of debt securities, and/or securities giving access to equity securities to be issued, with preferential subscription rights for shareholders – Maximum nominal amount: €302,416 to be deducted from the overall maximum amount of €302,416 set by the General Meeting (Articles L. 225-129 à L. 225-129-6, L. 228-91, L. 228-92 and L. 228-93 of the French Commercial Code)	July 2, 2020	The Board has not used this delegation during financial year 2020.
October 5, 2018 (3rd resolution)	Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares and/or any securities that are equity securities giving access to other equity securities or giving entitlement to the allocation of debt securities, and/or securities giving access to equity securities to be issued, without preferential subscription rights for shareholders through a public offer – Maximum nominal amount: €302,416 to be deducted from the overall maximum amount of €302,416 set by the General Meeting (Articles articles L. 225-129 à L. 225-129-6, L. 225-135, L. 225-135-1, L. 225-136, L. 228-91, L. 228-92 and L. 228-93 of the French Commercial Code)	July 2, 2020	The Board has not used this delegation during financial year 2020.
October 5, 2018 (4th resolution)	Delegation of authority granted to the Board to increase the share capital by issuing ordinary shares and/or any securities that are equity securities giving access to other equity securities or giving entitlement to the allocation of debt securities, and/or securities giving access to equity securities to be issued, without preferential subscription rights for shareholders in the context of an offer to qualified investors or a restricted circle of investors referred to in Article L. 411-2 II of the French Monetary and Financial Code – Maximum nominal amount: €302,416 to be deducted from the overall maximum amount of €302,416 set by the General Meeting (Articles articles L. 225-129 à L. 225-129-6, L. 225-135, L. 225-135-1, L. 225-136, L. 228-91, L. 228-92 and L. 228-93 of the French Commercial Code)	July 2, 2020	The Board has not used this delegation during financial year 2020.

October 5, 2018 (6th 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 to a category of persons underwriting the Company's equity securities that may result therefrom as part of an equity or bond financing line – Maximum nominal amount: €151,208 to be deducted from the overall maximum amount of €302,416 set by the General Meeting (Articles L. 225-129 et seq. of the French Commercial Code, and in particular, Articles L. 225-129-2, L-22-10-49, L. 225-135, L-225-138 and L. 228-91 and seq. of the French Commercial Code)	April 5, 2020 (18 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (7th resolution	Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares and/or any securities giving access to other equity securities or to the allocation of debt securities, and/or securities giving access to future equity securities, without preferential subscription rights for shareholders, for the benefit of a second category of persons meeting predetermined criteria Maximum nominal amount: €302,416, included in the overall maximum amount of €302,416 set by the Annual General Meeting (Articles L. 225-129 et seq. of the French Commercial Code, and in particular, Articles L. 225-129-2, L-225-129-4, L. 225-135, L-225-138 and L. 228-91 and seq. of the French Commercial Code)	April 5, 2020 (18 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (8th resolution)	Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares and/or any securities giving access to other equity securities or to the allocation of debt securities, and/or securities giving access to future equity securities, without preferential subscription rights for shareholders, for the benefit of a second category of persons meeting predetermined criteria Maximum nominal amount: €302,416, included in the overall maximum amount of €302,416 set by the Annual General Meeting (Articles L. 225-129 et seq. of the French Commercial Code, and in particular, Articles L. 225-129-2, L-225-129-4, L. 225-135, L-225-138 and L. 228-91 and seq. of the French Commercial Code)	April 5, 2020 (18 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (9th resolution)	Delegation to the Board to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights carried out pursuant to the aforementioned delegations (Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-135-1 et suivants, L. 228-91 and L. 228-92 of the French Commercial Code)	July 22, 2020 (26 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (10th resolution)	Delegation of authority granted to the Board of Directors to issue ordinary shares and securities giving access to	July 2, 2020 (26 months)	The Board has not used this delegation during financial year 2020.

	the Company's capital, in the event of a public offer with an exchange component initiated by the Company Maximum nominal amount: €302,416, included in the overall maximum amount of €302,416 set by the Annual General Meeting (Articles articles L. 225-129 à L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92 of the French Commercial Code)		
October 5, 2018 (11th resolution)	Delegation of authority granted to the Board of Directors to increase the share capital, within a limit of 10% of the share capital, as consideration for contributions in kind of equity securities or securities giving access to the share capital of other companies and not part of a public exchange offering Maximum nominal amount: €194,000, included in the overall maximum amount of €302,416 set by the Annual General Meeting (Article L. 225-147 of the French Commercial Code)	July 2, 2020 (26 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (13th resolution)	Delegation of authority granted to the Board of Directors to increase the share capital by capitalization of premiums, reserves, earnings or other – Maximum nominal amount: €24,000 stand-alone maximum (Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code)	July 2, 2020 (26 months)	The Board has not used this delegation during financial year 2020.
October 5, 2018 (17th resolution)	Delegation of authority to be 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: 400,000 (Articles L. 225-129 et seq. of the French Commercial Code, and in particular, Articles L. 225-129-2, L. 225-129-4, L. 225-135, L. 225-138 and L. 228-91 et seq. of the French Commercial Code)	April 5, 2020 (18 months)	The Board of Directors, meeting on November 12, 2018, making use of said delegation, decided to issue 40,000 warrants (BSAs) to a director of the Company at a price of €0.82, each with the right to subscribe to an ordinary share with a nominal value of €0.04 at a price of €2.76. The Board has not used this delegation during financial year 2020.

Extraordinary General Meeting of July 2, 2020			
July 2, 2020 (20th resolution)	Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares and/or any securities giving access to the Company's	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.

	capital with preferential subscription rights Maximum nominal amount: €60,000,000 (L. 225-129 à L. 225-129-3 and L. 225-129-5, L. 225-129-6, L. 22-10-49, L. 228-91, L. 228- 92 et L. 228-93 of the French Commercial Code)		
July 2, 2020 (21st resolution)	Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares and/or any securities, without preferential subscription rights, through a public offer (excluding an offer targeting a limited number of investors acting on their own behalf or to qualified investors pursuant to L. 411-2-1 of the French Monetary and Financial Code) Maximum nominal amount: €60,000,000 (Articles articles L. 225-129 to L.225-129-3, et L. 225-129-5, L. 225-129-6, L.22-10-49, L. 225-135, L-22-10-51, L. 225-135-1 of the French Commercial Code, and, in particular, its Articles L. 225-136, L22-10-52 L. 228-91, L. 228-92 et L. 228-93)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.
July 2, 2020 (22nd resolution)	Delegation of authority granted to the Board of Directors to increase the share capital by issuing ordinary shares and/or any securities, without preferential subscription rights, through an offer targeting a limited number of investors acting on their own behalf or to qualified investors pursuant to L. 411-2-1 of the French Monetary and Financial Code Maximum nominal amount: €60,000,000 (Articles L. 225-129 to L.225-129-3, et L. 225-129-5, L. 225-129-6, L.22-10-49, L. 225-135, L-22-10-51, L. 225-135-1 of the French Commercial Code, and, in particular, its Articles L. 225-136, L.22-10-52 L. 228-91, L. 228-92 et L. 228-93)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.
July 2, 2020 (24th resolution)	Delegation of authority granted to the Board of Directors to issue ordinary shares giving, where applicable, access to other ordinary shares or to the allocation of debt securities (of the Company or a Group company), and/or securities giving access to future ordinary shares (of the Company or a Group company), without preferential subscription rights for shareholders, for the benefit of categories of persons meeting pre-determined criteria (Articles L. 225-129-2, L. 225-138 and L. 228-92 of the French Commercial Code)	January 2, 2022 (18 months)	The Board of Directors, meeting on July 7, 2020, making use of said delegation decided to issue 500,000 warrants to the European Investment Bank at a price of €0.01, each giving the right to subscribe to one ordinary share with a par value of €0.04, at a price of €1.24.
July 2, 2020 (25th resolution)	Delegation of authority to be granted to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights pursuant to the twentieth, twenty-first, twenty-second and twenty-fourth resolutions (Articles L. 225-129, L. 225-129-2, L. 225-135, L.22-10-51 L. 225-135-1 et seq., L.22-10-52, L. 228-91 and L. 228-92 of the French Commercial Code)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.

July 2, 2020 (26th resolution)	Delegation of authority granted to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital, in the event of a public offer with an exchange component initiated by the Company Maximum nominal amount: €60,000,000 (Articles L. 225-129 à L.225-129-3, et L. 225-129-5, L. 225-129-6, L.22-10-49, L. 22-10-54, L. 228- 91 and L. 228-92 of the French Commercial Code)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.
July 2, 2020 (27th resolution)	Delegation of authority granted to the Board of Directors to increase the share capital, within a limit of 10% of the share capital, as consideration for contributions in kind of equity securities or securities giving access to the share capital of other companies and not part of a public exchange offering Maximum nominal amount: €60,000,000 (Article L. 225-147 and L.22-10-53 of the French Commercial Code)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.
July 2, 2020 (29th resolution)	Delegation of authority granted to the Board of Directors to increase capital through incorporation of premiums, reserves, earnings or other Maximum nominal amount: €24,000 (plus, where applicable, the additional amount of shares to be issued to preserve, in accordance with the legal or regulatory provisions and, where applicable, the applicable contractual provisions, the rights of holders of securities giving access to shares (Articles L. 225-129, L. 225-129-2, and L. 225-130, L22-10-50 of the French Commercial Code)	September 2, 2022 (26 months)	The Board has not used this delegation during financial year 2020.
July 2, 2020 (32nd resolution)	Delegation of authority to be granted to the Board of Directors to issue and allocate share warrants without preferential subscription rights 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 established or should establish who are not employees or executives of the Company or of one of its subsidiaries Maximum number of share warrants: 400,000 (Articles L. 225-129 et seq. of the French Commercial Code, and in particular, Articles L. 225-129-2, L-22-10-49, L. 225-135, L. 22-10-51, L-225-138 and L. 228-91 et seq. of the French Commercial Code)	January 2, 2022 (18 months)	The Board of Directors, meeting on July 22, 2020, making use of this delegation, decided to issue 180,000 warrants for the benefit of the Company's directors, at a price of €0.15, each giving the right to subscribe on one ordinary share with a par value of €0.04 euros, at a price of €1.30.
July 2, 2020 (33rd resolution)	Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares and securities giving access to the Company's share capital without preferential subscription rights for the	January 2, 2022 (18 months)	The Board has not used this delegation during financial year 2020.

	benefit of employees who are members of a Group savings plan Maximum nominal amount: €100,000 (Articles L. 225-129 et seq. of the French Commercial Code and, in particular, L. 225-138 and L. 3332-1 of the French Labor Code)		

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The Board of Directors

Consolidated financial statements prepared in accordance with IFRS at December 31, 2020

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros)

	Note	12/31/2020	12/31/2019
ASSETS			
Non-current Assets			
Intangible assets	**3**	3 072	2 343
Property, plant and equipment	**4**	1 451	1 956
Right of use	**4**	1 344	1 370
Non-current financial assets	**5**	282	173
Total of non-current assets		**6 149**	**5 842**
Current assets			
Inventories & Work in progress	**6**	2 687	2 592
Trade receivables	**7**	1 907	2 444
Other current assets	**7**	1 202	2 701
Current financial assets	**8**	58	59
Cash and cash equivalents	**9**	8 606	9 982
Total of current assets		**14 460**	**17 778**
TOTAL OF ASSETS		**20 609**	**23 621**

	Note	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Equity			
Issued capital	**10**	1 224	1 223
Share premium	**10**	98 286	98 257
Reserves		(98 504)	(84 130)
Foreign currency translation on reserve		(292)	176
Profit / (Loss)		(12 791)	(15 272)
Total of equity		**(12 077)**	**253**
Non-current Liabilities			
Long-term loans	**11**	26 242	15 499
Non-current provisions	**12**	179	299
Total of non-current liabilities		**26 421**	**15 799**
Current liabilities			
Short-term loans and borrowings	**11**	722	1 916
Trade payables	**13**	1 475	2 275
Other current liabilities	**13**	4 068	3 380
Total of current liabilities		**6 265**	**7 570**
TOTAL OF EQUITY AND LIABILITIES		**20 609**	**23 621**

COMPREHENSIVE INCOME
(Amounts in thousands of euros)

	Note	12/31/2020	12/31/2019 retraité (*)	12/31/2019
Operating Revenue				
Sales	**15**	6 526	7 431	7 431
Other income	**15**	1 416	1 077	1 077
Total of revenue		**7 942**	**8 509**	**8 509**
Operating expenses				
Cost of sales	**18**	(2 148)	(2 556)	(2 260)
Gross margin		*67,1%*	*65,6%*	*69,6%*
Research & Development	**18**	(3 232)	(3 160)	(3 160)
Sales & Marketing	**18**	(8 120)	(8 682)	(8 978)
Administrative expenses	**18**	(5 785)	(6 187)	(6 187)
Share-based payments	**17**	(616)	(952)	(952)
Total of expenses		**(19 901)**	**(21 537)**	**(21 537)**
Current operating profit		**(11 959)**	**(13 028)**	**(13 028)**
Non-current operating profit		143	0	0
Operating profit		**(11 816)**	**(13 028)**	**(13 028)**
Financial revenue	**19**	318	520	520
Financial expenses	**19**	(1 293)	(2 764)	(2 764)
Profit before tax		**(12 791)**	**(15 272)**	**(15 272)**
Income tax expense	**20**			
Profit / (Loss)		**(12 791)**	**(15 272)**	**(15 272)**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial differences on defined benefit plans	**12**	91	(26)	(26)
Total of items that will not be reclassified to profit or loss		**91**	**(26)**	**(26)**
Items that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(468)	101	101
Total of items that will be reclassified to profit or loss		**(468)**	**101**	**101**
Other comprehensive income for the year, net of tax		**(377)**	**75**	**75**
Comprehensive income		**(13 168)**	**(15 197)**	**(15 197)**
Weighted average number of shares outstanding (in thousands)		30 527	25 201	25 201
Basic earnings per share (EUR / share)	**23**	**(0,42)**	**(0,60)**	**(0,60)**
Weighted average number of potential shares (in thousands)		35 667	29 524	29 524

(*) See Note 1.1 Principles used to prepare the Group's financial statements - § Change in presentation of the income statement.

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	**12/31/2018**	**1 008**	**91 753**	**(219)**	**(71 853)**	**74**	**(12 785)**	**7 979**
Restatements related to IFRS 16 1st application					(81)			(81)
Restated equity as of	**01/01/2019**	**1 008**	**91 753**	**(219)**	**(71 934)**	**74**	**(12 785)**	**7 898**
Allocation of the profit / (loss)					(12 785)		12 785	
Capital transactions		214	6 503		74			6 792
Share-based payment transactions					952			952
Treasury shares transactions		1		32	(224)			(192)
Comprehensie income as of	12/31/2019				(26)	101	(15 272)	(15 197)
Equity as of	**12/31/2019**	**1 223**	**98 257**	**(188)**	**(83 943)**	**176**	**(15 272)**	**253**
Allocation of the profit / (loss)					(15 272)		15 272	(0)
Capital transactions		1	29		4			34
Share-based payment transactions					616			616
Treasury shares transactions				128	60			188
Comprehensie income as of	12/31/2020				91	(468)	(12 791)	(13 168)
Equity as of	**12/31/2020**	**1 224**	**98 286**	**(60)**	**(98 444)**	**(292)**	**(12 791)**	**(12 077)**

CASH-FLOW STATEMENTS
(Amounts in thousands of euros)

	Note	12/31/2020	12/31/2019
Cash flow from operating activities			
Profit / (Loss)		(12 791)	(15 272)
Elimination of amortization, depreciation and provisions		1 315	1 178
Share-based payment transaction expense and revenue	**17**	616	952
Other items excluded from the auto-financing capacity		1 174	1 028
Revenue and expenses related to the discounting of repayable advances	**11**	*47*	*657*
Revenue and expenses related to the discounting of loans	**11**	*1 011*	*232*
Revenue and expenses related to the fair value of derivatives instruments	**11**	*93*	*(500)*
Net financial interests	**11**	*48*	*601*
Other non-cash items		*(25)*	*39*
Capital gain or loss from asset sales		40	8
Auto-financing capacity		**(9 646)**	**(12 105)**
Change in WCR related to business activities		1 656	1 834
Inventories & work in progress	**6**	*(344)*	*(238)*
Trade receivables	**7**	*439*	*(783)*
Other current assets	**7**	*1 523*	*350*
Trade payables	**13**	*(794)*	*155*
Other current liabilities	**13**	*831*	*2 351*
Net cash flows from operating activities (A)		**(7 990)**	**(10 272)**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	**3/4**	(1 081)	(1 381)
Proceeds from sale of property, plant and equipment and intangible assets		1	0
Change in loans and advances granted	**5/8**	81	(40)
Other cash flows from investing operations			5
Net cash flows from investing activities (B)		**(999)**	**(1 416)**
Cash flow from financing activities			
Proceeds from exercise of share options	**10**		
Proceeds from issue of shares	**10**		6 792
Cash received from new loans issuance	**11**	10 000	11 500
Net reimbursments - IPF loan			(4 264)
Fees on issuance and reimbursment of loans	**11**	(122)	(1 733)
Reimbursment of debt on leases (IFRS 16)	**11**	(554)	(491)
Other financial interests paid	**11**	(34)	(39)
Financing of Tax Research Credit (*)	**11**	(1 633)	1 442
Other cash flows from financing operations		28	(170)
Net cash flows from financing activities (C)		**7 685**	**13 036**
Net foreign exchange difference (D)		(72)	10
Change in cash (A) + (B) + (C) + (D)		**(1 376)**	**1 359**
Cash at the beginning of the period	**9**	9 982	8 623
Cash at the end of the period	**9**	8 606	9 982
Change in cash		**(1 376)**	**1 359**

(*) See Note 11.4: during financial year 2020, the Group sold the additional Research Tax Credit 2019 receivable for €532 thousand and received reimbursement from the tax authorities of the Research Tax Credit 2018 claim for €1,097 thousand and the Research and Innovation Tax Credit 2019 claim for €1,068 thousand.

NOTES TO THE FINANCIAL STATEMENTS

Mauna Kea Technologies, inventor of Cellvizio, a multidisciplinary confocal laser endomicroscopy platform using microprobes and needles, designs and sells medical devices specializing in endomicroscopy to eliminate diagnostic uncertainties in biopsy. Applications relate to the fields of gastroenterology, pulmonology and urology.
A global player in real-time cellular diagnostics, the Company's prime objectives are to constantly improve the quality of care provided to patients and efficiency of healthcare professionals and systems.
The Company's flagship product, Cellvizio, has received market authorization for a wide range of applications in more than 40 countries, including the United States, Europe, Japan, China, Canada, Brazil and Mexico.
A decision in France in 2019 by UNICAM provided for a procedural code for reimbursement of esophageal endoscopy with confocal laser-guided endomicroscopy biopsy.

Highlights of the financial year

New authorizations

On March 3, 2020, Mauna Kea Technologies has obtained 510(k) clearance (K193416) from the U.S. Food and Drug Administration (FDA) and CE marking of the next-generation Cellvizio® endomicroscopy platform, built with the Company's new proprietary system architecture. This marks the 18th U.S. FDA 510(k) clearance of the Cellvizio® pCLE/nCLE platform.

The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms.
The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted endomicroscopic image interpretation. The ergonomic and significantly reduced footprint of the new Cellvizio should integrate easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.

New financing

On April 20, 2020, the Company obtained through its subsidiary Mauna Kea Inc. the payment of a loan convertible under conditions into a grant in the amount of €0.6 million under the Paycheck Protection Program in the U.S. Having reasonable assurance at December 31, 2020 that the criteria for forgiveness will be met, and in accordance with IAS 20, this loan has been deemed to be a government grant and is presented under "Other income" in the income statement.

On July 8, 2020, in accordance with the loan agreement of June 19, 2020 with the EIB, as amended on June 19, 2020, the Company received Tranche 2 for €6 million. This second tranche will bear annual interest of 3% and capitalized interest of 4% payable in 5 years with the principal. Tranche 2 is also accompanied by the issue of share subscription warrants (BSA) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e. 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan. BNP Paribas and Bpifrance have each a loan of €2 million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting

the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No. 2020-289 of March 23, 2020). Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term. At August 11, 2020, the loan was fully drawn down. At the reporting date of the financial statements, Management believes that the Company will certainly request a postponement of the repayment of its government-backed loans.

Pandemic Covid-19

Due to the Covid-19 pandemic, a set of preventive measures has been put in place within the Company, and this, by absolute necessity to preserve the health of its employees. The Company has therefore asked its employees in France to work from home and to organize remote meetings and events as much as possible. For those employees who need to be in the workplace, physical distancing measures and hygiene precautions are in place.

All measures proposed by the French government have been examined from a financial point of view. The Group benefited in particular from employee partial employment payments for €90 thousand, presented under "Other income" in the income statement. The Group also benefited from the deferred payment of social security contributions. At December 31, 2020, €493 thousand of deferred contributions remains to be paid.
BNP Paribas and Bpifrance have also approved €4 million in financing for the Group in the form of a government-backed loan. At August 11, 2020, the loan was fully drawn down.
Lastly, the Company obtained through its subsidiary Mauna Kea Inc. the payment of a loan convertible under conditions into a grant in the amount of €0.6 million under the Paycheck Protection Program in the United States.

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020, with an overall decrease of 47% on the previous year over this period. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half and enabled a 27% growth in revenues compared to the second half of 2019, reflecting the general improvement in the global economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €6.5 million, i.e., a 12% decrease compared to the previous year.

Given the general climate of uncertainty, it is impossible to predict the duration and extent of potential damage to the Company's business from the current Covid-19 pandemic.
However, these effects could have a significant impact on the Company's access to capital resources and operations. The Company also continues to closely monitor the potential impact of the pandemic on the conduct of clinical studies and discussions with health authorities.

In the 1st quarter of 2021, the Group's business grew by 7% compared to the first quarter of 2020, driven by a 13% increase in consumables sales. The Group is counting in particular on increasing demand for these consumables as the global recovery continues.

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 at its meeting of April 20, 2021. These financial statements will be definitive only after their approval by the Annual General Shareholders' Meeting.

The financial statements are prepared on the basis of historical cost with the exception of financial assets, which are measured at their fair value. The preparation of the financial statements according to IFRS principles requires that estimates be made and assumptions formulated which impact the amounts and information provided therein with respect to measuring the cost of share-based payments, measuring the value of the Research Tax Credit, and measuring value in use with regard to impairment testing. These assumptions and estimates were made on the basis of information or positions at the date the financial statements were prepared and may differ from actual results. As applicable, a sensitivity analysis may be implemented if this variation is significant.

The going concern assumption was adopted by the Board of Directors taking into account the following elements:

- cash available at December 31, 2020 stood at €8.6 million;
- a new equity financing line with Kepler Cheuvreux, which will enable €9.3 million to be raised in the coming 12 months, this amount being dependent on the share price;
- the grant of a repayable advance and a grant for PERSEE project of €0.6 million in 2021;
- the receipt of the 2020 Research Tax Credit for €0.7 million;
- sales outlook taking into account the impact of the Covid-19 crisis.

In this context, the Group considers that it is in a position to meet its commitments until the second semester of 2022.

This financial information was prepared on the basis of the principles underlying all the standards and interpretations adopted by the European Union whose application is mandatory at December 31, 2020. These standards and interpretations are available on the European Commission website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_fr.

The standards adopted by the European Union and of mandatory application from January 1, 2020 are as follows:

- Amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”;
- Amendments to IFRS 3;
- Amendments to conceptual framework references in IFRS;
- Amendment to IFRS 7 and IFRS 9;
- Amendments to IFRS 16 “Leases”.

The first-time application of these amendments does not have a material impact on the Group at December 31, 2020.

Furthermore, 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 at December 31, 2020, in particular:

- Amendments to IAS 1 “Presentation of financial statements”;
- Amendments to IFRS 16 “Leases”;
- IFRS 17 “Insurance contracts”.

Change in presentation of the income statement

In 2017, the Group had implemented a new “Pay-Per-Use” business model for the placement of systems on consignment in the United States (as opposed to the model based on the direct sale of systems). System leases are recognized under property, plant and equipment.

Until December 31, 2019, the depreciation of capitalized systems was presented as expenses under “Sales and Marketing”. In order to better reflect the impact of this consignment model on the gross margin, this depreciation is recognized in “Cost of sales”.

The income statement at December 31, 2019 has been restated to take into account this presentation and to allow better comparability of the financial years 2019 and 2020.

These depreciation amounts to €296 thousand in 2019 and to €308 thousand in 2020.

1.2 Consolidation methods

Subsidiaries are all the entities over which the Company exercises control with regard to financial and operating policy and of which it generally holds 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 from the date on which control cease to be exercised.

At December 31, 2020, the Group owns a single U.S. subsidiary Mauna Kea Technologies Inc.

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 accordance with IAS 21.15, foreign exchange gains and losses on long-term receivables in US dollars owed by a subsidiary to the Company are 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 accordance with IAS 38, 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, development costs are recognized as intangible assets only if all the following criteria are met:

(a) the Company has established the technical feasibility necessary for the completion of the development project;
(b) the Company intends to complete the project and use it;
(c) the Company is able to use the intangible asset;
(d) the Company is able to demonstrate the likelihood of future economic benefits from the asset;
(e) the Company has the technical, financial and other resources necessary to complete the project; and
(f) the Company is able to reliably measure the costs of developing the asset.

In application of this standard, the Company recognized all its R&D costs as expenses, until the first prototypes of Cellvizio were refined.
Development expenses related to finalizing new products were recognized as assets as long as they met the criteria of IAS 38. Expenses related to research and the improvements of existing products remain as expenses for the financial year.

Development costs carried as assets are amortized on a straight-line basis over 5 years for Cellvizio's second generation development costs, i.e. their useful life. Useful life is incorporated into the current period until the asset becomes obsolete.

Patents

Patent filing costs incurred by Mauna Kea Technologies until the patents are obtained are recognized as intangible assets in line with the criteria for capitalizing development costs stipulated by IAS 38.

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

Software packages

Costs relating to the acquisition of licenses for software packages are recognized as assets on the basis of the costs incurred to acquire and implement them.

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

1.5 Property, plant and equipment and rights-of-use

Property, plant and equipment subject to a lease of more than twelve months and covering assets whose individual replacement value as new is more than USD 5,000 have, since January 1, 2019, been recognized as an asset representing the right-of-use of the leased asset. The initial valuation of the asset is estimated using the amortized cost model and depreciated over the shorter of the lease term or the term of the right-of-use, in accordance with the requirements of IFRS 16.

Acquired property, plant, and equipment is recognized at 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.

Cellvizios entrusted to hospitals under partnership agreements (reference centers) and Cellvizios made available under a consignment contract are recorded under non-current assets.

Depreciation and amortization periods are as follows:

Fixtures and fittings	7 years
Research and development tools	2 to 5 years
Production tools	3 to 7 years
Cellvizio granted to reference centers, lent or consigned	5 years
Research equipment and technical facilities	7 years
Office equipment and furniture	5 years
IT equipment	3 years

1.6 Recoverable amount of non-current property, plant and equipment and intangible assets

Intangible assets and property, plant, and equipment are tested for impairment if the recovery of their carrying amount is uncertain. With respect to 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 that the carrying amount exceeds 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 Company's intangible assets, there are no market data that allow the net fair value of the costs of sale to be determined other than by an estimation of future cash flows. Consequently, the recoverable amount is essentially 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 estimated future cash flows expected from the continued use of the assets and their disposal at the end of the intended use by the business. It does not take into account the impact of the financial structure, tax effects, or restructuring efforts not undertaken.

The recoverable amount must be estimated for each individual asset. If this is not possible, IAS 36 requires a company to determine the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Only one cash-generating unit has been defined at Group level. It is therefore at Group level that this impairment test was performed.

This value is based on the discounted cash flow method over a period of 5 years and using a terminal value calculated on the basis of an updated standard flow with a growth of 2%.

1.7 Leases

When a lease is entered into, a liability is recorded in the balance sheet corresponding to the discounted future payments of the fixed portion of the rents, in exchange for rights-of-use to the asset amortized over the term of the lease. The amount of the liability significantly depends on the assumptions used regarding the term of the commitments and, to a lesser extent, the discount rate.

The term of the contract generally used to calculate the liability is the term of the contract including the renewal options if it is reasonably certain that the Company will exercise them.

The discount rate used corresponds to the implicit rate of the contract if existing or to the incremental borrowing rate that would be obtained for a loan contracted for an almost equivalent period.
The lessee's weighted average incremental borrowing rate was estimated at 2% for the Paris office lease, as well as for the other leases of Mauna Kea Technologies SA. A rate of 12% was used for the lease of the American premises corresponding to the implicit interest rate provided for in the contract.

The Group applied the following simplification measures:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
- use of previous valuations to determine whether the leases involve a financial outlay;
- recognition as expenses of the rents from short-term leases (those with terms less than or equal to 12 months which do not include purchase options and/or leases concerning low value assets);
- use of knowledge acquired retrospectively to calculate, for example, the term of the lease when it includes extension or termination options.

The contracts restated by the Group mainly correspond to the leases of the head office in France and the offices located in Boston as well as motor vehicle leases.

1.8 Financial assets

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

The measurement and recognition of financial assets and liabilities are defined by IFRS 9 "Financial instruments".

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 at their fair value and then at amortized cost using the effective interest rate (EIR) method. Short-term receivables without a nominal interest rate are measured at the amount of the original invoice unless the application of an implicit interest rate has a material impact. For variable-rate loans and receivables, a periodic reestimation of cash flow variations, in order to translate changes in market interest rates, 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.
Loans and receivables are monitored for any objective indication of impairment. A financial asset is impaired if its carrying amount 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

Assets considered to be held for sale include assets that the Company intends to resell in the near future in order to realize a capital gain and that are part of a portfolio of financial instruments managed together customarily sold in the short term.

1.9 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, a corresponding impairment loss is recognized in profit or loss.

Inventories of raw materials are valued according to the weighted average cost method.
Inventories of semi-finished and finished products are valued at the standard cost taking into account the cost of materials used, labor costs and a share of overheads.

1.10 Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or 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 IFRS 9 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

1.11 Share capital

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 proceeds of the issue, net of tax.

1.12 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 financial year. The balance of "liquidity" is recorded as current financial assets.

1.13 Share-based payments

Since its formation, the Company has established several plans for compensation paid in equity instruments in the form of BSPCEs (stock warrants for business creator shares) granted to employees and/or executives, BSAs (share purchase warrants) granted to non-employee members of the Board of Directors or the Supervisory Board, stock options (SO) granted to employees of the subsidiary Mauna Kea Technologies Inc., and preference shares and free shares awarded to employees and/or executives.

In accordance with IFRS 2, the cost of transactions settled in equity instruments is recorded as an expense with a counterpart increase in equity over the vesting period.

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

The fair value of stock options or performance shares granted to employees is determined using the Black-Scholes option valuation model. The same applies to options granted to other natural persons who provide similar services, the market value of the latter not being ascertainable.

The determination of the fair value of the converted instruments includes the vesting conditions described in Note 17 Share-based payments. The other factors taken into consideration are also presented in Note 17: Share-based payments.

1.14 Measurement and recognition of financial liabilities

Financial liabilities at the amortized cost

Borrowings and other financial liabilities are valuated initially at their fair value and then at amortized cost using the EIR method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are deducted from 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 at which expected future cash outflows are equal to the net present carrying amount of the financial liability from which their amortized cost is deducted.

At December 31, 2019, the Group pre-financed the Research Tax Credit receivable for financial years 2018 and 2019 with a financial institution. According to the decision tree of IAS 39 regarding the derecognition of financial assets, it was concluded that the Group had not transferred substantially all of the risks and rewards inherent in the transferred Research Tax Credit receivable. Therefore this receivable has not been derecognized, and the funds received from the receivable sale are recognized in current loans and borrowings.

The financial institution recovered these receivables during financial year 2020.

At December 31, 2020, the receivable recognized in respect of the Research Tax Credit and the Innovation Tax Credit has not been sold.

Liabilities at fair value through profit and loss

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

In accordance with the provisions of IFRS 9 and the clarifications made in autumn 2017 by the IFRS Interpretation Committee on the treatment of debt changes deemed not to be derecognizable, the Group immediately restates in the income statement the effect of changes in contractual borrowing conditions. The effective interest rate is thus maintained on the residual maturity of the debt.

As part of the financing with the European Investment Bank (EIB), the Group issued share purchase warrants (BSA). This issuance has been analyzed according to IFRS 9 criteria. Because of the put option and the variable nature of the number of shares to which the BSAs will give entitlement, it is recognized as a derivative instrument and measured at fair value on the grant date. It is then remeasured at each reporting date with a corresponding adjustment in profit/(loss).

1.15 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 conditional non-repayable loan is treated as a public subsidy if there is reasonable assurance that the Company will fulfill the conditions under which the loan need not be repaid. If the contrary is the case, it is classified under debts.

The unpaid interest benefit resulting from an interest-free repayable loan is considered a subsidy. This benefit is determined by applying a discount rate equal to the contractual rate if the latter is known or the market rate.

1.16 Provisions

Provisions for risks and expenses

Provisions for risks and expenses correspond to commitments arising from litigation and miscellaneous risks, whose timing and amount are uncertain, and which the Group may face in the course of its business.

A provision is recognized when there is a legal or implicit obligation to a third party resulting from a past event which is likely or certain to cause an outflow of resources to that third party, without the expectation of at least equal compensation from it, and for which the future outflows of liquid assets can be estimated reliably.

An amount recognized as a provision is the best estimate of the expenditure necessary to settle the obligation, which is discounted 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:

- retirement benefits paid by the Company to employees upon their retirement (defined benefit plans);
- payment of pension benefits by Social Security agencies and financed by contributions from employers and employees (defined contribution 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 accordance with IAS 19 "Defined Benefit Plans: Employee Contributions", service costs and net interest are recorded under operating profit/(loss) and other remeasurements are recorded under 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.

1.17 Revenue from ordinary activities

The Group recognizes revenue from ordinary activities according to IFRS 15.
Revenue from ordinary activities is measured as the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's business. Revenue from ordinary activities is presented net of value-added tax, product returns, rebates and discounts, and intragroup sales.

Revenue is recorded when the transfer of goods or services promised to a customer is completed for the amount that reflects the payment that the entity expects to receive as consideration for those goods or services. Regarding the sale of products, revenue is recognized either at the products availability or delivery according to the order's conditions.
Regarding the Company's ordinary sales, and when it is a system rental contract, the Cellvizio is recognized as an asset of the Company and the revenue is recognized on the sale of consumables or on a fee-for-service basis by the healthcare professional to the extent that the system remains the property of the Company.
Sales of systems previously leased under the "Pay-Per-Use" contract are classified as "Sales" in the income statement.

1.18 Other income

Subsidies

In accordance with IAS 20, government grants, including non-monetary grants at fair value, are only recognized when there is reasonable assurance that:
- the entity will comply with the conditions attaching to the grants; and
- the grants will be received.

Government grants are recognized in income on a systematic basis over the periods necessary to link them to the costs they are intended to compensate.

In the case of government grants intended to compensate items in the income statement by means of a loan at a preferential rate of interest, and where that rate is final, the savings resulting from the preferential rate are treated as an operating subsidy and are recognized as a deduction from expenses or in income, depending on the terms of the financing agreement.

The Group presents these operating subsidies under "Other income" in the income statement.

Research Tax Credit and Innovation 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 financial year in which the expenditures were made and the next three financial years, or, as applicable, be reimbursed for the excess portion. As the Company meets the criteria of an SME within the European Community meaning, it receives a refund of the tax credit the year following the financial year in question.

The part of the tax credit used to finance research costs is recognized under "Other income" for the year in which the eligible expenditures are incurred. The part used to finance eligible development costs is deducted from costs recorded under assets.

1.19 Other operating income and expenses

This concerns unusual income or expenses of a significant amount and limited in number and frequency that the Company presents as a separate item on its income statement in order to facilitate understanding of its recurring operational performance and provide useful information for a forward-looking analysis of results.

1.20 Cost of sales

The cost of sales is composed of expenses directly related to the products sold, i.e., the consumption of raw materials, direct labor costs and provisions for impairment of inventories.

It also takes into account the depreciation of systems made available to customers under Pay-Per-Use contracts.

1.21 Taxes

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 carrying amount 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 stipulated by law at the closing date are used to determine deferred taxes.

Deferred tax assets are only recognized to the extent that probable future profits will be sufficient to absorb the losses carried forward. In view of its stage of development, the Company does not recognize deferred tax assets beyond deferred tax liabilities.

1.22 Segment information

The Company has not at this date identified separate operating segments. It conducts its business in 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 exchange rate differences relating to the subsidiary Mauna Kea Technologies, Inc.;
- changes in pension plan provisions arising from changes in actuarial assumptions.

1.24 Significant accounting estimates and judgments

Estimates and judgments made by Management when applying the accounting policies described above are based on historical information and other factors, notably the anticipation of future events judged to be reasonable in light of circumstances. These estimates and judgments are primarily the following:

Sales Recognition

When a system is sold, the legal warranty period begins when the system is installed at the customer's premises.
In accordance with IFRS 15, revenue from the sale of a system is recognized either when the products are made available or upon delivery, depending on the terms of the order. Sales related to the legal warranty must be deferred until the system is installed at the customer's premises. The Group uses estimates to determine the amount reflecting the payment it expects to receive under the guarantee alone.

Development costs

The valuation of development costs that can be capitalized based on compliance with the valuation criteria is presented in Note 3.

Valuation of warrants, stock options and preference shares (see Note 11 and Note 18)

The fair value of warrants, stock options and preference shares granted to employees or service providers is measured on the basis of actuarial models. These models rest on certain calculation assumptions such as the expected volatility of the security.

Valuation of the Research Tax Credit

Income relating to the Research Tax Credit is measured on the basis of methods detailed in Note 1.17: Other income – Research Tax Credits.

Valuation of intangible assets (see Note 3)

The value in use of intangible assets is measured on the basis of assumed sales growth and a discount rate that reflect the best estimates of management.

Pandemic Covid-19

The Group has assessed the impact of the uncertainties caused by the Covid-19 pandemic. At December 31, 2020, these uncertainties did not materially affect the estimates and judgments used by Management. The Group will continue to update those estimates and assumptions as the situation evolves.

The final amounts may differ from those estimates.

1.25 Subsequent events

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. Adjustments are made until the date on which the financial statements are approved by the Board of Directors.
Events subsequent to the closing date that did not result in adjustments are presented in Note 25: Subsequent events.

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.

The Company was first incorporated as a Simplified Joint Stock Company [société par actions simplifiée] and was transformed into a public limited company [société anonyme] by a decision of the General Meeting of partners on May 25, 2011.

The registered office of the Company is located at: 9 rue d'Enghien, 75010 Paris, France.

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

	12/31/2020		12/31/2019		Consolidation method
Entities	% of interests	% of control	% of interest	% of control	
Mauna Kea Technologies SA (1)	100%	100%	100%	100%	Full consolidation
Mauna Kea Technologies Inc	100%	100%	100%	100%	Full consolidation

(1) Group's parent company.

No change in scope took place during the period.

Note 3 : Intangible assets

The changes in intangible assets break down as follows:

INTANGIBLE ASSETS
(Amounts in thousands of euros)

	12/31/2018	Increase	Decrease	Reclassification	Change of method	Other	12/31/2019
Development costs	3 623						3 623
Patents, licenses and trademarks	1 695			96			1 791
Software packages	913	12					924
Development costs in progress		838					838
Patents, licenses and trademarks in progress	588	6		(96)			498
Total gross of intangible assets	**6 819**	**855**					**7 675**
Amort. / dep. of development costs	(3 512)	(109)					(3 621)
Amort. / dep. of patents, licenses and trademarks	(912)	(138)					(1 050)
Amort. / dep. of software packages	(558)	(103)					(661)
Total amort. / dep. of Intangible assets	**(4 981)**	**(350)**					**(5 332)**
Total net of Intangible assets	**1 838**	**505**					**2 343**

INTANGIBLE ASSETS
(Amounts in thousands of euros)

	12/31/2019	Increase	Decrease	Reclassification	Change of method	Other	12/31/2020
Development costs	3 623						3 623
Patents, licenses and trademarks	1 791	10	(10)	55			1 846
Software packages	924	34	(9)				949
Development costs in progress	838	947					1 785
Patents, licenses and trademarks in progress	498	9	(43)	(55)			410
Total gross of intangible assets	**7 675**	**1 000**	**(63)**				**8 613**
Amort. / dep. of development costs	(3 621)	(3)	1				(3 623)
Amort. / dep. of patents, licenses and trademarks	(1 050)	(139)	7				(1 182)
Amort. / dep. of software packages	(661)	(84)	9				(736)
Total amort. / dep. of Intangible assets	**(5 332)**	**(226)**	**17**				**(5 541)**
Total net of Intangible assets	**2 343**	**774**	**(46)**				**3 072**

The development costs of the Gen III system, currently in the prototype phase, were capitalized for the first time in 2019, for €838 thousand at the end of 2019.

Since March 2019, these costs have fulfilled the capitalization criteria pursuant to IAS 38:

- the technical feasibility of the intangible asset for use or sale;

- the Group's intention to complete the asset and its ability to use or sell it;
- expected future economic benefits from the asset;
- available resources enabling the development of the system to be completed;
- ability to reliably measure the costs of developing the asset.

At December 31, 2020, an additional €947 thousand had been capitalized for the development of this new system.

All development costs relating to the GEN III system will be amortized from the date of marketing.

As mentioned in the significant events of the financial year, the Covid-19 pandemic had a significant impact on the Group's commercial operations with an overall decline of 12% compared to December 31, 2019. This disclosure is an indication of impairment loss under IAS 36.

An impairment test was performed at December 31, 2020, using the methodology described in Note 1.6. As the Company consists of only one CGU, the impairment test is performed at Group level.

The future cash flows over the period 2021 to 2025 are based on the following assumptions:

- an average sales growth rate broken down by geographic area and by distribution model (Pay-Per-Use, direct sales of systems, sales to distributors);
- a constant margin rate taking into account the cost of products sold depending on the type and generation of the products;
- a constant distribution of expenses by type (R&D, Sales & Marketing and Administrative Expenses);
- investments (including systems made available through the Pay-Per-Use program in the United States).

These cash flows were discounted at a rate of 14.5% and the terminal value at a growth rate of 2%.

The recoverable amount obtained is greater than the net carrying amount of the assets tested. At December 31, 2020, no impairment loss had thus been recognized.

The Company tests the effects of a change in the cost of equity assumptions: the variation of +1 and -1 point respectively varies the valuation of the CGU by -9% and +11%.

The Company tests the effects of a change in the assumptions of the perpetual growth rate: the variation of +0.5 point and -0.5 point respectively varies the valuation of the CGU by +6% and -6%.

In addition, a decrease of 10 points in sales assumptions would not lead to the recognition of impairment.

In view of these results and summing up all the impacts of negative assumptions, the Company would not have recognized any impairment loss.

Note 4 : Property, plant and equipment and rights-of-use

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

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

	01/01/2019	Increase	Decrease / Scrapping	Exchange differences	Reclassification	12/31/2019
Industrial equipment	3 113	467	(50)	3	60	3 595
Fixture in buildings	51					51
Other tangible assets	1 500	58	(39)	3	(60)	1 461
Total gross of Property, plant and equipment	**4 664**	**525**	**(89)**	**6**		**5 107**
Amort. / dep. of industrial equipment	(1 631)	(240)	42	(3)	(184)	(2 017)
Amort. / dep. of fixture in buildings	(50)	(1)				(51)
Amort. / dep. of other tangible assets	(998)	(306)	39	(2)	184	(1 083)
Total amort. / dep. of Property, plant and equipment	**(2 680)**	**(547)**	**80**	**(5)**		**(3 151)**
Total net of Property, plant and equipment	**1 985**	**(21)**	**(9)**	**1**		**1 956**
Right of use	4 230	369				4 598
Amort. / dep. of right of use	(2 798)	(430)				(3 228)
Total net of Right of use	**1 432**	**(61)**				**1 370**

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

	12/31/2019	Increase	Decrease / Scrapping	Exchange differences	Reclassification	12/31/2020
Industrial equipment	3 595	100	(46)	(23)	17	3 643
Fixture in buildings	51					51
Other tangible assets	1 461	38	(185)	(10)	(17)	1 287
Total gross of Property, plant and equipment	**5 107**	**138**	**(231)**	**(33)**		**4 981**
Amort. / dep. of industrial equipment	(2 017)	(485)	13	22		(2 467)
Amort. / dep. of fixture in buildings	(51)	(0)				(51)
Amort. / dep. of other tangible assets	(1 083)	(103)	166	8		(1 012)
Total amort. / dep. of Property, plant and equipment	**(3 151)**	**(588)**	**179**	**30**		**(3 530)**
Total net of Property, plant and equipment	**1 956**	**(450)**	**(51)**	**(3)**		**1 451**
Right of use	4 598	509	(55)	(17)		5 035
Amort. / dep. of right of use	(3 228)	(529)	55	11		(3 692)
Total net of Right of use	**1 370**	**(20)**		**(6)**		**1 344**

The increase in the right-of-use is due to the revaluation of the rents of the premises located in France, as well as to the extension of the term of two real estate leases (it being reasonably certain at December 31, 2020 that the option to renew these two leases will be exercised). Depreciation recognized with respect to these assets represented €529 thousand for the 2020 financial year.

Note 5 : Non-current financial assets

Non-current financial assets at December 31, 2020 include security deposits paid under operating leases for €151 thousand, and collective holdbacks relating to the sale of receivables from the 2017/2018/2019 Research Tax Credit for €131 thousand.

Note 6 : Inventories and work in progress

The inventories and work in progress break down as follows:

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

	12/31/2020	12/31/2019
Inventories of raw materials	1 510	1 212
Inventories & work in progress of finished goods	1 399	1 547
Total gross of inventories & work in progress	**2 909**	**2 760**
Dep. of inventories of raw material	(102)	(79)
Dep. of inventories & work in progress of finished goods	(120)	(89)
Total dep. of inventories & work in progress	**(222)**	**(168)**
Total net of inventories & work in progress	**2 687**	**2 592**

Note 7 : Trade receivables and other current assets

7.1 Trade receivables

TRADE RECEIVABLES
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Trade receivables	2 490	3 185
Dep. of trade receivables	(583)	(740)
Total net of trade receivables	**1 907**	**2 444**

The allowance for doubtful receivables represents 23% of receivables in gross value in 2020 (as in 2019).

The analysis of receivables at December 31, 2020 breaks down as follows:

DATE OF PAYMENT FOR TRADE RECEIVABLES
(Amounts in thousands of euros)

	12/31/2020	Less than a year	Over a year
Trade receivables	2 490	2 490	
Dep. of trade receivables	(583)	(583)	
Total net of trade receivables	**1 907**	**1 907**	

7.2 Other current assets

The other current assets break down as follows:

OTHER CURRENT ASSETS
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Staff and related accounts	10	18
Research Tax Credit and Innovation Tax Credit	711	1 894
Other tax receivables	171	305
Other receivables	76	355
Prepaid expenses	234	128
Total gross of other current assets	**1 202**	**2 701**
Dep. of other current assets		
Total net of other current assets	**1 202**	**2 701**

The change in the Research Tax Credit is as follows:

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

	12/31/2018	Operating revenue	Payment received	Other	12/31/2019
CIR / CII	2 186	997	(1 055)	10	2 138

	12/31/2019	Operating revenue	Payment received	Other	12/31/2020
CIR / CII	2 138	711	(2 165)	27	711

Receivables at end-2020 represent the 2020 Research and Innovation Tax Credits.
The payment received at December 31 of €2,164 thousand corresponds to the reimbursement by the tax authorities of the Research Tax Credit 2018 receivable of €1,097 thousand and the Research Tax Credit and Innovation Tax Credit 2019 receivable of €1,068 thousand.

Other tax receivables are related to deductible VAT and a requested VAT reimbursement totaling €171 thousand compared to €236 thousand at December 31, 2019.

Other receivables mainly included advances to suppliers amounting to €76 thousand compared to €194 thousand at December 31, 2019.

Note 8 : Current financial assets

Current financial assets correspond to the cash balance of the securities account opened under the Company's liquidity contract held with Gilbert Dupont, which stood at €58 thousand at December 31, 2020 versus €59 thousand at December 31, 2019.

Note 9 : Cash and cash equivalents

Cash and cash equivalents break down as follows:

CASH AND CAHS EQUIVALENTS
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Short-term bank deposits	8 606	9 982
Total of cash and cash equivalents	**8 606**	**9 982**

Note 10 : Share capital

10.1 Issued capital

Share capital is set at one million two hundred twenty three thousand five hundred eighty eight euros (€1,223,588). It is divided into 30,589,700 ordinary shares, fully subscribed and paid up, each with a par value of €0.04.

This figure does not include "Share purchase warrants" (BSA), "Stock warrants for business creator shares" (BSPCE) or stock options (SO) granted to certain investors and natural persons, who may or may not be employees of the Company, free performance shares (AP) and free shares (AGA).

The table below shows the history of the Company's share capital since December 31, 2019:

Type of transaction	Issued capital (€K)	Share premium (€K)	Number of shared comprising the issued capital (K)
As of December 31, 2019	1 223	98 257	30 571
Conversion of preferred shares	1	2	18
Issuance of warrants		26	
Other		1	1
Total as of December 31, 2020	1 224	98 286	30 590

10.2 Warrants, stock options and preference shares

Since its formation, the Company issued "Share purchase warrants" (BSA), "Stock warrants for business creator shares"(BSPCE and others) as well as stock options (SO), free performance shares (AP) and free shares (AGA), whose changes since December 31, 2019 are represented below.

Type	Date of granting	Exercice price	Outstanding at 12/31/2019	Created	Exercised	Cancelled	Outstanding at 12/31/2020	Nb potential shares
Options granted before January 1st, 2020			3 968 709		630	531 549	3 436 530	4 576 500
SO	03/24/2020	0,98 €		15 000			15 000	15 000
AP	04/27/2020			100			100	20 000
BSA BEI	07/07/2020	1,24 €		500 000			500 000	500 000
BSA	07/22/2020	1,30 €		135 000			135 000	135 000
SO	07/22/2020	1,22 €		242 500			242 500	242 500
AGA	07/22/2020			284 300			284 300	284 300
SO	09/24/2020	1,13 €		25 000			25 000	25 000
				1 201 900	630	531 549	4 638 430	5 798 300

Following the reverse stock split of shares (four old shares for a new one) on May 25, 2011, four BSAs, BSPCEs or stock options granted before that date are needed to subscribe for one new share. For warrants and options granted after that date, the ratio is one to one.

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 previously.

The procedures for exercising preference shares and free shares are described in Note 17.

10.3 Company's buyback of its own shares

- *Share buyback program adopted at the Company's Ordinary General Meeting on July 5, 2019*

The Extraordinary General Meeting of July 5, 2019 authorized the Board of Directors, for a period of 18 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 terms and 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 Ethics approved by the AMF;
- to meet the obligations related to stock option, free share award, or employee savings plans, or other awards of shares to the employees and executives of the Company or the companies

associated with it;
- to tender shares upon 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
- conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities.

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 as part of any merger, de-merger, or capital contribution may not exceed 5% of its share capital.

- *Share buyback program adopted at the Company's Combined General Meeting on July 2, 2020*

The Combined General Meeting of July 2, 2020, authorized the Board of Directors, for a period of 18 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 terms and conditions described below. This program took the place of the program adopted at the Ordinary General Meeting of July 5, 2019.

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 Ethics approved by the AMF; and/or
- to honor obligations linked to stock option and free share plans;
- company savings schemes or other share awards to employees and executives of the Company or its associates; and/or
- to tender shares upon exercise of the rights attached to securities giving access to the share capital; and/or
- to purchase shares to be held for their subsequent exchange or use as consideration in potential acquisitions in compliance with market practices permitted by the AMF; and/or
- in general, to conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities, it being specified that, in such a situation, the Company would inform its shareholders through a press release.

Maximum purchase price: €5 per share, excluding fees and commissions (this purchase price will be adjusted to take account of capital transactions, in particular in the capitalization of reserves, free share grants, stock splits or reverse stock splits), with an overall ceiling of €4,000,000.

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.
The number of shares acquired by the Company to be held and subsequently exchanged or used as consideration for the purpose of any merger, de-merger, or capital contribution may not exceed 5% of the total number of shares.

Buyback methods: the acquisition, sale or transfer of shares may be carried out by any means, on one or more occasions, in particular on the market or over-the-counter, including by block purchases or sales, public offers, using options or derivative mechanisms, under the conditions pursuant to the market authorities and in compliance with applicable regulations.

Summary of the shares purchased and sold over the year:

	2020				
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Total**
Securities purchased	330 708	353 825	253 253	281 874	1 219 660
Price	1,51	1,25	1,19	1,28	
Total amount (in K€)	498	441	301	361	1 601
Securities sold	320 669	341 179	248 556	299 787	1 210 191
Price	1,52	1,25	1,21	1,29	
Total amount (in K€)	487	428	300	385	1 600

At December 31, 2020, the Company held 45,255 Mauna Kea Technologies shares acquired at an average price of €1.32 equal to the realizable value on December 31, 2020.

Note 11 : Borrowings and financial debts

CHANGES IN FINANCIAL DEBTS

(Amounts in thousands of euros)

	12/31/2019	**Receipt**	**Repayment**	**Capitalized interests**	**Other**	**12/31/2020**
Repayable advance BPI (ex Oseo)	3 423			47		3 470
Lease liability IFRS 16	1 390	509	(554)		(2)	1 343
Loan PGE		4 000		14		4 014
Loan EIB T1	10 616			792		11 408
Loan EIB T2		5 667		220		5 887
Warrants EIB T1	522				49	571
Warrants EIBT2		211			44	255
Research Tax credit financing	1 442	532	(2 165)		191	(0)
Other	22				(6)	16
Total of financial debts	**17 415**	**10 919**	**(2 719)**	**1 073**	**276**	**26 964**

The amounts presented in the "Other" column correspond to the following items:

- EIB warrants T1: fair value adjustment of the BSA warrants of €49 thousand at December 31, 2020;
- EIB warrants T2: fair value adjustment of the BSA warrants of €44 thousand at December 31, 2020.

The breakdown between non-current and current borrowings at December 31, 2020 is as follows:

CHANGES IN NON-CURRENT FINANCIAL DEBTS

(Amounts in thousands of euros)

	12/31/2019	**Receipt**	**Repayment**	**Capitalized interests**	**Other**	**12/31/2020**
Repayable advance BPI (ex Oseo)	3 423			47		3 470
Lease liability IFRS 16	916	509			(626)	799
Loan PGE		4 000		14		4 014
Loan EIB T1	10 616			792		11 408
Loan EIB T2		5 667		42		5 709
Warrants EIB T1	522				49	571
Warrants EIBT2		211			44	255
Other	22				(6)	16
Total of non-current financial debts	**15 499**	**10 387**		**895**	**(539)**	**26 242**

CHANGES IN CURRENT FINANCIAL DEBTS

(Amounts in thousands of euros)

	12/31/2019	Receipt	Repayment	Capitalized interests	Other	12/31/2020
Lease liability IFRS 16	474		(554)		624	544
Loan EIB T2				178		178
Research Tax credit financing	1 442	532	(2 165)		191	0
Total of current financial debts	**1 916**	**532**	**(2 719)**	**178**	**815**	**722**

11.1 BPI advances (formerly OSEO Fi)

On May 31, 2010, Mauna Kea Technologies obtained a repayable innovation loan in the amount of €3,416 thousand from OSEO as part of the PERSEE project. The PERSEE project aims to develop, validate and then market a device capable of improving diagnostic and preoperative assessment techniques for cancer patients. The first payments of the loan were 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;
- fourth payment of €626 thousand on December 22, 2016.

The project was closed at the end of 2020, and the fifth payment of €512 thousand initially due in October 2020 has been postponed and is due in 2021. The advances granted carry interest at a rate of 2.45%.

The 2010 contract between OSEO, now BPI France, and the Company stipulates that the first repayment should take place once sales of €2,500 thousand on new products are reached.

The amount to repay, based on the new expected repayment schedule, will be €4,691 thousand, including capitalized expenses.
If no repayment occurs within 10 years of the last aid payment, Mauna Kea will be released from any obligation to pay a financial return.

In addition, if the cumulative sales amount is greater than €50,000 thousand, 2% of the sales generated must be paid over fifteen years.

In addition, the specific contract between BPI France (formerly OSEO) and Mauna Kea stipulates in Article 4.3 that in the event of a failure by the Company to comply with any of its obligations as listed in the contract, of any irregular tax and social security situation, of inaccurate or false declarations, of a contribution, merger, de-merger, transfer of control or of assets of the Company, Mauna Kea SA must repay in advance the discounted value.

11.2 EIB loans

Following the €22,500 thousand financing agreement signed with the European Investment Bank (EIB) on June 20, 2019, the Company received the first instalment of €11,494 thousand net on July 3, 2019. This loan has a term of five years with a capitalized interest of 5%. Principal and interest are repayable at maturity. Warrants (BSAs), whose terms and conditions are detailed in Note 11.5, were issued with this loan.

On July 8, 2020, in accordance with the loan agreement as amended on June 19, 2020, the Company received the second tranche of €6,000 thousand. This loan has a term of five years with capitalized interest of 4% and interest of 3% paid annually. The principal and the capitalized interest are repayable at maturity. Warrants (BSAs), whose terms and conditions are detailed in Note 11.5, were issued with this loan.

This loan is recognized at its grant date at fair value and subsequently recognized at amortized cost. The effective interest rate (EIR) for tranche 2 was estimated at 8.3%.

The following tranche of €5,000 thousand will be available subject to the achievement of certain milestones:

- increase in equity by €15,000 thousand since the signing of the initial agreement on June 20, 2019;
- sales of €24,000 thousand over the 12 months preceding the drawdown of the loan.

11.3 Government-backed loan

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan.

BNP Paribas and Bpifrance have each a loan of €2 million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No. 2020-289 of March 23, 2020).

Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term.

At August 11, 2020, the loan was fully drawn down.

At the reporting date of the financial statements, Management believes that the Company will certainly request a postponement of the repayment of its government-backed loans.

The government-backed loan was granted at a preferential rate. It was initially recognized at a fair value corresponding to the amount of net cash received, since the recognition of a subsidy at the same rate as the interest expense calculated using the EIR method would have had no impact.

11.4 Sale of the Research Tax Credit/Innovation Tax Credit receivable

The increase in the liability of €532 thousand over the period corresponds to the sale of the additional 2019 Research Tax Credit receivable. In April 2020, the Group also received the reimbursement from the tax authority of the 2018 Research Tax Credit receivable for €1,097 thousand, and in October 2020 that of the 2019 Research Tax Credit/Innovation Tax Credit receivable for €1,068 thousand.

The Research Tax Credit receivable for the financial year 2020 representing €711 thousand euros was not pre-financed.

11.5 Derivatives

As part of the financing with the European Investment Bank (EIB), the Group issued warrants (BSA). This issuance has been analyzed according to IFRS 9 criteria. Because of the put option and the variable nature of the number of shares to which the warrants (BSA) will give entitlement, it is recognized as a derivative instrument and measured at fair value on the grant date (i.e. July 3, 2019 on the receipt of the first loan tranche and on July 8, 2020 on the receipt of the second tranche). It is then remeasured at each reporting date with a corresponding adjustment in profit/(loss).

- *Warrants attached to Tranche 1*

Tranche 1 included the issuance of warrants (BSAs) entitling the holder, in the event of exercise, to subscribe for a maximum of 1,450,000 shares of the Company (i.e., 5.75% of the share capital on a non-diluted basis) subject to the legal and contractual adjustments provided for in the documentation. These warrants were issued on the basis of the fourth resolution (private placement) adopted by the Extraordinary General Meeting of October 5, 2018. The exercise price of the warrants is equal to the weighted average of the volumes of the last three trading days preceding their issue, less a 5% discount,

i.e. €1.8856 per warrant. The warrants (BSA) may be exercised until the twentieth anniversary of their issuance, i.e. July 3, 2039.

This issuance has been analyzed according to IFRS 9 criteria and has led to the recognition of a derivative instrument measured at fair value as of the grant date. It is then remeasured at each reporting date with a corresponding adjustment in profit/(loss).

At December 31, 2020, the derivative attached to Tranche 1 was revalued to €571 thousand based on the following assumptions:

- theoretical maturity: 18.5 years;
- probable maturity: 4.5 years;
- volatility: 50% in 4.5 years and 40% in 18.5 years;
- repo rate: 2.5% *per annum*;
- reference price: €1.36.

The change in value between December 31, 2019 and December 31, 2020 amounts to €49 thousand and is recognized under financial expenses in the income statement.

- *Warrants attached to Tranche 2*

Tranche 2 included the issuance of warrants (BSAs) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e., 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

This issuance has been analyzed according to IFRS 9 criteria and has led to the recognition of a derivative instrument measured at fair value as of the grant date. It is then remeasured at each reporting date with a corresponding adjustment in profit/(loss).

The financial instrument liability relating to the warrants (BSA) attached to Tranche 2 of the EIB loan was valued at €211 thousand on the grant date, using the following valuation assumptions:

- theoretical maturity: 19 years;
- probable maturity: 5 years;
- volatility: 50% in 5 years and 40% in 19 years;
- repo rate: 2.5% *per annum*;
- reference price: €1.24.

This derivative was recognized as a financial liability.

The derivative was then revalued at €255 thousand at December 31, 2020, based on the following assumptions:

- theoretical maturity: 18.5 years
- probable maturity: 4.5 years
- volatility: 50% in 4.5 years and 40% in 18.5 years
- repo rate: 2.5% per annum
- reference price: €1.36

The change in value between the grant date and December 31, 2020 amounts to €44 thousand and is recognized under financial expenses in the income statement.

11.6 Maturities of financial liabilities

The maturities of financial liabilities at December 31, 2020 break 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	More than five years
Long-term loans and borrowings	26 242		1 168	18 341	6 733
Short-term loans and borrowings	722	722			
Trade payables	1 475	1 475			
Other current liabilities	4 068	4 068			
Total of financial liabilities	**32 506**	**6 265**	**1 168**	**18 341**	**6 733**

The maturities of long-term loans and borrowings relating to repayable advances are determined on the basis of estimates of expected repayments at December 31, 2020.

Note 12 : Non-current provisions

Non-current provisions break down as follows:

NON-CURRENT PROVISIONS
(Amounts in thousands of euros)

	12/31/2018	Allowance	Unused reversals	Used reversals	Others	12/31/2019
Pension plan provision	180	32	(4)		26	234
Provision for personnel dispute	85			(20)		65
Provision for software upgrade	15		(15)			
Other provisions for expenses	142		(142)			
Total of non-current provisions	**422**	**32**	**(161)**	**(20)**	**26**	**299**

NON-CURRENT PROVISIONS
(Amounts in thousands of euros)

	12/31/2019	Allowance	Unused reversals	Used reversals	Others	12/31/2020
Pension plan provision	234	40	(23)		(91)	160
Provision for personnel dispute	65		(46)			19
Total of non-current provisions	**299**	**40**	**(69)**		**(91)**	**179**

12.1 Retirement commitments

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

- retirement age: 65;
- terms of retirement: voluntary retirement;
- mortality table: INSEE 2019;
- collective agreement: metal industries;
- Employee turnover:
  - 18-25 years old: 0%
  - 26-35 years old: 14%
  - 36-45 years old: 15%
  - 46-55 years old: 13%
  - >56 years old: 0%
- Employer contribution rate used: 47% (identical to 2019);
- Salary increase rate: 2.5% (versus 2% in 2019);
- Discount rate: 0.74% (vs 1.17% in 2019) equal to the iBoxx Corporate AA10+ rate plus 0.4 points.

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

12.2 Provision for personnel disputes

This provision covers personnel disputes at the end of December 2020.

In the context of one of these disputes, the Court of Appeal issued a judgment in January 2021 ordering the Company to pay an amount lower than the amount initially provisioned. This provision was therefore adjusted by an unused reversal of €46 thousand at December 31, 2020.

Note 13 : Trade payables 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 financial year in question.

13.1 Trade payables

Trade payables break down as follows:

TRADE PAYABLES
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Trade payables	1 475	2 275

The decrease in trade payables over the financial year 2020 is mainly due to the payment of fees in 2020 relating to the capital increase by Johnson & Johnson Innovation Inc. which took place at the end of 2019.

13.2 Other current liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Tax payables	193	113
Satff and social security payables	2 916	2 514
Other operating payables	44	0
Deferred revenue	915	752
Total of other current liabilities	**4 068**	**3 380**

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. The increase compared with December 31, 2019 is mainly due to the deferral of social security contributions obtained as part of the measures proposed by the French government in response to the Covid-19 pandemic.

Deferred revenue mainly corresponds to service contracts and warranty extensions whose revenue recognition is deferred under IFRS 15.

Note 14 : Financial instruments on the balance sheet

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

As of December 31st, 2020	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	282			282	
Trade receivables	1 907			1 907	
Other current assets (1)	968			968	
Current financial assets	58			58	
Cash	8 606	8 606			
Total of assets	**11 821**	**8 606**		**3 215**	
Liabilities					
Long-term loans and borrowings	26 242	826			25 416
Short-term loans and borrowings	722				722
Trade payables	1 475				1 475
Other current liabilties (1)	3 153				3 153
Total of liabilties	**31 592**	**826**	**0**	**0**	**30 766**

(1) Advances paid and received that are not repaid in cash, and deferred income and prepaid expenses that do not meet the definition of financial liabilities, are not included.

Note 15 : Sales and operating revenue

Sales and operating revenue consists of the following:

SALES AND OPERATING REVENUE
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Sales	6 526	7 431
Operating grants	705	
Research Tax Credit and other tax credit	711	1 077
Total des produits	**7 942**	**8 509**

15.1 Sales

The Group's sales, consisting of the sale of Cellvizio® products and accessories (probes, software, etc.) as well as services, decreased by 12% in the financial year 2020 compared to 2019. The trends for the first half of the year, and specifically in the second quarter, concerning procedures and sales in the Group's main commercial markets worldwide, were significantly affected by the global crisis triggered by the Covid-19 pandemic.

SALES BY TYPE OF PRODUCT
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Total sales of "equipements"	2 584	2 301
Total sales of "consumables" (probes)	2 829	4 119
Incl "pay-per-use" program	*1 279*	*1 682*
Total sales of "services"	1 113	1 011
Total of sales by type	**6 526**	**7 431**

The downward trend in sales throughout 2020 is mainly due to a 32% decrease in consumables sales, partially offset by a 12% increase in system sales and a 16% increase in sales of services, compared to 2019.

Sales by geographic region at December 31, 2020 break down as follows:

SALES BY GEOGRAPHICAL AREA
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
EMEA (Europe, Middle-east, Africa)	1 178	1 151
including France	396	*268*
America	3 586	3 717
including USA	3 586	*3 434*
including Latin America		*283*
Asie	1 762	2 562
including China	*1 616*	*2 359*
including Japan	*9*	*41*
Total sales by geographical area	**6 526**	**7 431**

For the purposes of geographical analysis, the Management of the Group allocates sales according to the place of delivery, or, in the case of services, according to the location of the customer's head office.

At December 31, 2020, one distributor from the APAC region accounted for 25% of sales.

15.2 Operating subsidies

During the 2020 financial year, the Group received support from the French and U.S. Governments in view of the downturn caused by the Covid-19 pandemic.

In France, the government financed €90 thousand of the partial employment payments made to employees.

Through the Paycheck Protection Program in the United States, the Group obtained a loan through its subsidiary Mauna Kea Inc., which could be converted into a grant in the amount of €0.6 million, under the following conditions:

- maintaining headcount and salary levels for the period stipulated in the agreement;
- use of the funds to cover expenses, a minimum of 75% of which are composed of employee benefits expense.

Having reasonable assurance at December 31, 2020 that the criteria for forgiveness will be met, this loan has been deemed to be a government grant to offset operating expenses and is therefore presented under "Other income" in the income statement.

15.3 Tax credits

The change in tax credits compared with December 31, 2019 is mainly due to fewer hours being spent on projects eligible for the Research Tax Credit in 2020.

Note 16 : Employee benefits expenses

The Group employed 98 persons at December 31, 2020 compared with 101 persons at December 31, 2019.

The employee benefits expense breaks down as follows:

EMPLOYEE BENEFITS EXPENSE
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Wages and salaries, social security costs	11 459	11 922
Net pension costs variation	17	27
Share-based payment transaction expenses	616	952
Total of employee benefits expense	**12 092**	**12 902**

Note 17 : Share-based payments

Share-based payments concern all warrants (BSA/BSPCE), stock options (SO), preference shares (AP) and free shares (AGA) awarded to employees, service providers and members of the Board of Directors.

They have been recorded as expenses since the award knowing that the terms for exercising BSPCEs and SOs are as follows for the plans awarded before 2017:

- 25% of the BSPCE/SO may be exercised starting on the first anniversary of their award;
- 25% of the BSPCE/SO may be exercised starting on the second anniversary of their award;
- 25% of the BSPCE/SO may be exercised starting on the third anniversary of their award;
- the remaining balance, i.e., 25% of the BSPCE/SO, may be exercised starting on the fourth anniversary of their award;
- no later than ten years from their issue, or seven years for stock options granted before 2011, it being specified that BSPCE/SO not yet exercised by the end of this ten-year period automatically become null and void.

The terms and conditions for exercising stock options are the following for plans awarded starting in 2017:

- 20% of the options at the end of the first year from the first anniversary date of their award; and
- 40% of the options at the end of the second year from the second anniversary date of their award; and
- 20% of the options at the end of the third and fourth years from the date of their award, and
- no later than ten (10) years from their award, it being specified that the options that have not yet been exercised at the end of this 10-year period automatically become null and void.

The terms and conditions for exercising BSAs are as follows:
- 33.3% of the BSAs may be exercised starting on the first anniversary of their award;
- 33.3% of the BSAs may be exercised starting on the second anniversary of their award;
- The remaining balance, i.e., 33.3% of the warrants, may be exercised starting on the third anniversary of their award;
- BSAs not yet exercised within ten years of their issue automatically become null and void.

Regarding preference shares, the terms and conditions for exercise are described in the minutes of the Extraordinary General Meetings of May 4, 2016 in resolution 19 and October 5, 2018 in resolutions 14 and 15.
(https://www.maunakeatech.com/uploads/media/media_pdf/0001/03/PV%20AGM%205%20octobre%202018%20Rev.pdf)

The main characteristics are as follows:

The 2018 Preference Shares vested to their beneficiaries at the Vesting Date will be convertible into new or existing ordinary shares at the Company's choice (the "Ordinary Shares"), at the request of each beneficiary concerned, at any time after the second anniversary of the Vesting Date and no later than the fifth anniversary of the Vesting Date (the "Conversion Period"), unless otherwise specified in the 2018 Preference Shares award plan or otherwise decided by the Board of Directors and notified to each holder of 2018 Preference Shares according to the following terms and conditions:

a. in the event of the Beneficiary's Departure between the Vesting Date (inclusive) and the first anniversary of the Vesting Date (exclusive), each Preference Share will be convertible into twenty Ordinary Shares;

b. in the event of the Beneficiary's Departure between the first anniversary of the Vesting Date (inclusive) and the second anniversary of the Vesting Date (exclusive), each Preference Share will be convertible into thirty-three Ordinary Shares;

c. in the event of the Beneficiary's Departure between the second anniversary (inclusive) and the third anniversary (exclusive) of the Vesting Date, the conversion ratio will be determined as follows:

(i) if the Benchmark Price 1 is strictly less than the Floor Price, each Preference Share shall be convertible into thirty-three Ordinary Shares,

(ii) if the Benchmark Price 1 is strictly higher than the Intermediate Price, each Preference Share shall be convertible into sixty-six Ordinary Shares,

(iii) if the Benchmark Price 1 is between the Floor Price (inclusive) and the Intermediate Price (inclusive), each Preference Share shall carry entitlement to the following number of Ordinary Shares:

$$33 + 33 \times \frac{\text{Reference Price 1} - \text{Floor Price}}{\text{Intermediate Price} - \text{Floor Price}}$$

where:
- the term "Floor Price" means 1.75 times the Grant Price,
- the term "Grant Price" means the average of closing prices recorded on Euronext or any other main listing location for the Mauna Kea Technologies share over the 60 trading sessions prior to the grant date of the relevant 2018 Preference Shares ("Vesting Date"),
- the term "Intermediate Price" means 2.5 times the Grant Price, and
- the term "Reference Price 1" means the highest average of closing prices for the share on Euronext or any other main listing location for the Mauna Kea Technologies share over a period of 60 consecutive trading sessions, calculated at any time from the Vesting Date and until the second anniversary of the Vesting Date,

d. in the event of the Beneficiary's Departure after the Holding Period, each Preference Share shall carry entitlement to the following number of Ordinary Shares, equal to the sum of:

(x) of the number of Ordinary Shares calculated in accordance with the provisions of paragraph 3.c) above as if the Departure of the beneficiary had occurred between the second and the third anniversary of the Acquisition Date, and;

(y) of the following number of Ordinary Shares:

(i) if the Reference Price 2 is strictly lower than the Floor Price: none,

(ii) if the Reference Price 2 is strictly greater than the Ceiling Price: the difference between one hundred Ordinary Shares and the number of Ordinary Shares determined in (x) (such that the sum of (x) and (y) equals 100),

(iii) if the Reference Price 2 is between the Floor Price (included) and the Ceiling Price (included): the difference, if positive, between:

$$-33 + 67 \times \frac{\text{Reference Price 2} - \text{Floor Price}}{\text{Ceiling Price - Floor Price}}$$, and

- the number of Ordinary Shares determined under (x).

where:
- the term “Floor Price” means 2.45 times the Grant Price;
- the term “Ceiling Price” means 3.5 times the Grant Price; and
- the term “Reference Price 2” means the highest average of closing prices for the share on Euronext or any other main listing location for the Mauna Kea Technologies share over a period of 60 consecutive trading sessions, calculated at any time from the date of the first anniversary of the Vesting Date and until the third anniversary of the Vesting Date.

It should be noted that this conversion rate may be adjusted to take account of shares to be issued to protect the rights of holders of securities giving access to the Company's share capital, and the beneficiaries of Preference Shares, in accordance with applicable legal and regulatory provisions.

The Preference Shares may be converted only during the period of five years and six months following the expiration of the Holding Period (the “Holding Period”).
T
he main methods of exercising Free Shares (AGA) are as follows:

- the grant of shares to beneficiaries will vest at the end of a vesting period, the term of which will be set by the Board of Directors, which may not be less than one year;
- in order to receive the Shares at the end of the Vesting Period, a Beneficiary must have retained the status of an employee of the Company and/or, as the case may be, a corporate officer during the entire Vesting Period, without interruption;
- at the end of the Vesting Period, each Beneficiary will become holder the number of Shares set by the Board of Directors on the Grant Date; at the time of their transfer of ownership to the Beneficiaries who have fulfilled the conditions of these Rules, the Shares will be registered in a registered account opened in the name of each Beneficiary;
- the Free Shares may not be sold or transferred and must remain registered for a period of two years from the date of their registration in a shareholder account.

The other main assumptions used to determine share-based payment expenses using the Black-Scholes valuation model were as follows:

- Risk-free interest rate: Government borrowing rate (GFRN index),
- Dividend: none,
- Turnover: 20%,
- Volatility: 60% for BSA, BSPCE and stock options granted before December 31, 2011, 35% for BSPCE and stock options granted in 2012, 34% for BSPCE and stock options granted in 2013, 32% and 33% for plans granted in 2014, 33% for plans granted in 2015, 29.99% for plans granted in 2016, 55% for plans granted in 2017, 59% for plans granted in 2018, 50% for plans granted in 2019 and 40% for plans granted in 2020.

The volatility applied corresponds to the average historic volatility of a panel of listed companies in the Company's industry sector and/or has 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 life and fair value of underlying shares at the award date of the warrants were used to value each category of share-based compensation.

Type	Date of granting	Nb of shares granted	Reference price	Exercice price	Maturity	Volatility	Net value per share	Valuation
SO	03/24/2020	15 000	1,05 €	0,98 €	4 ans	40%	0,24	3 623
AP	04/27/2020	100	1,36 €	N/A	4 ans	40%	48,80	4 884
BSA	07/22/2020	135 000	1,25 €	1,30 €	3 ans	40%	0,29	38 802
SO	07/22/2020	242 500	1,31 €	1,22 €	4 ans	40%	0,28	67 699
AGA	07/22/2020	284 300	1,25 €	N/A	1 an	N/A	1,10	313 222
SO	09/24/2020	25 000	1,16 €	1,13 €	3 ans	40%	0,22	5 507

Share-based payment expenses during the period break down as follows:

DETAILS OF THE RESTATEMENT OF SHARE-BASED PAYMENTS

(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Free performance shares (AP)	3	329
Free shares (AGA)	135	0
Warrants (BSA)	91	90
Stock-options (SO)	387	533
	616	**952**

Note 18 : External expenses

18.1 Cost of sales

COST OF GOODS SOLD

(Amounts in thousands of euros)

	12/31/2020	12/31/2019 restated (*)	12/31/2019
Purchases consumed	1 168	1 679	1 679
Employee benefits expenses	580	655	655
External expenses	86	171	171
Taxes	64	28	28
Net change in amortization and depreciation	401	365	69
Variation of work-in-progress and finished products	(157)	(342)	(342)
Other	6	0	0
Total Cost of goods sold	**2 148**	**2 556**	**2 260**

(*) See Note 1.1 Principles used to prepare the Group's financial statements – § Change in presentation of the income statement.

The income statement at December 31, 2019 was restated to take into account a change in the presentation of the depreciation of the systems made available to customers under Pay-Per-Use contracts in the United States. At December 31, 2019 (non-restated), this depreciation represented €296 thousand and was presented as expenses under "Sales and Marketing". At December 31, 2020, they amounted to €308 thousand and are presented in "Cost of sales", in order to improve the relevance of the gross margin calculation.

Purchases consumed correspond to raw materials consumed in the production of the products sold.

Employee benefits expenses include all wages, salaries and social security costs for production employees.

The gross margin stood at 67.1% in 2020 compared to 65.6% in 2019. This improvement is mainly due to an unfavorable sales mix in 2019, particularly in the first half of 2019.

18.2 Research & Development Department

RESEARCH & DEVELOPMENT
(Amounts in thousands of euros)

	12/31/2020	31/12/2019
Purchases consumed	31	68
Employee benefits expenses	2 184	2 205
External expenses	791	558
Taxes	40	26
Net change in amortization and depreciation	171	341
Other	15	(38)
Total of Research & Development	**3 232**	**3 160**

Employee benefits expenses include all wages, salaries and social security costs for the research and development activity (excluding personnel expenses capitalized as development costs for the new GEN III system).

External expenses mainly include research costs, costs relating to the maintenance of patent protection and consulting fees.

The increase in external expenses compared to December 31, 2019 is mainly due to an increase in patent protection costs and certification and approval costs.

18.3 Sales & Marketing Department

SALES & MARKETING
(Amounts in thousands of euros)

	12/31/2020	12/31/2019 restated (*)	31/12/2019
Purchases consumed	166	10	10
Employee benefits expenses	6 094	6 076	6 076
External expenses	1 712	2 521	2 521
Taxes	22		
Net change in amortization and depreciation	(28)	127	423
Other	154	(52)	(52)
Total of Sales & Marketing	**8 120**	**8 682**	**8 978**

(*) See Note 1.1 Principles used to prepare the Group's financial statements – § Change in presentation of the income statement.

The income statement at December 31, 2019 was restated to take into account a change in the presentation of the depreciation of the systems made available to customers under Pay-Per-Use contracts in the United States. At December 31, 2019 (non-restated), this depreciation represented €296 thousand and was presented as expenses under "Sales and Marketing". At December 31, 2020, they amounted to €308 thousand and are presented in "Cost of sales", in order to improve the relevance of the gross margin calculation.

Employee benefits expenses include all wages, salaries and social security costs for all Sales and Marketing staff.

External expenses mainly include travel expenses for sales representatives and expenses related to trade shows and other marketing events.

The decrease in external expenses compared with December 31, 2019 is mainly due to cost reduction measures and the impact of the health crisis, which saw the cancellation of seminars and promotional events and a reduction in travel by the sales force.

18.4 Administrative Department

ADMINISTRATIVE EXPENSES
(Amounts in thousands of euros)

	12/31/2020	31/12/2019
Purchases consumed	76	64
Employee benefits expenses	2 618	3 013
External expenses	2 244	2 446
Taxes	180	111
Net change in amortization and depreciation	601	589
Other	66	(37)
Total of Administrative expenses	**5 785**	**6 187**

Employee benefits expenses include all wages, salaries and social security costs for General Management and support functions (human resources, legal, finance, etc.)
The decrease in employee benefits expenses compared to December 31, 2019 is mainly due to a decrease in variable compensation, as a result of the health crisis and its impact on the Group's performance in the financial year 2020.

External expenses mainly include consulting fees (legal fees, financial communication, etc.).

Note 19 : Non-recurring operating income

Non-recurring income of €143 thousand was recognized following an agreement to terminate a commercial relationship with IDEX. This income was used to cover costs incurred in prior years.

Note 20 : Financial income and expenses

Financial income and expenses break down as follows:

FINANCIAL REVENUE AND EXPENSES
(Amounts in thousands of euros)

	12/31/2020	31/12/2019
Foreign exchange gains	318	23
Gains on cash equivalents		(3)
Other financial income		500
Total of financial revenue	**318**	**520**
Foreign exchange losses	(72)	(75)
Interest expenses	(49)	(597)
Other financial expenses	(113)	(1 485)
Loss on cah equivalents		(3)
Disount expenses	(1 059)	(606)
Total of financial expenses	**(1 293)**	**(2 765)**
Total of financial revenue and expenses	**(975)**	**(2 245)**

Interest expenses at December 31, 2020 mainly include interest on the government-backed loan as well as IFRS 16 lease liability-related interest.

Other financial expenses at December 31, 2020 include the fair value adjustment of the EIB BSAs (tranches 1 and 2) for €93 thousand and expenses related to the pre-financing of the Research Tax Credit. In 2019, the fair value of the EIB tranche 1 warrants resulted in the recognition of a gain of €500 thousand presented in other financial income.

The discounting expenses at December 31, 2020 correspond to the interest on tranches 1 and 2 of the EIB loan for €1,012 thousand, as well as to interest relating to the OSEO repayable advance for €47 thousand.

Note 21 : Income tax

Under current tax laws, the Group has total tax losses of €102,710 thousand that may be carried forward indefinitely in France and total tax losses of €47,408 thousand that may be carried forward for 20 years in the United States, i.e., a total of €150,118 thousand at December 31, 2020. The deferred tax asset base net of temporary passive differences was not capitalized as a precautionary measure, in accordance with the principles set out in Note 1: Accounting principles.

The tax rate applicable to the Company is the rate in effect in France (28%). By convention, the deferred income tax rate used is 28%.

TAX PROOF
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Profit / (loss)	(12 791)	(15 272)
Income tax expense		
Profit before tax	**(12 791)**	**(15 272)**
Theoritical tax expense 28%	**(3 581)**	**(4 890)**
Other non-deductible expenses and tax-exempt income	12	10
Effect of tax rate differences	(288)	(114)
Deferred tax assets not recognised	3 857	4 993
Actual income tax expense		

Note 22 : Commitments

Lease obligations

Lease obligations are those relating to operating leases that do not fall within the scope of IFRS 16:

- an office lease contract in China for a period of less than or equal to 12 months which does not include any purchase option;
- low-value IT equipment leases.

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 its operations, it has made commitments to purchase a certain quantity of sub-assemblies from certain suppliers as described in the table below:

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

	12/31/2020	31/12/2019
Portion with terms of less than 1 year	1 349	1 776
Portion with terms of between 1 and 5 years	1 265	2 744
Portion with terms of more than 5 years		
Total of supplier commitments	**2 614**	**4 520**

Obligations related to the EIB loan

Following the financing agreement with the European Investment Bank (EIB) signed on June 20, 2019 for €22.5 million, the Company received the first tranche of €11.5 million on July 3, 2019.

As part of the discussions that led to the EIB's agreement to draw down the second tranche, the guarantees linked to this tranche were modified by an agreement on June 19, 2020. The Company received the second tranche of €6 million on July 8, 2020.

Tranche 3 of €5 million will be available subject to achieving certain milestones, particularly related to commercial progress and the improvement of shareholders' equity. It is subject to €15 million of equity financing and the achievement, over a rolling 12-month period, of €24 million of cumulative income. The fixed interest rate includes a portion at 3% annually and a portion at 3% capitalized. Repayment of the principal and capitalized interest will be made in full after the fifth year from the date of drawdown.

Financial covenants are attached to this debt:

- a cash position of more than €4 million;
- from January 1, 2023, a debt coverage ratio of greater than 2:1;
- from 1 January 2023, a debt-to-equity ratio of 1:1.

The guarantees, taken by the European Investment Bank, cover the Company's trade receivables and inventories.

In accordance with the financing agreement as amended on June 19, 2020, the Company granted the European Investment Bank a pledge on the intellectual property rights relating to three patents held by the Company. This pledge agreement will take effect on December 17, 2021 after the expiry of the rights of first negotiation and first refusal granted to JJDC under the strategic financing agreement signed on December 13, 2019.

Note 23 : Transactions with related parties

The compensation presented below, which was granted to members of the Company's General Management and other related parties, was recognized under expenses during the periods presented:

RELATED PARTY TRANSACTIONS
(Amounts in thousands of euros)

	12/31/2020	12/31/2019
Wages and salaries - General direction	770	571
Share-based payments - General direction	326	54
Pension plan - General direction	3	3
Attendance fees - Executive officers	252	241
Share-base payments - Executive officers	127	88
	1 478	**957**

Note 24 : Earnings per share

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

EARNINGS PER SHARE

	12/31/2020	12/31/2019
Profit / (loss) (in K€)	**(12 791)**	**(15 272)**
Weighted average number of shares outstanding (in thousands)	30 527	30 571
Earnings per share (in €)	**(0,42)**	**(0,50)**
Weighted average number of potential shares (in thousands)	35 667	29 524

Instruments that grant rights to the share capital on a deferred basis (BSAs, BSPCEs or stock options) are considered antidilutive 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.

The primary risks to which the Group is exposed are interest rate risk, credit risk and exchange rate risk.

Exchange rate risk

The main currency for which the Group is exposed to significant exchange rate risk is the US dollar.

The purpose of the Mauna Kea Technologies Inc. subsidiary established in the State of Massachusetts 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 services agreement (Management fees).

The Group's major exchange rate risk is linked to the EUR/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 +10% change in the EUR/USD exchange rate would result in a rise in earnings of €333 thousand at December 31, 2020;

- A -10% change in the EUR/USD exchange rate would result in a drop in earnings of €(407) thousand at December 31, 2020.

Liquidity risk

Note 1.1 describes the elements and assumptions relating to the going concern assumption.

Note 11 describes the financial liabilities to which the Group is committed.

Note 22 describes the commitments and obligations given by the Group.

Interest Rate Risk

At December 31, 2020, the Company did not hold any investment securities, whose interest rate changes have a direct impact on the rate of return for these investments and the cash flows generated.

The loan with EIB is at a fixed rate and is therefore not subject to interest rate risk.

The repayable BPI/OSEO advances at a 2.45% interest rate for an overall, non-discounted amount of €2,904 thousand are detailed in Note 11: Borrowings and financial debts. They are not subject 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 cash on hand only.

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 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 financial assets held by the Company are the purchase prices in effect on the market at 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

Financing transaction

On April 22, 2021, the Group announced that it had established an equity financing facility with Kepler Cheuvreux acting as financial intermediary under an underwriting agreement.

Under the terms of the agreement, Kepler Cheuvreux has undertaken to underwrite a maximum of 6,000,000 shares at its own initiative, over a maximum period of 24 months, provided that the contractual conditions are met. The shares will be issued based on a volume-weighted average share price over the two trading days preceding each issue, less a maximum discount of 6.0%. These terms and conditions allow Kepler Cheuvreux to underwrite the shares over time.

Mauna Kea Technologies retains the right to suspend or terminate this agreement at any time.

With this additional flexible financing, representing an indicative net amount of €9.3 million, the Group will strengthen its cash position to enable it to finance the continuation of its operations based on its current strategy until the second quarter of 2022.

Pandemic Covid-19

The first quarter of 2021 was marked by the spread on a larger scale of a new variant of the SARS-Cov2 virus detected in September 2020 in the United Kingdom. According to The Lancet, this strain is 70% more transmissible than the original strain, which it seems to be gradually replacing. As of the date of this document, this strain has contributed to a strong growth in Covid-19 cases in the United Kingdom, controlled by a large-scale vaccination campaign. Since the beginning of 2021, this strain has grown in the majority of developed countries. This situation is likely to pose a risk to the potential economic recovery at the beginning of 2021 and therefore to the Company's commercial operations.

However, the first quarter of 2021 was marked by the release of several vaccines in the United States and Europe, approved under a special procedure authorizing their emergency use from December 2020. Most developed countries have access to several vaccines, produced and marketed by Pfizer and BioNtech, Moderna Therapeutics, Astra Zeneca and J&J.

EXCO SOCODEC
51, avenue Françoise Giroud
21000 Dijon
S.A.R.L. au capital de € 3 200 000
400 726 048 R.C.S. Dijon

Commissaire aux Comptes
Membre de la compagnie
régionale de Besançon-Dijon

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Mauna Kea Technologies

Exercice clos le 31 décembre 2020

Rapport des commissaires aux comptes sur les comptes consolidés

A l'Assemblée Générale de la société Mauna Kea Technologies,

Opinion

En exécution de la mission qui nous a été confiée par vos assemblées générales, nous avons effectué l'audit des comptes consolidés de la société Mauna Kea Technologies relatifs à l'exercice clos le 31 décembre 2020, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine, à la fin de l'exercice, de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité d'audit.

Fondement de l'opinion

- Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés » du présent rapport.

- Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance prévues par le Code de commerce et par le Code de déontologie de la profession de commissaire aux comptes sur la période du 1er janvier 2020 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014.

Observation

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note 1.1 « Principes d'établissement des comptes du Groupe » de l'annexe aux comptes consolidés relative au changement de présentation dans le compte de résultat de l'amortissement des systèmes mis en location.

Justification des appréciations - Points clés de l'audit

La crise mondiale liée à la pandémie de Covid-19 crée des conditions particulières pour la préparation et l'audit des comptes de cet exercice. En effet, cette crise et les mesures exceptionnelles prises dans le cadre de l'état d'urgence sanitaire induisent de multiples conséquences pour les entreprises, particulièrement sur leur activité et leur financement, ainsi que des incertitudes accrues sur leurs perspectives d'avenir. Certaines de ces mesures, telles que les restrictions de déplacement et le travail à distance, ont également eu une incidence sur l'organisation interne des entreprises et sur les modalités de mise en œuvre des audits.

C'est dans ce contexte complexe et évolutif que, en application des dispositions des articles L. 823-9 et R. 823-7 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes consolidés de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes consolidés pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes consolidés pris isolément.

Reconnaissance du chiffre d'affaires

Point clé de l'audit	Notre réponse
Le chiffre d'affaires consolidé s'élève à K€ 6 526 au 31 décembre 2020. Le chiffre d'affaires de votre groupe est reconnu selon les modalités décrites dans la note 1.17 de l'annexe aux comptes consolidés. Le chiffre d'affaires de votre groupe résulte essentiellement de la vente et location de systèmes (Cellvizio), de la vente de consommables (sondes) et des prestations de service de maintenance et réparation. Le chiffre d'affaires est constaté dès lors que le transfert de biens ou de services promis à un client est réalisé, et ce pour un montant qui reflète le paiement que l'entité s'attend à recevoir en contrepartie de ces biens et services. Pour les ventes de produits, le chiffre d'affaires est constaté soit à la mise à disposition, soit à la livraison des produits en fonction des conditions de la commande.	Nous avons pris connaissance des méthodes de reconnaissance du chiffre d'affaires et les contrôles mis en place par votre société. Nos travaux ont consisté à : ► étudier les clauses contractuelles sur un échantillon de contrats de l'exercice, afin d'analyser le traitement comptable applicable ; ► examiner un échantillon de transactions résultant de la vente de systèmes et de sondes en obtenant les bons de commandes, factures, bons de livraison ou bons de mise à disposition, ; ► analyser les transactions résultant de la location des systèmes en obtenant les contrats de location ; ► analyser les transactions résultant de la vente de prestations de services en obtenant les contrats et les preuves de réalisation des prestations afin de revoir leurs corrects comptabilisation ;

Lorsqu'il s'agit d'un contrat de location de systèmes, le Cellvizio est comptabilisé à l'actif de votre société et le chiffre d'affaires est reconnu à la vente des consommables ou à l'acte pratiqué par le professionnel de santé dans la mesure où le système reste la propriété de votre société.

Nous avons considéré que la reconnaissance du chiffre d'affaires constituait un point clé de l'audit compte tenu du poids du chiffre d'affaires en tant qu'indicateur financier de votre groupe et de l'importance des transactions qui se dénouent à l'approche de la clôture.

- effectuer des tests, par sondages, sur une sélection de transactions comptabilisées avant et après la date de clôture afin de déterminer si ces produits sont rattachés à la bonne période et, le cas échéant, si l'étalement du chiffre d'affaires est réalisé sur une durée conforme au contrat.

Continuité d'exploitation

Point clé de l'audit	Notre réponse
Comme mentionné dans les faits marquants de l'exercice, la pandémie liée au Covid-19 a eu un impact significatif sur les activités commerciales de votre groupe avec une baisse globale de 12 % par rapport au 31 décembre 2019. Le financement des opérations de votre groupe est réalisé essentiellement par des apports en capitaux par le biais d'augmentations du capital, d'émissions d'instruments de dette ou d'emprunts. Comme mentionné dans la note 1.1 « Principes d'établissement des comptes du Groupe » de l'annexe aux comptes consolidés, l'hypothèse de la continuité d'exploitation a été retenue par le conseil d'administration compte tenu, notamment : (i) du niveau de trésorerie à fin décembre 2020 ; (ii) de la mise en place d'une nouvelle ligne de financement en fonds propres qui devrait permettre de lever M€ 9,3 sur les douze prochains mois basé sur le cours de l'action; (iii) des perspectives de ventes en tenant compte de l'impact de la crise liée au covid-19. L'estimation des prévisions de dépenses, des perspectives de ventes et des besoins de financement pour les douze mois à venir constitue ainsi un point clé de l'audit.	Nous avons examiné les financements et les prévisions de dépenses. Nos travaux ont notamment consisté à : - analyser les prévisions de dépenses à horizon douze mois et leur cohérence par rapport à l'activité et à la stratégie de votre groupe ; - comparer le montant des financements disponibles ou à venir dans le cadre de la nouvelle ligne de financement en fonds propres avec les dépenses attendues ; - rapprocher les lignes de financement avec les contrats de financement. Nous avons par ailleurs : - examiné les prévisions de flux de trésorerie futurs à l'horizon douze mois préparées par la direction financière intégrant les lignes de financement et les perspectives de ventes en tenant compte de l'impact de la crise liée au Covid-19 ; - rapproché ces prévisions par rapport aux données réelles du 31 décembre 2020 et au budget approuvé par le conseil d'administration ; - analysé la sensibilité de chacune des hypothèses clés mises en œuvre par la direction sur l'évolution de ce plan ; - rapproché les estimés historiques effectués par la direction avec les données au 31 décembre 2020 ; - interrogé la direction concernant sa connaissance d'événements ou de circonstances postérieurs au 31 décembre 2020 qui seraient susceptibles d'impacter les prévisions de flux de trésorerie futurs.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires des informations relatives au groupe, données dans le rapport de gestion du conseil d'administration.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Autres vérifications ou informations prévues par les textes légaux et réglementaires

- Format de présentation des comptes consolidés destinés à être inclus dans le rapport financier annuel

Nous avons également procédé, conformément à la norme d'exercice professionnel sur les diligences du commissaire aux comptes relatives aux comptes annuels et consolidés présentés selon le format d'information électronique unique européen, à la vérification du respect de ce format défini par le règlement européen délégué n° 2019/815 du 17 décembre 2018 dans la présentation des comptes consolidés destinés à être inclus dans le rapport financier annuel mentionné au I de l'article L. 451-1-2 du Code monétaire et financier, établis sous la responsabilité du directeur général. S'agissant de comptes consolidés, nos diligences comprennent la vérification de la conformité du balisage de ces comptes au format défini par le règlement précité.

Sur la base de nos travaux, nous concluons que la présentation des comptes consolidés destinés à être inclus dans le rapport financier annuel respecte, dans tous ses aspects significatifs, le format d'information électronique unique européen.

Il ne nous appartient pas de vérifier que les comptes consolidés qui seront effectivement inclus par votre société dans le rapport financier annuel déposé auprès de l'AMF correspondent à ceux sur lesquels nous avons réalisé nos travaux.

- Désignation des commissaires aux comptes

Nous avons été nommés commissaires aux comptes de la société Mauna Kea Technologies par votre assemblée générale du 13 juin 2018 pour le cabinet EXCO SOCODEC et du 25 mai 2011 pour le cabinet ERNST & YOUNG et Autres.

Au 31 décembre 2020, le cabinet EXCO SOCODEC était dans la troisième année de sa mission sans interruption et le cabinet ERNST & YOUNG et Autres dans la dixième année.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes consolidés

Il appartient à la direction d'établir des comptes consolidés présentant une image fidèle conformément au référentiel IFRS tel qu'adopté dans l'Union européenne ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité d'audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes consolidés ont été arrêtés par le conseil d'administration.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés

- Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes consolidés. Notre objectif est d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L. 823-10-1 du Code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes consolidés ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes consolidés et évalue si les comptes consolidés reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle ;

- concernant l'information financière des personnes ou entités comprises dans le périmètre de consolidation, il collecte des éléments qu'il estime suffisants et appropriés pour exprimer une opinion sur les comptes consolidés. Il est responsable de la direction, de la supervision et de la réalisation de l'audit des comptes consolidés ainsi que de l'opinion exprimée sur ces comptes.

Rapport au comité d'audit

Nous remettons au comité d'audit un rapport qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité d'audit figurent les risques d'anomalies significatives, que nous jugeons avoir été les plus importants pour l'audit des comptes consolidés de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité d'audit la déclaration prévue par l'article 6 du règlement (UE) n° 537/2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L. 822-10 à L. 822-14 du Code de commerce et dans le Code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité d'audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Dijon et Paris-La Défense, le 29 avril 2021

Les Commissaires aux Comptes

EXCO SOCODEC	ERNST & YOUNG et Autres
Signé électroniquement le 29/04/2021 par Olivier Gallezot	
	
Olivier Gallezot	Franck Sebag

Company financial statements for the financial year ended at December 31, 2020

I. BALANCE SHEET AT DECEMBER 31, 2020

A. Balance sheet - Assets

Rubric	Gross amount	Amort. Prov.	Net 12/31/2020	Net 12/31/2019
Uncalled issued capital				
INTANGIBLE ASSETS				
Start-up costs				
Development costs				
Concessions, patents and similar rights	917,225	730,881	186,344	247,388
Goodwill				
Other intangible assets	40,350	11,207	29,143	19,143
Advances, prepayments on intangible assets				
PROPERTY, PLANT AND EQUIPMENT				
Land				
Buildings	51,090	51,090		28
Technical facilities, machinery and equipment	1,416,655	1,150,518	266,137	342,838
Other tangible assets	1,101,091	944,709	156,382	216,096
Assets under construction	93,058		93,058	117,998
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	52,633,565	48,505,799	4,127,766	4,190,107
Other fixed securities				
Loans				
Other long-term investments	388,025		388,025	270,741
FIXED ASSETS	56,664,136	51,417,281	5,246,855	5,404,339
INVENTORIES & WORK IN PROGRESS				
Raw materials and supplies	1,509,522	102,219	1,407,303	1,133,475
Work in progress – goods				
Work in progress – services				
Semi-finished and finished goods	1,806,901	500,887	1,306,014	1,600,554
Goods				
Advances and prepayments on orders	68,319		68,319	186,786
RECEIVABLES				
Trade receivables	1,929,703	400,177	1,529,526	2,230,862
Other receivables	914,232		914,232	1,007,182
Capital subscribed and called but not paid				
MISCELLANEOUS				
Investment securities				
Cash and cash equivalents	8,206,211		8,206,211	9,896,492
ACCRUALS				
Prepaid expenses	190,832		190,832	132,599
CURRENT ASSETS	14,625,720	1,003,283	13,622,437	16,187,950
Deferred issuance expenses				
Bond redemption premium				
Unrealized foreign exchange losses	5,353		5,353	2,093
TOTAL	71,295,209	52,420,564	18,874,645	21,594,382

B. Balance sheet - Liabilities

Rubrics	2020 financial year	2019 financial year
Share capital (of which paid up: 1,223,588)	1,223,588	1,222,870
Issue, merger and contribution premiums	98,285,514	98,256,551
Revaluation reserve		
Legal reserves		
Statutory or contractual reserve		
Regulated reserve		
Other reserve	57,935	53,860
Retained earnings	(102,192,583)	(86,657,811)
PROFIT/(LOSS) FOR THE YEAR	(9,444,555)	(15,534,771)
Investment subsidies		
Regulated provisions		
SHAREHOLDERS' EQUITY	(12,070,101)	(2,659,302)
Proceeds from the issue of participating securities		
Conditional advances	3,514,886	3,430,831
OTHER EQUITY	3,514,886	3,430,831
Provisions for risks	24,353	67,093
Provisions for expenses		
PROVISIONS	24,353	67,093
FINANCIAL DEBTS		
Convertible bonds		
Other bonds		
Loans and borrowings from credit institutions	4,013,806	
Other loans and borrowings	18,592,345	11,794,019
Advances and prepayments received on current orders		
OPERATING LIABILITIES		
Trade payables	2,149,396	2,272,799
Tax and employee-related liabilities	2,193,331	1,639,698
OTHER LIABILITIES		
Amount due on fixed assets and related accounts		
Other payable	50,515	36,691
ACCRUALS		
Deferred revenues	328,186	145,584
LIABILITIES	27,327,579	15,888,791
Unrealized foreign currency gains	77,928	4,866,969
TOTAL	18,874,645	21,594,382

II. INCOME STATEMENT AT DECEMBER 31, 2020

Rubrics	2020 financial year			2019 financial year
	France	Exports	Total	
Sales of goods	960	1,122	2,082	8,473
Sale of manufactured goods	278,195	3,135,283	3,413,478	5,628,651
Sales of finished products	115,551	871,933	987,484	995,247
NET SALES	394,706	4,008,338	4,403,044	6,632,371
Production in stock			117,237	274,551
Fixed asset production				
Operating subsidies				
Reversals of impairments, provisions (and depreciation), expense transfers			204,034	1,082,525
Other income			154,598	109,750
OPERATING REVENUE			4,878,913	8,099,198
Purchases of goods (including customs duties)				
Change in stocks (goods)				
Purchases of raw materials and other supplies			923,963	1,351,633
Change in stocks (raw materials and supplies)			(297,381)	(171,565)
Other purchases and external expenses			5,525,087	6,298,484
Taxes and similar payments			233,858	173,768
Wages and salaries			5,132,959	4,821,421
Social security expenses			2,107,782	2,210,751
Operating allowances:				
Amortization on fixed assets			264,092	283,326
Impairment on fixed assets				
Impairment on current assets			54,309	128,024
Provisions				
Other expenses			334,226	1,104,084
OPERATING EXPENSES			14,278,895	16,199,926
OPERATING PROFIT			(9,399,982)	(8,100,728)
JOINT VENTURES				
Profits transferred in and losses transferred out				
Profits transferred out and losses transferred in				
FINANCIAL REVENUE			514,721	532,331
Financial revenue from participating interests				
Revenue from other investments and long-term receivables				
Other interest and similar revenue			485,374	503,656
Reversals of provisions, cost transfers			7,203	6,341
Foreign exchange gains			22,144	22,335
Net proceeds from disposals of investment securities				
FINANCIAL EXPENSES			1,031,547	8,968,075
Depreciation, amortization and provisions – financial items			5,353	6,287,481
Interest and similar expenses			956,036	2,661,064
Foreign exchange losses			70,158	19,530
Net expenses on disposals of investment securities				
FINANCIAL NET INCOME			(516,826)	(8,435,744)
PROFIT BEFORE TAX			(9,916,808)	(16,536,472)
NON-RECURRING REVENUE			143,518	42,911
Non-recurring revenue from non-capital transactions			142,613	42,719
Non-recurring revenue from capital transactions			905	193
Reversals of provisions, cost transfers				
NON-RECURRING EXPENSES			382,135	118,552
Non-recurring expenses on non-capital transactions				114,948
Non-recurring expenses on capital transactions			1,113	3,605
Depreciation, amortization and provisions exceptional items			381,022	
NON RECURRING INCOME (EXPENSE)			(238,617)	(75,641)
Employee profit-sharing				
Income tax			(710,870)	(1,077,342)
TOTAL INCOME			5,537,151	8,674,440
TOTAL EXPENSES			14,981,706	24,209,211
PROFIT OR LOSS			(9,444,555)	(15,534,771)

Notes to the financial statement

1. THE COMPANY'S ACTIVITY AND HIGHLIGHT OF THE FINANCIAL YEAR

1.1. The Company's activity

Established in 2000, 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 financial year

The financial statements cover the financial year from 01/01/2020 to 12/31/2020, i.e., for a period of 12 months.

New authorizations

On March 3, 2020, Mauna Kea Technologies has obtained 510(k) clearance (K193416) from the U.S. Food and Drug Administration (FDA) and CE marking of the next-generation Cellvizio® endomicroscopy platform, built with the Company's new proprietary system architecture. This marks the 18th U.S. FDA 510(k) clearance of the Cellvizio® pCLE/nCLE platform.

The new Cellvizio incorporates breakthrough modular design solutions to facilitate and better integrate endomicroscopy within procedure suites as well as within third-party platforms.
The new platform's hardware and software design was built from the ground up to facilitate future developments, including integration of deep learning (artificial intelligence) capabilities for assisted endomicroscopic image interpretation. The ergonomic and significantly reduced footprint of the new Cellvizio should integrate easily with laparoscopic, advanced navigation, and robotic systems. This novel platform is also capable of hosting other proprietary endomicroscopic architectures with imaging capabilities at other wavelengths supporting fluorescence-guided surgery and molecular imaging.

New financing

On July 8, 2020, in accordance with the loan agreement of June 20, 2019 with the EIB, as amended on June 19, 2020, the Company received Tranche 2 for €6 million. This second tranche will bear annual interest of 3% and capitalized interest of 4% payable in 5 years with the principal. Tranche 2 is also accompanied by the issue of share subscription warrants (BSA) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e. 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan. BNP Paribas and Bpifrance have each a loan of €2 million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No.

2020-289 of March 23, 2020). Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term. At August 11, 2020, the loan was fully drawn down. At the reporting date of the financial statements, Management believes that the Company will certainly request a postponement of the repayment of its government-backed loans.

Pandemic Covid-19

Due to the Covid-19 pandemic, a set of preventive measures has been put in place within the Company, and this, by absolute necessity to preserve the health of its employees. The Company has therefore asked its employees in France to work from home and to organize remote meetings and events as much as possible. For those employees who need to be in the workplace, physical distancing measures and hygiene precautions are in place.

All measures proposed by the French government have been examined from a financial point of view. The Group benefited in particular from employee partial employment payments for €90 thousand. The Group also benefited from the deferred payment of social security contributions. At December 31, 2020, €493 thousand of deferred contributions remains to be paid.
BNP Paribas and Bpifrance have also approved €4 million in financing for the Group in the form of a government-backed loan. At August 11, 2020, the loan was fully drawn down.
Steps were also taken in the United States to obtain additional financing.

The Covid-19 pandemic had a material impact on the Group's commercial activities in the first half of 2020, with an overall decrease of 47% on the previous year over this period. Procedures and sales in key commercial markets around the world saw a rebound in activity in the second half and enabled a 27% growth in revenues compared to the second half of 2019, reflecting the general improvement in the global economic environment. Nevertheless, taking into account the first half of the year, the global pandemic had a negative impact with total sales for the year 2020 amounting to €6.5 million, i.e., a 12% decrease compared to the previous year.

Given the general climate of uncertainty, it is impossible to predict the duration and extent of potential damage to the Company's business from the current Covid-19 pandemic.
However, these effects could have a significant impact on the Company's access to capital resources and operations. The Company also continues to closely monitor the potential impact of the pandemic on the conduct of clinical studies and discussions with health authorities.

In the first quarter of 2021, the Group's business grew by 7% compared to the first quarter of 2020, driven by a 13% increase in consumables sales. The Group is counting in particular on increasing demand for these consumables as the global recovery continues.

2. MAJOR EVENTS SINCE THE END OF THE REPORTING PERIOD

Financing transaction in progress

On April 22, 2021, the Group announced that it had established an equity financing facility with Kepler Cheuvreux acting as financial intermediary under an underwriting agreement.

Under the terms of the agreement, Kepler Cheuvreux has undertaken to underwrite a maximum of 6,000,000 shares at its own initiative, over a maximum period of 24 months, provided that the contractual conditions are met. The shares will be issued based on a volume-weighted average share price over the two trading days preceding each issue, less a maximum discount of 6.0%. These terms and conditions allow Kepler Cheuvreux to underwrite the shares over time.

Mauna Kea Technologies retains the right to suspend or terminate this agreement at any time.

With this additional flexible financing, representing an indicative net amount of €9.3 million, the Group will strengthen its cash position to enable it to finance the continuation of its operations based on its current strategy until the second quarter of 2022.

Pandemic Covid-19

The first quarter of 2021 was marked by the spread on a larger scale of a new variant of the SARS-Cov2 virus detected in September 2020 in the United Kingdom. According to The Lancet, this strain is 70% more transmissible than the original strain, which it seems to be gradually replacing. As of the date of this document, this strain has contributed to a strong growth in Covid-19 cases in the United Kingdom, controlled by a large-scale vaccination campaign. Since the beginning of 2021, this strain has grown in the majority of developed countries. This situation is likely to pose a risk to the potential economic recovery at the beginning of 2021 and therefore to the Company's commercial operations. However, the first quarter of 2021 was marked by the release of several vaccines in the United States and Europe, approved under a special procedure authorizing their emergency use from December 2020. Most developed countries have access to several vaccines, produced and marketed by Pfizer and BioNtech, Moderna Therapeutics, Astra Zeneca and J&J.

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 2016-07 of the French Accounting Standards Authority (*Autorité des Normes Comptables*) of November 4, 2016, approved by order of November 2016, 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 financial year to another;
ii. independence of financial years;
iii. going concern.

These financial statements were approved by the Board of Directors at its meeting of April 20, 2021.

The going concern assumption was adopted by the Board of Directors taking into account the following elements:

- cash available at December 31, 2020 stood at €8.6 million;
- a new equity financing line with Kepler Cheuvreux, which will enable €9.3 million to be raised in the coming 12 months, this amount being dependent on the share price;
- the grant of a repayable advance and a grant for PERSEE project of €0.6 million in 2021;
- the receipt of the 2020 Research Tax Credit for €0.7 million;
- sales outlook taking into account the impact of the Covid-19 crisis.

In this context, the Company considers that it is in a position to meet its commitments until the second semester of 2020.

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

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

3.1. Non-current assets

Property, plant and equipment and intangible assets

Patent expenses as well as research and development expenses incurred internally are recognized as expenses during the period.
Property, plant and equipment and intangible assets are recognized 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 non-current assets is as follows:

Category	Term	Method
Software packages	1 to 3 years	Straight line method
Patents, Licenses, Trademarks	20 years	Straight line method
Other property, plant and equipment:		
- fixtures	7 years	Straight line method
- tools	2 to 7 years	Straight line method
- computer equipment	3 years	Straight line method
- furniture	5 years	Straight line method

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. Valuation of inventories

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

Description	Methods
Raw materials	Weighted average cost
Work in progress	Cost of work in progress
Finished products	Cost price, except for marketing costs

The acquisition cost is comprised of:

- 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 when the inventory value is less than the carrying amount.

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.

The Company has not chosen to recognize the provision for pension plan commitments.

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 that 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

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 Note 5.3.

Subsidies are recognized where there is reasonable assurance that the Company will comply with the conditions attached to the subsidies and that they will be received.
Subsidies are thus recognized when the documentation justifying the R&D expenses incurred has been accepted by the funding agency.

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 justify expenses that meet the required criteria (research expenses located in France or, since January 1, 2005, within the European Community or in another State party to the agreement on the European Economic Area that has a tax treaty with France containing an administrative assistance clause) benefit from a tax credit. Under the terms of Article 199 *ter* B (II) of the French General Tax Code, Research Tax Credit receivables may be reimbursed immediately when incurred by small and medium-sized enterprises (SMEs) within the meaning of European Union (EU) law.

The Company has benefited from the Research Tax Credit since its establishment and the Innovation Tax Credit since 2019.

A framework agreement for the assignment of receivables was signed in 2019 and 2020 between Mauna Kea Technologies SA and the Predirec Innovation 2020 securitization fund enabling the sale of the 2018 and 2019 receivables. The amounts were sold at a 9% discount, partially recoverable up to 5% when paid by the State.

The sale of these receivables was recorded when ownership was transferred leading to the removal of these receivables from the balance sheet in exchange for the cash received.

The financial institution recovered these receivables during financial year 2020.

At the end of 2020, the Company recognized a receivable for Research and Innovation Tax Credits which was not sold.

3.8. Deviation from general principles

3.8.1. Change in the valuation method

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

3.8.2. Change in the presentation method

There was no notable change in the presentation method during the financial year.

3.9. Sales recognition

The sales consists of 3 types of products:
- System sales;
- Consumable sales (probes);
- Maintenance and repair services.

The Company recognizes the sales of systems and consumables in sales revenue when the transfer of ownership is realized. This transfer of ownership is documented by a contract, a purchase order and a delivery note.

Whereas sales of maintenance services covering a period exceeding the financial year are recognized as deferred income. These deferred revenues are therefore spread over time according to the duration of the services contracted with the customer.

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 financial year

Figures expressed in euros	At 12/31/2019	Acquisitions	Transfers between items and corrections +/-	Disposals	At 12/31/2020
Start-up and development costs					
Other intangible fixed asset items	923,447	19,512	14,616		957,575
Total intangible assets	**923,447**	**19,512**	**14,616**	**0**	**957,575**
Land					
Building on freehold land					
Building on non-freehold land					
Buildings and facilities, fixtures, etc.	51,090				51,090
General facilities and fittings	481,458	1,735	2,756		485,949
Technical facilities, machinery and equipment	1,399,806		16,849		1,416,655
Vehicles					
Office and computer equipment, furniture	664,231	18,662	4,190	71,941	615,142
Recoverable packaging and other items					
Total property, plant & equipment	**2,596,587**	**20,397**	**23,796**	**71,941**	**2,568,836**
Property, plant and equipment in progress	117,998	15,533	(38,411)	2,062	93,058
Total assets in progress	**117,998**	**15,533**	**(38,411)**	**2,062**	**93,058**
Prepayments					
TOTAL	**3,638,031**	**55,442**		**74,003**	**3,619,469**

These changes in the property, plant and equipment and intangible asset items from one financial year to another are due to asset acquisitions and asset sales completed by the Company for business purposes.

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	At 12/31/2019	Allowance	Decreases or reversals	At 12/31/2020
Start-up and development costs				
Other intangible assets	656,917	85,172		742,088
Total amortization of intangible assets	**656,917**	**85,172**		**742,088**
Land				
Buildings	51,062	28		51,090
General installations and fixtures	345,832	41,933		387,765
Technical facilities, machinery and equipment	1,056,968	93,550		1,150,518
Vehicles				
Office and computer equipment, furniture	583,761	43,410	70,227	556,944
Recoverable packaging and other items				
Total depreciation of property, plant & equipment	**2,037,624**	**178,921**	**70,227**	**2,146,317**
TOTAL	**2,694,540**	**264,093**	**70,227**	**2,888,405**

4.1.3. Provisions for fixed asset impairment

Ses Section 5.2. Status of provisions.

4.2. Financial investments

Table of transactions for the financial year :

Figures expressed in euros	Gross value at 12/31/2019	Acquisitions and transfers between items	Sales and transfers between items	Gross value at 12/31/2020	Provisions	Net value at 12/31/2020
MKT Inc. shares and MKT Inc. cash management account *	52,724,093	7,695,149	7,762,600	52,656,642	48,528,876	4,127,766
Loans and other long-term investments	270,741	328,782	211,498	388,025		388,025
TOTAL	52,994,834	8,023,931	7,974,098	53,044,667	48,528,876	4,515,791

* MKT Inc. shares represented €23,077 at end-2019 and end-2020, fully impaired in 2019 and 2020. The MKT Inc. cash management account is written down to the net position of the subsidiary.

4.3. Inventories 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 assets are held by the Company for use by the after-sales customer service. They are impaired by 80%. The inventory amount is broken down as follows:

Figures expressed in euros	Gross amount	Depreciation	Balance at 12/31/2020
Raw materials	1,509,522	102,219	1,407,303
Finished products	1,806,901	500,887	1,306,014
TOTAL	**3,316,423**	**603,106**	**2,713,317**

4.4. Provisions for impairment of inventories and receivables

See Section 5.2. Status of Provisions.

4.5. Maturity of receivables

The gross value of receivables held by the Company amounts to €56,056,357 as of 12/31/2020 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:	**53,021,590**		**53,021,590**
Loans related to participating interests	52,633,565		52,633,565
Loans			
Other long-term investments	388,025		388,025
CURRENT ASSETS:	**3,034,767**	**3,034,767**	
Receivables	1,529,526	1,529,526	
Doubtful receivables	400,177	400,177	
Personnel and related accounts	23,673	23,673	
Social security bodies	443	443	
Statement: various taxes	882,122	882,122	
Group companies and associates			
Sundry debtors	7,994	7,994	
Prepaid expenses	190,832	190,832	
TOTAL	**56,056,357**	**3,034,767**	**53,021,590**
Amounts of loans granted during the year			
Amounts of repayments received during the year			
Loans and advances granted to partners (natural persons)			

4.6. Trade receivables

RECEIVABLES	Gross amount	Amort. Prov.	Net 12/31/2020	Net 12/31/2019
Trade receivables	1,929,703	400,177	1,529,526	2,230,862
Other receivables	914,232		914,232	1,007,182
TOTAL	2,843,935	400,177	2,443,758	3,238,044

Including Group receivables:

Figures expressed in euros	2020	2019
Consolidated affiliated customer companies	689,211	802,184
TOTAL	689,211	802,184

Provisions are determined based on 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	At 12/31/2020	At 12/31/2019
Receivables – Invoices to be raised	589,137	5,945
Accrued revenue	2,195	
TOTAL	591,332	5,945

4.8. Investment securities

At December 31, 2020, the Company held no money market funds.

4.9. Accruals

4.9.1. Prepaid expenses

Prepaid expenses amount to €190,832.

Figures expressed in euros	At 12/31/2020	At 12/31/2019
Operating expenses	190,832	132,599
Financial expenses		
Non-recurring expenses		
TOTAL	190,832	132,599

4.9.2. Translation difference

DIFFERENCE ON THE ASSET SIDE		DIFFERENCE ON THE LIABILITY SIDE	
	Euros		Euros
Decrease in receivables	1,040	Decrease in liabilities	4,291
Increase in liabilities	4,313	Increase in receivables	73,637
TOTAL	5,353	TOTAL	77,928

5. INFORMATION ON BALANCE SHEET LIABILITIES

5.1. Equity

Share capital

Share capital is set at one million two hundred twenty three thousand five hundred eighty eight euros (€1,223,588). It is comprised of 30,589,700 shares with a nominal value of €0.04 each.

This figure does not include share purchase warrants (BSAs), stock warrants for business creator shares (BSPCEs) or stock options (SOs) 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, 2019:

Type of transaction	Issued capital (€K)	Issue premium (€K)	Number of shared comprising the share capital
As of December 31, 2019	1,223	98,257	30,571
Free performance share conversion	1	2	18
BSA		26	
Other		1	1
Total as of December 31, 2020	1,224	98,286	30,590

Warrants, stock options and performance shares

Since its formation, the Company issued "Share purchase warrants" (BSA), "stock warrants for business creator shares" (BSPCE and others) as well as stock options (SO), free performance shares (AP), and free shares (AGA) whose changes since December 31, 2019 are represented below.

Type	Date of granting	Exercice price	Outstanding at 12/31/2019	Created	Exercised	Cancelled	Outstanding at 12/31/2020	Nb potential shares
Options granted before January 1st, 2020			3 968 709		630	531 549	3 436 530	4 576 500
SO	03/24/2020	0,98 €		15 000			15 000	15 000
AP	04/27/2020			100			100	20 000
BSA BEI	07/07/2020	1,24 €		500 000			500 000	500 000
BSA	07/22/2020	1,30 €		135 000			135 000	135 000
SO	07/22/2020	1,22 €		242 500			242 500	242 500
AGA	07/22/2020			284 300			284 300	284 300
SO	09/24/2020	1,13 €		25 000			25 000	25 000
				1 201 900	630	531 549	4 638 430	5 798 300

Following the reverse stock split of shares (four old shares for a new one) on May 25, 2011, four BSAs, BSPCEs or stock options granted before that date are needed to subscribe for one new share. For warrants and options granted after that date, the ratio is one to one.

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.

The terms and conditions for exercising preference shares are described in the minutes of the Extraordinary General Meetings of May 4, 2016 in resolution 19 and October 5, 2018 in resolutions 14 and 15:
(https://www.maunakeatech.com/uploads/media/media_pdf/0001/03/PV%20AGM%205%20octobre%202018%20Rev.pdf).

Company's buyback of its own shares

- **Share buyback program adopted at the Company's Ordinary General Meeting on July 5, 2019**

The Extraordinary General Meeting of July 5, 2019, authorized the Board of Directors, for a period of 18 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 terms and 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 Ethics approved by the AMF;
- to meet the obligations related to stock option, free share award, or employee savings plans, or other awards of shares to the employees and executives of the Company or the companies associated with it;
- to tender shares upon 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
- conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities.

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 as part of any merger, de-merger, or capital contribution may not exceed 5% of its share capital.

- **Share buyback program adopted at the Company's Combined General Meeting on July 2, 2020**

The Combined General Meeting of July 2, 2020 authorized the Board of Directors, for a period of 18 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 terms and conditions described below. This program took the place of the program adopted at the Ordinary General Meeting of July 5, 2019.

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 Ethics approved by the AMF; and/or
- to honor obligations linked to stock option and free share plans, company savings schemes or other share awards to employees and executives of the Company or its associates; and/or
- to tender shares upon exercise of the rights attached to securities giving access to the share capital; and/or
- to purchase shares to be held for their subsequent exchange or use as consideration in potential acquisitions in compliance with market practices permitted by the AMF; and/or
- in general, to conduct transactions for any purpose that may be authorized by law or any market practice that may be permitted by the market authorities, it being specified that, in such a situation, the Company would inform its shareholders through a press release.

Maximum purchase price: €5 per share, excluding fees and commissions (this purchase price will be adjusted to take account of capital transactions, in particular in the capitalization of reserves, free share grants, stock splits or reverse stock splits), with an overall ceiling of €4,000,000.

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.

The number of shares acquired by the Company to be held and subsequently exchanged or used as consideration for the purpose of any merger, de-merger, or capital contribution may not exceed 5% of the total number of shares.

Buyback methods: the acquisition, sale or transfer of shares may be carried out by any means, on one or more occasions, in particular on the market or over-the-counter, including by block purchases or sales, public offers, using options or derivative mechanisms, under the conditions pursuant to the market authorities and in compliance with applicable regulations.

Summary of the shares purchased and sold over the year:

	2020				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Securities purchased	330 708	353 825	253 253	281 874	1 219 660
Price	1,51	1,25	1,19	1,28	
Total amount (in K€)	498	441	301	361	1 601
Securities sold	320 669	341 179	248 556	299 787	1 210 191
Price	1,52	1,25	1,21	1,29	
Total amount (in K€)	487	428	300	385	1 600

At December 31, 2020, the Company held 45,255 Mauna Kea Technologies shares acquired at an average price of €1.32 equal to the realizable value on December 31, 2020.

Treasury share are recognized as financial fixed assets.

Appropriation of earnings for financial year 2019:

The financial statements for the 2019 financial year showed a net loss of €(15,534,771). Following the decision of the Annual General Meeting on July 2, 2020 approving the financial statements, this loss was appropriated to retained earnings.

5.2. Status of provisions

Detail of the provisions by type are as follows :

5.2.1. Provisions for personnel disputes

Figures expressed in euros	At 12/31/2019	Allowance	Reversals	At 12/31/2020
Provisions for personnel disputes	65,000		46,000	19,000
TOTAL	65,000		46,000	19,000

Reversal of unsued provisions.

5.2.2. Provisions for risks

Figures expressed in euros	At 12/31/2019	Allowance	Reversals	At 12/31/2020
Provisions for foreign exchange losses	2,093	5,353	2,093	5,353
TOTAL	2,093	5,353	2,093	5,353

5.2.3. Provisions for fixed assets impairment

Figures expressed in euros	At 12/31/2019	Allowance	Reversals	At 12/31/2020
Provision for long-term investments	48,533,986		5,110	48,528,876
TOTAL	48,533,986		5,110	48,528,876

During the 2020 financial year, a net advance of €4,724 thousand was granted to the subsidiary Mauna Kea Technologies Inc. The total amount of advances stood at €52,634 thousand at end-2020. This amount has been provisioned for the negative net asset value of the subsidiary, i.e. €48,529 thousand.
Taking into account the revaluation of the receivable with the exchange rate of EUR/USD of 1.2271, the total amount of the advances is €48,505,799.44.

5.2.4. Provisions for impairment of inventories

Figures expressed in euros	At 12/31/2019	Allowance	Reversals	At 12/31/2020
Raw materials	78,665	23,554		102,219
Finished products	89,110	411,777		500,887
TOTAL	167,775	435,331		603,106

The allowance for impairment of inventories in 2020 was recognized in operating income for €54,309 and in non-recurring income for €381,022 (see Note 6.5).

5.2.5. Provisions for impairment of receivables

Figures expressed in euros	At 12/31/2019	Allowance	Reversals	At 12/31/2020
Doubtful receivables	531,177		(131,000)	400,177
Other receivables				
TOTAL	531,177		(131,000)	400,177

5.3. Borrowings

Figures expressed in euros	12 31 2019	+	-	12 31 2020
Repayable advance BPI (ex Oseo)	2 903 563			2 903 563
Accrued interests on repayable advance	527 268	84 055		611 323
Total of other equity	3 430 831	84 055	-	3 514 886
Loan PGE BNP BPI		4 000 000		4 000 000
Accrued interests on loan PGE BNP BPI		13 806		13 806
Loan EIB	11 500 000	6 000 000		17 500 000
Accrued interests on loan EIB	282 708	798 326		1 081 034
Deposits received	11 311			11 311
Total of loans and financial debts	11 794 019	10 812 132	-	22 606 151

5.3.1. BPI advances (formerly OSEO Fi)

On May 31, 2010, Mauna Kea Technologies obtained a repayable innovation loan in the amount of €3,416 thousand from OSEO as part of the PERSEE project. The PERSEE project aims to develop, validate and then market a device capable of improving diagnostic and preoperative assessment techniques for cancer patients. The first payments of the loan were 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;
- fourth payment of €626 thousand on December 22, 2016.

The project was closed at the end of 2020, and the fifth payment of €512 thousand initially due in October 2020 has been postponed and is due in 2021. The advances granted carry interest at a rate of 2.45%.

The 2010 contract between OSEO, now BPI France, and the Company stipulates that the first repayment should take place once sales of €2,500 thousand on new products are reached.

The amount to repay, based on the new expected repayment schedule, will be €4,691 thousand, including capitalized expenses. If no repayment occurs within 10 years of the last aid payment, Mauna Kea will be released from any obligation to pay a financial return. In addition, if the cumulative sales amount is greater than €50,000 thousand, 2% of the sales generated must be paid over fifteen years.

In addition, the specific contract between BPI France (formerly OSEO) and Mauna Kea stipulates in Article 4.3 that in the event of a failure by the Company to comply with any of its obligations as listed in the contract, of any irregular tax and social security situation, of inaccurate or false declarations, of a contribution, merger, demerger, transfer of control or of assets of the Company, Mauna Kea SA must repay in advance the discounted value.

5.3.2. Loans

Following the €22,500 thousand financing agreement signed with the European Investment Bank (EIB) on June 20, 2019, the Company received the first instalment of €11,494 thousand net on July 3, 2019.

On July 8, 2020, in accordance with the loan agreement as amended on June 19, 2020, the Company received the second tranche of €6,000 thousand. The following tranche of €5,000 thousand will be available subject to the achievement of certain milestones:

The first instalment is accompanied by the issuance of warrants (BSAs) entitling the holder, in the event of exercise, to subscribe for a maximum of 1,450,000 shares of the Company (i.e. 5.75% of the share capital on a non-diluted basis) subject to the legal and contractual adjustments provided for in the documentation. These BSA warrants were issued on the basis of the fourth resolution (private placement) adopted by the Extraordinary General Meeting of October 5, 2018. The exercise price of the warrants is equal to the weighted average of the volumes of the last three trading days preceding their issue, less a 5% discount, i.e. €1.8856 per warrant. The BSA warrants may be exercised until the twentieth anniversary of their issuance, i.e. July 3, 2039.

Tranche 2 included the issuance of warrants (BSAs) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e., 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039.

On July 17, 2020, the Company announced that BNP Paribas and Bpifrance had approved €4 million in financing in the form of a government-backed loan. BNP Paribas and Bpifrance have each a loan of €2 million at fixed interest rates of 0.25% and 1.75% respectively. These non-dilutive loans will be 90% guaranteed by the French government (ministerial decrees of March 23 and April 17, 2020 granting the State guarantee to credit institutions and financial companies, pursuant to Article 6 of Law No. 2020-289 of March 23, 2020). Each loan is for an initial term of one year. At the end of the first year, repayment of the principal due may be again deferred, at the Company's option, for a maximum 5 year term. At August 11, 2020, the loan was fully drawn down.

5.4. Debt repayment schedule

LIABILITIES	Gross amount end of financial year	Less than 1 year	1 to 5 years	At more than 5 years
Convertible bonds				
Other bonds				
Loans and borrowings from credit institutions:				
repayable within a maximum of one year at inception	4,013,806		4,013,806	
repayable after more than one year at inception				
Other loans and borrowings	18,592,345	188,811	18,403,534	
Trade payables	2,149,396	2,149,396		
Personnel and related accounts	893,291	893,291		
Social security and other welfare agencies	1,178,702	1,178,702		
State and other public authorities				
Income tax				
Value added tax				
Guaranteed bonds				
Other taxes and related accounts	121,338	121,338		
Amount due on fixed assets and related accounts				
Group companies and associates	5,000			5,000
Other payable	45,515	45,515		
Liabilities representing borrowed securities or securities provided as collateral				
Deferred revenues	328,186	265,841	62,345	
TOTAL	27,327,579	4,842,894	22,479,685	5,000
Loans taken out during the financial year	10,000,000			
Loans repaid during the financial year				

5.5. Trade payables

Figures expressed in euros	At 12/31/2020	At 12/31/2019
Group suppliers		
Suppliers in France	378,423	679,926
International suppliers	175,359	692,614
Suppliers whose invoices are not yet received	1,595,614	900,258
Total trade payables	2,149,396	2,272,798

5.6. Accrued expenses

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

Rubrics	2020 financial year	2019 financial year
OPERATING LIABILITIES		
Trade payables	1,595,614	900,258
Tax and employee-related liabilities	1,381,397	1,259,461
FINANCIAL DEBTS		
Convertible bonds		
Other bonds		
Loans and borrowings from credit institutions	1,706,163	809,976
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 payables		
ACCRUALS		
Deferred revenues		
LIABILITIES	4,683,174	2,969,695

5.7. Accruals

5.6.1. Deferred revenues

Deferred revenue breaks down as follows:

Figures expressed in euros	At 12/31/2020	At 12/31/2019
Operating revenue	328,186	145,584
Financial revenue		
Non-recurring revenue		
TOTAL	328,186	145,584

5.6.2. Translation difference

See section 4.9.2.

5.8. Amount due to related companies

The Company has no liability towards its subsidiary.

6. INFORMATION ON THE INCOME STATEMENT

6.1. Breakdown of the net sales amount

Sales for financial year 2020 break down as follows:

Figures expressed in euros	2020 financial year			2019 financial year
	France	EEC + Export	Total	Total
Sales of goods	960	1,122	2,082	8,473
Sales of finished products	278,195	3,135,283	3,413,478	5,628,651
Sales of finished products	115,551	871,933	987,484	995,247
Sales	**394,706**	**4,008,338**	**4,403,044**	**6,632,371**
%	9	91	100	

6.2. Other operating revenue

Figures expressed in euros	At 12/31/2020	At 12/31/2019
Production in stock	117,237	(274,551)
Fixed asset production		
Other management revenue and operating subsidies		
Reversals of depreciation and amortization, provisions, cost transfers and other revenue	204,034	1,082,525
Other income	154,598	109,750
TOTAL	**475,869**	**917,724**

Former receivables now classified as bad debts were subject to a provision reversal of €131 thousand.

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 financial years is as follows:

Amount in euros	2020 financial year		2019 financial year	
	EY	EXCO	EY	EXCO
Audit				
Statutory auditors, certification and review of the annual financial statements and the consolidated financial statements				
- Mauna Kea Technologies SA	50,991	50,737	50,230	49,980
- Fully consolidated subsidiaries	35,286		34,760	
- ESEF	12,000			
Sub-Total	98,277	50,737	84,990	49,980
Others services rendered by the network to the fully consolidated subsidiaries				
Services other than account certification (SACC)	31,000	7,000	32,000	6,000
Sub-Total	31,000	7,000	32,000	6,000
Total	**129,277**	**57,737**	**116,990**	**55,980**

6.4. Net financial income/(expense)

Net financial income/(expense) for the financial year was €(516) thousand and breaks down as follows:

Rubrics	2020 financial year	2019 financial year
FINANCIAL REVENUE	514,721	532,331
Financial revenue from participating interests		
Revenue from other investments and long-term receivables		
Other interest and similar revenue	485,374	503,656
Reversals of provisions and cost transfers	7,203	6,341
Foreign exchange gains	22,144	22,335
Net proceeds from disposals of investment securities		
FINANCIAL EXPENSES	1,031,547	8,968,075
Depreciation, amortization and provisions – financial items	5,353	6,287,481
Interest and similar expenses	956,036	2,661,064
Foreign exchange losses	70,158	19,530
Net expenses on disposals of investment securities		
FINANCIAL NET INCOME	(516,826)	(8,435,744)

Interest expense is mainly related to the EIB loan, Tranche 1 and 2 for €798 thousand.

6.5. Non-recurring income/(expense)

The non-recurring income/(expense) of €(238,617) for the financial year breaks down as follows:

Rubrics	2020 financial year	2019 financial year
NON-RECURRING REVENUE	143,518	42,911
Non-recurring revenue from non-capital transactions	142,613	42,719
Non-recurring revenue from capital transactions	905	193
Reversals of provisions and cost transfers		
NON-RECURRING EXPENSES	382,135	118,552
Non-recurring expenses on non-capital transactions		114,948
Non-recurring expenses on capital transactions	1,113	3,605
Depreciation, amortization and provisions of exceptional items	381,022	
NON RECURRING INCOME/(EXPENSE)	(238,617)	(75,641)

Non-recurring income of €143 thousand was recognized following an agreement to end the commercial relationship with IDEX. This non-recurring income concerns past costs.

At December 31, 2020, a correction of €380 thousand for the impairment of inventories was recognized under "Depreciation, amortization and provisions of exceptional items". If the impairment had been correctly recognized at December 31, 2019, the interim and final income would have been €1,251 thousand, a balance sheet total of €18,525 thousand, operating profit of €(8,451) thousand euros and an operating loss of €(15,885) thousand.

6.6. Income tax

6.7.1. Tax situation

At December 31, 2020, the Company has a tax loss carry forward of €102,709,962.

6.7.2. Deferred tax

BASES (in euros)	Opening balance	Changes in net income for the financial year	Closing balance
Differences between the tax regime and the accounting treatment of some revenues and expenses:			
Social security contribution			
Other provisions for risks	2,093	3,260	5,353
TOTAL	2,093	3,260	5,353

6.7.3. 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 for the 2020 financial year was €710,870.

7. MISCELLANEOUS INFORMATION

7.1. Average number of salaried and temporary employees

Over the 2020 financial year, the average number of employees breaks down as follows:

2020 financial year	Workforce
Managers	59
Supervisors, technicians and employees	9
Operators	2
TOTAL	70

7.2. List of subsidiaries and investments

7.3. Companies concerned	Issued capital	Capital held	Equity including profit/(loss)	Profit/(loss)
Mauna Kea Technologies Inc.(*)	30,000	100%	(59,521,466)	(5,024,311)

(*) The amounts are shown in US dollars.

7.4. Information on related partie

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

7.5. Compensation of administrative bodies

The compensation of the management bodies is not provided as this would reveal individual compensation.

7.6. Financial commitments

7.5.1. Commitments given

- To the European Investment Bank (EIB)

Following the financing agreement with the European Investment Bank (EIB) signed on June 20, 2019 for €22.5 million, the Company received the first tranche of €11.5 million on July 3, 2019.

The first instalment is accompanied by the issuance of share purchase warrants (BSAs) entitling the holder, in the event of exercise, to subscribe for a maximum of 1,450,000 shares of the Company (i.e. 5.75% of the share capital on a non-diluted basis) subject to the legal and contractual adjustments provided for in the documentation. These warrants were issued on the basis of the fourth resolution (private placement)

adopted by the Extraordinary General Meeting of October 5, 2018. The exercise price of the warrants is equal to the weighted average of the volumes of the last three trading days preceding their issue, less a 5% discount, i.e. €1.8856 per warrant. The warrants (BSA) may be exercised until the twentieth anniversary of their issuance, i.e. July 3, 2039.
As part of the discussions that led to the EIB's agreement to draw down the second tranche, the guarantees linked to this tranche were modified by an agreement on June 19, 2020.

The Company received the second tranche of €6 million on July 8, 2020.

Tranche 2 included the issuance of share purchase warrants (BSAs) entitling the holder, in the event of exercise, to subscribe to a maximum of 500,000 Company shares (i.e., 1.6% of the share capital on a non-diluted basis). These BSA warrants were issued on the basis of the twenty-fourth resolution adopted by the Combined General Meeting of July 2, 2020. The exercise price of the warrants is equal to the volume weighted average of the last three trading days preceding their issue, less a 5% discount. The BSA warrants may be exercised starting from their issuance and until July 3, 2039. The fixed interest rate includes an annual portion of 3% and a capitalized interest of 4% payable in five years with the principal.

Tranche 3 of €5 million will be available subject to achieving certain milestones, particularly related to commercial progress and the improvement of shareholders' equity. It is subject to €15 million of equity financing and the achievement, over a rolling 12-month period, of €24 million of cumulative income. The fixed interest rate includes a portion at 3% annually and a portion at 3% capitalized. Repayment of the principal and capitalized interest will be made in full after the fifth year from the date of drawdown.

Financial covenants are attached to this debt.

The guarantees, taken by the European Investment Bank, cover the Company's trade receivables and inventories.

In accordance with the financing agreement as amended on June 19, 2020, the Company granted the European Investment Bank a pledge on the intellectual property rights relating to three patents held by the Company. This pledge agreement will take effect on December 17, 2021 after the expiry of the rights of first negotiation and first refusal granted to JJDC under the strategic financing agreement signed on December 13, 2019.

- To partners

- Commitments given	Total	-1 year	from 1 to 5 years	+5 years
Related to leases	1,262,170	505,824	756,346	
Related to supply contracts	2,613,349	1,348,740	1,264,609	
	3,875,519	1,854,564	2,020,955	

7.5.2. Commitments received

The French government-backed loan (PGE) granted by the BPI and the BNP benefits from a State guarantee under the National Coronavirus State Guarantee Fund of up to 90%.

7.7. 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):

- retirement age: 65 years old;
- terms of retirement: voluntary retirement;
- mortality table: INSEE 2018;
- collective agreement: metal industries;
- employee turnover:
    - 18-25 years old: 0%
    - 26-35 years old: 14%
    - 36-45 years old: 15%
    - 46-55 years old: 13%
    - >56 years old: 0%;
- employer contribution rate used: 47% (identical to 2019);
- salary increase rate: 2.5% (versus 2% in 2019);
- discount rate: 0.74% (vs 1.17% in 2019) equal to the iBoxx Corporate AA10+ rate plus 0.4 points.

Retirement benefits stand at €160 thousand at the end of the 2020 financial year and are not recorded in the Company's financial statements.

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

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Commissaire aux Comptes
Membre de la compagnie
régionale de Besançon-Dijon

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Tour First
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S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Mauna Kea Technologies

Exercice clos le 31 décembre 2020

Rapport des commissaires aux comptes sur les comptes annuels

A l'Assemblée Générale de la société Mauna Kea Technologies,

Opinion

En exécution de la mission qui nous a été confiée par vos assemblées générales, nous avons effectué l'audit des comptes annuels de la société Mauna Kea Technologies relatifs à l'exercice clos le 31 décembre 2020, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité d'audit.

Fondement de l'opinion

- Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

- Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance prévues par le Code de commerce et par le Code de déontologie de la profession de commissaire aux comptes sur la période du 1er janvier 2020 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014.

Justification des appréciations - Points clés de l'audit

La crise mondiale liée à la pandémie de Covid-19 crée des conditions particulières pour la préparation et l'audit des comptes de cet exercice. En effet, cette crise et les mesures exceptionnelles prises dans le cadre de l'état d'urgence sanitaire induisent de multiples conséquences pour les entreprises, particulièrement sur leur activité et leur financement, ainsi que des incertitudes accrues sur leurs perspectives d'avenir. Certaines de ces mesures, telles que les restrictions de déplacement et le travail à distance, ont également eu une incidence sur l'organisation interne des entreprises et sur les modalités de mise en œuvre des audits.

C'est dans ce contexte complexe et évolutif que, en application des dispositions des articles L. 823-9 et R. 823-7 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes annuels de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

■ Continuité d'exploitation

Risque identifié	Notre réponse
Comme mentionné dans les faits marquants de l'exercice, la pandémie de Covid-19 a eu un impact significatif sur les activités commerciales de la société avec une baisse globale de 12 % par rapport au 31 décembre 2019. Le financement des opérations de la société est réalisé essentiellement par des apports en capitaux par le biais d'augmentations du capital, d'émissions d'instruments de dette ou d'emprunts. Comme mentionné dans la note 3 « Règles et méthodes comptables » de l'annexe, l'hypothèse de la continuité d'exploitation a été retenue par le conseil d'administration compte tenu notamment : (i) du niveau de trésorerie à fin décembre 2020, (ii) de la mise en place d'une nouvelle ligne de financement en fonds propres qui devrait permettre de lever M€ 9,3 sur les douze prochains mois, basé sur le cours de l'action, (iii) des perspectives de ventes en tenant compte de l'impact de la crise liée au Covid-19. L'estimation des prévisions de dépenses, des perspectives de ventes et des besoins de financement pour les douze mois à venir constitue ainsi un point clé de l'audit.	Nous avons examiné les financements et les prévisions de dépenses. Nos travaux ont notamment consisté à : ► analyser les prévisions de dépenses à horizon douze mois et leur cohérence par rapport à l'activité et à la stratégie de la société ; ► comparer le montant des financements disponibles ou à venir dans le cadre de la nouvelle ligne de financement en fonds propres avec les dépenses attendues ; ► rapprocher les lignes de financement avec les contrats de financement. Nous avons par ailleurs : ► examiné les prévisions de flux de trésorerie futurs à l'horizon douze mois préparées par la direction financière intégrant les lignes de financement et les perspectives de ventes, en tenant compte de l'impact de la crise liée au Covid-19 ; ► rapproché ces prévisions par rapport aux données réelles du 31 décembre 2020 et au budget approuvé par le conseil d'administration ; ► analysé la sensibilité de ces flux à chacune des hypothèses clés mises en œuvre par la direction sur l'évolution de ce plan ; ► rapproché les estimés historiques effectués par la direction avec les données au 31 décembre 2020 ; ► interrogé la direction concernant sa connaissance d'événements ou de circonstances postérieurs au 31 décembre 2020 qui seraient susceptibles d'avoir une incidence sur les prévisions de flux de trésorerie futurs.

■ Reconnaissance du chiffre d'affaires

Risque identifié	Notre réponse
Le chiffre d'affaires de la société s'élève à € 4 403 044 au 31 décembre 2020. Le chiffre d'affaires est reconnu selon les modalités décrites dans la note 3.9 de l'annexe aux comptes annuels. Le chiffre d'affaires de la société résulte essentiellement de la vente de systèmes, la vente de consommables (sondes) et des prestations de services de maintenance et de réparation. Pour les ventes de systèmes et de consommables, le chiffre d'affaires est constaté dès lors que le transfert de propriété est réalisé. Les ventes de prestations de services de maintenance couvrant une période dépassant l'exercice comptable sont étalées dans le temps selon la durée des prestations contractuelles. Nous avons considéré que la reconnaissance du chiffre d'affaires est un point clé de l'audit compte tenu du poids du chiffre d'affaires en tant qu'indicateur financier du groupe et du caractère significatif des transactions qui se dénouent à l'approche de la clôture.	Nous avons pris connaissance des méthodes de reconnaissance du chiffre d'affaires et des contrôles mis en place par la société. Nos travaux ont consisté à : ► étudier les clauses contractuelles sur un échantillon de contrats, afin d'analyser le traitement comptable applicable ; ► examiner un échantillon de transactions résultant de la vente de systèmes et de sondes en obtenant les bons de commandes, factures, bons de livraison ou bons de mise à disposition ; ► analyser un échantillon de transactions résultant de la vente de prestations de services en obtenant les contrats et les preuves de réalisation des prestations afin de contrôler leur comptabilisation ; ► effectuer des tests par sondages sur une sélection de transactions comptabilisées avant et après la date de clôture afin de déterminer si ces produits sont rattachés à la période et, le cas échéant, si l'étalement du chiffre d'affaires est réalisé sur une durée conforme au contrat.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

■ Informations données dans le rapport de gestion et dans les autres documents sur la situation financière et les comptes annuels adressés aux actionnaires

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du conseil d'administration et dans les autres documents sur la situation financière et les comptes annuels adressés aux actionnaires.

Nous attestons de la sincérité et de la concordance avec les comptes annuels des informations relatives aux délais de paiement mentionnées à l'article D. 441-6 du Code de commerce.

- Rapport sur le gouvernement d'entreprise

Nous attestons de l'existence, dans le rapport du conseil d'administration sur le gouvernement d'entreprise, des informations requises par les articles L. 225-37-4, L. 22-10-10 et L. 22-10-9 du Code de commerce.

Concernant les informations fournies en application des dispositions de l'article L. 22-10-9 du Code de commerce sur les rémunérations et avantages versés ou attribués aux mandataires sociaux ainsi que sur les engagements consentis en leur faveur, nous avons vérifié leur concordance avec les comptes ou avec les données ayant servi à l'établissement de ces comptes et, le cas échéant, avec les éléments recueillis par votre société auprès des entreprises contrôlées par elle qui sont comprises dans le périmètre de consolidation. Sur la base de ces travaux, nous attestons l'exactitude et la sincérité de ces informations.

Concernant les informations relatives aux éléments que votre société a considéré susceptibles d'avoir une incidence en cas d'offre publique d'achat ou d'échange, fournies en application des dispositions de l'article L. 22-10-11 du Code de commerce, nous avons vérifié leur conformité avec les documents dont elles sont issues et qui nous ont été communiqués. Sur la base de ces travaux, nous n'avons pas d'observation à formuler sur ces informations.

- Autres informations

En application de la loi, nous nous sommes assurés que les diverses informations relatives à l'identité des détenteurs du capital ou des droits de vote vous ont été communiquées dans le rapport de gestion.

Autres vérifications ou informations prévues par les textes légaux et réglementaires

- Format de présentation des comptes annuels destinés à être inclus dans le rapport financier annuel

Nous avons également procédé, conformément à la norme d'exercice professionnel sur les diligences du commissaire aux comptes relatives aux comptes annuels et consolidés présentés selon le format d'information électronique unique européen, à la vérification du respect de ce format défini par le règlement européen délégué n° 2019/815 du 17 décembre 2018 dans la présentation des comptes annuels destinés à être inclus dans le rapport financier annuel mentionné au I de l'article L. 451-1-2 du Code monétaire et financier, établis sous la responsabilité du directeur général.

Sur la base de nos travaux, nous concluons que la présentation des comptes annuels destinés à être inclus dans le rapport financier annuel respecte, dans tous ses aspects significatifs, le format d'information électronique unique européen.

Il ne nous appartient pas de vérifier que les comptes annuels qui seront effectivement inclus par votre société dans le rapport financier annuel déposé auprès de l'AMF correspondent à ceux sur lesquels nous avons réalisé nos travaux.

- Désignation des commissaires aux comptes

Nous avons été nommés commissaires aux comptes de la société Mauna Kea Technologies par votre assemblée générale du 13 juin 2018 pour le cabinet EXCO SOCODEC et du 25 mai 2011 pour le cabinet ERNST & YOUNG et Autres.

Au 31 décembre 2020, le cabinet EXCO SOCODEC était dans la troisième année de sa mission sans interruption et le cabinet ERNST & YOUNG et Autres dans la dixième année.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité d'audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes annuels ont été arrêtés par le conseil d'administration.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

■ Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L. 823-10-1 du Code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

■ Rapport au comité d'audit

Nous remettons au comité d'audit un rapport qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité d'audit figurent les risques d'anomalies significatives, que nous jugeons avoir été les plus importants pour l'audit des comptes annuels de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité d'audit la déclaration prévue par l'article 6 du règlement (UE) n° 537/2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L. 822-10 à L. 822-14 du Code de commerce et dans le Code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité d'audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Dijon et Paris-La Défense, le 29 avril 2021

Les Commissaires aux Comptes

EXCO SOCODEC	ERNST & YOUNG et Autres
Signé électroniquement le 29/04/2021 par Olivier Gallezot	
Olivier Gallezot	Franck Sebag

EXCO SOCODEC
51, avenue Françoise Giroud
21000 Dijon
S.A.R.L. au capital de € 3 200 000
400 726 048 R.C.S. Dijon

Commissaire aux Comptes
Membre de la compagnie
régionale de Besançon-Dijon

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Mauna Kea Technologies

Assemblée générale d'approbation des comptes de l'exercice clos le 31 décembre 2020

Rapport spécial des commissaires aux comptes sur les conventions réglementées

A l'Assemblée Générale de la société Mauna Kea Technologies,

En notre qualité de commissaires aux comptes de votre société, nous vous présentons notre rapport sur les conventions réglementées.

Il nous appartient de vous communiquer, sur la base des informations qui nous ont été données, les caractéristiques, les modalités essentielles ainsi que les motifs justifiant de l'intérêt pour la société des conventions dont nous avons été avisés ou que nous aurions découvertes à l'occasion de notre mission, sans avoir à nous prononcer sur leur utilité et leur bien-fondé ni à rechercher l'existence d'autres conventions. Il vous appartient, selon les termes de l'article R. 225-31 du Code de commerce, d'apprécier l'intérêt qui s'attachait à la conclusion de ces conventions en vue de leur approbation.

Par ailleurs, il nous appartient, le cas échéant, de vous communiquer les informations prévues à l'article R. 225-31 du Code de commerce relatives à l'exécution, au cours de l'exercice écoulé, des conventions déjà approuvées par l'assemblée générale.

Nous avons mis en œuvre les diligences que nous avons estimé nécessaires au regard de la doctrine professionnelle de la Compagnie nationale des commissaires aux comptes relative à cette mission.

Conventions soumises à l'approbation de l'assemblée générale

Nous vous informons qu'il ne nous a été donné avis d'aucune convention autorisée et conclue au cours de l'exercice écoulé à soumettre à l'approbation de l'assemblée générale en application des dispositions de l'article L. 225-38 du Code de commerce.

Conventions déjà approuvées par l'assemblée générale

Nous vous informons qu'il ne nous a été donné avis d'aucune convention déjà approuvée par l'assemblée générale dont l'exécution se serait poursuivie au cours de l'exercice écoulé.

Dijon et Paris-La Défense, le 29 avril 2021

Les Commissaires aux Comptes

EXCO SOCODEC	ERNST & YOUNG et Autres
Signé électroniquement le 29/04/2021 par Olivier Gallezot	
Olivier Gallezot	Franck Sebag

STATEMENT BY 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 certify that the information contained in this Annual Financial Report is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import."

"To the best of my knowledge, I certify that the financial statements have been prepared in accordance with the applicable accounting standards (IFRS standards as adopted by the European Union for consolidated financial statements) and give a true and fair view of the assets, financial position and results of the Company and all its consolidated companies and that the attached management report presents a true and fair view of the development of the business, results and financial position of the Company and its consolidated companies and a description of the main risks and uncertainties to which they are exposed."

Robert L. Gershon

Chief Executive Officer