Parrot®

174-178, quai de Jemmapes - 75010 Paris - France
Paris trade and company register: 394 149 496
www.parrot.com

2014

Reference document

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This document is a free translation of the French language reference document that was filed with the French securities regulator (Autorité des marchés financiers, AMF) on April 30, 2015 under number D.15-0468, in accordance with Article 212-13 of the AMF's general regulations. This English version has not been approved by the AMF. This translation has been prepared solely for the information and convenience of English speaking readers. No assurances are given as to the accuracy or completeness of this translation, and Parrot assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

The French document is available on the AMF site (www.amf-france.org) and the Parrot site (www.parrot.com). The English document is only available on the Parrot site. A copy of this document may also be obtained free of charge by calling +33 1 48 03 60 60 or sending a letter to Parrot, Investor Relations, 174 quai de Jemmapes, 75010 Paris, France.

Contents

CONTENTS 2
GENERAL COMMENTS 8
HISTORICAL FINANCIAL INFORMATION 8
I. RESPONSIBILITY FOR THIS DOCUMENT 9
1.1. Person responsible for the reference document 9
1.2. Statement by the person responsible for the reference document 9
II. STATUTORY AUDITORS 10
2.1. Incumbent statutory auditors 10
2.2. Deputy statutory auditors 10
2.3. Group fees for the statutory auditors and members of their network 11
III. SELECTED FINANCIAL INFORMATION 12
3.1. Historical financial information 12
3.1.1. Condensed income statement 12
3.1.2. Quarterly revenues 12
3.1.3. Revenues and EBIT for each product range 12
3.1.4. Condensed balance sheet 13
3.1.5. Condensed cash flow statement 13
IV. RISK FACTORS 14
4.1. Specific risks for the Group and its organization 14
4.1.1. The Group depends on subcontractors for the manufacturing and assembly of its products 14
4.1.2. The Group depends on the development and extension of its commercial partnerships with its distributors and clients 14
4.1.3. The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets 14
4.1.4. The Group could face difficulties in deploying its Group products on Electronics mass retail markets 15
4.1.5. The Group is exposed to certain constraints through the Automotive business 15
4.1.6. The Group's success depends to a great extent on the development of Parrot's brand awareness 15
4.1.7. The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development 16
4.1.8. The Company's main shareholder has the power to influence the Company's corporate decisions 16
4.1.9. Future sales of Company shares could have an impact on the Company's stock price 16
4.1.10. The Company does not intend to pay out dividends to its shareholders in the near future 16
4.1.11. The company issues dilutive instruments which could have an impact on its capital 17
4.1.12. The elements affecting the fourth quarter could have material consequences on the Group's results 17
4.1.13. The Group could experience difficulties with integrating acquisitions 18
4.1.14. Goodwill impairment which could have a material impact on the Group's earnings could be recognized 18
4.2. Risk relating to the Group's sector 18
4.2.1. The Group is exposed to deteriorations in the economic environment 18
4.2.2. The Group is dependent on the market environment for automotive and electronic products 19
4.2.3. The Group may not be in a position to cope with growth in the markets 19
4.2.4. The Group may not be in a position to cope with competition, especially if this were to increase on its markets 19
4.2.5. The Group's target markets are subject to rapid technological change and frequent launches of new products 20
4.2.6. The Group's business depends on the electronic components market 20
4.2.7. The Group's activities are dependent on technical standards 20
4.2.8. The Group's activities are dependent on regulations governing cellphone use while driving 20
4.2.9. The Group's business is linked to regulations governing the use of Drones 20
4.3. Financial risks 21
4.3.1. Foreign exchange risk 21

4.3.2. Rate risk 21
4.3.3. Risk relating to treasury stock and equity interests 22
4.3.4. Liquidity and counterparty risk 22
4.3.5. Risks relating to off-balance sheet commitments 23
4.4. Legal risks 24
4.4.1. Risks relating to products 24
4.4.2. Intellectual property rights 24
4.5. Insurance and risk coverage 26
V. INFORMATION CONCERNING PARROT 28
5.1. Company history and development 28
5.1.1. Corporate name and registered office 28
5.1.2. Trade and company register, APE activity code 28
5.1.3. Incorporation and life of the Company 28
5.1.4. Legal form and governing legislation 28
5.1.5. History 28
5.2. Investments 30
5.2.1. Investments carried out 30
5.2.2. Investments underway 30
5.2.3. Future investments 30
VI. OVERVIEW OF THE GROUP'S ACTIVITIES 31
6.1. Main activities 31
6.1.1. Products and customers 31
6.1.2. New products and developments 37
6.2. Main markets 38
6.2.1. Drone market: pioneer and major player 38
6.2.2. Market for vehicle connectivity products 39
6.2.3. Market for consumer electronics products (connected devices) 40
6.3. Exceptional events 40
6.4. Issuer's dependency on patents, licenses, industrial, commercial or financial contracts, or new manufacturing techniques 41
6.5. Competitive environment 41
6.6. Parrot's strategy 41
6.6.1. Introduction 41
6.6.2. Global distribution 42
6.6.3. Significant investments in research and development 42
6.6.4. Flexible industrial strategy and effectively managed costs 43
6.6.5. Opportunistic optimization of sales and marketing investments 45
6.6.6. Customer service and after-sales service 46
6.7. Human resources and environmental data 47
6.7.1. Parrot's share included in the Gaia Index 47
6.7.2. Methodology 47
6.7.3. Continuous quality improvement 48
6.7.4. Societal commitments to sustainable development 48
6.7.5. Information on societal commitments to sustainable development: regional, economic and social impact of the Company's activity 54
6.7.6. Report by one of the statutory auditors, appointed as an independent third party, on the consolidated social, environmental and societal information 55
VII. STRUCTURE 58
7.1. Group structure 58
7.2. Presentation of the Group's companies 58
7.3. Investments in associates 61
7.3.1. Majority investments 61

7.3.2. Minority investments 61

VIII. PROPERTY, PLANT AND EQUIPMENT 62

IX. REVIEW OF THE FINANCIAL POSITION AND EARNINGS 63

9.1. Review of the financial position 63
9.1.1. Change in revenues 63

9.2. Change in consolidated earnings 64
9.2.1. Revenues 64
9.2.2. Cost of sales and gross margin 64
9.2.3. Operational costs 64
9.2.4. Income from ordinary operations 65
9.2.5. Financial income and expenses 65
9.2.6. Earnings for the period 66

9.3. Change in Parrot S.A. earnings 66
9.3.1. Main income statement items for Parrot S.A. 66
9.3.2. Main balance sheet items for Parrot S.A. 66

9.4. External factors which might influence the Group's activities 67

9.5. Five-year financial summary 68

X. CASH AND CAPITAL 69

10.1. Cash 69

10.2. Sources and amount of cash flow 70
10.2.1. Net cash from operations 70
10.2.2. Cash from investment activities 70
10.2.3. Net cash from financing activities 70

10.3. Company financing lines 70

10.4. Credit agreement 71
10.4.1. Information concerning the use of financial instruments 71
10.4.2. Use of credit agreements in 2014 71

10.5. Contractual obligations 71

XI. RESEARCH AND DEVELOPMENT 72

11.1. R&D organization and strategy 72
11.1.1. Innovation strategy and process 72
11.1.2. R&D organization 72

11.2. Group technologies 74
11.2.1. Signal processing 74
11.2.2. Parrot ASIC platforms 75
11.2.3. Expertise in the Bluetooth technology 75
11.2.4. Development of extended connectivity 75
11.2.5. Mechanical conception and design 76
11.2.6. Electronics 76
11.2.7. Software development 76
11.2.8. Image processing technologies 76
11.2.9. Multistandard digital radio and television 76
11.2.10. Ultralight commercial drones 77

11.3. Intellectual and industrial property 77
11.3.1. Brands and marks 78
11.3.2. Patents 78
11.3.3. Domain names 78
11.3.4. Software 79
11.3.5. Designs and models 79

XII. INFORMATION ON TRENDS 80

12.1. Main trends with an impact on production, sales and inventories, sales prices and costs from the end of the last financial year through to the reference document registration date 80

12.2. Known trends, uncertainties or demand or any commitment or event which might reasonably have a significant impact on the outlook for the current financial year 80

XIII. FINANCIAL OUTLOOK 81

13.1. Outlook for 2015 81

13.2. Additional information 81

XIV. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE BODIES 82

14.1. Board of Directors 82

14.1.1. Offices held by directors and executives over the past five years 83
14.1.2. Director biographies 85
14.1.3. Additional information on the members of the Board of Directors 87

14.2. Conflicts of interest 87

XV. COMPENSATION AND BENEFITS 89

15.1. Compensation and benefits in kind for the Company's executive officers 89

15.1.1. Principles and rules defined by the Board for determining compensation and benefits of any kind awarded to corporate officers 89
15.1.2. Executive officer compensation 89

15.2. Compensation and benefits in kind for Company directors and other corporate officers 90

15.3. Company provisions for pensions or other benefits for directors and other corporate officers 91

15.4. Corporate officer interests in the Company's capital 91

15.4.1. Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market 91
15.4.2. Securities entitling holders to access the capital 92

XVI. ADMINISTRATIVE AND MANAGEMENT BODY OPERATIONS 93

16.1. Company management 93

16.2. Service agreements between members of the Board of Directors and the Company or any of its subsidiaries 93

16.3. Permanent committees 94

16.3.1. Appointments and Compensation Committee 94
16.3.2. Audit Committee 94

16.4. Temporary committee 94

16.5. Corporate governance 94

16.5.1. Details and application of recommendations from the MiddleNext Governance Code 95

16.6. Internal control procedures put in place by the Company 97

16.6.1. Internal control scope 97
16.6.2. Company objectives concerning internal control procedures 97
16.6.3. General internal control structure 97
16.6.4. Overview of the internal control procedures in place 98
16.6.5. Specific conditions for shareholder participation in general meetings 99
16.6.6. Elements likely to have an impact in the event of a public offering 99

16.7. Statutory auditors' report on the report drawn up by the Chairman of the Board of Directors of Parrot S.A. 100

XVII. EMPLOYEES 101

17.1. Human resources 101

17.1.1. Structure of the group 101
17.1.2. Workforce 101
17.1.3. Executive managers 101

17.2. Company founder equity warrants, stock options and bonus shares for Group staff 103

17.2.1. Company founder equity warrants 103
17.2.2. Stock warrants 103
17.2.3. Bonus shares 105
17.3. Mandatory profit-sharing agreements 105
17.4. Voluntary performance-related bonus agreement 105
XVIII. MAIN SHAREHOLDERS 106
18.1. Shareholding structure 106
18.1.1. Current breakdown of the share capital and voting rights 106
18.1.2. Change in the Company's capital 107
18.2. Voting rights 107
18.3. Issuer's control 107
18.4. Agreements whose implementation could result in a change of control 107
18.5. Information on the change 108
XIX. OPERATIONS WITH RELATED PARTIES 110
19.1. Information on regulated agreements and commitments 110
19.2. Statutory auditors' special report on regulated agreements and commitments 110
XX. FINANCIAL INFORMATION CONCERNING THE ASSETS, LIABILITIES, FINANCIAL POSITION AND EARNINGS 112
20.1. Consolidated financial statements 112
20.1.1. Consolidated income statement 112
20.1.2. Comprehensive income statement 113
20.1.3. Consolidated balance sheet 113
20.1.4. Consolidated cash-flow statement 114
20.1.5. Change in consolidated shareholders' equity 115
20.2. Notes to the 2014 consolidated financial statements 115
20.3. Statutory auditors' report on the consolidated financial statements for 2014 151
20.4. Parrot S.A. financial statement 153
20.4.1. Parrot S.A. balance sheet 153
20.4.2. Parrot S.A. income statement 155
20.4.3. Notes to Parrot S.A.'s financial statements 156
20.5. Statutory auditors' report on the annual financial statements 171
20.6. Interim financial information 173
20.7. Dividend payment policies 173
20.8. Arbitration and judicial proceedings 173
20.9. Significant change in the commercial or financial position 173
XXI. ADDITIONAL INFORMATION 174
21.1. Share capital 174
21.1.1. Amount of the share capital 174
21.1.2. Non-capital securities 174
21.1.3. Shares bought back over the year 174
21.1.4. Potential capital 175
21.1.5. Authorized capital not issued 175
21.1.6. Information on conditions governing the capital 177
21.1.7. Changes to the share capital 178
21.2. Bylaws 178
21.2.1. Company's corporate purpose 186
21.2.2. Administrative, management and supervisory bodies 186
21.2.3. Rights and obligations associated with the shares 186
21.2.4. Changes to shareholder rights 186

21.2.5. Conditions for convening and admission at general meetings 186
21.2.6. Clause likely to influence the Company's control 186
21.2.7. Disclosure threshold 186
21.2.8. Specific stipulations governing changes to the capital 186

XXII. SIGNIFICANT CONTRACTS 187

22.1. Contract to acquire the company senseFly 187

22.2. Contract to acquire the company Pix4D 187

XXIII. INFORMATION FROM THIRD PARTIES 188

XXIV. PUBLIC DOCUMENTS 189

XXV. EQUITY INTERESTS 190

XXVI. INFORMATION PUBLISHED DURING THE PAST 12 MONTHS 191

26.1. Regular and one-off disclosures 191

26.2. Information released to the trade and specialized press 191

26.3. Financial advertising 191

26.4. Information published in the French official gazette (BALO) 192

XXVII. RESOLUTIONS FOR THE GENERAL MEETING ON JUNE 30, 2015 193

27.1. Ordinary general meeting 193

27.2. Extraordinary general meeting 195

27.3. Statutory auditors' report on the capital operations provided for under Resolutions 10 to 13 from the combined general meeting on June 30, 2015 201

Note to readers

K€ = thousand euros (€'000)

M€ = million euros (€'000,000)

Dates: Most dates are in English however, unless otherwise specified, the French "dd/mm/yyyy" format can be used.

This reference document was registered May 7, 2014 which is the record date for any information given with statements such as "on the filing date of this reference document" or "as on the date of the present reference document".

Parrot will not assume responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

General comments

The company Parrot is referred to as the “Company”. The “Group” refers to the Company and its subsidiaries: Parrot Inc., Parrot Italia S.r.l., Parrot UK Ltd, Parrot GmbH, Parrot Asia Pacific Ltd, Parrot Trading (Shenzhen) Ltd, Parrot Iberia, S.L., Parrot Japan KK, Chez Parrot S.A. RL, Parrot Anz Limited, senseFly S.A. and Pix4D.

Investors are invited to carefully review the risk factors presented in Section IV “Risk factors” of the present reference document before taking their investment decision. If all or part of such risks were to occur, this would have an unfavorable impact on the Group's activities, position, financial results.

This reference document presents:

- The Company's corporate financial statements for the 12-month period ended December 31, 2014, prepared in accordance with French generally accepted accounting principles;
- The Group's consolidated financial statements for the 12-month period ended December 31, 2014, prepared in accordance with international financial reporting standards (IFRS and IAS) and their interpretations, which have been adopted by the European Union at December 31, 2014.

The figures of the present reference document are expressed in “million euros” (€'000,000 / M€) or “thousand euros” (€'000 / K€), rounded off to the nearest decimal.

Historical financial information

In accordance with Article 28 of European Regulation 809/2004 of the European Commission of April 29, 2004 and with Article 212-11 of the AMF's general regulations, the present reference document includes references to the following information which readers are invited to refer to:

- For the year ended December 31, 2012: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on page 135 to 184 of Parrot's reference document filed with the AMF on April 30, 2013 under number D.13-0493.
- For the year ended December 31, 2013: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on pages 112 to 163 of Parrot's reference document filed with the AMF on May 7, 2014 under number D.14-0505.

I. Responsibility for this document

1.1. Person responsible for the reference document

Henri Seydoux, Chairman and CEO

174 quai de Jemmapes – 75010 Paris

Tel: +33 1 48 03 60 60

1.2. Statement by the person responsible for the reference document

I certify that, having taken all reasonable measures to this effect, the information contained in the present reference document is, to the best of my knowledge, fair and accurate in all material respects and free from any omissions that could alter its substance.

I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with the accounting standards applicable and faithfully reflect the assets, liabilities, financial position and earnings of the Company and all of the companies included in the basis for consolidation, and that the management report, included in this reference document (with its contents indicated in the index of headings on Page 194), faithfully reflects the change in the business, earnings, and financial position of the Company and all the consolidated companies, as well as a description of the main risks and uncertainties faced by them.

I have received a completion letter from the statutory auditors, "Ernst & Young et Autres" and "KPMG AUDIT IS", in which they indicate that they have verified the information relating to the financial position and financial statements given in this reference document and that they have reviewed the entire reference document.

The historical financial information presented in this reference document has been reported on by the statutory auditors, as presented on Page 166 of the 2012 reference document and Page 163 of the 2013 reference document. The statutory auditors' reports on the consolidated financial statements for the years ended December 31, 2012 and December 31, 2013 do not contain any observations.

The statutory auditors' report on the consolidated financial statements for the year ended December 31, 2014 (Page 140 of this reference document) does not contain any observations.

The statutory auditors' reports on the annual financial statements for the years ended December 31, 2012 and 2013 (Page 184 of the 2012 reference document and Page 163 of the 2013 reference document) and December 31, 2014 (Page 159 of this reference document) do not contain any observations.

Paris, April 30, 2015



Henri Seydoux

Chairman and Chief Executive Officer

II. Statutory auditors

2.1. Incumbent statutory auditors

- KPMG AUDIT IS, represented by Mr Eric Lefebvre
  Immeuble Le Palatin – 3 cours du Triangle – 92939 Paris La Défense Cedex - France
  Nanterre trade and company register 512 802 653

KPMG AUDIT IS was appointed as the incumbent statutory auditor at the general meeting of June 4, 2013, for six (6) financial years in replacement of KPMG SA whose mandate expired during the general meeting convened to approve the financial statements for the fiscal year ending December 31, 2018.

- ERNST & YOUNG SAS, represented by Mr Pierre Jouanne
  1/2 place des Saisons – Paris La Défense 1 – 92400 Courbevoie - France
  Nanterre trade and company register 342 528 825

ERNST & YOUNG SAS was appointed as the incumbent statutory auditor at the general shareholders' meeting on June 6, 2012, for six (6) financial years through to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2017.

2.2. Deputy statutory auditors

- KPMG AUDIT ID
  Immeuble Le Palatin – 3 cours du Triangle – 92939 Paris La Défense Cedex
  Nanterre trade and company register 512 802 489

KPMG AUDIT ID was appointed as the deputy statutory auditor at the general shareholders' meeting of June 4, 2013 for six (6) financial years through to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2018.

- AUDITEX SAS,
  1-2 place des Saisons – Paris La Défense 1 - 92400 Courbevoie - France

Auditex SAS was appointed as the deputy statutory auditor at the general shareholders' meeting on June 6, 2012, for six (6) financial years through to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2017.

2.3. Group fees for the statutory auditors and members of their network

■ Group fees for the statutory auditors and members of their networks

	KPMG				Ernst & Young			
	Euros net of tax		%		Euros net of tax		%	
	2013	2014	2013	2014	2013	2014	2013	2014
AUDITING								
Statutory auditing, certification, review of individual and consolidated accounts								
- Issuer	122 300	157 500	67%	65%	142 000	157 000	80%	72%
- Fully-consolidated subsidiaries	60 000	70 000	33%	29%	35 000	35 000	20%	12%
Other audits and services linked directly to the statutory auditing assignment								
- Issuer	-	16 500	-	9%	-	20 550	-	10%
- Fully-consolidated subsidiaries								
Subtotal	**182 300**	**241 900**	**100%**	**100%**	**177 000**	**217 100**	**100%**	**100%**
Other services provided by networks to fully-consolidated subsidiaries								
- Legal, tax, social	35 284	37 500	100%	100%	-	-	-	-
- Other	-	-	-	-	-	-	-	-
Subtotal	**35 284**	**37 500**	**100%**	**100%**	**-**	**-**	**-**	**-**
TOTAL	**217 584**	**274 400**	**100%**	**100%**	**177 000**	**217 100**	**100%**	**100%**

III. Selected financial information

The historical financial information selected by the Group and presented hereafter is extracted from the Group's consolidated financial statements for the years ended December 31 prepared under IFRS and as set out in Section 20.2.2 under "Note 2 - Accounting rules and methods". This note details the methods retained for the preparation of these consolidated accounts.

3.1. Historical financial information

This financial information must be read alongside the financial statements presented in Chapter XX below "Financial information concerning the assets, liabilities, financial position and earnings" concerning the assets, liabilities, financial position and earnings" in the present reference document. The following data are extracted from the Group's consolidated financial statements for the years ended December 31, 2012, 2013 and 2014.

3.1.1. Condensed income statement

'000 euros	2012	2013	2014	2014 / 2013 as %
Revenues	**280 529**	**235 150**	**243 871**	**+4%**
Gross margin	**142 883**	**118 308**	**128 508**	**+9%**
% of revenues	*50.9%*	*50.3%*	*52.7%*	
Income for ordinary operations (1)	**31 783**	**6 273**	**1 113**	**-82%**
% of revenues	*11.3%*	*2.7%*	*0.5%*	
Non-recurring items	-303	-198	-514	+160%
EBIT	**31 481**	**6 075**	**599**	**-90%**
% of revenues	*11.2%*	*2.6%*	*0.2%*	
Net income, Group share	**24 534**	**1 557**	**-2 592**	**NA**
% of revenues	*8.7%*	*0.7%*	*-1.1%*	
Non-controlling interests	-224	-366	-263	-28%

3.1.2. Quarterly revenues

'000 euros	Q1	Q2	Q3	Q4
2014 revenues per quarter	**47 919**	**51 947**	**63 635**	**80 371**
2013 revenues per quarter	57 438	61 811	55 415	60 485
2012 revenues per quarter	64 438	70 669	72 410	73 013

Also see Section 4.1.12 "Elements affecting the fourth quarter that could have material consequences on the Group's results".

3.1.3. Revenues and EBIT for each product range

- Main aggregates for each business

Consolidated accounts - IFRS (€M)	Drones	Automotive	Connected Devices	Other
2014 revenues	**82.9**	**135.0**	**23.9**	**1.9**
2014 EBIT	**0.1**	**10.3**	**-7.2**	**-2.1**
% of revenues	*0%*	*8%*	*-30%*	*-105%*
2013 revenues	**42.1**	**162.6**	**29.5**	**1.0**
2013 EBIT	**0.1**	**14.3**	**-5.8**	**-2.4**
% of revenues	*0.4%*	*8.8%*	*-19.7%*	*NS*

EBIT for each segment comprises:

- Revenues for each segment;
- Production costs and operating expenditure (R&D, sales and marketing costs) for each segment;
- Allocation of costs for the functional divisions, prorated to revenues.

3.1.4. Condensed balance sheet

'000 euros	2012	2013	2014	2014 / 2013 (%)
Goodwill	41 570	38 659	39 952	+3%
Non-current assets	40 837	47 120	60 553	+29%
Current assets	222 684	192 795	210 157	+9%
Total assets	**305 091**	**278 574**	**310 663**	**+12%**
Shareholders' equity	188 546	183 514	183 813	-
Non-controlling interests	-224	-611	-880	+44%
Non-current liabilities	38 609	30 355	28 809	-5%
of which, long-term financial debt	18 688	11 854	5 189	-56%
Current liabilities	78 160	65 315	98 920	+51%
of which, short-term financial debt	6 329	7 595	7 308	-4%
Total liabilities	305 091	278 574	310 663	+12%

3.1.5. Condensed cash flow statement

'000 euros	2012	2013	2014	2014 / 2013 (%)
Cash and equivalents - year-start	**83 530**	**73 113**	**54 263**	**-26%**
Cash flow from operations	41 218	18 690	14 210	-24%
Working capital	-18 095	10 605	5 464	-48%
Net cash flow from operating activities	19 158	23 614	15 866	-33%
Cash flow from investment activities	-20 344	-17 375	-23 243	+34%
Cash flow from financing activities	-9 275	-23 455	19 059	-187%
Cash and equivalents - year-end	**73 113**	**54 263**	**70 338**	**+30%**
Other current financial assets	33 107	42 671	19 380	-55%
Net cash position	106 219	96 934	89 717	-7%

IV. Risk factors

The Company has reviewed the risks that might have a material adverse impact on its business, financial position or earnings and considers that there are no other material risks to report apart from those presented hereafter.

4.1. Specific risks for the Group and its organization

4.1.1. The Group depends on subcontractors for the manufacturing and assembly of its products

The Group is organized around a "fabless" model and does not operate any manufacturing or logistics units. The manufacturing and assembly of the Group's products are performed by a limited number of subcontractors. If contractual relations are broken off or difficulties are encountered with one of these subcontractors in relation to meeting their contractual commitments, and more specifically product quality or deliveries within the timeframes agreed on, or satisfying further increases in the Group's manufacturing requirements in the future, this could notably lead to stock shortages or higher manufacturing costs for the Group and have an unfavorable impact on its business, development, earnings and financial position.

Based on the consolidated financial statements, the Group's purchases with its leading subcontractor represented around 63.2% of the Group's purchases in 2014, compared with 64.2% in 2013.

Partnerships between the Group and its manufacturing, assembly and logistics subcontractors have been built up over several years in order to accompany the Group and are subject to a contractual framework. To date, the Group has never experienced any difficulties with its subcontractors. However, the Group cannot guarantee that this will continue in the future. To limit this risk the Group continuously works on double sourcing its strategic components through a buffer stock policy implemented with the subcontractors to sustain superior reactivity.

Furthermore, manufacturing and assembly operations are carried out for the majority of the Group's products by subcontractors based in China. The legal, economic, climatic, health, political or geopolitical context in this region could involve risks, particularly in terms of instability. The geographical distance involved with these production sites also results in longer transport times than if they were located in Europe. Within this context, the Group could experience difficulties meeting its customers' demands in the event of delays with deliveries or failings by any of its logistics providers.

4.1.2. The Group depends on the development and extension of its commercial partnerships with its distributors and clients

Although it maintains good relations with most of its commercial partners, the Group cannot guarantee the long-term viability of the various agreements entered into with its current partners beyond the term of their contracts, or compliance with contractual commitments (notably targets for sales, sales force deployment or marketing investments), nor can it guarantee that it will be able to develop the commercial partnerships needed for the development of its activities. If these risks were to occur, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

The top 10 clients represented 30.1% of consolidated revenues in 2014, compared with 34.0% in 2013.

The terms of payment usually applied vary from one country to another, but the average is around 66 days. Traditionally, the Group starts a commercial relationship with a new customer with payment on ordering, and only authorizes longer terms of payment when the commercial relationship is developing healthily and is likely to be long-term. The amount of bad debt recorded in 2014 represented 0.84% of the Group's revenues compared with 0.37% in 2013.

4.1.3. The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets

92% of the Group revenues are generated outside of France. The international deployment of the Group's activities is likely to generate new risks and difficulties due in particular to:

- Group's lack of experience in certain regions where it could expand;
- Potentially unfavorable tax impacts;
- Quantitative and pricing restrictions on import-export operations and protectionist practices and regulations favoring local businesses in certain countries;
- A potential extension of terms of payment for sales made in certain foreign countries;
- More restrictive legislation and regulations applying to the Group's products;
- Limited intellectual property protection in certain countries; and
- Political and / or economic instability in certain countries where the Group does business.

If these factors were to materialize, this would have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.4. The Group could face difficulties in deploying its Group products on Electronics mass retail markets

The success of the Group's products with the general public depends to some extent on their quality and reliability. Despite the Company's proven technical and technological expertise in the automotive sector, in which quality requirements are more demanding than for Connected Devices, the Group cannot guarantee that its new wireless devices for mobile phones will not have any faults, will be in line with consumers' expectations, will not lead to any returns (greater than expected by the Group) and will not result in any claims against its liability.

Furthermore, the wireless devices for mobile phones are distributed in part through distribution channels on which the Group has less experience than with specialized channels for auto accessories in particular, which it has traditionally used. The significant successes achieved by the Parrot Zik since 2012, have contributed towards more effective management of the risks relating to its new Retail products. However, the development and marketing of wireless devices for mobile phones, particularly outside of the automotive sector, involve a certain number of risks which could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.1.5. The Group is exposed to certain constraints through the Automotive business

In 2014, Automotive revenues (55% of Group revenues, versus 69% in 2013) totaled 135.0 million euros, down 17% from the previous year. The established Bluetooth solutions generated 120.1 million euros in revenues for 2014 (-18%), with new infotainment solutions coming in at 14.9 million euros (-9%). Two infotainment contracts scheduled to be brought into production at the end of the year have been put back to 2015. In total, Parrot's infotainment offer has been selected by nine brands worldwide.

Parrot, pioneering the development of in-car infotainment technologies, has chosen a mid to high-end positioning, adapted to its expertise and scale, with a view to serving manufacturers' needs over the long term. At the end of the fourth quarter, the Group acknowledged the time required for new models of connected vehicles to emerge, driving far-reaching changes within the auto industry, and launched a strategic review in order to identify the best conditions for ensuring the development of its product and client portfolio.

4.1.6. The Group's success depends to a great extent on the development of Parrot's brand awareness

The Group's sales growth and global brand recognition show that the Parrot brand is today well considered and recognized on these key markets. The Group is also forging ahead with efforts to raise Parrot's brand awareness with consumers.

The development of this brand awareness is dependent more specifically on the Group's ability to offer end customers innovative products that are in line with their expectations, in terms of the quality of its products and its after-sales service, as well as its ability to develop attractive commercial operations in appropriate distribution channels. However, the Group cannot provide any guarantee that the efforts made to achieve this will succeed. If the Group is unable to defend and further strengthen the Parrot brand, it could notably result in a reduction in its market shares could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.7. The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development

The Group's success depends on the quality and experience of the members of the Company's management team, including Henri Seydoux, Chairman and Chief Executive Officer and the Company's main shareholder on the filing date for this reference document. The Company's management team has vast experience of the market in which the Group operates and the majority of the management team have been with Parrot for several years (cf. 17.1. Human resources of the present reference document). Furthermore, bonus shares and / or stock options for Company shares, contributing significantly to their loyalty. However, the Group cannot provide any guarantee that these key members of staff will continue to work within the Group.

In addition, the Group's success is linked to the expertise of its research and development team and its sales team. To ensure the long-term viability of its business, the Group more specifically ensures that the engineers in its research and development team have a range of skills. The Group's future success will depend in particular on its ability to attract, train, retain and motivate highly qualified staff and executives, but there is no guarantee that the Group will be able to achieve this.

The departure of one or more key members of staff or executives or the Group's inability to attract highly qualified staff could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.8. The Company's main shareholder has the power to influence the Company's corporate decisions

On the date when this reference document was published, Henri Seydoux held 35.8% of the Company's capital and voting rights through the holding company Horizon, which he controls (cf. 15.4.1 Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market).

In this way, with the Company's other shareholders not owning a very high interest, he could adopt all the resolutions submitted for approval by shareholders at general meetings. Henri Seydoux may in the future have a decisive influence over most of the Company's corporate decisions (e.g. payment of dividends, appointment of members of the Board of Directors, approval of financial statements or any decision to carry out significant operations for the Company) (cf. 18.3 Issuer's control).

4.1.9. Future sales of Company shares could have an impact on the Company's stock price

If one of the Company's principal shareholders, and Henri Seydoux in particular, were to sell off a significant number of Company shares on the market or the market were to perceive such a sale as imminent, this could result in a reduction in the Company's share price.

On the filing date for this reference document, no operations to acquire, sell, subscribe for or exchange securities on the stock market had been carried out by any executives or any parties closely related to them with the exception of an asset transfer operation presented in 15.4.1 Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market.

4.1.10. The Company does not intend to pay out dividends to its shareholders in the near future

The Company has not paid out any dividends during the last three financial years.

To date, the Company intends to use its operating cash flow to finance its business over the short and medium term. The Company does not intend to pay out any dividends to its shareholders in the near future. If the Company is considering the payment of dividends, the decision to pay such dividends and, in this case, the amount of such dividends will depend on the facts and circumstances seen when the decision is taken.

4.1.11. The company issues dilutive instruments which could have an impact on its capital

The total number of Company shares that may be issued further to the exercising of securities entitling holders to access the Company's capital at December 31, 2014 represents:

- Stock warrants: 507,915 shares, representing a potential dilution of approximately 3.98% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury shares;
- Bonus shares: 180,600 shares, with no potential dilution: traditionally the company acquires its own shares on the financial market through its share buyback program authorized at the General Shareholders meetings.

Breakdown of the Company's capital structure at December 31, 2014



For further details, please refer to the following sections: 15.4.2 Securities entitling holders to access the capital, 17.2 Company founder equity warrants, stock options and bonus shares for Group staff, and Note 21.1.4 “Potential capital”.

The Group's earnings are subject to fluctuations which make them difficult to forecast.

The Group's earnings may vary significantly from one quarter to the next (cf. 4.1.12), particularly since the Group is developing its products on new markets or is likely to receive significant orders from its Key Account customers. This fluctuation can make it difficult to use quarterly earnings as indicators for possible future trends, and could have an unfavorable impact on the Group's business, development, earnings or financial position.

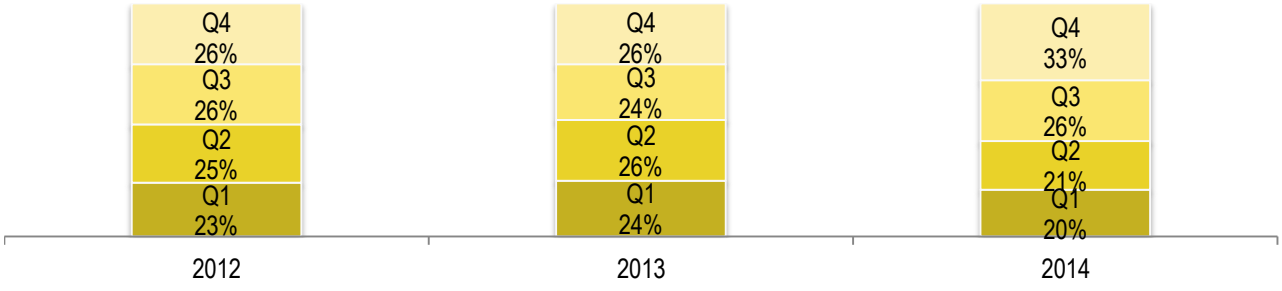
In addition to general economic factors and factors affecting companies in general, a certain number of factors which are specific to the Group and its business sector may result in quarterly variations, and more specifically:

- The variations in the US dollar ($) in relation to the euro (€), and more specifically the Group's exposure to the US dollar (cf. 4.3.1. “Foreign exchange risk” hereafter); and
- The relative weighting of each one of the products that the Group may offer, particularly due to the variable nature of the margins achieved on its various products;
- The Group's ability to reduce manufacturing costs for its products in order to maintain its margins.

4.1.12. The elements affecting the fourth quarter could have material consequences on the Group's results

The percentage of revenues generated during the 4th quarter each fiscal year is significant, particularly due to the high level of sales linked to the end-of-year holidays period. Unfavorable events arising during the 4th quarter of the year could have a disproportionate impact on earnings for the whole year in question.

During the previous three years, the breakdown of revenues for each quarter was as follows:



4.1.13. The Group could experience difficulties with integrating acquisitions

In connection with its development the Group could implement an external growth strategy and may carry out acquisitions or investments.

As such, the Group acquired in 2011 100% of the ownership of Varioptic and DiBcom, specialized respectively in digital optics and mobile digital radio-television. In 2012, the Group also acquired 60% of senseFly and 31% of Pix4D (increased to 55% in January 2014), two companies operating in the commercial drone sector.

No guarantees may be given that the Group will manage to successfully integrate the companies, technologies or assets acquired, generate the synergies expected, maintain uniform policies, procedures, controls and standards, maintain good relations with staff from the entities acquired or that the additional revenues generated by each acquisition will justify the price paid for the acquisitions in question. Any failure in terms of integrations could have an unfavorable impact on the Group's business, development, earnings or financial position.

The companies acquired represent additional technological components with development plans over several years. At this stage, the Group believes it is too early to comment on the specific risk related to these acquisitions.

4.1.14. Goodwill impairment which could have a material impact on the Group's earnings could be recognized

The Company recorded goodwill of 39.9 M€ in its consolidated accounts further to the acquisitions of:

- a 100% stake in Inpro Tecnologià S.L. in 2006,
- a 100% stake in Waveblue LLC in 2007,
- Varioptic and DiBcom in 2011 accounted as business combination where the goodwill generated was 3.4 M€ for Varioptic and 15.0 M€ for DiBcom,
- An external growth operation in 2012, resulting in the recognition of 2 M€ of goodwill in relation to senseFly.
- An operation to acquire a 24.67% interest on January 29, 2014, following the 31% acquired on September 18, 2012, with 1.6 M€ in goodwill for Pix4D;

With IFRS, goodwill is not depreciated, but subject to an annual impairment test under IAS 36. If the recoverable value is lower than the book value of the goodwill, an impairment in the value of the goodwill is recognized, particularly further to events or circumstances with lasting and significant unfavorable changes affecting the economic environment or the assumptions or objectives retained on the acquisition date.

The Company cannot guarantee that there will not be any unfavorable events or circumstances in the future which might result in it reviewing the book value of goodwill and recording significant impairments, which could have a significant unfavorable impact on the Group's earnings.

Furthermore, in connection with the annual impairment test, the goodwill is allocated to the cash generating units identified within the Group. At December 31, 2014, four cash generating units are defined based on the Group's organization: Automotive, Connected Devices, Drones and Other. As a result of these tests, the Group recognized a 0.6 million euro impairment in 2014 for the Varioptic CGU (2.80 M€ impairment recorded for the Varioptic CGU in 2013). Any subsequent changes in the Group's organization or changes to IFRS could also result in the Group recording impairments and have a significant negative impact on the Group's earnings.

4.2. Risk relating to the Group's sector

4.2.1. The Group is exposed to deteriorations in the economic environment

The Group's business is subject to the general economic conditions in its key markets. The products sold to general consumers (57% of consolidated revenues in 2014) are linked in particular to consumer spending, while the products sold to key accounts and professionals (43% of consolidated revenues in 2014) are linked to the automotive industry's performance and the growing development of the market for commercial and civil drones.

In most countries, consumer spending on electronics equipment is linked to the general economic climate and tends to decline during periods of economic crisis, unemployment, reductions in consumer spending levels and increases in cost of living and inflation.

The diversified geographical spread of the Group's activities may help mitigate the difficulties encountered on certain markets (see 20.2.4. Notes to the consolidated financial statements for 2014: Note 4 - Segment reporting of this reference document).

In this way, a global deterioration in the economic environment or the automotive and retail electronics markets could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.2.2. The Group is dependent on the market environment for automotive and electronic products

The connected devices market is closely linked to the economic environment. The deterioration in the global economic environment is increasing the Group's uncertainty in terms of assessing its potential for growth.

On the automotive market, the rate of growth is still difficult to determine and depends on various factors, including the economic environment, the penetration rate for the various in-vehicle solutions offered by Parrot and even the price of options sold by the manufacturers.

A global deterioration in the economic environment or the automotive and connected devices markets could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.2.3. The Group may not be in a position to cope with growth in the markets

Considering the specific features of the connected devices market and the automotive industry's demands, effective management of inventories and the whole supply chain is essential to the Group's commercial success. In addition, growth in activities requires the Group to organize itself in order to meet demand and manage supplies, manufacturing and sales networks.

The complexity of the management of sourcing and logistics flows could be heightened by the increase in the number of models, products and customers. In view of the seasonal nature of some of its products, particularly during the 4th quarter each year, and of the supply cycle of approximately 4 to 5 months, the Group is constantly looking to ensure that its inventory levels are appropriate. However, risks of stock shortages cannot be ruled out.

Furthermore, the Group must ensure that suitable sales teams are put in place in line with demand. These teams may be managed directly by the Group or indirectly by distributors abroad. In this way, the Group may not be able to recruit or train teams in sufficient numbers to meet the level of demand from its customers, which could have a significant unfavorable impact on its business, development, earnings or financial position.

Lastly, Parrot is positioned on various markets that are related to its traditional activities, on which the Group has identified further opportunities for growth. If these opportunities for growth were to materialize, this would only translate into additional revenues if Parrot was sufficiently prepared and notably had advanced technologies, assembly capacities, stocks of products and distribution networks in place.

4.2.4. The Group may not be in a position to cope with competition, especially if this were to increase on its markets

The markets on which the Group operates are competitive. The Group may not be able to effectively compete with its rivals, which could limit its ability to sell its products, reducing its market share.

In this way, certain players competing against the Group may have access to greater resources, particularly concerning financial, technical or commercial aspects. Acquisitions or other strategic operations carried out by such players could also weaken the Group's position in relation to the competition. If competition on the market for the Group's products was to increase, this could notably lead to the Group granting price cuts on its products. New products offered by rivals could offer benefits over the Group's products (particularly in terms of features, technology or cost), which could make the Group's products less appealing.

More specifically, on the market for new wireless devices for mobile phone (excluding the automotive world), the number of competitors is potentially higher than on the market covering handsfree products for vehicles; certain potential competitors have access to very significant financial, technical and commercial resources and could introduce new products, in direct competition with the Group's products.

Generally, the Group's competitive advantages result from its significant capacity for innovation, consolidated by its sound financial position, which enables it to be very responsive. However, if the Group was unable to cope faced with new competitors, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.2.5. The Group's target markets are subject to rapid technological change and frequent launches of new products

The market for the Group's products is characterized by accelerated technological change, increasingly demanding customers, frequent launches of new products and technological improvements. New products based on new or improved technologies or new communications standards could make the Group's existing products less appealing or harder to sell.

To maintain its competitive position, the Group constantly seeks to improve its existing products and develop new products in order to anticipate technological developments and satisfy the demands of its customers. If the Group does not succeed, its products could become hard to sell, which could have an unfavorable impact on its business, development, earnings or financial position.

The Group's product development process is highly complex and continuous development efforts. Any delay with the development and marketing of new or higher performance products, or any delay with adapting to technological changes could have an unfavorable impact on the Group's business, development, earnings or financial position. It seems particularly difficult to quantify and would also contribute to the disclosure of sensitive information concerning the competitive environment (cf. XII Information on trends and XIII Financial outlook).

4.2.6. The Group's business depends on the electronic components market

Components account for the majority of costs for finished products. The Group cannot guarantee that the price of certain basic electronic components will not increase significantly. Neither can the Group guarantee that all the components will always be available under similar conditions in terms of lead-times and volumes to those seen today.

To address the sourcing risk, the Group (i) has several subcontractors for several main components and (ii) may sometimes buy phases in advance and store items at its component assemblers' sites.

However, if these risks were to occur, particularly for components subject to a strong level of demand, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.2.7. The Group's activities are dependent on technical standards

The Group's products are based on specific technical standards and all types of connectivity, requiring choices to be made in terms of strategic technological platforms. The Group currently covers Bluetooth, Wifi and NFC connectivity, and more generally traditional radio connections, which are the recognized connectivity standards used in new technologies. However, the Group cannot guarantee that a new more effective, technology will not emerge and establish itself as a new standard and could experience delays with designing products or quality issues relating to design errors.

4.2.8. The Group's activities are dependent on regulations governing cellphone use while driving

Road safety legislation in the countries in which the Company sells its products, which more specifically forbids the use of hand-held telephones while driving, may be subject to future changes that could be unfavorable. Indeed, no guarantees can be given that any rapid or major changes to such legislation may occur, particularly with regard to forbidding any in-car phone use, even with a handsfree kit. However, the trends during the last few years have tended to encourage the use of products and solutions notably including voice recognition features and steering wheel-mounted centralized controls.

In this area, no significant changes occurred during 2014 that might indicate a less favorable context for the Company's business.

The announcement in France in early 2015 that it would be forbidden to wear earpieces while driving will support the products developed by the Company.

Reports monitoring global legislation for in-car phone use are notably available on Wikipedia in an article entitled “Mobile phones and driving safety”, which can be found online at: http://en.wikipedia.org/wiki/Mobile_phones_and_driving_safety.

4.2.9. The Group's business is linked to regulations governing the use of Drones

Legislation relating to the use of Drones in the countries where the Company sells its products is currently being revised or drawn up and/or potentially subject to future changes that could be unfavorable.

In particular, new regulations could restrict the possibilities for using recreational drones and/or require specific certification or qualifications, which could have an unfavorable impact on the Group's business, financial position and earnings.

4.3. Financial risks

4.3.1. Foreign exchange risk

The Group is exposed to two types of foreign exchange risk which may have an impact on earnings and equity: on the one hand, risks relating to the conversion, for drawing up the consolidated accounts, of the foreign currency accounts of consolidated subsidiaries with a different functional currency than the euro, and on the other hand, operational risks on operating or financial flows not denominated in the entities' operating currencies.

In 2014, since around 57% of the Group's revenues, 96% of the cost of sales and around 11% of operating expenditure were denominated in the US Dollar or currencies linked to the dollar, the Group is exposed to this currency's fluctuations against the euro.

To limit the impact of changes in the US Dollar on its profitability, the Group has developed sales denominated in this currency since 2006.

At end-December 2014, 38.7% of the Group's cash and other current financial assets was in USD or related currencies.

The exchange risk sensitivity table below presents the impact of a 10% appreciation or depreciation in the euro against the other currencies in terms of the amounts of trade receivables, trade payables and hedging financial derivatives. It also presents how this impact would be reflected in the accounts:

■ Foreign exchange risk for accounts receivable and payable

'000 euros	At December 31, 2014			
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation in currencies' exchange rates against the euro		10% appreciation in euro's exchange rates against the other currencies	
Trade receivables	10 723	-	-8 774	-
Other equity interest-related receivables	782	-	-640	-
Trade payables	-8 823	-	7 219	-
Financial derivatives	-	-	-	-

'000 euros	At December 31, 2013			
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation in currencies' exchange rates against the euro		10% appreciation in euro's exchange rates against the other currencies	
Trade receivables	6 646	-	-5 434	-
Other equity interest-related receivables	769	-	-630	-
Trade payables	-5 483	-	4 486	-
Financial derivatives	-	-	-	-

4.3.2. Rate risk

The Parrot Group's rate risk management policy involves limiting the risks of changes in rates for drawdowns on variable-rate credit lines. The Parrot Group adopts a policy which is intended to ensure that all or part of the exposure to changes in interest rates on borrowings is covered by fixed rates. The Group takes out interest-rate swaps and classes them as hedging for drawdowns on the variable-rate credit lines.

Lastly, the cash pooling system which has also been rolled out in order to optimize cash management within the Group, lending funds to or borrowing funds from subsidiaries as necessary, has made it possible to reduce the rate risks, repatriate surplus cash from certain subsidiaries and optimize the investment of free cash flow.

4.3.3. Risk relating to treasury stock and equity interests

The Group holds treasury stock in line with the share buyback program authorized by the general shareholders' meeting.

Parrot's share price has historically been subject to significant variations, both up and down. These variations, which may continue, are dependent on numerous factors, such as the Group's financial performance levels, the sector's financial performance levels, technological innovations and more generally fluctuations on the stock markets.

The value of treasury stock reclassified as equity represents 12,426 K€ for 582,819 shares, with an average share price of 21.32 euros.

On the publication date for this reference document, the Group held the following interests:

- 1.60% of the company NETATMO (operation carried out in 2013);
- 9.93% of the company DELAIR TECH (operation carried out in 2013);
- 23.26% of the company AIRINOV (operation carried out in 2014);
- 37.06% of the company EOS INNOVATION (operation carried out in 2014).
- 38.89% of the company MicaSense (operation carried out in 2014);

In addition, Parrot S.A.'s entire 20.0% interest in Da Fact, recorded under other financial assets and fully depreciated since 2012, was divested in 2014.

4.3.4. Liquidity and counterparty risk

Liquidity risk management is centralized by the Finance Division. Global cash management at Group level makes it possible to offset any internal cash requirements and surpluses.

Parrot's financing policy aims to ensure that the Group has the liquidity needed to finance its assets, its short-term cash requirements and its development at all times, in terms of both the duration and the amounts, at the lowest possible cost.

The Company has carried out a specific review of its liquidity risk and considers that it is in a position to cover its future maturities.

■ Financial assets at December 31, 2014

The counterparty risk represents the risk of a financial loss for the Group in the event of a customer or counterparty for a financial instrument failing to uphold its contractual obligations. This risk stems primarily from trade receivables.

The net book value of financial assets represents the Group's maximum exposure faced with the credit risk. At December 31, 2014, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 62.6 M€,
  in line with the Group's normal operating cycle;
- Other receivables: 26.0 M€
- Other current financial assets: 19.4 M€
- Cash and cash equivalents: 70.3 M€

In 2014, the Parrot Group's policy was to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

Faced with the counterparty risk on trade receivables, a provision is recorded for bad debt, which may correspond to all or part of the amount, determined in view of the probability of the debt being collected.

The credit risk is monitored at Group level by the « Cash & Credit Management » department. The Group monitors terms of payment with its subsidiaries on a monthly basis and records provisions for debts which it considers to be unrecoverable.

To protect itself against the credit risk and therefore cover its risk of non-payment, the Group has put in place procedures for collecting funds and blocking customer accounts.

A COFACE policy covers the non-collection of debt from certain French and foreign Company customers located within Regions “1” and “2” (respectively covering OECD countries and the rest of the world, based on criteria defined by COFACE) for sales of Company products, as well as sales made by the subsidiaries: Parrot GmbH, Parrot UK Ltd, Parrot Iberia S.L., Parrot S.r.l., Parrot Inc. and Parrot Asia Pacific Ltd. The amount of the cover represents 90% of the net debt covered excluding VAT.

Financial liabilities at December 31, 2014

At December 31, 2014, financial liabilities primarily comprised:

- 5.2 M€ in non-current financial liabilities (borrowings and debt with credit institutions for 3.7 M€, and sundry borrowings and financial debt for 1.5 M€);
- 7.3 M€ in current financial liabilities (borrowings and debt with credit institutions for 7.0 M€, sundry borrowings and financial debt for 0.3 M€);

Non-convertible bond

The final 213 K€ instalment on the non-convertible bonds, with an interest rate indexed against the three-month Euribor, was redeemed at the end of December 2014.

Sundry borrowings and financial debt

The repayment schedule for the interest-free OSEO advance received by Varioptic, initially repayable from September 2010, was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2014, the OSEO advance represented 418 K€, including 284 K€ under one year.

The fair value of the OSEO advance was estimated at 418 K€, factoring in the probability of advances being repaid, resulting from the probability of success with the projects funded and the discounting of cash flows based on a representative rate for the cost of debt (Euro Industrial BBB-, average maturity of five years, i.e. 4.5%). At December 31, 2014, senseFly had two conditional long-term loans for a total of 100 K€ and Pix4D had a similar loan for 108 K€ (government loans to support young businesses).

At December 31, 2014, an interest-free repayable advance from BPI France was also recorded in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop new-generation integrated circuits and equipment for 4G connected devices, particularly for the automotive market, for a total of 1,162 K€. This advance will be repayable in four installments from June 2018 to June 2021.

Borrowings and debt with credit institutions

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts are due to mature on July 1, 2016 and are indexed against the three-month Euribor.

To hedge its exposure to the interest rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€).

The Company also decided to apply hedge accounting for these two instruments at December 31st.

At December 31, 2014, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 10.5 M€ (LCL: 6.0 M€ and HSBC: 4.5 M€)
  (Long-term: 3.5 M€; Short-term: 7 M€)
- Fair value of swaps: 191.8 K€

4.3.5. Risks relating to off-balance sheet commitments

At December 31, 2014, the Company's commitments concerned future payments relating to operating leases that may not be terminated:

K€	2014 gross value
2015	1 312
2016	658
2017	86
Total	**2 057**

On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company JADE SAS for a maximum of 0.5 M€ for the effective fulfillment by its subsidiary Chez Parrot S.A. RL of its commitments in relation to its lease for the premises at 30 rue du Quatre-Septembre in Paris (75002).

senseFly has joint liability for 122 K€ in relation to the tenant of the former premises through to October 31, 2015.

Parrot S.A. has granted a parent company guarantee to the supplier Jabil as collateral for the contractual commitments of its subsidiary Parrot Asia Pacific Ltd for 27 M$.

A bank guarantee has been given to the French customs authorities for 300 K€.

At the start of the second half of 2014, 5 M€ of investment collateral were renewed as a guarantee for the agreement to open a drawdown credit facility with Crédit Agricole d'Ile de France.

At December 31, the amount of firm orders placed with the main suppliers came to a total of 47 M€.

4.4. Legal risks

4.4.1. Risks relating to products

The complex products marketed by the Company could be subject to design, manufacturing or operating faults, when launching a new product or releasing new versions or even if products are not compliant with regulatory requirements, this could expose the Company to risks of administrative and/or criminal penalties. Manufacturing faults affecting the reliability of products could also result in damages for its customers, who could claim compensation from the Company. If such claims were to arise, the Company's defense would take time, would be expensive and could tarnish its reputation, which could result in the loss of customers and a reduction in its revenues.

The cover provided under the various insurance policies may not be enough to protect against these risks. In 2014, the Company did not experience any potential issues of this type.

4.4.2. Intellectual property rights

4.4.2.1. Potential lack of protection in terms of intellectual property

The Group's success depends to some extent on its ability to obtain, maintain and protect its patents and other intellectual property rights. The Company cannot be certain that it will be able to develop new patentable inventions, that the patent requests underway will result in patents being issued, that the patents or other intellectual property rights granted to it or awarded under a license will not be disputed or that other parties will not claim rights to the patents and other intellectual property rights it holds or even the technologies it uses.

Furthermore, the Company, which has trademarks protecting the Company's name and the names of some of its products in many countries, a license to use the "*Bluetooth*™" trademark, and licenses to use the trademarks of its trading partners, cannot be certain that the validity of these trademarks will not be disputed by third parties or that it will be in a position to register new trademarks in all the countries where it would like to sell its products.

If the aforementioned risks were to occur, this could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.4.2.2. Potential unauthorized use of technologies developed by the Company

Third parties, particularly competitors of the Company, could infringe its patents and other intellectual and industrial property rights the on technologies it has developed. To oppose this, the Company could sue for infringement, leading to lengthy and costly proceedings.

The issuing of a patent on an invention does not guarantee either the validity of this patent or the extent of protection it may offer. Similarly, the legal effectiveness of copyright protection for software remains uncertain as long as its original nature has not been discussed during court proceedings. As such, the Company cannot be certain of the protection provided for its patents and other intellectual property rights if it attempts to cite them in legal proceedings during which their validity or scope may be challenged. Moreover, the Company could become involved in objection proceedings with national intellectual property offices with a view to preventing third parties from filing patents in infringement of its previous rights, or even the filing of patents for technologies that it considers to be non-patentable and whose appropriation would hinder its activities. The costs associated with such administrative and legal proceedings could be significant even if the Company wins the case, and the Company could find itself at a disadvantage faced with rivals which are in a better position to cover the cost of such proceedings thanks to their greater financial resources.

It is difficult to control the unauthorized use of patents or other intellectual property rights and the Company may not be in a position to prevent the unlawful appropriation or use of its patents or other intellectual property rights by third parties. Furthermore, certain jurisdictions in which the Company develops its activities may not offer intellectual property right protection that is as effective an in the European Union or the United States, and these jurisdictions may not have appropriate proceedings to enable the Company to effectively defend its rights.

If the aforementioned risks were to occur, this could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.4.2.3. Potential shortcomings concerning confidentiality protection for certain information relating to its technology

In addition to patented technologies, the Group's business is based to a great extent on unregistered know-how, techniques, specifications, technical data and information which are only protected as long they remain secret. As a result of the "fabless" model implemented by the Group, its products are manufactured and assembled by external subcontractors which must be provided with some of this confidential information.

Although the Company protects such information through confidentiality agreements with its various partners and their staff, these agreements may not be respected and result in the Company having to take legal steps to obtain compensation for its damages. More specifically, the disclosure of such confidential information could facilitate the unlawful appropriation of the Company's technologies by a competitor, result in the loss of a monopoly on protected know-how further to its disclosure, or even destroy the novelty of an invention and prevent the Company from protecting it by filing a patent.

4.4.2.4. Potential claims from third parties which consider that they hold intellectual property rights on certain technologies used by the Company

The Company has a strong and dynamic research and development activity, enabling it to develop new technologies (inventions, software, etc.). However, the Company cannot guarantee that certain technologies, although developed internally, will not infringe on intellectual property rights held by third parties (such as patents or copyright on software).In addition, the Company integrates a number of technologies whose industrial property rights are held by its commercial partners which grant it licenses to use such technologies and which could also infringe on third-party intellectual property rights.

In the event of a claim by a third party claiming to hold intellectual property rights on a technology used by the Company, the Company or its commercial partner, if the claim is founded, could be made to sign a license with this third party in return for compensation or if a license cannot be obtained, or not under commercial conditions that are considered to be reasonable by the Company or commercial partner, it could be made to modify its products so that they no longer use the technology in question, failing which it would be exposed to being sued for infringement. This could have a significant unfavorable impact on its business, development, earnings and financial position.

The Company is regularly approached by third parties claiming to hold intellectual property rights on technologies and which would like to set up licenses with it.

Parrot S.A. and its American subsidiary are currently subject to patent infringement proceedings in the United States, opened in 2014 and concerning the Drone business unit. To date, the risk has not been able to be accurately evaluated.

There are no other governmental, arbitration or legal proceedings that have in the past 12 months had a material impact or would in the future be likely to have a material impact on the financial position or profitability of the Company and/or the Group.

4.4.2.5. The Company could encounter difficulties linked to the use of "freeware"

To develop its products, the Company uses various operating systems, including the eCos operating system, the Linux system and, for its new generation of products, the Android™ platform.

These three operating systems are all based on the use of "free" software or freeware. "Freeware" is available to users on a fee or free basis and is governed by three main types of licenses making it possible to modify and reuse this software's source codes, provided that they comply with the requirements set out by the licenses. "Free" licenses require access to the source codes of spin-off developments or codes linked to "freeware" and their use by the entire community of developers under the same conditions as the initial "freeware". They are also characterized by their contaminant effect, which means that all the software programs - whether or not they are proprietary - linked to them pass under the "free"

license system. On the other hand, “semi-free” or “public” licenses do not have any contaminant effect and therefore make it possible, under certain conditions, to develop proprietary solutions based on “freeware”. The choice of “freeware” used in connection with developing products is therefore critical. “Freeware” is used without the standard contractual guarantees provided under proprietary software licenses.

As such, the risks linked to a fault with “freeware” or potential infringement proceedings by third parties claiming to hold intellectual property rights on such software remain the full responsibility of the Company. If such risks were to occur, this could have a significant unfavorable impact on the Group's business, development, earnings and financial position. To protect itself against such risks, the Company ensures that the research and development teams are aware of the issues relating to the use of “freeware”, and has put in place an “open source” policy.

4.5. Insurance and risk coverage

The Group has put in place a policy to cover the main risks that are linked to its activity and may be insured at reasonable prices, subject to the standard exclusions, cover caps and deductibles applied by insurance companies on the market.

The Company has not had to make any major claims and only used its policies on an isolated and insignificant basis in 2014. The Company considers that the insurance policies and protection procedures described below provide reasonable cover for all the major risks inherent in its business in France and internationally.

The Company has taken out the following insurance policies:

■ Civil liability

More specifically, this policy covers the Company's liability resulting from damages caused to third parties and occurring before the delivery of products or the completion of work, as well as the Company's liability resulting from damages caused to third parties after the delivery of products or the completion of work, it being understood that consecutive material damages are also covered.

Parrot Inc., in accordance with American legislation, is also covered by a local policy. Certain legislation also requires local policies to be taken out, with the master policy covering any differences in terms of the conditions or limits, which is the case for the following subsidiaries: Parrot Trading (Shenzhen) Ltd, Parrot Japan KK and Parrot Asia Pacific Ltd.

■ Comprehensive office liability

The Company has taken out a “Comprehensive office” insurance policy for all the premises located in the building in which the Company has its headquarters (cf. Section VIII. “Property, plant and equipment” in the present reference document), covering more specifically fire, water, theft and glass breakage risks.

The Company has also taken out a “Comprehensive IT” policy covering electronic equipment, excluding electrical equipment. The Company has maintained the local “comprehensive office” policies covering the offices for the Digital Tuner business unit in Nantes and the Varioptic business unit in Lyon. In addition, the Company has taken out a “comprehensive industrial” policy for the Varioptic Business Unit’s production line in China, including “machine breakage” and “business interruption” components.

■ Liability for machine breakage – technical risks and comprehensive IT cover

The Company has taken out a “machine breakage – technical risks” insurance policy for all the technical equipment and laboratories located in the building where the Company has its headquarters, covering various risks, including breakage, theft and water damage.

■ Comprehensive retail activities liability cover

The Company has taken out a “comprehensive retail activities” insurance policy to cover the activity of its store, which opened in August 2012 and is located in Paris’ Opéra district. This policy includes a “business interruption” component.

■ Executive liability

The Company has taken out insurance cover for the liability of its executives and corporate officers. It covers the personal liability which the insured parties may incur individually or jointly with regard to third parties in the event of any professional negligence during the performance of their functions, whatever the jurisdiction concerned (civil, criminal or administrative), the defense costs which executives may incur in the event of claims against their civil liability, and, as relevant, any

damages which they may be required to pay. Furthermore, an extension of this policy makes it possible to cover any costs incurred in the event of a crisis arising within the Company further to the disappearance of a key person for instance.

Export debt liability: COFACE

This policy guarantees the non-collection of debt from some of the Company's French and foreign customers located in Regions "1" and "2" (covering respectively OECD countries and the rest of the world, based on criteria defined by COFACE) concerning Company product sales, as well as sales made by the following subsidiaries: Parrot GmbH, Parrot UK Ltd, Parrot Iberia S.L., Parrot S.r.l., Parrot Inc. and Parrot Asia Pacific Ltd. The cover amount represents 90% of the net debt covered excluding VAT.

Transported goods liability

The Company has taken out insurance to cover the inherent risks associated with transporting components and products (import), transporting products to customers or distribution subsidiaries (export), in addition to transport between storage sites in France.

Storage liability

The Company has set up specific insurance to notably cover the risks of theft or destruction in the main warehouse where components and products are stored in France.

V. Information concerning Parrot

5.1. Company history and development

5.1.1. Corporate name and registered office

The Company's corporate name is "Parrot".

The registered office is located at 174-178, quai de Jemmapes, 75010 Paris, France (Tel: +33 1 48 03 60 60).

5.1.2. Trade and company register, APE activity code

The Company is registered in the Paris trade and company register under number 394 149 496.The APE code (main activity) is 2630Z.

5.1.3. Incorporation and life of the Company

The Company was incorporated on February 28, 1994 for a 99-year period ending on February 28, 2093.

5.1.4. Legal form and governing legislation

The Company is a French-law limited company ("*société anonyme*") with a Board of Directors, notably governed by the provisions of Book II of the French commercial code and Decree 67-236 of March 23, 1967.

5.1.5. History

Year	Events
1994	Company founded by Mr Henri Seydoux. Voice recognition technologies developed (including signal processing algorithms).
1995	First voice recognition-enabled electronic diary launched.
1997	Parrot+ launched, successor to the initial voice diary, specifically designed for the visually impaired.
1998	Acoustic-related technologies developed (noise reduction, echo cancellation).
1999	First wire-based handsfree kit launched for vehicles (Parrot CK28). Company joins the Bluetooth SIG. Parrot VoiceMate launched, new generation of electronic diaries for the visually impaired.
2001	Parrot CK3000 Bluetooth in-vehicle handsfree kit launched.
2002	Parrot CK4000 developed (OEM).
2003	Parrot DRIVEBLUE launched, first plug-and-play Bluetooth handsfree system (no installation required).
2004	Parrot CK3100 and Parrot CK3300 launched. US subsidiary created (Parrot, Inc.).
2005	Parrot EASYDRIVE, Parrot CK3000 EVOLUTION, Parrot 3200 LS COLOR, Parrot 3400 LS-GPS and Parrot RHYTHM N'BLUE launched. Parrot CK5000 launched (OEM). Subsidiaries created in Germany (Parrot GmbH), the UK (Parrot UK Ltd), Italy (Parrot Italia S.r.l.) and Hong Kong (Parrot Asia Pacific Ltd). Manufacturing of voice-recognition electronic diaries (VoiceMate) stopped.
2006	Company floated. 100% stake acquired in the Spanish company Inpro Tecnologiá, S.L., which became Parrot Iberia, S.L. Parrot DRIVER HEADSET and Parrot MINIKIT (1st version) launched. Parrot PHOTO VIEWER and Parrot SOUND SYSTEM launched, first wireless devices designed by the Group to accompany new mobile phone uses (music, photos). Parrot MK6000 launched.
2007	Parrot CONFERENCE launched (Plug & Play range). Parrot PHOTO VIEWER 7 and Parrot BOOMBOX launched (Multimedia range).

	Parrot 3200LS-COLOR PLUS launched (installed handsfree kit range). Parrot MK6100, Parrot PMK5800 and Parrot SK4000 launched (Plug & Play range). Parrot RK8200 launched (handsfree kit range). Parrot DS3120, Parrot DS7220 and Parrot DF1120 launched (Multimedia range). Distribution agreement sealed with BestBuy and CircuitCity in the US. OEM contracts signed with Navigon and Navman. First MMS photo frame launched in partnership with Bouygues Telecom. Compatibility of products with Apple® Mac OS® X Leopard products. 100% stake acquired in the US firm Waveblue, then integration into Parrot Inc.
2008	OEM branch opened in Japan (Tokyo). Strategic partnership set up with HTC. OEM contract signed with Kenwood. “Parrot accredited fitter” program launched. First NFC-compatible speakers launched: Parrot Party Black Edition (Multimedia range). New MINIKIT TM launched (Plug & Play range): “Slim” and “Chic”. Parrot SK4000 launched (handsfree kit range), designed specifically for two wheels. Extension of Parrot Bluetooth handsfree technologies supplied to PSA Peugeot-Citroën. Parrot MKi9X000 launched (handsfree kit range): three new handsfree kits with integrated music features. New digital photo frame launched (“Parrot By” collection): Parrot SPECCHIO by Martin Szekely. OEM contract signed with Hyundai Kia Automotive Group. Parrot receives the top award for the Paris Region and the national award for the electronics and hardware sector in the Deloitte Technology Fast 50 rankings. Multimedia range repositioned around products from the “Parrot By” collection. Parrot by Starck speakers launched (“Parrot By” collection).
2009	Alliance between Parrot and Hyundai ramped up on two new vehicle models. Entry-level products gradually phased out from the Multimedia segment range (Parrot Photoviewer, Parrot Party, etc.). Alliance with Renault ramped up (OEM, through Continental). Distribution network gradually put in place for Parrot Zikmu By Philippe Starck wireless speakers in 31 countries. Parrot RKi8400 launched: car radio handsfree kit specially designed for the iPhone®, equipped with a removable front and iPhone/iPod®/iPod touch®, USB and jack connectors. OEM contract signed with Pioneer. One-off versions of the Minikit Slim released (special operations).
2010	First Parrot AR.Drone prototype unveiled at the CES: wifi-controlled quadricopter using an iPhone/iTouch. Launch of the Grande Specchio in the Parrot By collection: new digital photo frame designed by Martin Szekely. Minority interest (38.5%) acquired in Da Fact: French start-up specialized in digital music. Parrot's OEM solutions are integrated into three new vehicle brands: Audi, BMW and Volkswagen. Parrot AR.Drone launched in summer 2010 in six countries, then extended at the end of the year to include a further three countries. Parrot Zikmu By Philippe Starck speakers released in four new colors. Parrot Minikit SMART presented: dedicated Plug & Play product for smartphones.
2011	Parrot ASTEROID presented at the CES: car radio with internet, voice recognition and handsfree telephony applications. New digital photo frame launched, with the “Parrot By” collection: Parrot DIA, a frame developed with Jean-Louis Frechin, founder of the NoDesign agency. OEM partnership with e.Solutions GmbH. Parrot Minikit SMART launched (Plug & Play). Acquisition of Varioptic (Digital Lenses). Acquisition of DiBcom (Digital TV and Radio). Parrot Minikit+ launch. Parrot joins GENIVI alliance (on-profit industry alliance committed to driving the broad adoption of an In-Vehicle Infotainment (IVI) open-source development platform).
2012	Parrot ASTEROID range of internet connected handsfree solutions presented at CES (installed car kit). Parrot Zik presented at CES (Multimedia). Parrot AR.Drone 2 presented at CES (Multimedia).

	Parrot ASTEROID products presented at CES (installed handsfree kit / infotainment). Ford Motor Company selects S1nn and Parrot for its multimedia handsfree solution. Parrot AR.Drone 2.0's commercial launch. Parrot expends its business with a leading German car manufacturer. Parrot Zik's commercial launch. Majority interest acquired in senseFly. Minority interest acquired in Pix4D. Parrot Zikmu's commercial launch (Multimedia). Parrot store opened in Paris.
2013	Parrot FLOWER POWER presented at CES (Multimedia). Parrot ASTEROID products' commercial launch (installed handsfree kit / infotainment). Volvo Cars' Sensus Connected Touch presented by Parrot, an open and connected infotainment solution. Parrot ASTEROID Market now offers TomTom, Waze and navfree. Parrot chosen by McLaren for its new connected infotainment system. 19.5% of the interest in Da Fact sold to its managers. Parrot FLOWER POWER's commercial launch. Parrot ends the year with five new key account automotive contracts in the infotainment sector.
2014	CES 2014: Parrot presented the best technologies for playing (Parrot JUMPING SUMO, Parrot MINIDRONE), communicating (Parrot SOCA, Parrot MINIKIT), and flying (retail and commercial drones). Progress made with commercial and civil drones: three new minority interests acquired. Parrot's share becomes eligible for SME share-based savings schemes. New retail drone presented: Parrot Bebop Parrot becomes a member of the AVNU Collaboration between Parrot and Renault Design Small UAV Coalition launched New commercial drone presented: senseFly Exom
2015	2015 CES: Parrot unveils a new infotainment system (RNB 6), two new MiniDrone models (Parrot Rolling Spider and Parrot Jumping Sumo), demonstrates the Exom's capabilities (ultralight commercial quadricopter) and expands its range of connected devices (Audio: Parrot Zik Sport) and garden devices (Parrot Pot and Parrot H2O) Inmarsat certifies the Parrot Bebop drone for live use on its networks Porsche chooses Parrot for its Rear Seat Entertainment (RSE) infotainment solution

5.2. Investments

5.2.1. Investments carried out

The Group has made the following investments:

In 2014, intangible investments totaled 13,357 K€, with 12,117 K€ for the capitalization of development efforts (IFRS standard). Tangible investments totaled 6,007 K€ (cf. 20.2.10: Note 10 – Intangible assets).

5.2.2. Investments underway

The investments underway at March 31, 2015 are presented below:

- 195 K€ in intangible assets, excluding the capitalization of development efforts (IFRS);
- 528 K€ in property, plant and equipment;
- 0 K€ in long-term financial investments.

5.2.3. Future investments

On the date when this reference document was published, no significant investment commitments were underway, with the exception of the capitalization of development efforts (IFRS).

VI. Overview of the Group's activities

6.1. Main activities

Founded in 1994 by Henri Seydoux, Parrot designs, develops and sells high-tech wireless products for consumers and professionals. The company builds on its core technological expertise to innovate and develop in three primary markets:

- Civil drones, with recreational mini-drones and quadricopters and solutions for commercial markets.
- Automotive, with the most extensive range of hands-free communication and infotainment systems for vehicles on the market.
- Connected devices, with a focus on audio and gardening in particular.

Parrot, headquartered in Paris, France, employs more than 900 people worldwide and generates the majority of its sales internationally. Parrot has been listed on Euronext Paris since 2006 (FR0004038263 – PARRO).

6.1.1. Products and customers

Parrot has an innovative range of products in three main[1] areas: Drones, Automotive and Connected Devices. The 243.9 M€ in revenues generated in 2014 can be broken down as follows:

Consolidated accounts - IFRS (€M and % of Group revenues)	2013		2014		Change
Drones	**42.0**	**17.9%**	**83.0**	**34.0%**	**+97%**
Retail	35.8	15.2%	70.5	28.9%	+97%
Commercial	6.3	2.7%	12.5	5.1%	+98%
Automotive	**162.5**	**69.1%**	**135.0**	**55.4%**	**-17%**
Retail	54.6	23.2%	44.5	18.2%	-19%
Key Accounts	107.9	45.9%	90.5	37.1%	-16%
Connected Devices	**29.5**	**12.5%**	**24.0**	**9.8%**	**-19%**
Audio	15.0	6.4%	12.4	5.1%	-17%
Plug & Play	12.6	5.4%	9.3	3.8%	-26%
Other connected devices	1.8	0.8%	2.1	0.9%	-21%
Other	**1.0**	**0.4%**	**2.0**	**0.8%**	**+90%**
Group total	**235.1**	**100.0%**	**243.9**	**100.0%**	**+4%**

For detailed information on the Group's financials, readers are invited to refer to Section IX "Review of the financial position and earnings" and Section XX Financial information concerning the assets, liabilities, financial position and earnings".

6.1.1.1. Drones

The Drone business groups together revenues from sales of retail drones (Parrot AR.Drone, Parrot Jumping Sumo, Parrot Rolling Spider and Parrot Bebop), sold to consumers through the distribution networks and online, as well as revenues from commercial and civil drones (hardware and software), sold through specialized distribution networks (majority) and directly by the subsidiaries.

In 2014, Drone revenues came to 83.0 M€, representing 34% of the Group's revenues. The Drone business achieved very strong growth, up +97% from the previous year, thanks to:

- The success of the new retail drones released from the second half of the year: the two mini drones (Parrot Jumping Sumo, Parrot Rolling Spider) and, to a lesser extent, the Parrot Bebop, following its launch at the end of 2014;
- The good level of Parrot AR.Drone 2.0 sales;
- The rapid development of commercial and civil drone activities, grouped together in the subsidiaries senseFly and Pix4D.

Today, Parrot has a key position on the rapidly developing civil drone market, with a virtually unique approach, thanks to its positioning on both retail and commercial drones.

[1] Parrot also has an "Other" business line, which contains the activities of Varioptic, a company acquired in 2012, which represents less than 1% of the Group's revenues.

This approach makes it possible to reduce the cost prices of the main components, thanks to volumes that are still considerably higher in the retail sector. By pooling research and development and choosing equipment components for the retail and commercial markets, Parrot is managing to develop its commercial offers more quickly, while bringing its costs down. The rapid development of the drone market recently is linked to the use of similar components to those in mobile phones, providing strong image processing capabilities and good connectivity between the drone and the pilot, an area in which Parrot has built up outstanding expertise over the years.

In terms of retail drones, at the end of 2014, Parrot launched the Bebop drone, a revolution on this market. Indeed, the Bebop has 1080p HD filming capabilities with perfectly digital stabilized images. Competitors have to add a mechanical gimbal, which adds additional costs and significant weight. Weighing in at less than 400g, the Bebop is able to produce cinema-quality video, whereas the other drones are two to three times more expensive and at least twice as heavy. The development of these algorithms is a very delicate process, because they require graphic processing within the processor, which cannot be found yet in action cameras for instance. Lastly, thanks to its positioning on the retail market, the Parrot brand is recognized as one of the world leaders in the new rapidly-developing market for civil drones.

With its commercial subsidiary senseFly (and its key product “eBee”), as well as Pix4d, the main software component required for commercial drone use, Parrot has a unique position today in the commercial sector. The eBee is a fixed-wing drone (as opposed to Parrot's quadricopters), which makes it possible to handle long endurance flights (50 minutes) and process large volumes of data acquired during flights. Today, senseFly’s main target markets are mapping and surveying, and therefore architecture, civil engineering, quarrying and mining. The eBee is sold with the Pix4d software, which interfaces directly with the main 3D design and geographical information system software products.

The second application targeted by senseFly is inspection (civil engineering structures (bridges, buildings, dams, etc.), windfarms, solar farms, marine/aviation, etc.), with the new eXom drone, which will be released in 2015 and was introduced at the 2014 Intergeo show. During its development, the eXom has benefited from Parrot's experience with the autopilot function on its quadricopters, which have sold several hundred thousand units to date, while providing professionals with a number of additional features making it possible to take shots with zooms, handle the approach for structures to be inspected, offer several cameras and ultrasound scanners, etc.

Lastly, Parrot has invested in the company Airinov, rallying a new Parrot/senseFly team around the precision farming and drone market. This market has vast potential globally, as forecast by the global AUVSI organization, which expects there to be more than 100,000 drones used for agriculture exclusively in the United States by 2018. Moreover, the agricultural market has relatively few regulatory barriers since the flights take place primarily over fields and therefore involve very low privacy protection or safety risks. A new sensor developed in conjunction with Airinov (the “multispec4c”) has made it possible to launch an eBee adapted for the agricultural market (eBee Ag), distributed by Airinov in France in particular. Thanks to this sensor, the Parrot Group is able to offer farmers precise recommendations for fertilizers, making it possible to optimize the yields on their crops and reduce the quantity of fertilizers needed. This enables farmers to reduce both their fertilizer bills and their ecological impacts.

In the commercial sector, Parrot is looking into new market opportunities such as surveillance (through its investment in EOS innovation, which is developing rolling drones for detecting potential intrusions in logistics warehouses). Parrot is also looking into the market for monitoring facilities (roads, railways, power lines) through its investment in Delairtech, which is developing drones capable of flying for several hundred kilometers with video return and beyond line-of-sight flight capabilities, for which France is a pioneer with its very advanced regulatory framework.

■ Retail drones sold in 2014:

Parrot Bebop Drone



- Lightweight & safe
- Full HD video, digitally stabilized on 3-axes
- 14 megapixel “fisheye” camera
- First Person View (FPV) piloting
- MIMO 802.11ac wifi connection
- 180° vision
- “Return Home” feature and GPS navigation (in-app purchase)
- Freeflight3 app on IOS and Android.

Parrot Bebop Drone Skycontroller



Version with :
- Parrot Bebop Drone and 3 batteries.
- Parrot Skycontroller. The Parrot Skycontroller is a remote control for the Bebop with a powerful wifi range extender, as well as a smartphone and tablet dock, and HDMI video output for easy FPV glass pairing. Under good conditions, it makes it possible to reach a range of up to 2km with the Bebop.

Parrot AR.Drone 2.0 GPS Edition



Limited edition with:
- Parrot AR.Drone 2.0 Elite Edition Sable
- Rechargeable Lithium-Ion battery (up to 12 minutes flight time)
- Parrot Flight Recorder (GPS module)

Parrot AR.Drone 2.0 Power Edition



- New matt black body
- 36 minutes flight time with 2 batteries
- Set of matt black blades fitted as standard
- Further 3 sets of blades in other colors
- High-capacity battery: +50% longer flight time!

Parrot Minidrones Jumping Sumo



- The Jumping Sumo is capable of jumping vertically and horizontally up to 80 cm
- Lasts up to 20 minutes
- Speed of 7 kmph and ability to avoid any obstacle in its path by pivoting 90 °/180 °
- 640 x 480 pixel wide-angle camera
- Video transmitted with WiFi 802.11ac to smartphones or tablets
- FreeFlight 3 free app for IOS and Android
- Available in 3 colors and customizable

Parrot Minidrones Rolling Spider



- Indoors and outdoors, fly up to 18 kmph
- Able to be piloted with a flick of your fingers thanks to the FreeFlight 3 free app for IOS and Android
- Takes photos (300,000 px) with the embedded, vertical mini-camera
- Freefall take-off
- Bluetooth Smart technology, V4.0 BLE
- Available in 3 colors and customizable
- Range of up to 20 meters
- 8 minutes of flying time (6 minutes with its wheels)

■ Commercial drones and software sold in 2014:

Parrot SENSEFLY - SWINGLET CAM



- Weight: 500 grams
- Wingspan: 80 cm
- Flight time: 30 min.
- Cruising speed: 36 kmph
- Wind resistance: up to 25 kmph
- Radio range: 1 km
- Camera: 16 MP
- Mapping capacity: up to 6 km2

Parrot SENSEFLY – eBee / eBee AG / eBee RTK



- Weight: 700 grams
- Wingspan: 96 cm
- Flight time: 45 min.
- Cruising speed: 57 kmph
- Wind resistance: up to 45 kmph
- Radio range: 3 km
- eBee camera: 16 MP
- eBee Ag sensor: 16 MP + IR, 4 band multispectral option, with RedEdge and IR, Pix4d software delivered with NDVI calculation
- eBee RTK equipped with 2 band GPS, with RTK-based centimetric corrections (purchased separately)
- Mapping capacity: up to 10 km2

Parrot Pix4D – Mapper

Photogrammetry software for surveyors and agriculture
- Software for converting drone images into 3D models with photogrammetry, for use by surveyors in all geographical information systems.
- For agriculture, the Pix4D software also calculates a large number of indexes based on multispectral cameras.

6.1.1.2. Automotive

The Automotive business groups together revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot ASTEROID range) sold to consumers through the distribution networks, as well as revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers (Key Account Automotive).

In 2014, Automotive revenues came to 135.0 M€, representing 55% of the Group's revenues. The Automotive business is down 16% from the previous year, in line with the transition to the new generation of connected cars, reflected in the gradual withdrawal from previous generation products and the slow penetration by the first infotainment products.

► **Main Retail Automotive products sold in 2014**

Parrot CK3100 LCD



- Handsfree system
- Bluetooth with LCD screen
- User interface: screen with 3 buttons
- Displays user settings, contacts, menus, etc.
- Integrated voice recognition to make calls
- Directory: saves up to 1,000 contacts per phone, up to a maximum of 5,000

Parrot CK3000 EVOLUTION



- Bluetooth handsfree system (no screen)
- User interface: 3 buttons
- Integrated voice recognition to make calls
- Directory: saves up to 150 contacts per phone, up to a maximum of 450

Parrot MKi9200



- Bluetooth handsfree system with 2.4” color screen
- Dual mode: connects 2 phones simultaneously (MULTIPOINT)
- Automatic directory syncing
- Speaker-independent voice recognition
- Connectivity: iPod / iPhone, USB, SD card, Bluetooth (A2DP), line-in

Parrot MKi9100



- Bluetooth handsfree system with OLED screen
- Dual mode (Multipoint): connects 2 phones simultaneously
- Automatic directory syncing
- Speaker-independent voice recognition
- Connectivity: iPod / iPhone, USB, Bluetooth (A2DP), line-in

Parrot MKi9000



- Bluetooth handsfree system (no screen)
- Dual mode (Multipoint): connects 2 phones simultaneously
- Automatic directory syncing
- Speaker-independent voice recognition
- Connectivity: iPod / iPhone, USB, Bluetooth (A2DP), line-in

Parrot ASTEROID MINI



- Driving assistance applications from the Parrot ASTEROID Market
- In-car music: iPod®, USB, SD card
- Handsfree calls, even with 2 phones connected
- Voice recognition: contacts, music, etc.
- Internet access using a 3G/4G dongle, sharing a connection with a compatible smartphone or via Wi-Fi®
- Ergonomic, wireless remote control

Parrot ASTEROID TABLET



- 5.0” multi-touch screen
- Driving assistance applications from the Parrot ASTEROID Market
- In-car music: iPod®, USB, SD card
- Handsfree calls, even with 2 phones connected
- Voice recognition: contacts, music, etc.
- Internet access using a 3G/4G dongle, sharing a connection with a compatible smartphone or via Wi-Fi®
- Ergonomic, wireless remote control

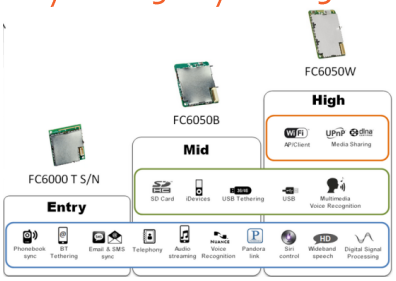
Parrot ASTEROID SMART



- 6.2" multi-touch screen
- Driving assistance applications from the Parrot ASTEROID Market
- GPS receiver. Combined with a navigation app, it will guide you with the optimum route to your destination.
- Handsfree calls, even with 2 phones connected
- Voice recognition: contacts, music, etc.
- Internet access using a 3G/4G dongle, sharing a connection with a compatible smartphone or via Wi-Fi®
- Displays videos from external cameras and broadcasts videos to external screens

► **Main Key Account Automotive products sold in 2014**

Parrot FC6000 / FC6050B / FC6050W



Parrot connectivity solutions enabling users to enjoy transparent connections to their mobile electronic and music devices.

Parrot OCTOPUS



Octopus is a multi-capability chip and the world's first multi-standard programmable receiver, offering truly global solutions for digital television and radio.
The chips resulting from the acquisition of DiBcom are compatible with current international standards for digital video broadcasting: DVB-T2, DVB-T, ISDB-T, T-DMB, DAB, DRM, CMMB, CTTB, ATSC, etc.

6.1.1.3. Connected Devices

The Connected Devices business groups together revenues from the audio products (ZIK) and plug & play products (Parrot MINIKIT range), as well as the connected devices and toys (FLOWER POWER) sold to consumers through the distribution networks and online.

In 2014, revenues from Connected Devices came to 24 M€, representing 10% of the Group's revenues. The Connected Devices business contracted 19% compared with the previous year, in line with the reduction in Plug & Play product sales, the end of Parrot Zikmu sales (Audio) and the Flower Power's low level of penetration currently (Other). The range's flagship product - the Parrot Zik - was refreshed at the end of the year with the launch of a new more innovative version (Parrot Zik 2.0).

► **Main consumer electronics products sold in 2014**

Parrot Zik 2.0



- 6 color options
- Bluetooth 3.0, NFC
- 270 gr
- Touch control panel
- Handsfree communication
- Dedicated application (Parrot Audio Suite) for smartphones and tablets
- New noise control technology
- Battery life of 18 hours in travel mode and full recharge in 2.5 hours
Standby mode: up to 8 days
Passive mode: for listening to music via a cable when the battery is empty

Parrot MINIKIT Neo 2 HD



- HD voice
- Voice control
- New free application offering 10 exclusive features (auto SMS reply, find my car, parking time reminders, etc.)
- Automatic phonebook synchronization
- Advanced voice recognition
- Text-To-Speech
- Voice menus
- MINIKIT Neo 2 HD is able to connect to 2 phones simultaneously
- 4 new colors

Parrot FLOWER POWER



- Bluetooth Low Energy wireless sensor
- Monitors your plants' health in real time
- Measures the temperature and levels of fertilizer, sunlight and moisture
- Monitors several plants simultaneously
- Database of over 6,000 plants
- Indoor and outdoor use
- Bluetooth 4.0
- Free application

6.1.2. New products and developments

In 2014, product developments were marked by the following events:

- **Three new retail drones to enhance the range and serve new customer segments**

Parrot MiniDrone: a small-scale drone that can be controlled using Bluetooth Smart (Low Energy) with a smartphone or tablet, able to fly and roll from the ground to the ceiling.

Parrot Jumping Sumo: the first robot insect that can be controlled using 5GHz wifi with a smartphone or tablet, able to twirl, jump up to 80 cm high and make 90° turns.

Parrot Bebop: a lightweight yet robust quadricopter, packed with software and a HD video camera, able to be controlled using wifi (multiple compatible devices), with a range that can be extended to 2 km (SkyController option).

- **Three new commercial drones to meet agriculture and mining industry needs**

eBee AG: advanced commercial drone designed for precision farming.

eBee RTK: extremely accurate 3D mapping commercial drone for monitoring opencast mines and quarries.

eXom: unveiled in October 2014, the eXom quadricopter, a powerful imaging platform, will be released from 2015.

In addition, dedicated software solutions and platforms (cloud, analysis) have been developed by Pix4D for these sectors.

- **Two product renewals in the "Connected Devices" range**

Parrot Minikit 2 HD: HD voice-compatible Bluetooth handsfree kit with voice control.

Parrot Zik 2.0: wireless headphones with touch control, noise control and handsfree features.

- **Products presented at CES 2015**

In January 2015, Parrot also unveiled several new products at the Consumer Electronics Show (CES) in Las Vegas, USA, including: **Parrot RNB 6**: the most connected in-vehicle infotainment system; two new minidrones: the **Jumping Sumo** family is being further strengthened with a "rover" fitted with headlights, an all-terrain model with a spine to climb smoothly over any obstacles and a new Rolling Spider: **'Mechanical Firefly'**, a flying MiniDrone with headlights to explore the most obscure areas; new connected devices: **Parrot Zik Sport**: wireless connected headphones designed for sport, with patented headband, biometric sensors for measuring your heart rate and analyzing your running style (pace, vertical oscillation, etc.) and **Parrot Pot & Parrot H2O**: the second-generation smart systems for plants which, thanks to various

sensors, measure and analyze crucial parameters for their growth and manage their watering independently; lastly, for commercial drones: Parrot senseFly's **eXom**: an ultralight, sensor-rich drone for professionals, offering TripleView imaging and advanced situational awareness designed for inspecting sites and close mapping.

6.2. Main markets

Focus on innovation and differentiation

Parrot operates on markets with high levels of technological value-added and different stages of maturity and sales cycles. Drawing on its technical expertise in signal processing, mobility and connectivity, Parrot aims to achieve innovation and growth. On account of its scale, the Group strives to develop original products that respond to specific new needs among its retail and professional targets. Its ability to anticipate the next technological breakthroughs is crucial to the Group's success.

In this context, market research is not particularly important for Parrot. Indeed, market research generally reports breathtaking rates of growth in competitive environments that are still not clearly determined. On the contrary, on each of these markets, the Group focuses on the following:

- Effective use of its resources: putting in place an innovative range of solutions based on its technological expertise, its intellectual properties (chips, patents) and its existing resources (components, production, distribution);
- Value-added: developing products and solutions with a strong technological component, making it possible to achieve margins that traditionally range from 35% to over 50%, depending on the type of product and lifecycle involved;
- Differentiation: offering original products and solutions designed to meet new needs for rapidly developing uses.

Positioning on three main high-potential markets

The current markets for products developed by Parrot are as follows:

Market for retail and commercial drones: buoyed by the success of the Parrot AR.Drone, launched in 2010, and quickly aware of the potential of these new technologies with professionals, the Group has been developing a commercial range since 2012.

Market for automotive products: this is the historical market of the Group, which successfully anticipated the outstanding potential of mobile phones and then smartphones by creating a range of consumer products and a series of OEM solutions to support in-car mobile phone use. From its first successes on the consumer market from 2001 to its phase of strong growth with auto manufacturers, the Group has sold over 50 million handsfree solutions and products for cars and is currently positioning itself on the next value-creating cycle: infotainment.

Market for consumer electronics products: this is the starting point for the Group's innovation. In line with its priority criteria (existing resources, value added, differentiation), Parrot is harnessing its creativity to support new mobility and connectivity-related uses. Drawing on its long-established expertise, the Group is focusing on music and connected devices. In line with this approach, the Group launched the Parrot AR.Drone, its smartphone-controlled video camera quadricopter, in 2010, as well as the Parrot Zik wireless headphones.

Alongside this, through its "Other" business line (currently resulting exclusively from the acquisition of the company Varioptic in 2012), the Group is developing its interest in the optics market.

6.2.1. Drone market: pioneer and major player

On the rapidly expanding market for commercial drones, there are two main types of offers:

- Retail drones acquired by consumers for their leisure activities (piloting, video, etc.), on which Parrot clearly stands out thanks to its Parrot AR.Drone, its MiniDrones and the Parrot Bebop;
- Commercial drones acquired by professionals to meet their mapping, monitoring and surveillance requirements. Parrot is developing this business rapidly by acquiring interests in other firms (majority or minority).

A third market segment concerns military drones, which Parrot is not positioned on.

The main factors affecting this market are as follows:

- Technological developments, reliability and price of technologies used in the drones,
- Knowledge of these new technologies among end users and awareness of what they can offer,
- Emergence of complementary technologies making it possible to meet specific needs (e.g. sensors for precision farming),

– Regulations governing the use of drones.

The competitive environment for drones is currently emerging. Companies are being set up on a virtually daily basis with a view to producing and/or selling drones and/or related services. With revenues of 80.3 M€ on this business segment in 2014, Parrot is a major player. Other significant operators present on both the retail and commercial segments, but not the military sector, include DJI, 3D Robotics, UAV Factory and even Gatewing.

6.2.2. Market for vehicle connectivity products

Within the vast market of automotive industry suppliers, Parrot is targeting a specific need for in-car connectivity based on mobile phones and smartphones.

There are two main types of products on this market:

– Aftermarket products, i.e. fitted in the car after the vehicle has been purchased (Parrot's Retail Automotive products),
– Original equipment manufacturer (OEM) products (Parrot's Key Account Automotive products), which are integrated into vehicles by manufacturers when they are produced.

The main factors affecting this market are as follows:

– General trends for the automotive industry and in particular the high-end cars targeted in particular by Parrot,
– Technological advances and functionalities offered by mobile phones,
– Regulations governing in-car mobile phone use,
– Drivers' perception of the risk and comfort involved with in-car mobile phone use,
– Interoperability and compatibility between cellphones/smartphones and handsfree systems.

This market is undergoing a major technological transition, with the digitalization of the car. Capitalizing on the development of telecoms technologies and constantly improving connectivity and mobility capabilities, auto manufacturers and OEMs are starting to deploy on-board entertainment systems in vehicles, providing information, music, internet access, navigation and telephony features. All of these services, combined with new technological solutions, are commonly referred to as Infotainment or IVI (In Vehicle Infotainment). Infotainment solutions include the traditional handsfree features of phones. In this way, the infotainment market is growing at the same time as the market for traditional handsfree systems is declining.

In terms of competition, the main players include OEM manufacturers with strong electronics capabilities (Bosch, Continental, Delphi, Harman Becker, etc.), chip manufacturers (Intel, Nvidia, STMicroelectronics, etc.) and content suppliers (TomTom, Garmin, etc.).

Automotive infotainment research is notably carried out by Gartner and Frost & Sullivan.

■ From Bluetooth handsfree kits to a complete infotainment platform

Historically the market leader for traditional in-car handsfree telephony, Parrot has been planning ahead for the car's digital revolution since 2009 and has deployed major resources to develop a complete infotainment platform, including:

– The acquisition of 100% of DiBcom's capital in July 2011 for 27.9 M€ (share buyback for 15.9 M€ and net debt buyback for around 12 M€) has enabled the Group to benefit from a dedicated leading-edge technology for mobile digital radio and television.
– The development of a seventh generation of the Parrot chip, the P7, bringing automotive, connectivity and telecoms needs together.
– The development of a new Android-based software solution compatible with the high quality and reliability standards demanded by the automotive industry.
– The creation of a platform for downloading specially designed automotive applications: the ASTEROID Market.

Parrot is capitalizing on its longstanding connectivity, signal processing and digital music expertise to position itself on the infotainment market segment that covers the mutualization of driving-assistance technologies and entertainment technologies for drivers and their passengers.

According to research by IHS Automotive in March 2012, the in-vehicle infotainment market already represented 32.5 billion US dollars in 2011, up 3.4% in relation to 2010. Parrot is focused exclusively on one segment of this market, covering the mutualization of driving assistance and entertainment technologies designed for drivers and their passengers. In one device, the infotainment solutions developed by Parrot combine traditional and digital radio, navigation, warnings about dangerous areas, mobile digital music (online or on multimedia device), a growing portfolio of useful applications for drivers and of course handsfree telephony (cf. www.parrotasteroid.com). All its features are internet-connected through

smartphones, prioritized and adapted for in-car use, and include integrated advanced signal processing and voice recognition capabilities from Parrot's traditional portfolio of intellectual property.

Parrot, through its new "Parrot Asteroid" Retail solutions (three products launched in February 2013: Parrot Asteroid) and its long-established multimedia connectivity expertise, is positioning itself to lead the field on this significant and growing market.

The infotainment market is still emerging: few industrial solutions are in mass production and the technological choices of auto manufacturers and OEMs are still very varied. In time, the global infotainment market targeted by Parrot is estimated at around 100 million units, equivalent to the number of car radios currently sold on an OEM or after-market basis, and will be offered at higher prices than the current solutions.

6.2.3. Market for consumer electronics products (connected devices)

Within this vast market, Parrot is focused in particular on products connected to smartphones (or any other mobile device, such as laptop computers or tablets) and the emerging market for connected devices.

In response to increased competition (Sony, Samsung, Apple, etc.), Parrot is focusing on originality and added value. For instance, this is how the Group has developed two successful products:

- The Parrot Zik: wireless headphones with a range of features, including handsfree capabilities and a touch control panel. In this way, while positioning itself on the highly competitive audio headphones market, Parrot has successfully combined a series of technologies making it possible to respond to new uses and reach a wide audience.
- The Parrot FLOWER POWER: a smart sensor that makes it possible to monitor plant health with a dedicated mobile application. Here, Parrot has demonstrated its ability to identify virtually groundbreaking niches within the vast market for connected devices. Other dedicated plant products were presented at the CES 2015 event with a view to being released this year.

The main factors affecting this market are as follows:

- The global economic environment, and particularly the level of consumer spending on recreational purchases, especially in the developed countries where the Group is most present;
- Technological advances, features and interoperability of phones and other mobile devices;
- Consumer knowledge and perception of new technologies;
- Sales trends for distributors and retailers for consumer electronics products and Parrot's ability to be visible at points of sale.

6.3. Exceptional events

The Group's markets and activities were not affected by any exceptional elements in 2014. Readers are invited to refer to Section IV Risk factors and more specifically the following sections:

- 4.1.3 The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets
- 4.1.4 The Group could face difficulties in deploying its Group products on Electronics mass retail markets
- 4.1.5 The Group is exposed to certain constraints through the Automotive business
- 0 The Group's earnings are subject to fluctuations which make them difficult to forecast
- 4.1.12 The elements affecting the fourth quarter could have material consequences on the Group's results
- 4.1.13 The Group could experience difficulties with integrating acquisitions
- 4.1.14 Goodwill impairment which could have a material impact on the Group's earnings could be recognized
- 4.2.1 The Group is exposed to deteriorations in the economic environment
- 4.2.2 The Group is dependent on the market environment for automotive and electronic products
- 4.2.3 The Group may not be in a position to cope with growth in the markets
- 4.2.4 The Group may not be in a position to cope with competition, especially if this were to increase on its markets
- 4.2.5 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.8 The Group's activities are dependent on regulations governing cellphone use while driving
- 4.2.9. The Group's business is linked to regulations governing the use of Drones

6.4. Issuer's dependency on patents, licenses, industrial, commercial or financial contracts, or new manufacturing techniques

Readers are invited to refer to Section IV "Risk factors" above and more specifically the following sections:

- 4.1.1 The Group depends on subcontractors for the manufacturing and assembly of its products
- 4.1.2 The Group depends on the development and extension of its commercial partnerships with its distributors and clients
- 4.1.6 The Group's success depends to a great extent on the development of Parrot's brand awareness
- 4.1.7 The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development
- 4.1.12 The elements affecting the fourth quarter could have material consequences on the Group's results
- 4.2.2 The Group is dependent on the market environment for automotive and electronic products
- 4.2.5 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.6 The Group's business depends on the electronic components market
- 4.2.7 The Group's activities are dependent on technical standards
- 4.2.8 The Group's activities are dependent on regulations governing cellphone use while driving
- 4.4.2.1 Potential lack of protection in terms of intellectual property
- 4.4.2.2 Potential unauthorized use of technologies developed by the Company
- 4.4.2.3 Potential shortcomings concerning confidentiality protection for certain information relating to its technology
- 4.4.2.4 Potential claims from third parties which consider that they hold intellectual property rights on certain technologies used by the Company
- 4.4.2.5 The Company could encounter difficulties linked to the use of "freeware"

6.5. Competitive environment

Parrot does not report on its competitive position. As the Group is positioned on developing and generally young markets, its competitive environment is constantly changing. Information on the competitive environment is provided for reference for each of its markets in section 6.2 above "Main markets", while the competition-related risks are covered in Section 4.2.4 The Group may not be in a position to cope with competition, especially if this were to increase on its markets.

6.6. Parrot's strategy

6.6.1. Introduction

The main objectives with Parrot's strategy are growth and value creation. For this, the Group is focused in particular on:

- Continuing to move forward with a sustained innovation policy in order to anticipate technological changes relating to its two main business lines: drones and automotive;
- Deploying its sales force and marketing actions in each country where the Group is present, as well as for export;
- Identifying new growth opportunities in harmony with the economic model, markets and technologies group.

■ Strong capacity for innovation harnessed in consumer electronics

Parrot traditionally rolls out its innovation strategy on retail products and then aims to develop their use in professional areas. By creating new uses through innovative products sold to general consumers (drones, handsfree kits, etc.), Parrot assesses the level of interest among consumers and the relevance of its innovations. In this way, the first products created by the Group - electronic diaries then handsfree kits - were sold to general consumers from the late 1990s. Handsfree kits finally found their target audience from the 2000s, generating strong interest from automotive industry firms from 2008. The Parrot AR.Drone's success in 2010 enabled the Group to demonstrate its strong capacity for innovation on this emerging market, while positioning it as a pioneer on the market for retail and commercial civil drones.

■ Volume strategy deployed for professionals and key accounts

In this way, when a retail product achieves high levels of recurring success, Parrot seeks to market its technology to professionals and industrial operators. When this new step is taken, a relevant industrial and commercial organization is put in place and a business branch is created. This strategy to capitalize on a common technological core, aiming to

establish multi-channel sales, has been deployed again in the drone sector for instance: after launching for general consumers in 2010, Parrot has gradually been developing its business in the commercial and civil drone sector since 2012.

6.6.2. Global distribution

Parrot carries out its own development, drawing primarily on its capacity for innovation, the ongoing technological improvements in mobile phones and the new uses brought about: making calls, listening to music, taking pictures, playing videogames, etc. The improvement of mobile technologies in day-to-day life is accompanying the activity's natural progression.

Commercial drone specialists: with the rapid emergence of new uses for drones by various professionals (surveying, agriculture, surveillance, etc.), large numbers of companies are being set up to distribute or operate commercial drones; naturally, the majority want to include Parrot products (senseFly, Pix4D) in their offers.

Auto specialists (dealers and independent fitters) are the distributors for Parrot's retail automotive products. They offer the advantage of enabling end customers to acquire their handsfree kits and get them installed at just one point of sale.

Specialized retailers (telecoms operator sales networks, telecoms stores), mass retail firms (specialized or general) and online retailers complete this network. On these channels, Parrot mainly sells its retail drones and its retail automotive products, with the exception of telecoms operators, which, as part of their approach for sales to professionals, offer installed handsfree kits for professional vehicle fleets.

Main countries where Parrot products are sold



6.6.3. Significant investments in research and development

Section XI Research and development also provides additional information.

R&D policy serving future growth

In order to maintain its competitive edge, Parrot has continued to further strengthen its teams of engineers. In 2014, the R&D teams represented 65% of the Group workforce (491 people). On an ad hoc basis, external engineers, who are experts in their fields, are brought on board to further strengthen the teams or address specific technical issues. At the end of 2014, Parrot had 93 external contractors, taking its R&D workforce up to a total of 584 people.

Parrot has continued to maintain a committed and daring research and development policy in order to support its expansion in these three business areas, securing its future growth.

Parrot has maintained the growth of its R&D investment program focused on developing the use of commercial and retail civil drones and the next generations of connected automotive products.

6.6.4. Flexible industrial strategy and effectively managed costs

Parrot's industrial strategy is built around three key components:

- outsourcing production and logistics,
- producing mainly in Asia, and
- continuously improving its cost structure, flexibility and quality.

Effective cost management

The Group intends to continue moving forward with a design, manufacturing and marketing policy which is firmly focused on reducing and optimizing costs. This demand for effective control over costs, present as of the product design stage, is also applied across the entire production and marketing line in order to support the Group's strategy for profitable growth.

To be able to apply an aggressive pricing policy, Parrot has adopted a design-to-cost approach. Indeed, the Group is constantly looking for new low-cost components, qualifying and redesigning its products. At the same time, it regularly renegotiates prices with its main subcontractors.

Industrial strategy: fabless model

The Group is organized around a "fabless" model, with production and logistics both outsourced. This strategy enables flexibility combined with rapid execution on all the market segments on which the Group is present.

Most of the production is outsourced in Southeast Asian countries, which makes it possible to significantly reduce labor costs. Part of the production team is based in Hong Kong in order to be close to the production centers and component suppliers in Asia. Hong Kong represents the Group's global point of supply in Asia.

Group industrialization and production department

The industrialization and production department, made up of 142 people at December 31, 2014, the majority of whom are based in China, is responsible for the introduction of new products, their handling in the factories through to delivery to customers, as well as after-sales service.

To perform these missions, the production department has dedicated personnel for:

- Working with the research and development department to take industrial constraints into consideration as soon as projects start up, with a view to optimizing quality and costs;
- Managing the suppliers manufacturing products, in order to ensure the effective compliance of the process, product and delivery times;
- Sourcing and importing products for the logistics platforms;
- Designing and maintaining the dedicated resources for loading software;
- Overseeing methods and the scheduling of packaging for products;
- Handling sales administration (preparation, shipping and billing of customer orders);
- Designing and maintaining test resources, including hardware maintenance for products and redesigning certain features with a view to reducing costs;
- Providing after-sales service, particularly for software update operations, repairs or standard exchanges under warranty.

Stringent selection of suppliers and subcontractors

A "fabless" company is a company which is focused on the quality and management of subcontractors, selected for their excellence.

For each new product, the Group selects strategic partners, particularly for the manufacturing of their ASICs, a key element in the Group's products, as well as the production of electronic sub-units intended for the logistics platforms for producing finished products.

The majority of the electronic sub-units are assembled in Asia, particularly by JABIL Circuit Ltd (China) and Aztech: cables, keyboards, LCD screens and electronic units. Parrot acquires these sub-units from these subcontractors, which in turn source their products, particularly for the main components -- Parrot ASIC and memory -- from suppliers, preselected by Parrot, and set up contracts based on prices and other conditions negotiated beforehand.

The Group has entrusted the manufacturing of its ASICs Parrot chips to world-leading foundries on the semiconductor market:

- ASICs Parrot 5 ASIC chips to STMicroelectronics,

- ASICs Parrot 5+ chips and ASICs Parrot 6 and 6i chips to Global Foundries,
- Production of the latest generation Parrot ASIC (Parrot 7) entrusted to TSMC.

When a new alliance is set up with a foundry for manufacturing a chip, this requires initial investments, particularly for important developing manufacturing masks. In this way, the Group is dependent to a certain extent on the foundries initially selected for manufacturing its chips. That is why the Group selects renowned foundries with the certifications and experience required. Lastly, the Group regularly communicates with these foundries in order to anticipate any difficulties.

► **The amounts invoiced to the Group's main suppliers are as follows:**

Supplier	Location	2013 ranking	2013 (in M€)	2014 ranking	2014 (in M€)
Jabil Circuit Ltd (China)	Asia	1	62.7	1	80.4
Fujikon Industrial Co. Ltd	Asia	2	6.2	2	7.0
Geodis	France	4	3.1	3	5.8
Aztech System Ltd	Asia	3	3.2	4	2.9
Huizhou Desay SV Automotive	Asia	10	1.7	5	2.8
UMC	Asia	9	1.7	6	2.7
TSMC	Asia	-	-	7	2.5
Siliconware Precision Ind.	Asia	-	-	8	2.4
Scomap	France	7	2.3	9	2.0
ASE	Asia	-	-	10	1.9

The Group uses a number of component suppliers, looking to have at least two manufacturers for each component, with which the sub-unit assemblers set up contracts directly.

Assembly of component sub-units

As the final production phase, the packaging, i.e. the final assembly, of sub-units into finished products was carried out by KUEHNE-NAGEL until February 2010 and by Geodis since February 2010 in France, and by Hercules in China. The American subsidiary has a distribution platform managed by Le Saint Logistic.

Stock and production management

The Group uses the SAP Business One solution for managing and monitoring orders, stock, manufacturing and deliveries. The schedules of finished products are managed in SAP.

The Group has set itself a maximum of five working days between the customer's order and the availability of products ready to be delivered, including personalized products. The Group has set itself a target of less than 16 weeks for manufacturing its products. The production time for electronic units is linked to the component sourcing phase, and which generally represents 16 to 22 weeks for strategic components such as the Parrot ASICs (managed upstream by Parrot). In addition, two weeks are needed for assembly, with assembly operations including the cabling of components on the electronic card, the integration of the card into its unit, and the testing and checks required at the end of the line.

In general, a further two weeks are needed to transport the products from their place of production in China to the logistics platforms. Products manufactured in Asia which are low-value (such as cables) or involve considerable weights of volumes (such as car radios, speakers or drones) are shipped by boat (around six weeks), while high-value products such as the electronic units are transported by plane.

The stock management rules planned for three weeks' worth of stock, one week of finished products (fully packaged and ready to be delivered to customers) and two weeks of semi-finished products (sub-units) ready to be packaged. In 2009, the Group decided to put in place strategic stocks of components with a view to compensating for any shortages on the market and satisfying a higher level of commercial demand than forecast.

Continuous quality improvement

Quality improvement represents a constant requirement faced with increasingly demanding customers, particularly for Key Account products. All of the Group's main subcontractors are ISO TS 16949 certified, the benchmark quality certification in the automotive sector, and have recognized experience in the auto industry.

The Group has put its own ISO 9001 quality system (2000 version) in place and regularly monitors the quality indicators for its subcontractors and products, enabling it to significantly reduce its rate of product returns. In 2014, the average rate of returns for finished products was 2.62% (percentage of the number of items returned in Week N / number of items delivered in Week N-12, with this return rate including returns for simple software updates).

The Quality Division applies the quality policy defined by the executive leadership team and coordinates its implementation within the Company's various departments. Its actions are reflected in:

- An organizational "quality system" activity which concerns all the departments:
  - Describing the Company's operations through the quality system (quality manual, procedures, forms, methodologies, checklists, etc.);
  - Ensuring that the quality system is effectively understood and applied;
  - Adapting the quality system to the Company's developments and ensuring consistency in terms of how we operate.

This activity also includes overseeing the certification approach and the integration of aspects relating to employee working conditions, the environment and more generally sustainable development into our practices.

- An operational "product quality" activity aimed at improving, during the project phase and the production phase, product quality working with the business lines in:
  - The Aftermarket business unit (Retail);
  - The Key Accounts business units.

It involves:

- Ensuring the use of best practices for developing products under good conditions and guaranteeing product quality;
- Providing support for product specifications;
- Ensuring the effective application of product specifications by the production plants and logistics platforms;
- Managing customer return statistics and overseeing actions aimed at improving products.

The Quality Division capitalizes on the close fit between these two activities in order to optimize the Company's flows and the quality of its products.

6.6.5. Opportunistic optimization of sales and marketing investments

Product-centric marketing approach

Parrot carries out its own development, drawing primarily on its capacity for innovation, the ongoing technological improvements in mobile technologies and the new uses brought about: listening to music, taking pictures, making films, playing videogames, etc. The improvement of mobile technologies in day-to-day life is accompanying the activity's natural progression.

In this context, Parrot is focusing its marketing efforts on four main areas:

- Product launches: positioning built around the technological benefits and strong coverage in traditional media and online;
- Product placement on retailer shelves: giving priority to sections for mobile phone accessories rather than vehicle accessories;
- Visibility of its products at points of sale: display stand, point-of-sale advertising, packaging, etc.
- Brand awareness: through press relations, social media or pop-up stores.

"Push-and-pull": acting on two commercial levels

Parrot's success has been based on its first-rate listing with automobile specialists. The "Push" sales policy, leveraging wholesaler margins to "push" its products to retailers and fitters, is primarily applied in the countries where Parrot does not have a subsidiary. The "pull" strategy is embodied by the sales teams: they establish regular and quality contacts with retailers, which they advise, guide and train up on the products. This approach is therefore based on closer ties and tailor-made support for the opinion-leader in order to meet their expectations.

Online marketing and social networks

Over the last few years, Parrot has significantly ramped up its online presence in order to support the brand's growing reputation and establish direct communication with its end customers. Parrot actively communicates on social networks (www.facebook.com/Parrot, twitter.com/#Parrot) and social media (www.youtube.com/parrotcorp) to support the brand

globally and showcase certain products in particular (www.youtube.com/ ARdrone, twitter.com/#ardrone, http://www.facebook.com/Parrot.ZIKMU). The online content developed by Parrot covers several objectives: helping create a buzz, explaining features and supplementing technical support. At the start of 2015, Parrot had over 780,000 fans on its main Facebook page (compared with 340,000 at the start of 2014), while the videos available on Parrot's YouTube channel have been watched tens of millions of times.

Automotive Key Accounts: strategy to grow market shares and create value

Positioned on this market since 2004, Parrot has rapidly established itself as a major player on dedicated electronic components for handsfree telephony and more recently digital music and in car multimedia.

The Automotive Key Account products are sold directly to original equipment manufacturers and auto manufacturers. The contracts signed have a long-term focus; after 6 to 18 months of negotiations, a design win (which the Group is not able to communicate on before the vehicle is announced) and an approximately 12-months development phase, with the commercial work together spread over several years (four years in the majority of cases).

Automotive Key Account around the world



The strategy applied by the Automotive Key Accounts department aims to:

- Provide manufacturers with technical solutions that in line with current and future mobility trends. Parrot's solutions combine hardware and software design to offer a series of features: USB, Wi-Fi, Bluetooth, digital signal processing, multi-speaker voice recognition. Since 2010, the Group has also offered additional smartphone features based on the Android platform, as well as 3G/LTE internet connectivity.
- Build a quality offering for each customer, supported by local follow-up and corresponding services. Parrot supplies complete hardware and software solutions, as well as technical support (system design and integration) and after-sales maintenance (software updates, compatibility testing with new handsets, etc.).

In addition, Parrot is deploying a strategy to build close ties, which is essential to ensuring the sustainability of the long-term commercial relations established with OEM Key Account and Digital Tuner customers. The map opposite presents the global locations of Parrot's OEM Key Account teams.

6.6.6. Customer service and after-sales service

Customer service

The French customer service team (Technical Support) is made up of five multilingual people based in Paris. Each subsidiary manages its own technical support. A main database of issues is centralized and analyzed at the Paris headquarters. Contact is primarily in French, English and Spanish, over the phone or email, and via the Parrot forums. Extensive online documentation also makes it possible to provide users with specific and comprehensive information on how to use Parrot's products, as well as changes to our products.

A department staffed by five other people is focused on the compatibility of Bluetooth phones and Apple devices, 3G/4G keys, UPnP applications... They work closely with the Support team and summarize this feedback from the field in databases collecting the information entered for each call. This enables Parrot to adapt products with new software versions made available on the www.parrot.com internet site and in the production process.

After-sales service

The after-sales service team is made up of three people (at December 31, 2014), based at the Group's head office in Paris. The team uses the SalesForce tool for monitoring customer relations.

In 2014, the rate of product returns came to 2.62% (percentage of the number of items returned in Week N / number of items delivered in Week N-12, with this return rate including returns for simple software updates).

Returns are physically processed ("Level 1") by the Parrot logistics platform, managed by Geodis Logistics in the Paris region. Returned products are recorded to trace returns for each product and each customer. This information is made available to each one of the commercial departments in order to keep them informed about any products returned by their customers.

The Group's policy is to replace or repair products which have been returned within 15 working days, excluding transport times. An appraisal (based on a sample) is carried out within the after-sales service team ("Level 2") or by the quality department in order to determine the cause of returns. To ensure continuous improvement, the quality department then transmits this information, depending on the type of fault, to either the production department (supplier fault) or the design team (design fault) in order to correct the issue at its source.

6.7. Human resources and environmental data

6.7.1. Parrot's share included in the Gaia Index

In 2014, Parrot was once again included in the Gaia Index, which it has been part of since 2010. Launched in October 2009 by IDMidCaps and EthiFinance, with support from the French society of financial analysts (SFAF) and MiddleNext, the GAIA Index information system makes it possible to determine the commitment made by French mid-caps in terms of CSR criteria (Environment, Social, Governance).

For further information, the 2014 Gaia Index report is available online at: http://www.gaia-index.com/

Preamble to the human resources and environmental data

In accordance with Articles L.225-102-1, R.225-105 and R.225-105-1 of the French commercial code, Parrot is presenting the actions taken and strategies adopted by the Company and its subsidiaries and controlled companies in order to take into consideration the impacts of its activities on its employees and the environment, in addition to meeting its societal commitments to support sustainable development.

When a company voluntarily complies with national or international social or environmental standards, the report may mention this, indicating the recommendations from these standards that have been retained and the arrangements for consulting them. The information primarily concerns Parrot S.A. Its subsidiaries and controlled companies, including those located outside of France, are mentioned when the Group scope is applied.

6.7.2. Methodology

Consolidation scope and methods

The environmental data are drawn up for the Group's head office in Paris and Parrot's products. They are extracted from the environment management system. Parrot's head office includes the research and development department that designs Parrot products. It represents 65% of the Group's workforce.

The human resources data correspond to Parrot S.A. France unless indicated otherwise. In 2014, the Group expanded its reporting scope for the age and gender-based breakdown of its workforce to include Parrot Trading Shenzhen Ltd (China), Chez Parrot S.A.R.L. (France), senseFly (Switzerland) and Pix4D (Switzerland).

Methodological procedures

Parrot's procedures comprise the following:

- For quantitative indicators: "indicator" files describing the consolidation method for these indicators and available on Parrot's Intranet network;
- For qualitative indicators: a glossary making it possible to have additional information, such as the frequency, scope and justified source.

Choice of indicators

The indicators have been selected with a view to focusing in priority on monitoring the environmental policy and commitments (environment management system, environmental audits, etc.).

Methodology for quantitative indicators

With regard to waste management at the head office, Parrot consolidates its tonnage and recycling indicators based on waste monitoring forms provided by the various waste collection organizations. These waste monitoring forms indicate the tonnage, the type of waste and the final treatment. The indicator for the annual change in the tonnage of the different types of waste collected is consolidated based on the tonnage and type of waste. The final treatment makes it possible to determine whether the waste has been recycled and the percentage of each type of waste recycled.

The electricity consumption indicator, consolidated annually, is drawn up based on the electricity supplier's invoices (EDF) for the various meters located on the platforms for the Paris headquarters. The monthly invoices are available to the accounting department.

The indicator for the change in annual cold water consumption per person, consolidated annually, is based on data collected from the building's rental expenses statements, which are available to the accounting department.

The data concerning the human resources indicators are consolidated based on various monthly reports.

6.7.3. Continuous quality improvement

Parrot's environmental management system has been built around three areas - Quality, Safety and the Environment - with progress marked by a certain number of certifications.

- ISO 9001 since 2002 (Quality), supplemented with an ISO/TS 16949 certificate relating to the automotive sector;
- ISO 14001 since 2008 (Environment), and since 2010 in Parrot's Chinese subsidiary;
- OHSAS 18001 since 2009 (Occupational Health and Safety).

This overall approach ensures effective control over Parrot's activities in these three areas, as well as their compliance with recognized and proven international standards.

Incorporating economic, social and environmental dimensions, sustainable development was established as a major focus for the company's progress since 2010, following on logically from the efforts already made.

Stakes and strategy

Parrot has reviewed its sustainable development performance based on the standard defined by the French automotive suppliers federation (FIEV) in order to determine the most significant issues at stake for the company. These have made it possible to draw up a corporate social responsibility (CSR) strategy built around the following points.

- Assessing and optimizing the environmental impacts of Parrot's products and activities;
- Continuing to improve the work environment and conditions for building staff loyalty;
- Developing an ethical and responsible policy throughout the supply chain;
- Reporting to its partners on the company's sustainable performance;
- Further strengthening internal and external communications.

A sustainable development correspondent has been appointed and a sustainable development action plan has been mapped out, incorporating all the actions resulting from regulation watch, audits and risk analyses. This plan represents the tool for overseeing the sustainable development approach at Parrot.

6.7.4. Societal commitments to sustainable development

6.7.4.1. Human resources data: employment

Breakdown of the workforce by country (Parrot Group, permanent and fixed-term contracts at December 31, 2014)

Countries	France	Switzerland	UK	Spain	Sweden	Italy	Poland	Russia	Germany	Europe
Headcount	613	102	12	16	6	9	1	1	13	773

Countries	China	HK	Japan	Korea	Taiwan	ANZ	Asia-Oceania

Headcount	84	21	6	1	1	4	117
Countries	**USA**						
Headcount	30						

Breakdown of the workforce by gender (Parrot S.A. France, Chez Parrot, Switzerland, China)

Staff on permanent contracts, fixed-term contracts and apprenticeship contracts at December 31, 2014

	Men	Women	Total
Executive-grade staff	513	118	631
Employees, technicians and supervisors	121	47	168
Trainees	15	3	18
Total	649	168	817

Breakdown of the workforce by age (Parrot S.A. France, Chez Parrot, Switzerland, China)

Staff on permanent contracts, fixed-term contracts and apprenticeship contracts at December 31, 2014

	Executive-grade staff	Employees, technicians and supervisors	Trainees	Total
Under 26 years old	42	20	18	80
26 to 30	175	60		235
31 to 40	324	65		389
41 to 50	80	18		98
Over 50 years old	10	5		15
Total	631	168	**18**	817

Monitoring of changes concerning permanent and fixed-term contracts (Parrot S.A. France)

There were 153 arrivals, 114 departures and 12 dismissals in 2014. The turnover rate for 2014, calculated based on arrivals and departures of staff on permanent contracts, came to 11.73%.

Remuneration figures and changes (Parrot S.A. France), staff on permanent and fixed-term contracts, excluding apprentices and corporate officers

Remuneration at December 31, 2014

	Men		Women	
	Workforce	Average annual salary	Workforce	Average annual salary
Grade I	45	36 465	9	32 078
Grade II	356	46 289	73	43 992
Grade III	53	109 508	8	83 210
Employees, technicians and supervisors	44	27 317	20	24 509

The payroll increased by 5.87% between 2013 and 2014 (source: N4DS).

Organization of working time (Parrot S.A. France)

Employees, technicians and supervisors have a 39-hour working week and accrue 1.92 JRTT reduced working week days per month.

Working time for executive-grade staff is measured on an annual basis in days. There are two options for executive-grade staff:

- 215 working days, with 15 RTT reduced working week days of leave
- 218 working days, with 10 RTT reduced working week days of leave

Absenteeism at Parrot S.A. France

In 2014, the absenteeism rate (sick leave) came to 1.39%.

Including occupational accidents and illnesses, maternity and paternity leave, long-term absences and absences for family events, the rate comes out at 3.65%.

Labor relations at Parrot S.A. France

- Organization of dialogue between management and employees
- 1 meeting per month for the Works Council
- 1 meeting per quarter for the health, safety and working conditions committee
- 1 meeting per month for staff representatives for each establishment with more than 10 staff (i.e. 2 monthly meetings)
- Mandatory annual negotiations
- Review of collective agreements within Parrot S.A. France
- Company-wide agreement on working time dated July 4, 2008;l
- Company-wide mandatory profit-sharing agreement dated May 2, 2006;
- Amendment 1 to the mandatory profit-sharing agreement dated July 6, 2008;
- Amendment 2 to the mandatory profit-sharing agreement dated March 25, 2008;
- Amendment 3 to the mandatory profit-sharing agreement dated September 24, 2009;
- Company-wide agreement on means of communication for staff representatives dated July 8, 2010;
- Company-wide agreement on individual training entitlements dated May 2, 2006;
- Company-wide agreement relating to professional equality dated January 26, 2012;
- Amendment to the company-wide agreement relating to professional equality dated June 4, 2013;
- Company-wide agreement relating to health costs dated January 2, 2012;
- Company-wide agreement relating to mandatory annual negotiations dated January 2, 2012;
- Company-wide agreement relating to the generational contract dated August 27, 2013;
- Agreement following the mandatory annual negotiations dated December 16, 2013;
- Company-wide agreement relating to the company savings scheme dated April 7, 2010;
- Amendment to the voluntary performance-related bonus agreement dated June 14, 2013.
- Amendment 2 to the voluntary performance-related bonus agreement dated March 10, 2014
- Amendment 3 to the voluntary performance-related bonus agreement dated June 27, 2014
- Amendment 4 to the mandatory profit-sharing agreement dated May 23, 2014
- Amendment 2 to the company savings scheme agreement dated May 23, 2014
- Agreement to revise the company-wide collective agreement for an indefinite period relating to a mandatory and collective healthcare plan dated August 1, 2014
- Amendment to the company-wide agreement on the generation contract dated March 26, 2014
- Collective pension savings plan agreement dated May 23, 2014

Health and safety within Parrot S.A. France

Occupational health and safety conditions

Parrot has an OHSAS 18001 standard occupational health and safety management system, which has been certified by AFNOR, the French standardization association, since 2009. A renewal audit is carried out every three years to maintain this certificate, with follow-up audits in the two years between each renewal. An occupational health and safety policy was drawn up by the Chairman-CEO in 2009, while a risk analysis and targets make it possible to factor in the various risks and hazards associated with the business.

Review of agreements signed with union organizations or staff representatives within Parrot S.A. France

No occupational health and safety agreements have been signed with the union organizations or staff representatives.

Occupational accidents (and accidents travelling to and from work) at Parrot S.A.

- Occupational accidents: 8 in 2014
- Frequency rate: 6.49
- Severity rate: 0.056

Training at Parrot S.A. France

The priority in 2014 was to improve employees' understanding and the visibility of the various training programs offered by Parrot. The work carried out since 2012 to improve knowledge of the various legal training arrangements (training plan, individual training entitlements, personal leave for training, validation of work experience, etc.) has continued through communications actions carried out with the work's council's training committee.

In addition, the range of in-house training courses has been further strengthened with new themes; Parrot's training catalogue has been reviewed to improve the visibility of development actions for the most widely-used skills in four areas: technical, management, personal development, languages & office IT. It will be extended to include regular external training programs.

Lastly, following our negotiations with the union representatives that led to a "Generation Contract" agreement, we have defined various measures relating to training, on the one hand promoting training and employment for elderly employees, and on the other hand, ensuring the transfer of knowledge and skills.

Number of hours of training

In 2014, 3,532 hours of training were provided, including individual training entitlements.

Equality of treatment at Parrot S.A. France

In connection with the measures adopted to promote gender equality, Parrot is covered by a company-wide agreement relating to professional equality (dated January 26, 2012) and an amendment to this agreement signed on June 14, 2013. The Works Council members have been informed and consulted on the actions taken in this context.

As part of its anti-discrimination policy, Parrot, which works with employees from various nationalities, displays the conditions for combating discrimination on each floor of its buildings, covers this point in its internal policies and procedures, and encourages compliance with the stipulations from the International Labor Organization's fundamental conventions.

Parrot carries out various actions for the employment of disabled people, including measures to adapt workstations (working from home, covering taxi costs).

Promoting and respecting the stipulations from the International Labour Organisation's Fundamental Conventions

A Social, Ethical and Environmental policy has been drawn up by the Quality Department. It is incorporated into the quality agreement signed with firms supplying components for Parrot's products.

"Parrot is committed to respecting the International Labour Organisation (ILO) fundamental rights and principles in accordance with the legislation in force. They cover various areas that are considered to be fundamental workplace principles and rights, i.e.: respect for freedom of association and the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor, and elimination of discrimination in hiring and employment practices".

General environmental policy

Company's organization to take environmental issues into account and, when relevant, environmental assessment or certification procedures

Parrot has an ISO 14001 standard environment management system, which has been certified by AFNOR, the French standardization association, since 2008. A renewal audit is carried out every three years to maintain this certificate, with follow-up audits in the two years between each renewal. An environmental policy was drawn up by the Chairman-CEO in 2008, while an environmental analysis and targets make it possible to factor in the various environmental impacts and aspects associated with the business.

Environmental protection training and information actions for staff

Staff information and training actions are carried out on environmental protection aspects, notably through:

- Environmental indicators (waste, electricity and water consumption, product life-cycle analyses) displayed in the quality section at the Paris headquarters.
- The quarterly quality meeting report with information on environmental actions underway (suppliers, chemical substances, eco-design) every quarter.
- Environmental Policy and Safety-Environment Handbook, which are available on the intranet.
- In-house awareness campaigns carried out with the marketing department on the right steps to take: posters inviting people to recycle by sorting paper, turn off electrical devices when they leave and take care with their water consumption.
- Training modules on the regulations for hazardous products in Parrot products and eco-design for products.

Resources for preventing pollution and environmental risks

At this stage, the resources for preventing pollution and environmental risks are covered by a dedicated person. The financial resources required are reviewed on a case-by-case basis.

Amount of provisions and guarantees for environmental risks, unless such information is liable to seriously prejudice the Company in an ongoing dispute

No provisions or guarantees have been recorded for environmental risks and the company is compliant with its obligations in terms of the application of the "Eco" tax.

Office waste management and pollution

Measures to prevent, reduce or remedy air, water and ground emissions seriously affecting the environment

Parrot works with a specialist provider to recover the hazardous chemical mixtures that could be dangerous for the environment if they were discharged as emissions. Smoke extractors are set up on the soldering stations to capture the polluting and toxic fumes linked to this activity.

Measures to prevent, recycle and eliminate waste

Parrot works with a provider to recycle or eliminate part of the waste from its head office. The percentage of waste recycled for each category and the annual change in the tonnage of the different types of waste collected are presented below:

	2012			2013			2014		
	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	% reclaimed for energy	Tonnage*	% recycled	% reclaimed for energy
WEEE	2.645	73%	28%	12.518	100%	0%	1.385	100%	0%
Cardboard / common industrial waste	0	0%	0%	3.28	0%	100%	0.14	0%	100%
Batteries	0.102	100%	0	0.101	100%	0%	0.246	100%	0%
Other	27.183	0.07%	85%	0.259	23%	77%	0.047	59.57%	40.43%

*Tonnage figures for 2014 correspond exclusively to the scope for the head office in Paris, unlike the data from previous years, which included the Géodis logistics platform in Evry.

Management of waste and pollution relating to Parrot products

In the user manuals for its products, Parrot provides instructions on how to dispose of waste, notably including the crossed-out wheelie bin symbol in European instructions for Parrot products. This symbol is indicated on all Parrot products to inform consumers that specific collection is needed for WEEE.

Since 2013, Parrot has carried out tests on its new projects to ensure that their heavy metal content levels are lower than the regulatory limits (RoHS Directive 2011/65/EU) and they do not represent a water or ground pollution risk with the heavy metals when the products become waste. These tests are conducted by an external laboratory Bureau Veritas while projects are underway.

In terms of products intended for automotive clients, Material Data Sheets (MDS) are drawn up listing the detailed chemical composition of each element within the product, collecting data from suppliers using the IMDS software, then sent to clients. The MDS make it possible to ensure compliance with the Global Automotive Declarable Substance List (GADSL) concerning chemical substances representing a hazard to human health or the environment.

Taking into consideration noise pollution and any other forms of pollution specific to an activity

Parrot carries out an acoustic analysis of its Paris head office every three years to determine whether any workstations are exposed to levels that exceed the regulations, with a corresponding action plan (latest to date: 2012).

All forms of pollution are taken into account in the environmental analysis for the Environment Management System, which is updated as soon as a new activity appears that could have an impact on the environment.

Sustainable use of resources

Water consumption and supplies in line with local constraints

Water consumption levels are measured and monitored based on various indicators. The refurbishment of the Paris offices has made it possible to reduce these consumption levels with the fitting of push-button taps. Posters to raise awareness on water consumption are on display at various locations.

Change in water consumption (cold water consumption indicator: water consumption based on the building's statement of rental expenses)

	2012	2013	2014
m^3 per person	6.9	8.0	8.7

With regard to taking local constraints into consideration, as the Company does not own its premises, no specific measures have been taken.

Consumption of raw materials and measures adopted to improve their efficient use

At this stage, the Company has not taken any specific measures to improve the efficient use of raw materials.

Energy consumption and measures taken to improve energy efficiency and the use of renewable energies

Parrot displays posters at various locations frequented by staff inviting them to turn off electronic or electrical equipment and lights. Lighting in the corridors is automatically scheduled to be switched off at 9:30 pm.

Change in electricity consumption (electricity consumption indicator: sum of monthly bills for 2014 from EDF meters):

	2012	2013	2014
kWh per person	1886	1956	1707

Land use

Parrot primarily uses offices for its activities without any direct impacts in terms of land, which is why this category is not considered to be relevant.

With regard to the use of renewable energies, as the Company does not own its premises, no specific measures have been taken to modify our energy services and systems.

Climate change

The main approach for reducing greenhouse gas emissions is based on reducing electricity consumption (presented previously) and travel. Conference call services are in place for communicating with correspondents at remote locations.

In 2014, CO2 emissions relating to electricity consumption at the Paris head office represented 78,820 kg CO2eq (calculated based on the 2014 conversion factor for France: 0.078 kg CO2eq/kWh, source: ADEME carbon base).

At this stage, the Company has not taken any specific measures to adapt to the consequences of climate change.

Biodiversity protection

Various measures are taken to reduce the impact of products on biodiversity when they become waste products (e.g. RoHS substances and ground pollution).

The senseFly/PARROT commercial drones include on-board aerial mapping technologies offering a range of solutions that can help protect biodiversity. Some examples:

- Assessing damage following a forest fire or flooding
- Measuring the quantity of light reflected by leaves. These data provide agronomic indicators making it possible to estimate the quantity of biomass or nitrogen requirements, enabling farmers to optimize their inputs and improve the average harvest for their crops in terms of both quantity and quality aspects
- Researching rare plants in areas that are difficult to access.

6.7.5. Information on societal commitments to sustainable development: regional, economic and social impact of the Company's activity

Organized around a fabless model, Parrot does not own its factories and all its products are manufactured by subcontractor suppliers in China, Taiwan or Europe.

An ethical, social and environmental policy has been put in place for suppliers and is included in the quality agreement signed with suppliers. This policy covers several areas:

- Social: child labor, forced labor, inhuman treatment and harassment, freedom of association, discrimination, health and safety;
- Ethical: corruption, transparency and legal compliance;
- Environmental: environmental management system set up, environmental procedures in place for production, components and delivery, identification of chemical substances and products, compliance with environmental regulations.

With regard to health and safety for consumers, the standards validation department ensures that all Parrot products are compliant with electrical safety standards. Tests are carried out on products to confirm that they do not contain any hazardous chemical substances in relation to the regulatory frameworks (Reach, RoHS, etc.).

The rules for recreational drone use defined by the French civil aviation authority (DGAC), consulting with manufacturers, including Parrot, as well as the French data protection agency (CNIL) and the French model aircraft federation are listed in an article on Parrot's official blog.

Regional, economic and social impact of the Company's business

Regional development and employment

Parrot contributes to regional development by employing more than 500 people at its headquarters in Paris. There is little impact on neighboring or local communities in view of the activities performed at the head office and the design / R&D unit.

Relations with people and organizations concerned by the Company's business, particularly integration organizations, educational institutions, environmental protection associations, consumer groups and residents associations

Conditions for dialogue with these people or organizations

Parrot is committed to establishing partnerships with educational institutions and the HR department regularly organizes conferences and takes part in shows for students.

Corporate citizenship and partnership actions

Parrot is committed to working closely with consumer groups. Since 2012, Parrot has therefore supported the association "40 millions d'automobilistes", which groups together drivers to collect their views and reduce the nuisances relating to this means of transport.

Parrot is also committed to supporting integration organizations and in particular disabled associations and charities, including Les Chevaliers du Ciel and Handicap International for the past three years.

Parrot is committed to the development of neighboring communities, supporting the SNCP Sporting Club Nord Parisien association volleyball team for the past four years.

Other actions to support human rights

Parrot is committed to supporting human rights and has signed an agreement for equality in the workplace, ensuring equal pay for men and women. To date, the Company has not taken any other measures to support human rights in addition to the ethics policy mentioned in Section 1.1.5. and compliance with the ILO's stipulations.

6.7.6. Report by one of the statutory auditors, appointed as an independent third party, on the consolidated social, environmental and societal information

KPMG Audit IS
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

Dear Shareholders,

In our capacity as an independent third party for Parrot, accredited by the French national accreditation body COFRAC under number 3-1049[2] and a member of the KPMG International network as one of your statutory auditors, please find hereafter our report on the consolidated social, environmental and societal data presented in the management report (the "CSR Data") for the year ended December 31, 2014, in accordance with Article L.225-102-1 of the French commercial code.

Company's responsibility

The Board of Directors is responsible for preparing a management report containing the CSR Data required by Article R.225-105-1 of the French commercial code, prepared in accordance with the procedures used by the company (the "Reporting Standards"), as summarized in the management report and available on request from the company's registered office.

Independence and quality control

Our independence is defined by the regulations, the professional code of ethics and the provisions of Article L.822-11 of the French commercial code. Furthermore, we have put in place a quality control system which includes documented policies and procedures aimed at ensuring compliance with the applicable ethical rules, professional standards, laws and regulations.

Independent third party's responsibility

It is our responsibility, based on our audits, to:

- Certify that the required CSR Data are present in the management report or, in the event of omissions, are explained in accordance with the third paragraph of Article R.225-105 of the French commercial code (Certificate of presence of CSR Data);
- Express a conclusion of moderate assurance that the CSR Data overall are presented, in all their material respects, in a true and fair manner in accordance with the Reporting Standards (Considered opinion on the accuracy of the CSR Data).

Our work was carried out by a team of five people over a period of approximately three weeks between November 2014 and February 2015. To assist us in our work, we called on the expertise of our CSR specialists.

We conducted the work described hereafter in accordance with French industry standards and the Decree of May 13, 2013, setting out the conditions under which the independent third-party organization performs its mission, and the international standard ISAE 3000[3] for the considered opinion on the accuracy of the data.

1. Certificate of presence of CSR Data

Based on interviews with the managers of the departments concerned, we reviewed the presentation of the sustainable development policies, in view of the social and environmental consequences relating to the company's business and its societal commitments and, as relevant, the resulting actions or programs.

We compared the CSR Data presented in the management report with the list set out in Article R.225-105-1 of the French commercial code.

If certain consolidated data were not included, we checked that explanations were provided as required by the provisions of Article R.225-105 Paragraph 3 of the French commercial code.

[2] Details concerning the scope available online at www.cofrac.fr
[3] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

We checked that the CSR Data covered the consolidated scope, namely the company and its subsidiaries as defined by Article L.233-1, as well as its controlled companies as per Article L.233-3 of the French commercial code, within the limits set out in the methodological memo presented in section V.1.2 of the management report.

On the basis of this work, and within the aforementioned limits, we certify that the management report contains the CSR Data required.

Considered opinion on the accuracy of the CSR Data

Nature and scope of our work

We conducted three interviews with the six people responsible for the preparation of the CSR Data, from the departments in charge of the data collection processes, and, as relevant, the people responsible for the internal control and risk management procedures, with a view to:

- Assessing the appropriate nature of the Reporting Standards in terms of their relevance, completeness, neutrality, clarity and reliability, taking into consideration, when relevant, best practices for the sector;
- Checking the implementation of a process for collecting, compiling, processing and checking the CSR Data to ensure it is complete and consistent, and obtaining information about the internal control and risk management procedures regarding the preparation of the CSR Data.

We determined the nature and extent of our tests and controls based on the nature and importance of the CSR Data in relation to the company's characteristics, the social and environmental issues associated with its activities, its sustainable development policies and industry best practices.

For the CSR Data that we considered most important, as detailed in the following table:

Employee-related indicators	Unit	Reporting scope
Total headcount (geographical breakdown)	Number	Parrot Group
Total headcount (breakdown by gender and age)	Number	Parrot S.A. (France), Chez Parrot (France), Pix4D (Switzerland), SenseFly (Switzerland), Parrot Shenzhen (China)
Number of recruitments and departures	Number	Parrot S.A. (France)
Number of hours of training	Hours	
Environmental indicators	**Unit**	**Reporting scope**
Annual electricity consumption	kWh	Parrot SA headquarters (quai de Jemmapes, Paris, France)
Annual tonnage of waste collected	Tons	
Percentage of waste recycled by type	%	

Material qualitative data
Review of collective agreements
Waste recycling and prevention measures
Integration of social and environmental concerns in the company's procurement policy
Actions taken to prevent corruption
Measures adopted to support the health and safety of consumers

- For the consolidating entity, we reviewed the related documentary sources and we conducted interviews to corroborate the qualitative data (organization, policies, actions), we performed analytical procedures on the quantitative data and verified, on a test basis, that such data had been correctly calculated and consolidated; we also checked their consistency with the other data presented in the management report;
- For a representative sample of the sites[4] we selected in view of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of the procedures and carried out detailed tests on a sampling basis, checking the calculations made and the consistency of data in the supporting documents. The sample selected in this way represents 66% of the Group's workforce and

[4] Head office of Parrot S.A. Paris, Quai de Jemmapes

100% of the quantitative environmental data concerning the scope for Parrot S.A.'s head office at Quai de Jemmapes in Paris.

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

Lastly, we assessed the relevance of explanations relating to the total or partial omission of certain data, if applicable.

We consider that the sampling methods and sample sizes that we have used, exercising our professional judgment, allow us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work. As a result of the use of sampling techniques, and the other limitations inherent in the functioning of any internal control and information system, the risk of a material anomaly in the CSR Data not being detected cannot be ruled out entirely.

Conclusion

Based on our work, we have not identified any material anomalies likely to call into question the fact that the CSR Data overall are presented in a true and fair way, in accordance with the Reporting Standards.

Paris La Défense, April 13, 2015

KPMG Audit

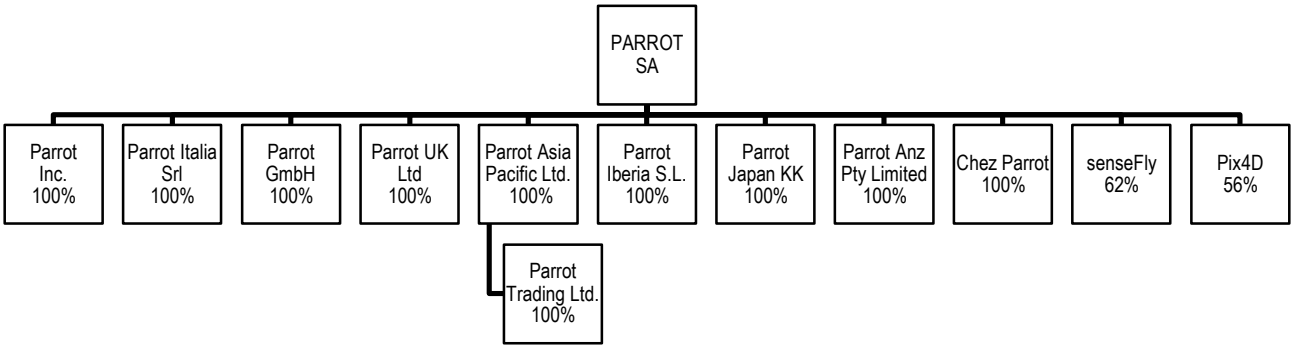
Anne Garans
Partner,
Climate Change & Sustainable Development Department

Eric Lefebvre
Partner,

VII. Structure

7.1. Group structure

Structure of the Company's subsidiaries (with the capital interest held)



At December 31, 2014, the Company at the head of the Group directly owned all of the following companies:

- Parrot, Inc., fully-owned American subsidiary;
- Parrot Italia S.r.l., fully-owned Italian subsidiary;
- Parrot GmbH, fully-owned German subsidiary;
- Parrot UK Ltd, fully-owned UK subsidiary;
- Parrot Asia Pacific Ltd, fully-owned subsidiary based in Hong Kong;
- Parrot Trading (Shenzhen) Ltd, Chinese sub-subsidiary fully-owned through Parrot Asia Pacific Ltd;
- Parrot Iberia, S.L., fully-owned Spanish subsidiary;
- Parrot Japan K.K, fully-owned Japanese subsidiary;
- Parrot ANZ Limited, fully-owned Australian subsidiary;
- Chez Parrot S.A.R.L., fully-owned French subsidiary;
- senseFly, 62%-owned Swiss subsidiary;
- Pix4D[5], Swiss subsidiary in which the Company has a 56.0% stake, following an addition interest acquired in January 2014; fully consolidated since January 1, 2014 (at December 31, 2013, the subsidiary was consolidated on an equity basis).

7.2. Presentation of the Group's companies

The Company wanted to extend its international reach and incorporate and ensure the long-term viability of its distribution network through the subsidiaries it has set up (namely Parrot, Inc., Parrot Italia S.r.l., Parrot UK Ltd, Parrot GmbH, Parrot Asia Pacific Ltd, Chez Parrot S.A.R.L., Parrot ANZ Ltd and Parrot Japan KK) or acquired (namely Parrot Iberia, S.L. formerly Inpro Tecnologiá S.L.), which are presented hereafter. The Company also capitalizes on opportunities for external growth with a view to accelerating its development on related high-potential markets (Varioptic and DiBcom, merged into Parrot S.A., as well as senseFly and/or Pix4D).

Mr Henri Seydoux, the Company's Chairman and Chief Executive Officer, is also the manager of the following subsidiaries: Parrot, Inc, Parrot UK Ltd, Parrot Asia Pacific Ltd, Parrot Iberia, S.L., Parrot Italia S.r.l. and Parrot GmbH. Mr Henri Seydoux is also the manager of Chez Parrot S.A.R.L. and a director of senseFly and Pix4D (cf. 14.1.1 Offices held by directors and executives over the past five years).

In addition, Mr Edward Planchon, a Company director, is also Vice-President, Secretary and Treasurer of Parrot, Inc. and a director of Parrot UK Ltd and Parrot Iberia S.L. (cf. 14.1.1 Offices held by directors and executives over the past five years).

[5] In January 2014, Parrot's interest was raised to 50.1%.

In 2014, each subsidiary individually recorded the following amounts of corporate sales (including invoicing within the Group):

- Parrot, Inc.: 36 M€ compared with 27.3 M€ in 2013;
- Parrot Italia S.r.l.: 1.2 M€ compared with 1.4 M€ in 2013;
- Parrot GmbH: 2.6 M€ compared with 2.4 M€ in 2013;
- Parrot UK Ltd: 1.9 M€ compared with 2.0 M€ in 2013;
- Parrot Asia Pacific Ltd: 165.6 M€ compared with 152.5 M€ in 2013;
- Parrot Trading (Shenzhen) Ltd: 7.1 M€ compared with 7.2 M€ in 2013;
- Parrot Iberia: 1.9 M€ compared with 7.8 M€ in 2013;
- Parrot S.A.: 124.7 M€ compared with 109.6 M€ in 2013;
- Parrot Japan KK: 0.8 M€ compared with 1 M€ in 2013;
- Parrot ANZ Ltd: 0.9 M€ compared with 0.8 M€ in 2013;
- Chez Parrot S.A.R.L.: 1.1 M€ compared with 0.5 M€ in 2013;
- senseFly: 11.1 M€ compared with 6.3 M€ in 2013;
- Pix4D: 3.2 M€ compared with 2.3 M€ in 2013.

Parrot, Inc.

Parrot, Inc. is an American-law limited company with a capital of USD 1,000. It was incorporated in New York State on January 30, 2004. Its registered office is located at 3000 Town Center, Suite 2340, Southfield, MI 48075, USA.

Parrot, Inc.'s corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot, Inc. employed 30 people (compared with 26 at December 31, 2013).

Parrot Italia S.r.l.

Parrot Italia S.r.l. is an Italian-law limited liability company with a share capital of 10 K€. It was registered on January 19, 2005 in the Italian trade register under number IT 04717030961. Its registered office is located at Via Lattanzio 23, 20137 Milan, Italy.

Parrot Italia S.r.l.'s corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot Italia S.r.l. employed 9 people (unchanged from December 31, 2013).

Parrot UK Ltd

Parrot UK Ltd is an English-law limited liability company with a share capital of 100 pounds, split into 100 shares of 1 pound each. It was incorporated on June 14, 2005 under number 5480392. Its registered office is located at Unit 1, 20, Avenue Road, Aston, Birmingham B6 4DY, UK.

Parrot UK Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot UK Ltd employed 12 people (compared with 13 at December 31, 2013).

Parrot GmbH

Parrot GmbH is a German-law company with a share capital of 25 K€. It was incorporated on April 29, 2005 and registered on July 8, 2005 under number HR 157910. Its registered office is located at Leopoldstrasse 254, 80807 Munich, Germany.

Parrot GmbH's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot GmbH employed 15 people (compared with 14 at December 31, 2013). The increase in the number of employees is attributable to the creation of a sales office in Russia, linked to Parrot GmbH.

Parrot Asia Pacific Ltd

Parrot Asia Pacific Ltd is a private company limited by shares with a share capital of 10,000.00 Hong Kong dollars split into 10,000 shares of 1 Hong Kong dollar each. It was incorporated on July 25, 2005 under number 985350. Its registered office is located at Suite 501B, 5th Floor, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong-Kong (China).

Parrot Asia Pacific Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot Asia Pacific Ltd employed 105 people, with 84 in Shenzhen and 21 in Hong Kong (compared with 107, with 86 in Shenzhen and 21 in Hong Kong at December 31, 2013).

Parrot Iberia, S.L.

Parrot Iberia, S.L. is a Spanish-law company with a share capital of 63,036 euros split into 10,506 shares of 6 euros each.

It was acquired by Parrot in 2005 and is registered under number B82129099. Before the Company's acquisition of a 100% of its capital, Parrot Iberia S.L. (formerly Inpro Tecnologiá) was the Company's exclusive distributor in Spain (mutually exclusive rights). Its registered office is located at Calle Ulises, 108, 1°A, 28043 Madrid, Spain.

Parrot Iberia S.L. corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot Iberia, S.L. employed 16 people (compared with 17 at December 31, 2013).

Parrot Japan KK

Parrot Japan KK is a Japanese-law company with a share capital of 10,000,000 Yen. It was incorporated on April 30, 2009 and registered on April 30, 2009 under number 0104-01-081734. Its registered office is located at PMC Building 1-23-5, Higashi-Azabu, Minato-ku, Tokyo.

Parrot Japan KK is working to deploy the Key Account products.

At December 31, 2014, Parrot Japan KK employed 6 people (unchanged from December 31, 2013).

Parrot ANZ Ltd

Parrot ANZ Ltd is an Australian-law company with a capital of 10,000 $AUD. It was incorporated on July 11, 2012 and registered under number 159443820. Its registered office is located at 68-72 Rock Street, South Melbourne, Victoria 3205, Australia.

Parrot ANZ Ltd's corporate purpose is to develop, market and sell Parrot telecommunications and IT products. It may also carry out any operation which might directly or indirectly support its corporate purpose. In this way, it may set up branches and acquire interests in other businesses.

At December 31, 2014, Parrot ANZ Ltd employed 4 people (compared with 2 at December 31, 2013).

Chez Parrot S.A.R.L.

Chez Parrot is a French-law company with a capital of 10 000 euros. It was incorporated on April 27, 2012 and registered on May 29, 2012 under number 751 758 848 000 12. Its registered office is located at 30, rue du 4 Septembre, 75002 Paris, France.

The company Chez Parrot S.A.R.L. sells telecommunications equipment on a retail basis in a specialized store.

At December 31, 2014, Chez Parrot employed 5 people (compared with 4 at December 31, 2013).

senseFly

senseFly is a Swiss-law company with a capital of 185 104,43 CHF It was incorporated on November 30, 2009 and registered under number CH-550.1.063.796-3. Its registered office is located at 11, Chemin de la Venoge, 1024 Ecublens VD, Switzerland.

senseFly's activity involves the development, manufacturing and marketing of intelligent mobile systems and software, as well as all related services.

senseFly, a subsidiary in which Parrot held a 62% capital stake at December 31, 2014, is fully consolidated.

At December 31, 2014, senseFly employed 69 people (compared with 47 at December 31, 2013).

Pix4D

Pix4D is a Swiss-law company with a capital of CHF 100,000. It was incorporated on June 1, 2011 and is registered under number CH-5501938772. Its registered office is located at EPFL Innovation Park - Building D, 1015 Lausanne.

Pix4D's business involves the development of algorithms and image analysis programs to help robots navigate within 3D spaces and generate models.

At December 31, 2014, Pix4D employed 33 people (compared with 25 at December 31, 2013).

The subsidiary Pix4D, in which a 31.0% capital stake was acquired in September 2012, has been consolidated on an equity basis since January 1, 2013 (at December 31, 2012, the securities were classed as Other Financial Assets). On January 29, 2014, Parrot's interest in Pix4D was raised to 50.1% (cf. 20.2.33 "Note 33 – Post-balance sheet events").

An additional stake was acquired in the subsidiary Pix4D on January 29, 2014, increasing the percentage held from 31% to 56%. Following the acquisition of a controlling interest in Pix4D, the company has been fully consolidated since January 1, 2014, whereas it had been consolidated on an equity basis since the first half of 2013.

7.3. Investments in associates

7.3.1. Majority investments

The subsidiaries senseFly and Pix4D, in which Parrot respectively held 62% and 56% interests at December 31, 2014, are fully consolidated.

Parrot has awarded senseFly's minority shareholders put options to sell their 39.6% minority interests in senseFly. It has also awarded options for Pix4D's minority shareholders to sell their 39.9% minority interests in Pix4D (see Note 27.2 to the consolidated financial statements: "Other non-current liabilities").

7.3.2. Minority investments

On the publication date for this reference document, the Group held the following interests:

- 1.60% of the company NETATMO (operation carried out in 2013);
- 9.93% of the company DELAIR TECH (operation carried out in 2013);
- 23.26% of the company AIRINOV (operation carried out in 2014);
- 37.06% of the company EOS INNOVATION (operation carried out in 2014);
- 38.89% of the company MicaSense (operation carried out in 2014).

In addition, Parrot S.A.'s entire 20.0% interest in Da Fact, recorded under other financial assets and fully depreciated since 2012, was divested in 2014.

VIII. Property, plant and equipment

The Group and its subsidiaries do not own any major property, plant and equipment and do not intend to acquire any such fixed assets in the near future.

The parent company operates out of its registered office in the premises located at 174-178, quai de Jemmapes, 75010 Paris, France, occupied under leases entered into with the real estate company Neuilly Château SA. There are no links between the real estate company Neuilly Château SA and the Company or any of its executives. Neither are there any links between any of the Group's lessors and the Company, its subsidiaries or any of their executives.

IX. Review of the financial position and earnings

9.1. Review of the financial position

In 2014, Parrot's revenues climbed 4% to 243.9 M€. In line with its targets for 2014, Parrot ramped up its spending, particularly on R&D during the first half of the year, to launch five new products in the second half of 2014. The commercial success achieved, particularly with the two new MiniDrones (Parrot Jumping Sumo and Parrot Rolling Spider), enabled the Group to generate growth over 2014, despite the first half's 17% contraction, with operations breaking even for the full year. In 2014, Parrot became a significant player on the rapidly growing market for civil drones.

9.1.1. Change in revenues

To reflect the changes in its activities, and particularly its breakthrough in Connected Devices and Drones, Parrot adopted a new financial reporting framework at the end of 2013. With the new reporting format:

- The **Drone** business groups together revenues from sales of retail drones (MiniDrone, AR.Drone, Bebop Drone), sold to consumers through the distribution networks and online, as well as revenues from commercial drones, sold through specialized distribution networks.
- The **Automotive business** groups together revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot ASTEROID range) sold to consumers through the distribution networks (Retail Automotive), as well as revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers (Key Account Automotive);
- The **Connected Devices** business groups together revenues from the audio products (Parrot Zik), Plug & Play products (Parrot MINIKIT range), toys and connected devices (Parrot FLOWER POWER), sold to consumers through the distribution networks and online;
- The "Other" business includes revenues generated by Varioptic's sales.

■ Breakdown of revenues by business

Consolidated accounts - IFRS (€M and% of Group revenues)	2013		2014		Change
Drones	**42.0**	**17.9%**	**83.0**	**34.0%**	**+97%**
Retail	35.8	15.2%	70.5	28.9%	+97%
Commercial	6.3	2.7%	12.5	5.1%	+98%
Automotive	**162.5**	**69.1%**	**135.0**	**55.4%**	**-17%**
Retail	54.6	23.2%	44.5	18.2%	-19%
Key Accounts	107.9	45.9%	90.5	37.1%	-16%
Connected Devices	**29.5**	**12.5%**	**24.0**	**9.8%**	**-19%**
Audio	15.0	6.4%	12.4	5.1%	-17%
Plug & Play	12.6	5.4%	9.3	3.8%	-26%
Other Connected Devices	1.8	0.8%	2.1	0.9%	-21%
Other	**1.0**	**0.4%**	**2.0**	**0.8%**	**+90%**
Group total	**235.1**	**100.0%**	**243.9**	**100.0%**	**+4%**

9.2. Change in consolidated earnings

€'000 / K€	Dec 31, 2013	Dec 31, 2014
Revenues	**235 150**	**243 871**
Cost of sales	-116 843	-115 343
Gross margin	**118 308**	**128 508**
% of revenues	50.3%	52.7%
Research and development costs (1)	-45 639	-50 130
% of revenues	*19.4%*	*20.6%*
Sales and marketing costs	-39 976	-45 941
% of revenues	*17.0%*	*18.8%*
General costs	-14 492	-16 746
% of revenues	*6.2%*	*6.9%*
Production and Quality	-11 928	-14 577
% of revenues	*5.1%*	*6.0%*
Current income from operations	**6 273**	**1 113**
% of revenues	2.7%	0.5%
Non-current operating income		
Non-current operating expenses	-198	-514
Income from operations	**6 075**	**599**
% of revenues	2.6%	0.2%
Income from cash and cash equivalents	1 344	1 247
Cost of gross financial debt	-744	-834
Cost of net financial debt	599	413
Other financial income and expenses	-880	220
Financial income / expense	**-280**	**633**
Share in income from equity affiliates	-174	0
Corporate income tax	-4 430	-4 088
Net income attributable to Parrot S.A. shareholders	**1 190**	**-2 855**
Net income (Group share)	**1 557**	**-2 592**
Non-controlling interests	-366	-263
% of revenues	*0.7%*	*-1.1%*

9.2.1. Revenues

The consolidated accounts show 243,871 K€ in consolidated revenues, up 4% from the previous year (235,150 K€). Following a 17% contraction during the first half of the year, the annual revenue growth target was achieved thanks to the successful product launches during the second half of the year, and in particular the success of the new MiniDrones. For further details on the breakdown of consolidated revenues, refer to 9.1.1 above "Change in revenues".

9.2.2. Cost of sales and gross margin

The gross margin came to 52.7% of revenues, in line with the Group's business model. The progress made with the Group's gross margin rate reflects the ramping up of the Drone business, as well as the good level of margins for other activities. The level of margin achieved also highlights the Group's ability to develop its Drone business without calling its main financial balances into question.

9.2.3. Operational costs

Current operating expenses totaled 127,395 K€, up 13.7% compared with the 112,054 K€ recorded one year earlier. Expenditure has focused primarily on finalizing (R&D costs) and launching (marketing costs) new products, making it possible to achieve the full-year growth targets. Note that since January 1, 2011, the French research tax credit (CIR) has been considered to be an operating subsidy. The research tax credit came to 6,315 K€ in 2014, with 4,067 K€ booked against operating expenses and the balance against capitalized development costs.

Research and development costs

In 2014, the Group's research and development costs came to 50,130 K€, representing 20.6% of revenues, compared with 45,639 K€ in 2013 (19.4% of revenues), an increase of 4,491 K€ (+10%). The Group's R&D spending focused primarily on the Drone business (three retail drones and one commercial drone launched in 2014), while the percentage of spending for the Automotive business, and particularly the infotainment solutions under development, is partly financed by clients, coming in at 6,486 K€ for 2014.

Sales and marketing costs

In 2014, the Group's sales and marketing costs came to 45,941 K€, representing 18.8% of revenues, compared with 39,976 K€ in 2013 (17% of 2013 revenues), up 5,965 K€ (+15%). The increase in sales and marketing costs is linked to the five products launched during the second half of the year, as well as growth in the percentage of Retail products within the Group's sales.

Production and quality costs

In 2014, the Group's production and quality costs came to 14,577 K€, representing 6% of revenues, compared with 11,928 K€ in 2013 (5.1% of 2013 revenues), up 2,648 K€. They are in line with the Group's needs and notably reflect the resources put in place in connection with the new product launches.

General and administration costs

In 2014, the Group's general and administration costs came to 16,746 K€, representing 6.9% of revenues, compared with 14,492 K€ in 2013 (6.2% of 2013 revenues), up 2,254 K€. General and administration costs notably include non-recurring fees relating to the interests acquired in the commercial drone companies.

9.2.4. Income from ordinary operations

Income from ordinary operations came to 1,113 K€, representing 0.5% of revenues, compared with 2.7% one year earlier. In line with the Group's objectives for 2014, the increase in spending as from the first half of the year made it possible to quickly reestablish growth, with operations breaking even for the full year.

Following the acquisition of an additional interest in Pix4D, the Pix4D securities acquired in the first tranche were revalued, with a 902 K€ capital gain linked to this revaluation.

The impairment concerning Varioptic at December 31, 2014 can be broken down as follows:

- Reduction in Varioptic's earnout payable in 2015 by 84 K€. The fair value of the liability after this adjustment is 645 K€ (versus 729 K€ in 2013).
- Recognition of a -634 K€ goodwill impairment for the Varioptic CGU (versus -2,800 K€ in 2013).

The following items were also recorded:

- A reversal of provisions for individual training entitlements (DIF) for 1,642 K€, recognized after the personal training account system was set up (cf. Note 25 to the consolidated financial statements) and -2,507 K€ in costs for legal advisor fees relating to disputes.

Consolidated accounts - IFRS (€M)	Drones	Automotive	Connected Devices	Other
Revenues	82.9	135.0	23.9	1.9
EBIT	0.1	10.3	-7.2	-2.1
% of revenues	0.1%	7.6%	-30.1%	-105%

EBIT for each segment comprises:

- Revenues for each segment;
- Production costs and operating expenditure (R&D, sales and marketing costs) for each segment;
- Allocation of costs for the functional divisions, prorated to revenues.

9.2.5. Financial income and expenses

Financial income and expenses came to 633 K€ for 2014, compared with -280 K€ in 2013, linked primarily to income from the Group's investments and foreign exchange effects.

9.2.6. Earnings for the period

In 2014, net income (Group share) totaled 2,592 K€, representing -1.1% of revenues, compared with 1,557 K€ and 0.7% respectively in 2013.

9.3. Change in Parrot S.A. earnings

9.3.1. Main income statement items for Parrot S.A.

Net revenues came to 124,703 K€, compared with 109,640 K€ for the previous year.

Operating income came to 187,288 K€, compared with 161,524 K€ the previous year.

Operating expenses came to 198,211 K€, compared with 175,097 K€ the previous year.

The R&D costs for the former DiBcom in 2014 were combined with the R&D costs for Parrot S.A.

EBIT came to -10,923 K€, compared with -13,573 K€ the previous year.

Financial income and expenses show 14,498 K€ in income, compared with a 2,213 K€ financial loss the previous year.

Non-recurring items show a loss of 4,307 K€, compared with a 378 K€ loss for the previous year. A net accounting profit of 3,426 K€ was recorded in 2014, compared with a net accounting loss of 12,130 K€ the previous year.

9.3.2. Main balance sheet items for Parrot S.A.

Share capital and shareholders' equity

The Company's share capital comprises 12,753,663 shares, an increase of 98,370 shares as a result of the 98,370 stock options exercised by the Group's staff.

At December 31, 2014, the Company had 136,413 K€ in shareholders' equity, up 4,391 K€ on the previous year.

Other equity

The 3,119 K€ conditional advance received by the former DiBcom from OSEO, the French innovation agency, is based on the following conditions for repayment:

- Less than 12 M€ in revenues: no repayment;
- 12 M€ to 90 M€ in revenues, before December 31, 2016: repayment of 4% of revenues, up to the 3.1 M€ advance;
- 90 M€ to 160 M€ in revenues, before December 31, 2019: gradual repayment of 2% of revenues;
- Over 160 M€ in revenues, before December 31, 2019: gradual repayment of 1% of revenues.

An industrial and commercial report on the project is submitted annually to OSEO. The repayment schedule for the 700 K€ conditional advance received by the former Varioptic, initially repayable from September 2010, was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2014, this OSEO advance represented 418 K€, including 284 K€ under one year.

Debt

Non-convertible bonds:

In October 2010, Varioptic issued convertible bonds subscribed for by the main investment funds which were already shareholders in Varioptic, for a total of 1.1 M€.

In connection with Varioptic's acquisition, the convertible bonds were restructured as follows:

- Holders waived their conversion option;
- Immediate cash repayment of 250 K€ on closing;
- The outstanding capital and accrued interest, i.e. 851 K€, was refinanced as straight bonds, redeemable in four installments through to December 31, 2014, with an interest rate indexed against the three-month Euribor;
- The final 213 K€ instalment was redeemed at the end of December 2014.

Sundry borrowings and financial debt:

The earnout for the Varioptic BU has been reviewed based on a new business plan. The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. The value of the debt came to 645 K€ at December 31, 2014.

At December 31, 2014, an interest-free repayable advance from BPI France was also recorded in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop new-generation integrated circuits and equipment for 4G connected devices, particularly for the automotive market, for a total of 1,162 K€. This advance will be repayable in four installments from June 2018 to June 2021.

Borrowings and debt with credit institutions:

At December 31, 2014, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 10.5 M€ (LCL: 6.0 M€ and HSBC: 4.5 M€)
  (Long-term: 3.5 M€; Short-term: 7 M€)
- Fair value of swaps: 191.8 K€

Medium-term financing:

The Company does not have any finance lease agreements in place and does not use any other medium or long-term means of financing.

Trade payables

At December 31, 2014, the Company's aged creditors balance shows a total of 16,698 K€ (excluding accrued expenses).

Outstanding balance at Dec 31, 2014	Future maturity	0 - 10 days	11 – 20 days	21 – 30 days	31 – 60 days	>61 days
- 24 549	21 686	2 074	- 210	61	336	182

9.4. External factors which might influence the Group's activities

A certain number of factors could have a significant impact on the Group's earnings. For further information, please refer to Chapter IV above "Risk factors".

9.5. Five-year financial summary

Breakdown	2010	2011	2012	2013	2014
I. Capital at year-end					
a) Share capital (*)	1 961 660	1 965 401	1 952 766	1 929 304	1 944 296
b) Number of existing ordinary shares	12 867 615	12 892 145	12 809 264	12 655 293	12 753 663
c) Number of existing priority dividend shares (without voting rights)	-	-	-	-	
d) Maximum number of future shares to be created:	-	-	-	-	
- by converting bonds	-	-	-	-	
- by exercising subscription rights	3 423 127(4)	1 122 832(3)	942 134(2)	784 371(1)	507 915
II. Operations and earnings for the year					
a) Revenues (net of tax)	139 034 985	143 107 682	129 378 455	109 639 970	124 703 069
b) Earnings before tax, employee profit-sharing, depreciation and provisions	30 932 584	22 725 630	31 363 838	-11 795 072	-3 977 466
c) Corporate income tax	1 257 652	-3 923 709	-6 913 729	- 4 034 566	-4 158 584
d) Employee profit-sharing due for the year	505 084	-	-	-	
e) Earnings after tax, employee profit-sharing, depreciation and provisions	17 472 449	7 768 900	22 963 227	- 12 130 495	3 426 803
f) Distributed earnings	-	-	-	-	
III. Earnings per share					
a) Earnings after tax and employee profit-sharing, but before depreciation and provisions	2,27	2,07	2,99	-0,61	-0,64
b) Earnings after tax, employee profit-sharing, depreciation and provisions	1,36	0,60	1,79	-0,96	0,27
c) Dividend per share	-	-			
IV. Workforce					
a) Average headcount over the year	369	446	542	589	615
b) Annual payroll	18 390 251	30 909 596	31 817 947	33 519 692	35 613 551
c) Amount of sums paid for employee benefits for the year (social security, benefits, etc.)	11 776 326	16 596 032	19 289 107	16 131 645	16 963 440

(1) 143,700 bonus shares + 640,671 stock options.

(2) 272,213 bonus shares + 669,921 stock options.

(3) 325,663 bonus shares + 797,169 stock options.

(4) 2,574,085 company founder equity warrants + 164,342 bonus shares + 684,700 stock options.

(5) 2,711,387 company founder equity warrants + 25,000 stock warrants + 175,592 bonus shares + 585,300 stock options.

X. Cash and capital

10.1. Cash

At December 31, 2014 the Group's cash position, including other financial assets, came to 89.7 M€, compared with 96.9 M€ at the end of the previous year.

Free cash flow is invested in risk-free products based primarily on underlying rates for a maximum of three months. Net cash after liabilities came to 77.2 M€ at December 31, 2014.

The Group's consolidated cash flow (IFRS)

In K€	2013	2014
Operating cash flow		
Earnings for the period	1 190	- 2 855
Share in income from equity affiliates	174	-
Depreciation and amortization	9 728	11 677
Capital gains and losses on disposals	708	-25
Fair value remeasurement of interest previously held on equity basis	-	-902
Tax charges	4 430	4 088
Cost of share-based payments(3)	3 058	2 641
Cost of net financial debt	-599	-413
Cash flow from operations before tax and cost of net financial debt	**18 690**	**14 210**
Working capital(5)	10 605	5 464
Tax due	-5 682	-3 808
NET CASH FROM OPERATING ACTIVITIES (A)	**23 614**	**15 866**
Investing cash flow		
Acquisition of tangible and intangible assets	-15 905	-19 364
Acquisition of subsidiaries, net of cash acquired(4)	-	395
Acquisition of long-term financial investments	-1 536	-4 438
Increase in other current financial assets	27	-
Disposal of tangible and intangible assets	-	-
Disposal of long-term financial investments	40	163
CASH FROM INVESTMENT ACTIVITIES (B)	**-17 375**	**-23 243**
Financing cash flow		
Equity contributions(1)	286	964
Dividends paid	-	-
Receipts linked to new loans	-	1 164
Other financing	-	-
Cash invested for over 3 months	-9 565	23 299
Cost of net financial debt	599	413
Repayment of short-term financial debt (net)	-6 352	-6 818
Repayment of other debt	-	-
Acquisition of treasury stock(2)	-8 423	37
CASH FROM FINANCING ACTIVITIES (C)	**-23 455**	**19 059**
NET CHANGE IN CASH POSITION (D = A+B+C)	**-17 217**	**11 682**
Net exchange rate differences	-1 633	4 393
CASH AND CASH EQUIVALENTS AT YEAR-START	**73 113**	**54 263**
CASH AND CASH EQUIVALENTS AT YEAR-END	**54 263**	**70 338**
Other current financial assets	42 671	19 380
CASH, CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS AT YEAR-END	**96 934**	**89 717**

(1) Capital increase through exercising of option. (2) "Chapter XIII" treasury share buyback. (3) Of which, 421 K€ corresponding to the IFRS II expense to be paid for senseFly. (4) Of which, additional acquisition of senseFly securities for -152 K€ + acquisition of 2nd Pix4D tranche for -2,083 K€ + cash from Pix4D subsidiary acquired for 2,630 K€. (5) Of which, deconsolidation of the research tax credits for 2012 and 2013 for 12.9 M€.

10.2. Sources and amount of cash flow

10.2.1. Net cash from operations

The Group's net cash from operating activities came to 16.0 M€ in 2014, down 7.6 M€ compared with the previous year. To some extent, it reflects the less favorable change in working capital requirements over 2014.

There are no post-balance sheet events to report that might have a material impact on the Group's cash position.

10.2.2. Cash from investment activities

Investments represented a total of 23.3 M€, up 6.0 M€ on the previous year.

10.2.3. Net cash from financing activities

The Group's debt represented 12.5 M€ at December 31, 2014, compared with 19.4 M€ the previous year:

- 10.7 M€ of borrowings and debt with credit institutions,
- 0.4 M€ contributed by Varioptic (OSEO liability),
- 0.2 M€ for senseFly and Pix4D (conditional long-term loans).
- 1.2 M€ for the FELIN subsidy.

As a result, net cash after liabilities came to 77.2 M€.

10.3. Company financing lines

Since the start of 2014, the Company has had authorized overdraft lines and an import documentary letter of credit with the banks Palatine, HSBC, BNP and Crédit Agricole Ile-de-France representing a total of 14.3 M€, enabling it to cover all or part of any temporary fluctuations in its cash flow.

In 2014, these short-term financing lines can be broken down as follows:

HSBC

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 1% over the three-month EURIBOR; this line is not guaranteed;
- An import documentary letter of credit for 3.3 M€;

BNP

- An unconfirmed overdraft line for 3 M€ with an annual interest rate of 0.90% over the EONIA; this line is not guaranteed;

Palatine

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 0.80% over the three-month EURIBOR; this line is not guaranteed.

Crédit Agricole Ile-de-France

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 0.90% over the one-month EURIBOR; this line is not guaranteed;

LCL

- An unconfirmed overdraft line for 2 M€ with an annual interest rate of 0.80% over the three-month EURIBOR; this line is not guaranteed.

There are no specific repayment or default clauses on the overdraft authorizations granted by the banks Palatine, BNP, HSBC, Crédit Agricole Ile-de-France and LCL. By December 31, 2014, the Company had not used any of these financing lines.

10.4. Credit agreement

10.4.1. Information concerning the use of financial instruments

Under the various loan agreements - taken out on July 1, 2011 with its banking partners HSBC, LCL and Crédit Agricole Ile de France - to finance all or part of its external growth, the Parrot Group is exposed to the rate risk, and more specifically fluctuations in the three-month Euribor, the variable rate against which the credit line drawdowns are indexed.

To hedge this exposure, the Parrot Group decided to take out swap agreements to protect itself against interest rate fluctuations. The Company decided to apply hedge accounting at December 31, 2014.

The hedged item ("underlying") is defined as the future drawdowns on Parrot S.A.'s variable-rate credit lines.

The hedging instrument is an external derivative financial element. It corresponds to the interest rate swaps taken out to ensure that all or part of the drawdowns made by Parrot S.A. are covered by fixed rates.

At each quarter-end, swaps are remeasured at their fair value.

When a derivative financial instrument is designated as a hedging instrument for changes in cash flow on a recognized asset or liability, or a planned transaction that is highly probable, the effective portion of the profit or loss on the derivative financial instrument is recognized directly through equity. The ineffective portion of the profit or loss is recognized immediately in profit or loss.

10.4.2. Use of credit agreements in 2014

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts are due to mature on July 1, 2016 and are indexed against the three-month Euribor.

To hedge its exposure to the rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€).

The Company also decided to apply hedge accounting for these two instruments at December 31.

At December 31, 2014, the breakdown of borrowings and debt with credit institutions was as follows:

- Credit line drawdowns: 10.5 M€ (LCL: 6.0 M€ and HSBC: 4.5 M€)
  (Long-term: 3.5 M€; Short-term: 7 M€)
- Fair value of swaps: 191.8 K€

The following ratios were respected at December 31, 2014:

- Consolidated net financial debt / consolidated EBITDA;
- Consolidated gross financial debt / consolidated equity (Group share);
- Consolidated net financial debt / consolidated equity.

10.5. Contractual obligations

Please refer to Section XXII below "Significant contracts" in the present reference document for the contractual obligations of Parrot.

XI. Research and development

11.1. R&D organization and strategy

A key part of the Group's success

The Group's research and development activities are a key element, particularly for its competitive edge, flexibility, cost savings and technological independence. R&D aspects are also covered in other sections in this reference document, notably: Section IV "Risk factors", and more specifically the risks described in Sections 4.1.4 "The Group could face difficulties in deploying its Group products on Electronics mass retail markets", 4.2.5 "The Group's target markets are subject to rapid technological change and frequent launches of new products", 4.2.7 "The Group's activities are dependent on technical standards" as well as 6.6.3 "Significant investments in research and development".

Parrot's Research and Development is focused on four goals:

- Improving existing products by incorporating ever more features;
- Developing new technologies by expanding its portfolio of technologies to position itself in the emerging market of automotive infotainment;
- Exploring new possibilities for mobile phone accessories or more generally wireless technologies.
- Deploying commercial and civil drone technologies, targeting requirements in the agricultural, aerial mapping and surveillance fields in priority.

11.1.1. Innovation strategy and process

With a team of 500 engineers educated in the most prestigious French and foreign schools (École Supérieure d'Électricité, École Nationale Supérieure des Télécommunications, École Centrale des Arts et Manufactures, École Polytechnique, Georgia Tech, Stanford University, etc.), the Group has vertical expertise across all the technologies required for developing its products. More specifically, it designs its own integrated electronic circuits and chips (Parrot4+, Parrot5, Parrot 5+, Parrot 6 and more recently Parrot 7 ASICs), as well as its own signal processing algorithms.

The Group also stands out through its expertise on the Bluetooth stack (series of software layers for implementing the Bluetooth standard), an essential condition for ensuring the development of products upstream and achieving the best interoperability during their lifecycle (cf. 11.2.7 below "Software development" in the present reference document).

Today, the Group is also moving forward with its strategy for innovation looking beyond the handsfree telephony sector, while continuing to capitalize on its signal processing expertise. In this way, the Company has made substantial investments in vehicle and domestic digital music. These investments have enabled excellent technical results to be achieved, including the development of the psychoacoustic audio effects algorithm, virtual basses and sound spatialization. These technologies are present in Parrot's products, and more specifically the Parrot Zik wireless headphones and several handsfree kit ranges combining handsfree telephony with music features (Parrot MKi and Parrot ASTEROID). At the same time, the Group has significantly increased its connectivity portfolio with the integration of USB, SD, iPod and Wi-Fi interfacing technologies into Parrot's products. Lastly, the company has invested in new automatic and video processing technologies, notably paving the way for the development of the AR.DRONE, a revolutionary quadricopter capable of flying by itself thanks to two onboard cameras, an inertial unit and ultrasound sensors.

In line with its development plan for 2014, the Company increased its capacity for innovation by further strengthening its R&D teams. In particular, work focused on developing infotainment solutions and expanding the range of drones, paving the way for three new drones to be launched in 2014.

In 2014, R&D spending totaled 50.1 M€, representing 20.6% of revenues, compared with 45.7 M€ and 19.4% of revenues in 2013.

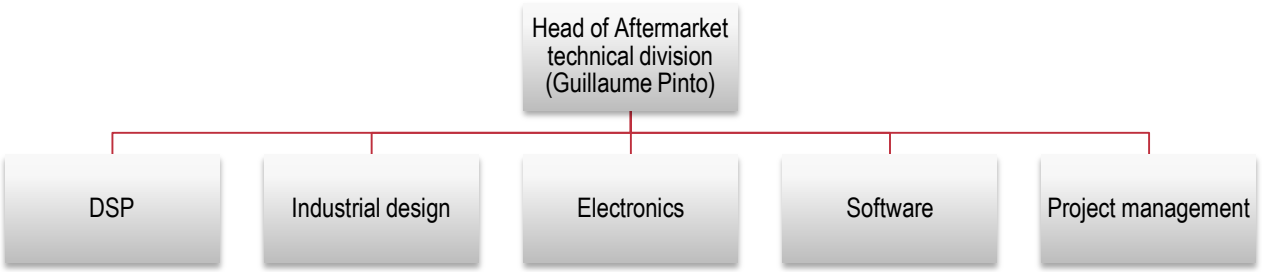
11.1.2. R&D organization

Research and Development is organized around projects which are assigned to each business sector. Research and Development is led by two technical directors with complementary skill sets, covering all of the Group's requirements (cf.17.1.3 "Executive managers").

R&D Division

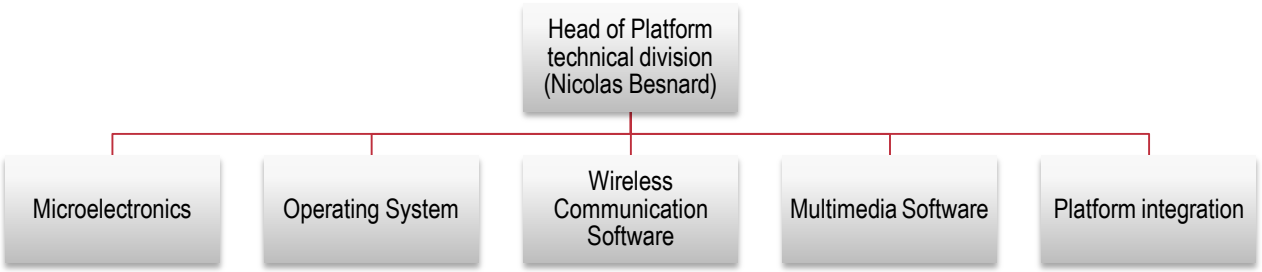
Aftermarket technical division

The Aftermarket technical division, in charge of the Group's retail products, coordinates the research and development activities linked to the design and industrialization of the Group's products (excluding modules sold directly to auto manufacturers in connection with the Key Account products). The department is made up of signal, acoustic and automatic processing research engineers, industrial designers, electronic design engineers, software design engineers and project managers responsible for the cross-business coordination of the various teams involved in each project.



Platform technical division

The Platform technical division coordinates the research and development activities for designing electronic chips (ASIC) and the core software used in all the Group's products. It is made up of microelectronic design and software design engineers.



Automotive

Product Management division

The key account Product Management division coordinates research and development activities for the design and industrialization of infotainment modules and solutions sold directly to automotive manufacturers. It is made up of project leaders in charge of coordinating the various areas of technical expertise internally, as well as interfacing with customers.

Digital Tuner Platform division

It coordinates research and development activities for designing the Octopus electronic chips integrated into the Group's key account infotainment solutions. It is made up of radio frequency processing, signal processing and channel decoding engineers.

Consumer Electronics

The Aftermarket technical division has dedicated teams for the design and industrialization of consumer electronics products.

Drones

Aftermarket technical division

The Aftermarket technical division has dedicated teams focused on the design and use of drones.

senseFly R&D division

Teams based in Lausanne, France, are focused exclusively on the products offered by this company, which was acquired in 2012. These teams work primarily in the commercial drone sector.

Other

Varioptic R&D division

Teams based in Lyon, France, are focused exclusively on the products offered by Varioptic, which was acquired in 2011 and has been merged into Parrot S.A. These teams work primarily in the optics sector.

11.2. Group technologies

The Group's technological core is built around the following main areas: digital signal processing, design of application-specific integrated circuits or ASIC chips, knowledge and expertise on Bluetooth wireless data transfer technology, mechanical conception and design, electronics and software development.

These various fields represent the key elements for the Group's Bluetooth handsfree telephony kits, as well as its new retail electronic products.

11.2.1. Signal processing

Since 1994, the Group has invested in developing new technologies relating to digital signal processing (DSP), which is essential to the audio quality of products. Since 1997, the Group has built up significant expertise on signal processing algorithms for applications in the automotive sector. Indeed, the processing of speech in a noisy environment is one of the Group's main areas of expertise.

Over and above its expertise in this area, the Company holds various patents and has filed patent requests on voice recognition technologies applied for on-board handsfree kits, noise reduction and acoustic echo cancellation (cf. 11.3.2 below “Patents” in the present reference document).

The Group's signal processing expertise

Voice recognition: since 1994, the Group has invested in developing voice recognition solutions in-house. Certain parts of the voice recognition algorithms are integrated into another of the Group's key technologies, i.e. the Parrot ASIC platforms (cf. 11.2.2. below “ASIC platforms” in the present reference document). More specifically, the voice recognition applications are behind the voice control capabilities offered on the Group's products and the key factor for the hands free features.

Acoustic echo cancellation: acoustic echo cancellation is one of the two critical algorithmic points for establishing good quality communications with a handsfree solution. During a phone call, the remote caller's voice is transmitted to the kit's user via a speaker. Acoustic echo refers to the phenomenon of this voice signal being returned to the remote caller. This phenomenon is due to the fact that the microphone used by the handsfree kit's user records not only their speech, but also the signals from the speaker. To resolve this difficulty, the Group has been developing various solutions since 1997. In this way for instance, the VSSLMS algorithm for handsfree kits for vehicles makes it possible to reduce the echo effect up to 50 dB (decibels). When designing the Parrot MINIKIT in 2006, the issue took on a new scale. Indeed, since the speaker and the microphone were very close to one another, the acoustic echo is seen as infinitely stronger than the user's voice by the microphone. Thanks to two new major inventions (with two patent requests filed in summer 2006), the audio processing team has successfully resolved this issue and achieved a superior echo cancellation quality compared with rival products (benchmarking carried out by an independent laboratory).

Noise reduction: the distance between the microphone in a handsfree kit system and the user's mouth, and the inevitable noise inside any car when driving require ingenious solutions to establish good quality communications. Since 1997, the Group has developed noise reduction solutions in-house. Thanks to its technology, noise reduction can reach 16 dB for a simple microphone on “stationary” noises (engine, wind, ventilation). The Group is improving its noise reduction system by implementing algorithms based on the use of several microphones. In addition, a new noise reduction algorithm with a microphone that can eliminate almost 70% of instationary noise (sound environment) has been developed (patent request filed in February 2006).

Audio effects: devices used in day-to-day life are often very limited in terms of their ability to reproduce hi-fi quality sound (car radio, speakers), particularly stereo separation and low frequencies. Parrot has successfully stood out through the use of innovative technologies to resolve these effects, including a virtual bass creation algorithm, used on the multimedia products and auto products, as well as audio spatialization algorithms making it possible to expand the stereo effect or refocus the sound image within the vehicle (MKi range).

Video processing: the new video processing technologies designed and developed by the Company make up one of the fundamental bases of the technical core enabling the AR.DRONE to be developed. Thanks to extremely sophisticated methods, the AR.DRONE is able to use a camera pointing towards the ground to "observe" and compensate for any drift by moving the motor in the opposite direction.

Automatic: another cornerstone for the AR.DRONE, the advanced servo-control methods devised by the company enable the quadricopter to control its flight path thanks to the intelligent processing of data from various sensors: motion sensor, gyroscope, ultrasound, magnetometer, barometer.

11.2.2. Parrot ASIC platforms

The Group's products are based on Parrot ASIC or application-specific electronic chip platforms, with these technologies developed by the Group.

As early as 1994, the Group launched work to develop Parrot ASIC platforms, aware that a proprietary hardware solution would give it an even greater capacity for innovation, more independence and more effective control over its costs.

The latest chip developed by the Group (Parrot 6) offers a calculation capacity that is twice as high as the previous generation, has a digital display interface, accelerators for image and video processing, a new audio interface, two high-speed USB controllers.

The latest Parrot ASICs are enabling new features to be deployed for consumer electronics and products, while optimizing the cost price on these products. The new ASIC Parrot6i, incorporating analog components (feeds, analog-digital audio converter) to optimize the overall cost price for these products, is used in the Group's products during the course of 2011.

After Parrot completed the development of its ASIC Parrot 7 in 2013, production started up in 2014 and it will gradually be integrated into the Group's new products.

11.2.3. Expertise in the Bluetooth technology

The Bluetooth wireless data transmission technology can only be used if it is combined with sophisticated software making it possible to control it. Furthermore, to comply with the standards of the group supporting the Bluetooth technology, the Bluetooth SIG, such software must be able to manage a large number of standard features (the Bluetooth stack), enabling transparent communication between the various electronic devices equipped with this technology. In this way, the Group has developed its own Bluetooth software solution since 1999. Indeed, the Group was one of the first to develop Bluetooth hands free telephony systems, notably offering the Parrot CK3000 as early as 2001.

Having its own Bluetooth standard management software offers a key advantage over the Group's rivals and is essential for ensuring the interoperability of its products with all the Bluetooth mobile phones available on the market. This represents a key differentiating factor compared with rival products. Indeed, many competitors' products use software that is developed by third parties (generic solutions), rather than software developed specially for their products. The generic solutions used by these rivals are, on account of their very nature, less scalable than the in-house software used by Parrot, which can be adapted more quickly and easily in line with the specific requirements of Parrot's products and market developments. Furthermore, certain Bluetooth features are proprietary and which are not present in any generic solutions. For instance, the universal downloading of the phonebook by Bluetooth is a feature that only the Group has been able to develop.

The Company's status as a Bluetooth SIG associate member and its contribution to the working groups, its close collaboration with mobile phone manufacturers, the systematic checking of the compatibility of its products with new mobile phone models all represent factors which are enabling the Group to ensure the interoperability of its products with the latest developments on the market. In this way for instance, in 2009 Parrot developed a Bluetooth stack compatible with the high-speed Version 3.0 of the standard, making it possible to significantly increase speeds thanks to radio components using Standard 802.11.

11.2.4. Development of extended connectivity

The Group has sought to diversify the connectivity of its products in order to deploy new scenarios for their use, notably by adding Wi-Fi and USB technologies.

Wifi technology is used in many Parrot products and notably makes it possible to establish communication between the retail drones and the pilot's smartphone, as well as with Asteroid products for content sharing in vehicles.

USB technology has also been widely deployed in the Group's products; in particular, connectivity with Apple iPod and iPhone devices, which are extensively compatible with the Group's products, is based on this technology. A proprietary Wi-Fi audio streaming system has also been developed by the Group.

11.2.5. Mechanical conception and design

Designing quality products also requires a good level of expertise on the aesthetic and mechanical aspects of products. More specifically, many advances in this area have enabled Parrot to develop expertise in microphone assembly technologies. Today, these technologies enable 15dB decoupling between the microphone and speaker, which represents a crucial point in the design of products in which these elements are extremely close to one another.

11.2.6. Electronics

The Group's products contain a large number of integrated circuits, which is standard practice in this type of industry. The Group "hardware" team has been able to build up strong expertise in miniaturization and energy consumption management.

Electronic blueprints are drawn up and designs validated in-house, whereas more standard routing activities for electronic cards are entrusted to external partners.

11.2.7. Software development

Parrot develops most of the software used in its products in-house and has therefore built up strong expertise in many areas such as multi-language interface management, graphic displays and telematics. The software developed by Parrot includes: multimedia and signal processing libraries and algorithms, the Bluetooth stack, specific software for controlling proprietary components (ASIC) and application software for all the product ranges.

The software development teams are primarily made up of engineers employed by the Group, as well as a small number of people deployed by external firms, notably IT engineering service providers.

For its Parrot4 ASIC-based platform, the Group uses a proprietary operating system. Since 2006, Parrot has focused on freeware operating systems: eCos then Linux. In this way, Parrot developed its first product based on the Linux operating system (Parrot 6) in 2008. In 2009, the Google Androïd™ system was chosen to be added to Linux in connection with the development of the next Parrot software platform.

Lastly, its expertise in ergonomics issues enables the Group to offer products which are simple to use despite their growing range of features.

11.2.8. Image processing technologies

The image processing technologies result from the acquisition of Varioptic in 2011, the world leader for liquid lens technology for miniature cameras. Varioptic is contributing towards the miniaturization of optical systems (cameras, photo devices, optical readers, etc.) and offering innovative technologies to improve the quality of digital images. Varioptic's liquid lenses make it possible to develop various optical features, from image focusing to optical stabilization to eliminate movement-related blur, without any mobile mechanical part or motor.

11.2.9. Multistandard digital radio and television

The digital radio and television technologies result from the acquisition of DiBcom in 2011, enabling Parrot to harness unique know-how in the multistandard digital radio and television field, while representing a major strategic asset for the Group's development on the in-vehicle infotainment market.

The high-performance integrated chipsets developed by DiBcom since 2000 make it possible to receive digital radio and television with a low-power and high-mobility approach, covering all transmission standards (DVB-T, DVB-SH, ISDB-T, ATSC, CMMB, DAB, etc.), thanks in particular to a programmable core for signal processing, developed by DiBcom.

DiBcom provides complete solutions for the rapid development of receivers, from the blueprints to software through to testing for the final device, with help from an effective technical support structure. These solutions use two ranges of components:

- Multistandard Octopus: a programmable processor for receiving digital radio and TV. As the standard is defined by software, this solution addresses the issues relating to the growing number of TV standards rolled out around the world.

- Single standard: a low-cost integrated chipset for receiving a single TV standard, intended for consumer electronics devices.

In particular, the DiBcom solutions have specific capabilities in terms of:

- Integration: DiBcom is able to integrate the tuner, demodulator, conditional access system, memory, power supply management and a USB, if necessary, into the same component. This integrated circuit enables manufacturers to rapidly develop and market their products with a high-performance, flexible and economically profitable solution.
- Programmability: Octopus is a multistandard integrated chipset based on a software-controlled vector signal processor (VSP). This component makes it possible to target several TV and radio standards with one single platform (e.g. DVB, DAB, DMB, CMMB, ISDB, ATSC, CTTB standards, etc.).
- Mobility: Mobile reception represents a real challenge because the signals received are weak and affected by speed, echoes and multiple interferences. DiBcom has developed innovative and patented algorithms and architectures to ensure excellent reception under such difficult conditions.
- Diversity: The MRC diversity technology, integrated from the outset into all DiBcom chips, is key to improving reception reliability, speed and sensitivity, particularly in mobile environments.

11.2.10. Ultralight commercial drones

After developing its own Retail drone for leisure use (Parrot AR.Drone), Parrot is positioning itself on the market for ultralight commercial drones, notably with its acquisition of senseFly. Fully in line with the French-speaking Swiss region's micro-technique tradition, senseFly has expertise across all the technologies making it possible to develop independent minidrones. With its engineers and their multidisciplinary training profiles, senseFly has expertise spanning not only mechanical optimization design aspects, but also aerodynamics, electronics and robotics. With backgrounds in laboratories at the forefront of research, they are developing the artificial intelligence aspects which represent the foundation for independent systems. In addition to conventional sensors (GPS, gyroscopes, accelerometer, pitot tube, altimeter), senseFly's products are equipped with an innovative proximity sensor and revolutionary algorithm enabling them to land on a very small area, requiring just a few meters of flat land).

History of commercial drone technologies

The technology for senseFly's mini drones appeared in 2001, when a team of robotics researchers from the Ecole Polytechnique Fédérale de Lausanne (EPFL) Laboratory of Intelligent Systems (http://lis.epfl.ch) began researching the control and navigation strategies of flying insects. This pioneering research team developed a highly integrated autopilot using smart sensors and control strategies similar to those of flies and bees. The first step was to enable a 10 gram flying device to fly independently with collision avoidance, using low-resolution passive visual sensors and miniature inertial sensors.

The "bio-inspired" intelligent control approach for low altitude flight with obstacle avoidance was then demonstrated on an external piloting platform, the predecessor of the Swinglet Cam (first product released by senseFly).

Leading-edge autopilot

The proprietary autopilot technology which is at the heart of all the products represents the result of years of research and development.

By selecting the best miniature sensors, carefully characterizing them, designing the electronic circuits to support them and programming the microcontroller, senseFly has been able to develop the smallest, most intelligent pilot in its category. The R&D team is made up of first-rate robotics professionals, with expertise in multiple disciplines. The engineers are highly qualified in autonomous robotics or artificial intelligence. They develop and constantly improve intelligent, adapting algorithms, which are matched to the flight platforms in order to harness their full capabilities. While it is always possible to take manual control of these mini-drones, this is rarely necessary: these are truly autonomous systems, capable of controlling their flight throughout their mission, even if communications are lost.

11.3. Intellectual and industrial property

Parrot protects some of its inventions using patents. Furthermore, the software developed in-house may, provided that they are original, benefit from copyright protection. Product names are registered as trademarks.

The Group may also protect its know-how through measures protecting the confidentiality of its technical knowledge (e.g. through confidentiality agreements with its technical partners) and its commercial knowledge.

The Group's protection against its technology being copied by rivals is, to a certain extent, ensured in practice by the Group's technological edge thanks to its continuous Research and Development drive and the conception of new products.

11.3.1. Brands and marks

The Company holds word and figurative marks Parrot and its logo and / or has filed requests for registration in Classes 09, 38 and 42 for the PARROT in France, European Union countries, Swiss, Island, the United States, Canada and more widely for International in most countries in which Parrot distributes its products: in Central and South America (Mexico, Colombia, Guatemala), in Asia (China, Japan, Hong Kong, Taiwan, Singapore), in Israel, in Turkey, Egypt, Kuwait, UAE, Australia, New Zealand, South Africa and India.

The majority of Parrot's product names across its three business lines (Drones, Automotive, Connected Devices) are covered by registered marks (word and/or figurative marks in the countries concerned).

As a member of the *Bluetooth* SIG, the Company benefits from a license to use the "*Bluetooth" mark*, notably enabling it to display it on its products which are compliant with the *Bluetooth* standard and validated in accordance with the process established by the *Bluetooth* SIG.

Parrot is also a member of the Wi-Fi Alliance and, in this respect, benefits from a license to use the Wi-Fi mark, in addition to many other licenses for using marks belonging to its technical and/or commercial partners.

11.3.2. Patents

Aware that patents represent a tool making it possible to promote, defend and maintain its technological advances, the Group strongly encourages its Research and Development teams to devise technologies that are innovative, relevant, likely to be patented for the products developed. In this way, the eventual patentability of any new technologies is carefully examined, drawing on the expertise of industrial property advisors.

Since 1997, the Company has filed around 50 patents in France, and most of these patent requests are covered by international extensions, in Europe (patents covering certain European countries), the US, China and even Japan. Its patents concern all of Parrot's areas of activity and specific applications, software, equipment or even designs. In particular, the Company holds signal processing, digital acoustics and video patents. Since 2010, large numbers of patents have also been filed for drones, particularly recognition, transmission, piloting and control processes.

In 2013, the Group's portfolio of patents was further strengthened thanks to the portfolio of 24 active optics patents (lens, liquid lens, ophthalmology, module camera, barcode, etc.) with the Varioptic business unit and the portfolio of 27 active patents, particularly concerning chip implementation architectures, reception antennas, etc., for the new Digital Tuner business unit.

In 2014, the Company filed 24 new patents in France. Most of these patent requests are covered by international extensions in Europe, the US, China and even Japan.

11.3.3. Domain names

The Company applies a filing and domain name monitoring policy in order to prevent third parties from unduly benefiting from investments made to strengthen its reputation and brand awareness.

More specifically, Parrot owns the domain names www.parrot.com and www.parrot.biz, as well as various domain names in the countries in which it has subsidiaries (www.parrot.fr, www.parrot.de, www.parrot.uk, www.parrot.it and www.parrot.sp) on which it communicates, and a lot of domain names in the countries in which it sells its products.

Parrot also registers the domain names associated with the Group's activities, such as parrotoem.com for the Key Account Automotive business or the domain names associated with the products it sells, including parrotcarkits.com, parrotzikmu.com, parrotspecchio.com and recently parrotasteroid.com, and many other adaptations.

Parrot has also registered several domain names in connection with the launch and commercial deployment of its AR.Drone quadricopter: www.ardrone.com, www.ardrone.fr, www.ardrone.es, www.parrotdrone.com, www.parrotardrone.com, www.ardrone.org, as well as the domain names associated with the applications making it possible to steer or develop the quadricopter in connection with games: AR.Freeflight, AR.Flying.Race.

11.3.4. Software

With a strategy to adopt an open standard, the Group has focused on “freeware” for its operating system; it uses the eCos operating system for its platform based on the Parrot5 ASIC and has chosen the Linux system for its platform based on the Parrot6 ASIC. For its new generation of products offering extended connectivity services, the Company has chosen to use the ANDROID™ platform.

11.3.5. Designs and models

The Group has registered several community models with a view to protecting the appearance of some of its products, and more specifically a handsfree telephony system (handsfree kits, earpieces and microphone for a two-wheel kit), wireless speakers, wireless screens, a car radio and a car radio front, including the Parrot ASTEROID, which has been registered since 2009 as well as the other products of the ASTEROID range. The designs and models for the AR.Drone, the Bebop and even the Flower Power ranges are also registered in France, and sometimes extended to cover the US, China and Japan.

In 2014, 75 marks and 42 models were registered worldwide.

XII. Information on trends

12.1. Main trends with an impact on production, sales and inventories, sales prices and costs from the end of the last financial year through to the reference document registration date

On the date when this reference document was published, there were no new trends to report that had affected production, sales, inventories, costs or sales prices since year-end 2014.

However, on January 27, 2015, Parrot announced that it had decided to launch a strategic review in order to identify the best conditions for ensuring the development of its product and client portfolio in the Automotive sector. On the date when this reference document was published, the strategic review processes were underway

12.2. Known trends, uncertainties or demand or any commitment or event which might reasonably have a significant impact on the outlook for the current financial year

On the date when this reference document was published, no known trends, uncertainties or demands or any commitments or events that might reasonably have a material impact on the outlook for the current financial year, and particularly new product launches, had been identified.

Readers are invited to refer to Section IV "Risk factors" and more specifically the following sections:

- 4.1.3 "The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets"
- 4.1.4 "The Group could face difficulties in deploying its Group products on Electronics mass retail markets"
- 4.1.5 "The Group is exposed to certain constraints through the Automotive business"
- 0 "The Group's earnings are subject to fluctuations which make them difficult to forecast"
- 4.1.12 "The elements affecting the fourth quarter could have material consequences on the Group's results"
- 4.1.13 "The Group could experience difficulties with integrating acquisitions"
- 4.1.14 "Goodwill impairment which could have a material impact on the Group's earnings could be recognized"
- 4.2.1 "The Group is exposed to deteriorations in the economic environment"
- 4.2.2 "The Group is dependent on the market environment for automotive and electronic products"
- 4.2.3 "The Group may not be in a position to cope with growth in the markets"
- 4.2.4 "The Group may not be in a position to cope with competition, especially if this were to increase on its markets"
- 4.2.5 "The Group's target markets are subject to rapid technological change and frequent launches of new products"
- 4.2.8 "The Group's activities are dependent on regulations governing cellphone use while driving"
- 4.2.9 "The Group's business is linked to regulations governing the use of Drones",

and Section XIII "Financial outlook".

XIII. Financial outlook

13.1. Outlook for 2015

The outlook presented hereafter for 2015 was published with the presentation of the fourth-quarter and full-year earnings on March 2, 2015.

Parrot primarily aims to accelerate its growth in 2015 and gradually improve its profitability, which is increasingly sensitive to seasonality effects. In terms of each business, the Group is forecasting:

- Strong growth for the Drone business, made possible by the broader product portfolio rolled out since the second half of 2014 and further progress with commercial uses and technologies. The drive to accelerate in a rapidly growing sector, in which Parrot has strong assets in place, will logically be accompanied by a high level of investment in R&D, commercial distribution and industrialization.
- A contraction for the Automotive business, on a similar scale to 2014, despite the various infotainment contracts starting up. In addition, the Group has embarked on a strategic review in order to identify the best conditions for ensuring the development of its client and product portfolio.
- A resumption of growth for Connected Devices, thanks in particular to the expanded product portfolio (Parrot H2O, Parrot Pot and Parrot Zik Sport won awards at the 2015 CES) and the prioritization of the various projects being developed with a view to improving this activity's results.

Parrot is moving forward with its ambitions for growth and giving itself the capabilities needed to step up its development within the drone ecosystem by focusing on technological innovation and value creation.

13.2. Additional information

Readers are also invited to refer to the presentation of earnings for 2014 and the outlook for 2015, available on the Company's internet site at http://www.parrotcorp.com/fr/publicationsfinancieres. The elements available online include the earnings conference call and roadshow presentation.

XIV. Administrative, management, supervisory and executive bodies

The Company refers to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com). Further details and information concerning the application of the recommendations from the MiddleNext governance code are provided in 16.5.1 "Details and application of recommendations from the MiddleNext Governance Code".

14.1. Board of Directors

The Company's administration is entrusted to a Board of Directors with a minimum of three and a maximum of 12 members, subject to the exceptions provided for under French law in the event of a merger. Directors are appointed for a six-year term of office. The Board currently comprised 8 directors.

The Companies represented in relation to third parties by Mr Henri Seydoux, Chief Executive Officer, who also serves as Chairman of the Company's Board of Directors.

Make-up of the Board of Directors

- Mr Henri Seydoux, Chairman and Chief Executive Officer
- Mr Jean-Marie Painvin, Director
- Mr Edward Planchon, Director
- Mr Olivier Legrain, Independent Director
- Mr Geoffroy Roux de Bézieux, Independent Director
- Mr Jean-Yves Helmer, Independent Director
- Mr Stéphane Marie, Independent Director
- Mrs Natalie Rastoin, Independent Director
- Mrs Marie Ekeland, Independent Director

Mrs Ekeland, born on August 13, 1975 in Paris (75012), residing at 96, avenue du Maréchal Bizot, 75012 Paris, France, was elected as a director during the general meeting on June 11, 2014 for a six-year period ending further to the general meeting convened in 2020 to approve the financial statements for the year ending December 31, 2019.

The terms of office of Mr Henri Seydoux, Mr Jean-Marie Painvin and Mr Stéphane Marie are due to end at the general meeting convened to approve the financial statements for the year ended December 31, 2014.

A proposal will be submitted to shareholders at the ordinary general meeting on June 30, 2015 to renew their terms of office for a six-year period ending further to the general meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

Mr Olivier Legrain, Mr Geoffroy Roux de Bézieux, Mr Stéphane Marie, Mr Jean-Yves Helmer and Mrs Natalie Rastoin are considered to be independent directors in view of the criteria defined by the MiddleNext governance code. Mrs Marie Ekeland also satisfies these criteria and is therefore considered to be an independent director.

Board's operations

The Board's bylaws require the Board of Directors to meet at least four times a year, and it may hold additional meetings if required by the economic situation or any specific event. In 2014, the Board met four times to review the quarterly, half-year and annual financial statements. It also held a further two sessions: one session on April 29, 2014 to propose Mrs Marie Ekeland's appointment as a director and one session following the general meeting. Meetings are held at the registered office or as conference calls.

Each director is invited to attend all Board of Directors meetings at least five days before the session in question. The agenda for the Board meeting and the draft minutes from the previous meeting are appended to each invitation to attend. Prior to each meeting, a file containing the documents relating to the various points included on the agenda is sent to each director.

Participation in the Board

The attendance rate within the Board of Directors remained constant over 2014, with seven or eight directors out of eight present, and eight out of nine following Marie Ekeland's appointment. In addition to the directors, the following people attend Board meetings:

- The co-statutory auditors are invited to attend all Board of Directors meetings convened to review the annual or half-year financial statements;
- Two members representing the Works Council are also invited to attend all of the Board of Directors' meetings;
- Mr Gilles Labossière, Chief Administrative and Financial Officer, is invited to and attends the Board of Directors' sessions;
- Mr Eric Riyahi, Executive VP Global Business Operation, has also been invited to and attended the Board of Directors' meetings since November 2013;
- Mrs Karin Wittkötter, Chief Legal Officer, in charge of legal secretary aspects, serves as the Board's secretary;
- Mrs Marie Calleux (Ein), in charge of the Group's financial communications, is also invited to and attends the sessions.

Application of the principle for the balanced representation of men and women within the Board of Directors

In accordance with the French law of January 27, 2011 concerning balanced representation in boards of directors since January 1, 2014, the proportion of the Company's directors of each gender may be no less than 20%. Mrs Natalie Rastoin has been a director of the Company following her appointment at the ordinary general meeting on May 31, 2011.

To ensure compliance with the provisions of this law, which will require the 20% limit to be raised to 40% for boards with more than eight members from January 1, 2017, on November 14, 2013, the Board of Directors observed and acknowledged that, considering its composition and the presence of only one woman in the Company's Board of Directors, an additional woman would need to be appointed as a director.

The Appointments and Compensation Committee identified Mrs Marie Ekeland, whose appointment was unanimously approved by the Board members. The Board invited shareholders to vote on her appointment at the general meeting on June 11, 2014. The general shareholders' meeting approved this choice and appointed Mrs Marie Ekeland as a director for a six-year period, ending in 2020 during the general meeting convened to approve the financial statements for the year ending December 31, 2019.

The Company intends to ensure its compliance with the Law of January 27, 2011 and is carefully considering profiles that may be suitable for joining the Board.

14.1.1. Offices held by directors and executives over the past five years

Director's first name, surname, age and professional address	Office and term	Other offices	Company name
Henri Seydoux 54 years old 174-178 quai de Jemmapes 75010 Paris, France	Chairman of the Board of Directors and Chief Executive Officer Term of office: 6 years from 6/18/2009 Date first appointed: 1/31/1994	Director Director Director Director Director Director Chairman Chairman and Director Chairman and Director Chairman and Director Chairman and Director Manager Director Chairman Manager Director Director Manager	Trimaran Schlumberger NV Christian Louboutin Seychemanlou Mobinear Sigfox Parrot, Inc Parrot UK Ltd Parrot Asia Pacific Ltd Parrot Iberia, S.L. Parrot Italia S.r.l. Parrot GmbH Da Fact (until Dec. 2012) Parrot ANZ Ltd Chez Parrot S.A.R.L. senseFly Ltd Px4D Horizon
Jean-Marie Painvin	Director	Founder and CEO	JMC Investment

63 years old 1633 Broadway, Suite 1804 New York NY 10019	Term of office: 6 years from 6/18/2009 Date first appointed: 1/31/1994	Director Director	Boulogne Golf du Médoc
Edward K. Planchon 81 years old 38 rue de Berri 75008 Paris, France	Director Term of office: 6 years from 6/09/2010 Date first appointed: 5/04/2004	Director Director Shareholder committee moderator Director, Vice Chairman and treasury secretary Director Director Chairman & CEO Director Director Member of Supervisory Board	Electricfil S.A. Electricfil Corp (USA) Vignal Systems SAS Parrot, Inc. Parrot UK Ltd Parrot Iberia, S.L. EKP Consult LLC Holding Enricau SAS Alpen' Tech SAS SolSaCon AG
Jean-Yves Helmer 69 years old 121 boulevard Haussmann 75008 Paris, France	Director Term of office: 6 years from 6/04/2007 Date first appointed: 6/06/2012	-	-
Olivier Legrain 62 years old 19, place de la Résistance 92200 Issy-les-Moulineaux, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman and/or Director and/or Manager and/or CEO Chairman Chairman Member of the Board Director Director Member of Supervisory Board Member of Board of Directors	Materis and its subsidiaries in France and Luxembourg Solaire SAS Trèfle SAS, Trèfle II Financière K2 (Kiloutou) SAS Mécénat Balas, CPI ARP S.A. LBO France Qualium
Geoffroy Roux de Bézieux 52 years old OMEA TELECOM 12 rue Belgrand 92300 Levallois-Perret, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman Director Chairman Vice-Chairman Office member, Deputy Vice President, Treasurer	OMEA TELECOM Ltd PSA FINANCOM Fédération Française des Télécoms (FFT) MEDEF
Stéphane Marie 51 years old COREVISE 3-5 rue Scheffer 75016 Paris, France	Director Term of office: 6 years from 6/18/2009 Date first appointed: 6/18/2009	Chairman Chief Executive Officer Co-manager Manager Chairman	Corevise FINDINTER SCI Lakvest Lakvest Expertise & Audit Adiunctae RSM
Natalie Rastoin 55 years old OGILVY 32-34 rue Marbeuf 75008 Paris, France	Director Term of office: 6 years from 5/31/2011 Date first appointed: 5/31/2011	Chairman Chief Executive Officer	Ogilvy PR Ogilvy S.A.
Marie Ekeland 39 years old	Director Term of office: 6 years from 11/06/2014 Date first appointed:	Chairman Chief Executive Officer Partner Co-founder and Co-Chairman	Ogilvy PR Ogilvy S.A. Elaia Partners (until 2014) France Digitale

	11/06/2014	Director	
		Director	Criteo
		Director	Scoop.it
		Director	Seven Academy
		Director	Teads/eBuzzing
		Director	Wyplay
			Ykone

14.1.2. Director biographies

Henri Seydoux

Henri Seydoux founded the Company in 1994 and has served as Chairman and Chief Executive Officer since its creation. Self-educated, he began his career in 1978 as a trainee with “Journal Actuel”, where he was later employed as a journalist from 1979 to 1980. In 1981, he joined the sales team at the “Matin de Paris” newspaper. Then, in 1982, he joined SSCI as an operating system software developer, before working for Microarchi from 1983 to 1984 in the same role. In 1985, he set up BBS, a company intended to market the micro archi operating system. In 1986, he created BSCA, a synthetic 3D imaging company, and became its Chairman and Chief Executive Officer from 1986 to 1990. In 1991, with three other partners, he founded and became a director in the luxury goods company Christian Louboutin.

Jean-Marie Painvin

Jean-Marie Painvin was appointed as a Company director on June 24, 2003. After graduating from Rice University in Texas with a Masters degree in mechanical engineering, he began his career in 1975 as a regional director for Trailor S.A., where he went on to become sales and marketing director between 1981 and 1988. In 1988, he became Chairman of Deutsch Relays, Inc. in the US, and was then appointed in 1994 to head up Compagnie Deutsch, serving as its Chairman and CEO from 1999 to 2013. In 2013, he founded JM Investment, where he is currently its Chairman.

Edward Planchon

Edward Planchon was appointed as a Company director on May 4, 2004. He has a degree in economic sciences and international affairs from the University of Michigan, where he also obtained an MBA. He has lived in numerous countries and speaks six languages. He began his career in 1957 at Chrysler, where, for 22 years, he was responsible in turn for financial management, marketing and sales worldwide. He was in charge of European distribution subsidiaries, a negotiator on the Chrysler Mitsubishi agreements, and the CEO responsible for sales and distribution network management for the Chrysler, Dodge, Simca, Rootes and Mitsubishi brands on international markets. He joined the executive management team at Tenneco-Poclain in 1980 and then Valeo in 1987, where he spent 16 years heading up Valeo's international business and commercial development worldwide. In 1997, he was appointed chairman of Valeo Inc, the Group's holding structure in North America, before being promoted to CEO for the Valeo group in 2000. He retired in December 2003. Today, Edward Planchon is also a director with the Electricfil Group, Alpen'Tech and Vignal Group.

Olivier Legrain

Olivier Legrain was appointed as an independent director for the Company on September 14, 2006. Olivier Legrain graduated in civil engineering from the Ecole des Mînes and from the Ecole Nationale de la Statistique de l'Administration Economique (ENSAE). After various executive management positions within the Rhône Poulenc group, he served as the deputy CEO for the Basic Chemicals Division from 1986 to 1990, for the Fibers and Polymers sector from 1990 to 1991, and for the Organic Intermediates and Minerals sector from 1991 to 1993. In 1994, he was appointed deputy CEO for the Lafarge group and a member of the executive committee. In 1995, he was appointed to head up the Specialty Materials branch, before also taking on responsibility for the group's strategic coordination in 1997. He was Chairman of Matéris from 2001 to February 2015. He has also been a director at Rhodia since May 2005.

Geoffroy Roux de Bézieux

Geoffroy Roux de Bézieux was appointed as an independent director for the Company on September 14, 2006. After graduating from ESSEC and completing a postgraduate DESS at Dauphine in 1984, he spent two years in the special forces (Marine Commandos), with operations in Africa and Lebanon. He then joined the L'Oréal group, where he spent 10 years in various positions in both France and abroad, notably serving as head of marketing in the UK and then CEO for Poland. In 1996, he set up The Phone House the first fully dedicated chain of mobile telephony stores. One year later, he brought the English group The Carphone Warehouse on board as a shareholder. In 2000, with a network of 100 stores,

he sold The Phone House off to this London-listed group and became its CEO for four years in order to develop Phone house in Europe. Today, The Phone House has 2,000 employees in France and 15,000 across Europe. In 2004 and still with Carphone Warehouse as a shareholder alongside him, he set up the company Omer Telecom, launching Breizh Mobile, an alternative mobile operator for the west of France. In 2006, he convinced the Virgin Group to invest in this project and launched Virgin Mobile. In 2008, he bought out Télé 2 mobile. Today, Omea Telecom (Virgin Mobile) has become Europe's leading full mobile virtual network operator (full MVNO), using two operators simultaneously.

From 2005 to 2008, Geoffroy Roux de Bézieux was President of CroissancePlus, the association for strong-growth businesses. He is a member of the Conseil de France Investissement and the Attali and Levy-Jouyet Commissions. From 2008 to 2010, he chaired Unedic. Since 2013, he has also been an Office member, Vice-Chairman and Treasurer of Medef. He founded Alternative Mobile, the association for alternative operators, serving as its chairman from 2007 to 2009. He is a director at Unetel. Lastly, he has set up a charity foundation with his wife - the ARAOK Foundation - under the auspices of Fondation de France.

He is the author of "Salauds de Patrons ?" (Hachette) and "Pour sortir de la crise, le capitalisme" (Editions du Moment).

Jean-Yves Helmer

Jean-Yves Helmer was appointed as a Company director on June 4, 2007. Jean-Yves Helmer is a managing partner at Lazard Frères in Paris and Managing Director of Lazard LLC. In April 2001, he joined Lazard. He previously spent five years as the delegate general for armament at the French Ministry of Defense, where he was responsible for armament acquisitions, as well as a range of industrial activities, such as the naval construction division. Before being appointed as the delegate general for armament by the French government in March 1996, he had spent 18 years with the PSA Peugeot Citröen automobile group, where he held various positions, notably as the manager in charge of after-sales services and spare parts, the head of exports, the head of the Poissy production center and, from July 1988 to March 1996, the head of the automobile division, the group's number 2. Before joining PSA Peugeot Citröen, he began his career in the civil service, notably in the Ministry of Finance's treasury division and as an industrial affairs adviser for Prime Minister Raymond Barre from August 1976 to May 1978.

Stéphane Marie

Stéphane Marie was appointed as a Company director on June 18, 2009. Stéphane Marie is a statutory auditor and certified accountant and graduated from CPA (HEC Executive MBA). He worked in international audit firms for nine years, including nearly three in the US, before joining the Paris-based firm Corévise in 1994, a member of Nexia International. He is currently a partner, focused in particular on statutory auditing assignments for real estate, industrial and retail groups.

Natalie Rastoin

Natalie Rastoin was appointed as a Company director on May 31, 2011. She also satisfies the criteria to be considered an independent director. Natalie Rastoin has been CEO of Ogilvy France since 2005 and Chairman of Ogilvy One since 2010. After starting off in strategic planning, she joined Saatchi & Saatchi in 1986 as Chief Development Officer, then, in 1991, she was appointed Vice-President in charge of European development. In 1992, she became CEO of the Paris branch of BDDP Conseil, before being appointed Chief Executive Officer of Ogilvy & Mather Paris in 1997 (1997-2005). Natalie Rastoin has worked with many high-tech clients, particularly on brand globalization issues (Cisco, Yahoo!, IBM, AOL).

Marie Ekeland

Marie Ekeland was appointed as a Company director on June 11, 2014. She meets the criteria to be an independent director. Marie Ekeland is the co-founder and co-chairman of France Digitale, an association that brings together digital innovation investors and entrepreneurs for the development of this ecosystem. She is also a member of the national digital council (Conseil National du Numérique) and the strategy council of Bpifrance Le Lab. She began her career in 1997 as an IT engineer with the investment bank JP Morgan, initially in New York, where she was involved in developing an application for the Fixed Income trading rooms, then in Paris, where she managed the team in charge of its global support. In 2000, she joined CPR Private Equity's innovation investment team, before moving to the Venture Capital team at Crédit Agricole Private Equity and then, in 2005, joining Elaia Partners, a venture capital company focused on the digital economy, where she was a partner until 2014. Marie Ekeland also sits on the Boards of Directors of Criteo, Scoop.it,Sven Academy, teads/eBuzzing, Wyplay and Ykone. Marie Ekeland has a degree in mathematics and IT engineering from Université Paris IX Dauphine, and a masters in economic policy and analysis from Ecole d'Economie de Paris.

14.1.2.1.1. Proposal at the general meeting on June 30, 2015 to renew the terms of office of three directors

At the general meeting on June 30, 2015, a proposal will be submitted to Parrot's shareholders to renew the terms of office of the following directors which are due to end: Mr Henri Seydoux, Mr Jean-Marie Painvin and Mr Stéphane Marie (cf. Chapter XXVII "Resolutions presented at the general meeting on June 30, 2015": 5th, 6th 7th resolutions).

14.1.3. Additional information on the members of the Board of Directors

To the best of the Company's knowledge:

- There are no family ties between the Company's directors, with the exception of Mr Henri Seydoux and Mr Jean-Marie Painvin, who are related (brothers-in-law);
- None of the directors have been convicted of fraud over the past five years;
- None of the directors have been associated with a bankruptcy, sequestration or liquidation over the past five years;
- None of the directors have been incriminated or officially sanctioned by statutory or regulatory authorities (including designated professional bodies) over the past five years; and
- None of the directors have been prevented by a court from serving as a member of an issuer's administrative, management or supervisory body or from managing or conducting the business of an issuer over the past five years.

14.2. Conflicts of interest

To the best of the Company's knowledge, there are no conflicts of interest between the duties of the members of the Board of Directors in relation to the Company on the one hand, and on the other, their private interests or other duties.

Offices held by directors and executives over the past five years

Director name	Other officers held in any company over the past five years and not held on the filing date for the present reference document
Henri Seydoux, Chairman of the Board of Directors and Chief Executive Officer	NA
Jean-Marie Painvin	Director of Fin-Air Chairman of Golf du Médoc Director of Golf des Baux de Provence Chairman and CEO of Deutsch Group
Edward Planchon	Vice-Chairman of the auto equipment union FIEV Director of CLEPA Chairman of the Supervisory Board of Vignal Systems
Olivier Legrain	Director of Terreal Director of Rhodia Director of Parex Lanko S.A. Director of Ecor Director of Kerneos S.A.
Geoffroy Roux de Bézieux	Chief Operating Officer of Carphone Warehouse Director of Budget Telecom Director of Micromania Director of Sporever Director of Nocibé Director of IMS
Jean-Yves Helmer	NA
Stéphane Marie	NA
Natalie Rastoin	NA
Marie Ekeland	Partner at Elaia Partners

Definition of the independent director concept

The bylaws drawn up by Parrot for the Board of Directors and specialized committees specify the role and the operating conditions for the Board of Directors and specialized committees in accordance with French law and the corporate bylaws of Parrot S.A., in addition to the corporate governance rules set out in the MiddleNext Code, which the Company adheres to.

In this way, at least two (2) of the directors must be independent. Directors are considered to be independent if they meet the following criteria:

- May not be an employee or executive officer of the Company or a Group company currently or at any time during the last three years;
- May not have any close ties with a corporate officer or executive of the Company or a Group company as per Article L.233-3 of the French commercial code, or a majority shareholder in the Company;
- May not be a customer, supplier, corporate banker or service provider with material relationships with the Company or a Group company, or for which the Company represents a significant percentage of their business;
- May not serve as a director for the Company for more than twelve (12) years;
- May not have been an auditor of the Company during the five (5) years prior to their appointment;
- May not:
    - (i) Represent a shareholder holding,
    - (ii) Be a member of an entity holding, directly or indirectly,
    - (iii) Directly or indirectly hold more than a five percent (5%) interest in the Company's capital or voting rights.

The concepts of “executive” and person with “closes tie with an executive” are those defined by Article L. 621-18-2 of the French monetary and financial code.

Moreover, the Board of Directors is required to check, at least on an annual basis, that the directors or candidates for positions as directors comply with the independence criteria set out above. The Board reports on the findings from this review to the shareholders:

- Each year at the general meeting convened to approve the annual financial statements, and
- During general meetings convened to rule on the appointment of new directors or the ratification of directors co-opted by the Board.

XV. Compensation and benefits

15.1. Compensation and benefits in kind for the Company's executive officers

15.1.1. Principles and rules defined by the Board for determining compensation and benefits of any kind awarded to corporate officers

The issue of compensation for members of the Board of Directors primarily concerns the Chairman. The Chairman's overall compensation is reviewed on a preliminary basis by the Appointments and Compensation Committee, which submits a proposal to the Board of Directors.

During the Board session approving the financial statements for the previous year, or during the following session, the Board members:

- Determine the Chairman's variable compensation for the previous year following a review of the definitive accounts and the objectives set the previous year;
- Determine the Chairman's fixed compensation for the current year;
- Define the principle for calculating his variable compensation.

15.1.2. Executive officer compensation

Executive officer: Henri Seydoux

- Start of office: June 24, 2003
- Reappointed: June 9, 2010
- End of office: general meeting ruling on the year ending December 31, 2014
- Employment contract: NO
- Supplementary pension scheme: NO
- Severance or termination benefits: NA
- Benefits due to a no-compete clause: NA

■ Summary of the executive officer's compensation (Table 1 of the AMF recommendation)

Henri Seydoux, Parrot's Chairman and CEO	FY 2013	FY 2014
Compensation due for the year (detailed in Table 2)	€ 741,000	€ 550,000
Value of options awarded during the year (detailed in Table 4)	NONE	NONE
Value of options awarded during the year (detailed in Table 6)	NONE	NONE
Total	**€ 741,000**	**€ 550,000**

■ Summary of the executive officer's compensation (Table 2 of the AMF recommendation)

Executive Officer	FY 2013 Amounts due	FY 2013 Amounts paid	FY 2014 Amounts due	FY 2014 Amounts paid
Fixed compensation	220,000	220,000	230,000	230,000
Variable compensation	496,000	113,000*	320,000	233,715**
Exceptional compensation	NA	NA	NA	NA
Attendance fees	25,000	25,000	25,000	25,000
Benefits in kind	NA	NA	NA	NA
Total	**741,000**	**333,000**	**550,000**	**488,715**

(*) Of which, 80 K€ paid during 2013 for advance on 2013 bonus.

(**)Of which, 80 K€ paid during 2014 for advance on 2014 bonus.

For 2014, variable compensation was determined with a target of 100% based on a progressive scale combining a criterion for achieving revenues (25% weighting), an EBIT criterion (25% weighting) and a company performance criterion (50% weighting) assessed factoring in the key account Automotive contracts signed for solutions developed on Parrot's Asteroid

platform with two of the world's top 10 auto manufacturers, the changes in the business plans of the companies acquired (DiBcom senseFly, Varioptic), and the level of sales for retail products (AR.Drone, ZIK, ASTEROID range).

Securities with an equity component awarded during the year to each corporate officer by the issuer and any Group company (Table 4 of the AMF recommendation)

None.

Securities with an equity component exercised during the year by each corporate officer (Table 5 of the AMF recommendation)

None.

History of securities with an equity component awarded

The company founder equity warrant schemes and share warrant schemes all expired in 2011 and were not exercised. No new schemes have been set up since then.

15.2. Compensation and benefits in kind for Company directors and other corporate officers

Name	Office	Compensation and benefits for 2014
Jean-Marie Painvin	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Edward Planchon	Company director and Chairman of the Audit Committee	Attendance fees: 25 K€ for participating in the Board, and 15 K€ for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: $ US dollars (paid by Parrot S.A.)
	Director of Parrot UK Ltd	NA
	Director of Parrot Iberia S.L	NA
	Vice-Chairman, Secretary, and Treasurer of Parrot, Inc.	NA
Olivier Legrain	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Geoffroy Roux de Bézieux	Company director and Chairman of the Appointments and Compensation Committee	Attendance fees: 25 K€ for participating in the Board, and 15 K€ for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: NA
Jean-Yves Helmer	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Stéphane Marie	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Natalie Rastoin	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Marie Ekeland	Company director	Attendance fees: 12,500 € Benefits in kind: NA Reimbursement of costs: NA

It is also important to note that during 2014 the directors were not awarded any benefits in kind, specific pension plans or severance benefit provisions irrespective of the reasons for departure (dismissal, retirement, etc.).

15.3. Company provisions for pensions or other benefits for directors and other corporate officers

No provisions were recorded in this respect.

15.4. Corporate officer interests in the Company's capital

Officers	# of shares held at Dec 31, 2014	% of capital and voting rights	# of shares on a diluted basis	% of capital and voting rights
Henri Seydoux*	4,546,204	35.8%	4,546,204	34.4%
Jean Marie Painvin	100	0.0%	100	0.0%
Edward Planchon	1	0.0%	1	0.0%
Geoffroy Roux de Bézieux	732	0.0%	732	0.0%
Olivier Legrain	20	0.0%	20	0.0%
Jean-Yves Helmer	50	0.0%	50	0.0%
Stéphane Marie	1	0.0%	1	0.0%
Natalie Rastoin	1,000	0.0%	1,000	0.0%
Marie Ekeland	27	0.0%	27	0.0%

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf.15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

15.4.1. Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market

On February 24, 2014, the French-law partnership (société civile patrimoniale) Horizon[6] (65 avenue Marceau, 75116 Paris, France) disclosed that on February 19, 2014 it had exceeded the limits representing 5%, 10%, 15%, 20%, 25%, 30% and 1/3 of the capital and voting rights of the company Parrot, and held 4,546,204 Parrot shares, with the same number of voting rights, representing 35.89% of this company's capital and voting rights[7].

These limits were exceeded as a result of Mr Henri Seydoux[8] transferring all his Parrot shares over to Horizon, the company which he controls. Within this framework, the following statement of intent was made: "The company Horizon declares that:

- The limits have been exceeded as a result of a transfer to a company controlled by Mr Henri Seydoux, which has not required any financing;
- Its principal shareholder is Mr Henri Seydoux, Parrot's Chairman and Chief Executive Officer, with 99.93% of the capital;
- It is acting alone;
- It now has control of Parrot and does not intend to modify its current strategy;
- It does not intend to increase or decrease its interest in Parrot's capital;
- It is not considering any transactions that might have an impact on Parrot's strategy as covered by Section 6 of Part I of Article 223-17 of the AMF's general regulations;
- It has not entered into any agreements or does not have any instruments mentioned in Sections 4 and 4 ii of Part I of Article L. 233-9 of the French commercial code;
- It has not entered into any repurchase agreements concerning Parrot's shares and/or voting rights;
- It does not intend to ask for any directors to be appointed, considering that Mr Henri Seydoux is already a director in Parrot".

When Horizon exceeded the limits representing 30% of the capital and voting rights of the company Parrot, the decision was taken to exempt this from the requirement to file a proposed public offering, reproduced in D&I 213C2040 and put online on the AMF site on December 30, 2013.

[6] Company 99.99% controlled by Mr. Henri Seydoux, with the balance, i.e. 0.01%, held by members of the Seydoux family.
[7] Based on a capital comprising 12,709,068 shares, representing the same number of voting rights, in accordance with Section 2 of Article 223-11 of the AMF's general regulations.
[8] On this occasion, Mr. Henri Seydoux directly dropped below the limits representing 1/3, 30%, 25%, 20%, 15%, 10% and 5% of the capital and voting rights of the company Parrot and no longer directly holds any shares in this company.

15.4.2. Securities entitling holders to access the capital

At the registration date of the present reference document, the officers do not hold any securities entitling access to the capital.

XVI. Administrative and management body operations

The Company is compliant with the legal provisions in force concerning internal control and the principles relating to corporate governance. The Company has internal control procedures covering both operational and financial aspects. The Chairman of the Board of Directors has drawn up a report on the conditions for the preparation and organization of the Board's work, as well as the internal control procedures put in place by the Company.

Since February 2012, the Company has referred to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com). Further details and information concerning the application of the recommendations from the MiddleNext governance code are provided in 16.5.1 "Details and application of recommendations from the MiddleNext Governance Code".

16.1. Company management

Details on the Company's management are presented in Section 14.1 above "Board of Directors" in this reference document.

■ Conditions for the performance of executive management

Mr Henri Seydoux was reappointed as a director at the ordinary general meeting on June 18, 2009 for a six-year period. In addition, on June 19, 2009, the Company's Board of Directors appointed Mr Henri Seydoux as Chairman and decided that its Company's executive management would continue to be performed by Mr Henri Seydoux, serving as the Chairman and Chief Executive Officer.

Mr Henri Seydoux' term of office as a director, chairman of the Board of Directors and Chief Executive Officer will end further to the ordinary general meeting convened to approve the financial statements for the year ending December 31, 2014.

A proposal will therefore be submitted to shareholders at the ordinary general meeting on June 30, 2015 to rule on the renewal of his office as a director.

■ Approach for the prevention of insider trading

The Company applies the recommendation issued by the French securities regulator (AMF) on November 3, 2010 under number 2010-07 concerning the prevention of insider trading and, since 2011, has introduced negative windows for managers and people assimilated with managers, as well as any parties with regular or occasional access to privileged information. Negative windows are set for 30 calendar days prior to the publication of the annual accounts, half-year accounts and, if applicable, complete quarterly accounts, or the publication of quarterly information. The parties subject to these windows are only authorized to trade in the Company's securities after the information in question has been published.

16.2. Service agreements between members of the Board of Directors and the Company or any of its subsidiaries

Mr Edward Planchon, appointed as a Company director on May 4, 2004, supervised the creation of the American subsidiary Parrot, Inc. and may be called on from time to time for consulting services due to his expertise for marketing high-tech products on the American market.

Mr Edward Planchon, through EKP Consult LLC, the company he controls, may charge fees to the Company or Parrot, Inc. based on time spent by EKP Consult LLC (daily rate: USD equivalent of 1,500 euros) for services provided to the Company or Parrot, Inc.. No fees have been invoiced since 2011.

For 2014, EKP Consult, LLC, the American-law company controlled by Mr Edward Planchon, a Company director, did not bill for any services provided to any Group companies. EKP Consult was paid 4,428.08 US dollars by Parrot S.A. for the reimbursement of costs.

To the best of the Company's knowledge, there are no other service agreements in place between the Company or any of its subsidiaries and any of the members of the Company's Board of Directors providing for benefits to be awarded under such an agreement.

16.3. Permanent committees

The Board of Directors is made up of two permanent committees:

- The Audit Committee,
- The Appointments and Compensation Committee.

For biographical information on the members of these two committees, please refer to Section 14.1.2 above “Director biographies” in the present reference document.

16.3.1. Appointments and Compensation Committee

The Appointments and Compensation Committee is chaired by Mr Geoffroy Roux de Bézieux. The other directors serving on the Committee are Messrs Henri Seydoux, Olivier Legrain and Jean-Yves Helmer. In accordance with the bylaws, at least two of the members are independent directors.

The Appointments and Compensation Committee meets twice before each of the Board's sessions is held in order to review matters relating to the policy for awarding stock options or bonus shares to Group staff, compensation for Management Committee members, as well as the Chairman's compensation. The Appointments and Compensation Committee is also consulted concerning the recruitment of strategic profiles for the Group. The Head of Human Resources takes part in the Committee's meetings and prepares its minutes.

16.3.2. Audit Committee

The Audit Committee is chaired by Mr Edward Planchon. Mr Stéphane Marie also sits on the Audit Committee.

The Audit Committee meets four times a year:

- For the approval of the audited accounts for the second and fourth quarters, the Chief Administrative and Financial Officer and the statutory auditors attend the meetings. The primary objective with these meetings is to review the accounts.
- For the approval of the unaudited accounts for the first and third quarters, only the members of the Committee itself and the Chief Administrative and Financial Officer attend. The primary focus for these meetings is risk management and the effective application of internal control rules. The Audit Committee reports to the Board on its work at least once a year.

16.4. Temporary committee

2014 was marked by the launch of a review concerning the need to reorganize the business, particularly with a view to enabling the Drone business to continue developing under optimum conditions. During its meeting on June 11, 2014, the Board decided to set up a Strategic Committee to carry out this review. During its session on June 16, 2014, the Board appointed the Strategic Committee’s members: Mr Henri Seydoux, Mrs Natalie Rastoin, Mrs Marie Ekeland and Mr Stéphane Marie.

16.5. Corporate governance

The Company refers to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com).

16.5.1. Details and application of recommendations from the MiddleNext Governance Code

Recommendation 1: Corporate officers and employment contracts

(Summarized outline of the recommendation) Subject to compliance with the regulations, the Board of Directors should assess whether or not to authorize managers to have employment contracts when they are serving as corporate officers. The Chairman explains the grounds for this decision in his report.

The Company is compliant with this recommendation.

Recommendation 2: Definition and transparency of the compensation of corporate officers

The Board of Directors of each company should determine the level of compensation of its managers and the information disclosed on the subject, in accordance with the law and regulations. They should base themselves on the following seven principles: exhaustive, balanced, benchmarked, consistent, clear rules, measured and transparent.

The Company is compliant with this recommendation.

Recommendation 3: Golden handshakes

If provision has been made for a golden handshake in conditions that comply with the law, its maximum amount, after inclusion of any severance pay under the terms of any employment contract, should not exceed two years of (fixed and performance-related) compensation, except in cases where the compensation of the manager is clearly out of touch with the market (as is the case in start-ups, for example).

To date, the Company has not made any arrangements for golden handshakes for its managers.

Recommendation 4: Supplementary retirement schemes

In addition to applying the authorization procedures provided by law, the company should indicate in its report to the shareholders any defined-benefit supplementary retirement schemes it has set up for its managers and should provide justification for them, in the interests of transparency.

The Company has not set up any supplementary retirement schemes for its executive manager that are different from those in place for the Company's employees.

Recommendation 5: Stock options and bonus shares

All or part of the stock options and bonus shares awarded to managers should be subject to relevant performance conditions expressing the medium/long-term interests of the company.

Under the MiddleNext code, the definition of managers includes the following: "the managers may be the Chairman, the Managing Director or Deputy Managing Director in a business corporation with a Board of Directors…". No bonus shares or stock options are awarded to managers based on the definition of this term in the aforementioned governance code.

Recommendation 6: Introduction of Board Rules of Procedure

Rules of Procedure should be introduced.

The Company is compliant with this recommendation.

Recommendation 7: Director ethics

The ethical rules set out in the code should be observed.

The Company is compliant with this recommendation.

Recommendation 8: Composition of the Board – Independent directors

The Board should include at least 2 independent members. This number may be reduced to one member when the Board has 5 members or less.

The Company is compliant with this recommendation.

Recommendation 9: Choice of directors

Sufficient information about the experience and skills of each director should be supplied and the appointment of each director should be the subject of a distinct resolution.

The Company is compliant with this recommendation.

Recommendation 10: Directors' term of office

The Board should ensure that the statutory term of office is adapted to the specifics of the company, within the limits set by the law.

The Company is compliant with this recommendation.

Recommendation 11: Board member information

The directors themselves should assess whether the information supplied to them is sufficient, and demand any additional information that they might judge useful, if the need should arise. The Rules of Procedure should provide the practical terms for the supply of this information and should set reasonable timescales.

To comply with this recommendation, the Board amended its bylaws during its session on May 14, 2014. With their invitations to attend Board meetings, directors receive all the working documents and financial statements by email. Further documents may be sent out between each session by the Chairman, the Chief Financial and Operations Officer, the Head of Human Resources or the Board secretary. They may also request any additional information that they consider relevant. In addition, the directors may, collectively or individually, request the opinions of the Group's executives on all matters, after informing the Chairman of the Board, and they may meet with these executives when the Chairman is not present.

Recommendation 12: Creation of committees

Each company should decide whether to create one or more specialized or ad hoc committees (audit, compensation, appointments, strategy, etc.), according to its own situation. Concerning the setting up of an audit committee, the company decides, in accordance with the applicable regulations and in light of its particular situation, whether to set up an audit committee or to organize a board meeting to fulfil that mission itself in the conditions defined by the texts.

The Company is compliant with this recommendation.

Recommendation 13: Board and committee meetings

The frequency and duration of meetings should allow in-depth examination of the themes that are addressed. This frequency is at the discretion of the company, depending on its size and specific characteristics, but a minimum of 4 meetings a year is recommended. Minutes are drawn up of each Board meeting summarizing the debates. The Chairman's report must indicate the number of meetings held yearly and the attendance rate of the directors.

The Company is compliant with this recommendation.

Recommendation 14: Directors' compensation

The distribution of attendance fees, the global amount of which is determined by the general meeting, should be determined by the Board on the basis of the attendance record of the directors and the time they dedicate to the function. In its Annual Report and Chairman's Report, the company provides information on the attendance fees that have been paid out.

The Company is compliant with this recommendation

Recommendation 15: Introduction of Board evaluation

Once a year, the Chairman of the Board should call upon the directors to express themselves on the working of the Board and the preparation of its work. This discussion is recorded in the minutes of the session.

This evaluation, carried out regularly on an informal basis, is expected to be formalized in 2015.

16.6. Internal control procedures put in place by the Company

16.6.1. Internal control scope

The Group's internal control rules apply to all of the Company's subsidiaries.

In 2011, Parrot S.A. acquired two companies - DiBcom and Varioptic – which were consolidated on a retroactive basis to January 1, 2011 and subject to specific monitoring. Naturally, the scope for internal control has been extended to include such new integrated entities.

In 2012, Parrot acquired senseFly and Pix4D, whose accounts have respectively been fully consolidated and consolidated on an equity basis. In 2014, following the acquisition of a further tranche of securities, Pix4D was fully consolidated. These two entities have not been included in the internal control scope and are not likely to be included in 2014.

16.6.2. Company objectives concerning internal control procedures

Applying the internal control procedures, comprising rules, guidelines, directives and operating procedures, for all of the Group's activities and seeking to create the conditions for a general internal control environment that is in keeping with the Group's specific features.

As defined by the market group created on the AMF's initiative to map out a frame of reference for internal control that may be used by French companies subject to the requirements applicable under the French financial security law (Loi de sécurité financière), internal control represents a system defined by the Group and implemented under its responsibility, aimed at ensuring:

- The development and optimization of operations, including the performance of operations and the protection of our assets;
- The reliability of financial and management information (financial statements), the accurate and exhaustive nature of accounting records, and the timely production of reliable accounting and financial information;
- The compliance of activities with the laws and regulations in force;
- The prevention and management of risks resulting from the Company's activities, risks of errors or fraud, particularly in terms of accounting and financial aspects; like any control system, it cannot however provide any absolute guarantee that such risks will be eliminated entirely.

Furthermore, internal control also aims to:

- On the one hand, ensure that management decisions or operations are carried out and that staff behave within the framework defined by the guidance given for the Company's activities by the corporate bodies, by the laws and regulations in force, and by the Company's internal rules, standards and values;
- On the other hand, check that the accounting, financial and management information given to the corporate bodies accurately reflects the Company's situation.

By contributing towards preventing and managing the risks of not achieving the objectives set by the Group, the internal control system plays a key role in the performance and steering of its various activities. However, the internal control system cannot provide any absolute guarantees against all possible risks, no more than it can guarantee, regardless of its own quality or the quality of the staff performing such controls, perfect compliance with the objectives set by the Group.

16.6.3. General internal control structure

The players or structures performing control activities are as follows:

- Internal control is applied by several departments depending on the type of procedures, and more specifically the Administration and Finance Division, which is responsible for drawing up and implementing the procedures and ensuring the effective application of internal control with the Internal Control and Audit function.
- Delegations and authorizations are formalized in connection with the strict application of the procedures drawn up, relating more specifically to signatures on the bank accounts. Moreover, signatures on the bank accounts are limited in terms of the amounts concerned based on the positions of the signatories, with these restrictions expressly stipulated when opening such accounts with financial institutions.

The role of the various players or structures performing control activities in terms of internal control procedures and their general operating conditions are as follows:

- The application of procedures is controlled on a regular basis by the Administration and Finance Division, which is responsible for this on a day-to-day basis; these procedures are updated each year.
- Procurement / Production / Quality control is reviewed on a yearly basis by a specialized independent firm, which carries out an audit as part of the process to validate the ISO 9001 certification. The recommendations made are applied and used to update the procedures. The external benchmarks are the ISO 9001 certification awarded for quality control and formalized in a manual detailing the Company's internal procedures.
- Internal audit performs audit assignments, including in subsidiaries, in order to ensure that the Group's procedures and rules are effectively applied.
- An initial risk mapping was carried out in 2011 by the internal audit unit, and updated in 2012.

16.6.4. Overview of the internal control procedures in place

16.6.4.1. Main internal control procedures

Internal control procedures are centralized by the managers of the departments in question.

■ Information system

Parrot uses the integrated management system SAP Business One, upgraded to release 8.81 in July 2012. This system covers general and cost accounting functions, as well as commercial operations for all the Parrot Group's subsidiaries.

This core application is combined with specialized modules such as SAP PLM for managing the bills of materials for the manufacturing of our products, SAP BPC for reporting and planning, SAP BFC for financial consolidation, TimeS for analyzing time spent by engineers and Notilus for managing travel costs.

In 2014, the Group rolled out its own e-commerce solution for general consumers as well as the network of small-scale retailers.

Parrot's IS department works with specialized partners for hosting and operating its most sensitive systems (PLM, email, commercial websites.) The network and server infrastructure, managed directly by the IS department, has been covered by a service continuity plan since 2013. Its deployment continued in 2014: a backup plan with 10-year offsite storage is in place; the network access and file storage resources are now redundant with two cold sites, with each one backing up the other.

■ Nature of main procedures

Written procedures are drawn up in the following areas:

- Procedure concerning travel, assignment and entertainment costs: objective to control staff business trips, and prior authorization for the main travel requests, particularly by plane, in order to justify the need for spending, raise staff awareness on the benefits and cost of such spending, prevent any abuse and meet the budget.
- Procedure concerning customers, in order to take preventative action on the customer risk (financial position) and monitor customer accounts, particularly in terms of the payment of their debts.
- Procedure concerning component purchases for Production, the Production process and Production quality control.
- Procedure concerning the recognition of revenues based on deliveries made by the logistics provider and the contractual conditions relating to volume discounts, particularly with retailers, in order to ensure the reliability of the financial statements.
- Procedure concerning the recognition of costs with a purchase order and order form system integrated into the ERP system in order to ensure the reliability of the financial statements.
- Procedure concerning promotion fees with an analysis of contractual conditions in order to ensure the reliability of the financial statements.
- Procedure concerning the management of marketing spending.
- Procedure concerning the management of price lists in the SAP information system in order to ensure compliance with the Group pricing policy.
- Procedure concerning the depreciation of inventories in order to ensure the reliability of the financial statements.
- Procedure concerning the management of property, plant and equipment in order to monitor investments more effectively.

Internal control procedures relating to the preparation and processing of accounting and financial information

More specifically, the organization for drawing up the accounting and financial information intended for shareholders is as follows:

Main internal control players involved in controlling this information:
- Accounting Manager for the procedures concerning customers, controlling pricing policies, etc.
- Administrative Manager for the procedure concerning travel, assignment and entertainment costs, etc.
- Head of Management Control for supplier commitment and inventory management procedures, R&D spending, pricing model, etc.
- Administrative and Financial Managers to cover the main operational activities (Digital Tuner, Varioptic and significant subsidiaries), etc.
- Head of Cash and Credit Management for the procedures to allocate banking authorities, interest and exchange rate hedging, etc.
- Following the Group's recent acquisitions, a dedicated controller for the activities acquired is responsible for reporting financial information and ensuring consistency with the Group reporting format.
- The strict accounting rules are applied, particularly for cost accounting and the naming of products and components, which make it possible to draw up the monthly reports. A manual of Group financial procedures was drawn up in 2011.

Accounting functions are centralized by the chief accountant, who reports to the Chief Administrative and Financial Officer.

The function relating to budget control and reporting is overseen by the Financial Controller, who reports to the Chief Administrative and Financial Officer.

The Consolidation function was created in 2009 and reports to the Chief Administrative and Financial Officer. Its role is to establish the consolidated accounts and ensure that the financial statements are compliant with the rules in force. In this way, it oversees tax risks.

The accounting information system is interfaced with the other information systems (commercial management, fixed assets, sourcing, inventory management).

The Company closes its accounts on a monthly basis, making accurate adjustments for each quarterly close.

The budgeting procedure, with the collection of information on a decentralized basis by each of the Group's operational departments and legal entities through to approval, makes it possible to draw up the consolidated budget, which can be compared against the close of account reports. Accounting figures are interfaced with the budget and reporting system.

In the same way as for general internal control, the processes contributing towards controlling the preparation of accounting and financial information are known by the various players.

16.6.5. Specific conditions for shareholder participation in general meetings

The conditions for shareholder participation in general meetings are set in Article 20 of the Company's bylaws in the section entitled "Access to general meetings – Powers", and presented below, and available in full in Section 21.2

16.6.6. Elements likely to have an impact in the event of a public offering

Only the extraordinary general meeting is authorized to amend any bylaw provisions.

To the best of the Company's knowledge, the Group has not entered into any agreements that would be amended or terminated in the event of a change of control, or any agreements providing for compensation for executives or employees if their positions were to be terminated further to a public offering.

However, if all of the Company's shares were to be sold to a new shareholder (sale of the Company), or the Company was taken over and merged with another company, the beneficiaries of stock warrants would be automatically entitled to exercise 50% of their remaining options ahead of schedule and would be required to exercise these options within 90 days of the definitive sale or merger.

16.7. Statutory auditors' report on the report drawn up by the Chairman of the Board of Directors of Parrot S.A.

KPMG Audit IS	ERNST & YOUNG et Autres
Immeuble Le Palatin	1/2, place des Saisons
3 cours du Triangle	Tour First
CS 80039	TSA 14 444
92939 Paris La Défense Cedex	92037 Paris La Défense Cedex
France	France

Dear Shareholders,

In our capacity as statutory auditors for Parrot, and in accordance with the provisions of Article L.225-235 of the French commercial code, please find hereafter our report on the report drawn up by the Chairman of your company pursuant to the provisions of Article L.225-37 of the French commercial code for the year ended December 31, 2014.

The Chairman is responsible for drawing up a report and submitting it for approval to the Board of Directors, presenting the internal control and risk management procedures put in place within the company and providing the other information required by Article L.225-37 of the French commercial code notably relative to the corporate governance system.

It is our responsibility to:

- Report to you our observations on the information set out in the Chairman's report concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- Certify that this report contains the other information required under Article L.225-37 of the French commercial code, it being understood that it is not our responsibility to check the accuracy of such other information.

We conducted our audit in accordance with the industry standards applicable in France.

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

Industry standards require that we plan and perform the audit to obtain reasonable assurance that the information concerning the internal control and risk management procedures applied when drawing up and processing the accounting and financial information contained in the Chairman's report is free from any material misstatements. This notably consisted of:

- Reviewing the internal control and risk management procedures relative to the preparation and processing of the accounting and financial information supporting the information presented in the Chairman's report, as well as existing documentation;
- Reviewing work that has made it possible to draw up such information and existing documentation;
- Determining whether the major shortcomings concerning internal control relative to the preparation and processing of accounting and financial information which we have identified in connection with our audit are presented with appropriate information in the Chairman's report.

On the basis of this work, we do not have any observations to make regarding the information given concerning the company's internal control and risk management procedures relative to the preparation and processing of the accounting and financial information contained in the Chairman of the Board of Directors' report, drawn up pursuant to the provisions of Article L.225-37 of the French commercial code.

Other information

We certify that the Chairman of the Board of Directors' report contains the other information required under Article L.225-37 of the French commercial code.

Paris-La Défense, April 13, 2015

The statutory auditors

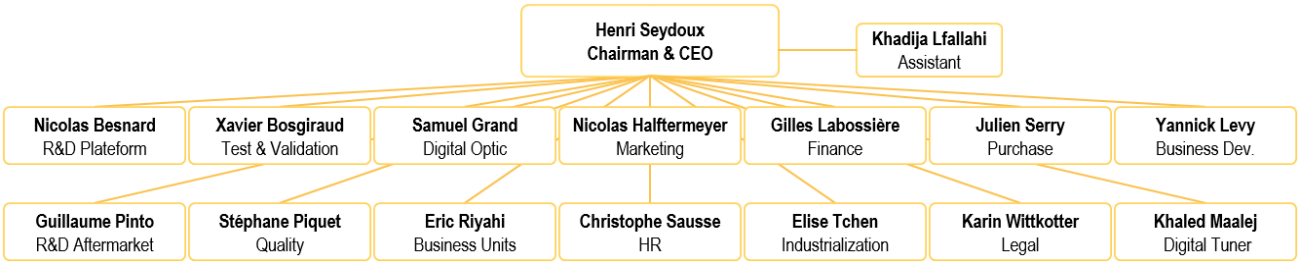
KPMG Audit IS	ERNST & YOUNG et Autres
Eric Lefebvre	Pierre Jouanne
Partner	*Partner*

XVII. Employees

17.1. Human resources

17.1.1. Structure of the group

At December 31, 2014, the main executives reporting to the Chairman and CEO are as follows:



Following Karin Wittkötter's departure in February 2015, Ludovic Floret was appointed as the Group's Chief Legal Officer.

The Group's success stems among other things from the quality of its management team, who have a strong and varied level of experience in the different markets on which Parrot operates: telecommunications, retail, automotive, electronics, research, etc. For biographical information on the main executives who are part of the Group Executive Committee, please refer to Section 17.1.3 below "Executive managers" in the present reference document.

17.1.2. Workforce

At December 31, 2014, the Group employed 944 people (permanent and fixed-term contracts), including 613 people within the Company, representing 66% of the Group's workforce. At end-2014, the Group also had 93 contractors, 18 temporary staff and 23 interns. Indeed, to further strengthen its capacity for innovation and benefit from a certain flexibility, Parrot also calls on highly specialized providers for engineering services in the research and development sector.

The majority of the Group's employees are based in France (Paris). With the exception of the Asian-based subsidiaries, which monitor production with local suppliers, the subsidiaries are primarily sales centers covering the regional distribution networks.

■ Additional information

Additional information is also available in Sections 6.7.4 "Societal commitments to sustainable development" and 20.4.3.7 "Note 5 – Other informations"

".

The Company also draws up a HR report, which is available on request from Parrot, Investor Relations Department, 174 quai de Jemmapes, 75010 Paris, France.

17.1.3. Executive managers

The main executive managers who are part of the Group's management committee are as follows:

■ Henri Seydoux

The biography of Henri Seydoux, Parrot's Chairman and Chief Executive Officer, is presented in Section 14.1.2 "Director biographies".

■ Nicolas Besnard

Nicolas Besnard joined Parrot in 1994 (year when it was founded) and has been its Chief Technical Officer for many years now, after working as a software development engineer then head of software development. After graduating from Ecole Supérieure d'Electricité (Supelec) in Gif-sur-Yvette, he began his career at the Kourou-Arianespace space center in French Guyana, carrying out software development research as part of the “ground resources” team for the European launcher Ariane IV.

Samuel Grand

Samuel Grand joined Parrot in 2005 as Chief Procurement Officer, before being appointed to head up the new business unit Varioptic at the end of 2011.

With a postgraduate DESS in procurement and electronics from Bordeaux University, he began his career in a tech firm from the telecoms sector in Portugal. Between 1998 and 2001, he served as a buyer and senior buyer respectively for Beta Electronics then ACT Manufacturing, two electronics subcontractors based in Ireland. Between 2001 and 2005, he became head of procurement for Eurologic then NCR, both American electronics manufacturers and world leaders in their fields.

Nicolas Halftermeyer

Nicolas Halftermeyer joined Parrot on April 26, 2005 as Head of Web & e-Commerce then, with the development of digital activities, Nicolas became Head of Digital Marketing & e-Commerce. Since January 1, 2013, he has been Head of Marketing and Communication. After graduating from Amiens business school, he began his career in October 1996 as a Product Manager with Netgem, before moving to Business Objects as Head of e-Business Development Europe from 1998 to 2001, then serving as Marketing Manager for high-tech start-ups from 2003 to 2005.

Gilles Labossière

Gilles Labossière joined Parrot in September 2008 as the Group's Chief Financial and Operations Officer. An HEC graduate, he began his career as a Manager with the audit firm Arthur Andersen. In 1991, he was appointed to serve on the executive management committee of the logistics group Saga as Chief Internal Audit Officer then Chief Financial and Operations Officer. In 1997, he joined Techpack International as Chief Financial and Operations Officer. In 2000, he was involved in founding Republic Alley, a major incubator for innovative companies in France, where he was Chairman. In 2003, he became Chief Financial and Operations Officer at Linedata Services, before joining Rocamat as Deputy Chief Executive Officer to accompany the drive to turn this company around.

Yannick Levy

Yannick Levy graduated from Supelec in 1991 and completed his Ph.D. at Notre Dame University in the US in 1994. He began his career as a project leader with SAT, a Sagem group subsidiary, where he oversaw the development of digital equipment for cable television networks. In 1997, he joined the Luxembourg-based firm Astra as a systems engineer. In 1998, he created a new business unit within the American company Atmel, overseeing the development and sale of integrated chipsets for cable and fiber optic-based access to digital television and the internet. In 2000, he co-founded DiBcom, a pioneering company in the mobile television field; he led the company from 2000 to 2011 before joining Parrot when DiBcom was sold to Parrot in September 2011. At this point Mr Levy headed the Digital Tuner business unit and he is now in charge of Business Development.

Khaled Maalej

Khaled Maalej joined Parrot in September 2011 as Technical Director of the Digital Tuner business unit following the acquisition of DiBcom. In 2000, he co-founded DiBcom. Previously, Khaled Maalej was technical director of Atmel Communication’s broadband communications branch and spent five years in the signal processing team at Sat/Sagem, co-developing several integrated chipsets. Khaled Maalej graduated as an engineer from Ecole Polytechnique (Palaiseau) and Ecole Supérieure des Télécommunications (Paris).

Guillaume Pinto

Guillaume Pinto joined Parrot in January 2006 as Deputy Chief Technical Officer in charge of the organization of the research office, as well as project planning and coordination. A Polytechnique graduate, he worked in 2004 in the signal processing department which was part of Parrot's research office, before continuing with his studies at Stanford University (US).

Eric Riyahi

Eric Riyahi joined Parrot in September 2005 as Executive Director for the OEM Key Accounts range. In 1994, he joined the Valeo Electronique group, working as an applications engineer and then project manager, responsible for costs, quality and deadlines. In 1999, he started off as a customer account manager for Visteon, where he then became a European product manager. Eric graduated from INSEAD YMP and EUDIL in Lille.

■ Christophe Sausse

Christophe Sausse joined Parrot in April 2006 as Head of Human Resources. After completing his post-graduate DESS in human resources at the IEP in Paris, he began his career in 1995 at Saft, where he was responsible for executive recruitment then head of personnel. Between 1998 and 2000, he was involved in setting up the HR function as Human Resources Development Manager within the Sema Group. In 2000, he joined Bouygues Télécom, serving as HR manager then head of human resources for a subsidiary.

■ Julien Serry

Julien Serry joined Parrot in November 2013 as Group Procurement Officer. He graduated from the Université de Technologie de Compiègne. From 1999 to 2007, he held various procurement positions within the PSA Peugeot Citroën group, including procurement manager for vehicle interior equipment. He then spent six years in the smartcard sector and more specifically with FCI, where he set up the procurement department for the FCI Microconnections division. From 2011 to 2012, he headed up the procurement department of the Linxens group (formerly FCI Microconnections), following the spin-off by the Bain Capital fund.

■ Elise Tchen

Elise Tchen joined Parrot in 2000 to oversee product manufacturing as the Chief Industrial and Quality Officer. She has transformed this department into an industrial division capable of growing at the same rate as the Company. Since September 2006, Elise has been heading up Parrot's Asia-Pacific subsidiary, in Hong Kong and Shenzhen. She has developed an entity covering both the industrial section and component sourcing. This entity is enabling the Group to be as close as possible to suppliers in order to ensure effective control over quality and dramatically reduce the costs of the products manufactured. After graduating from ENSEM in Nancy, she began her career at Renault, first in the research division, and then in the cabling engineering research team.

17.2. Company founder equity warrants, stock options and bonus shares for Group staff

17.2.1. Company founder equity warrants

During its meeting on November 10, 2011, the Board of Directors acknowledged that the 2006 plans had lapsed, covering all of the company founder equity warrant schemes. No new company founder equity warrant schemes have been set up since then.

17.2.2. Stock warrants

During its general meetings, the Group invites its shareholders to vote on authorizations to be given to the Board of Directors to award stock options and/or warrants to employees and/or certain corporate officers of the Company or related companies.

On the date when this reference document was published, no stock warrants had been awarded to the executive officer or certain corporate officers, and this has been the case since Parrot’s initial public offering. The Group’s employees are the main beneficiaries, in line with its commitment to retaining its teams and enabling them to share in the Company’s performances.

The Human Resources Department submits proposals to the Appointments and Compensation Committee for stock warrants to be awarded.

For further details on the authorizations requested in connection with the upcoming general meeting, refer to Appendix 1 “Resolutions for the general meeting on June 30, 2015.

Status of stock warrants

In number of warrants	2013	2014
Number of warrants at January 1	**942 134**	**784 371**
Warrants maturing during the previous year		
Warrants awarded during the year	91 500	123 600
Warrants exercised during the year	-226 163	-144 070
Warrants maturing during the year	-23 100	-75 386
Number of warrants at year-end	**784 371**	**688 515**

In total, 98,370 stock warrants were exercised in 2014.

Stock warrants awarded in 2014

In 2014, no stock warrants were awarded during the year.

34,386 options were not awarded and therefore lapsed.

Historical breakdown of stock options

Date of Board Meeting and type of scheme		Number of options in place at Dec 31, 13	Number of options awarded during the period	Number of options exercised during the period	Number of options cancelled or lapsed	Number of options in place at Dec 31, 14
Feb 12, 09: stock options	4 years	44 313		-25 152	-19 161	-
Feb 12, 09: bonus shares	2 years	-				-
May 14, 09: stock options	4 years	34 043		-23 478	-10 565	-
Jul 30, 09: stock options	4 years	0 260		-2 000	1 740	-
Nov 12, 09: stock options	4 years	5 000			-5 000	-
Feb 11, 10: stock options	4 years	18 468		-3 700		14 768
May 12, 10: stock options	4 years	36 324		-3 540		32 784
Jul 29, 10: stock options	4 years	95 000		-32 500		62 500
Nov 10, 10: stock options	4 years	6 000				6 000
Feb 10, 11: stock options	4 years	16 000				16 000
May 12, 11: stock options	4 years	20 213				20 213
Jul 28, 11: stock options	7 years	8 000				8 000
Jul 28, 11: bonus shares	2 years	39 000			-39 000	-
Nov 10, 11: stock options	7 years	75 000		-8 000		67 000
Feb 15, 12: stock options	7 years	203 750				203 750
Feb 15, 12: bonus shares	2 years	26 750		-25 850	-900	-
May 12, 12: stock options	7 years	20 800				20 800
May 12, 12: bonus shares	2 years	3 900		-3 500	-400	-
Jul 28, 12: bonus shares	2 years	11 850		-11 350	-200	-
Nov 10, 12: stock options	7 years	23 000			-1 400	21 600
Nov 10, 12: bonus shares	2 years	5 200		-5 000	-200	-
Feb 20, 13: stock options	7 years	10 500				10 500
Feb 20, 13: bonus shares	2 years	23 700				23 700
May 15, 13: stock options	7 years	24 000				24 000
May 15, 13: bonus shares	2 years	13 300				13 300
Aug 1, 13: bonus shares	3 years	2 500				2 500
Nov 15, 13: bonus shares	3 years	17 500				17500
Nov 14, 13: bonus shares	3 years		93 500			93 500
Mar 1, 14: bonus shares	3 years		25 700			25 700
Oct 1, 14: bonus shares	3 years		4 400			4 400
Total		**784 371**	**123 600**	**-144 070**	**-75 386**	**688 515**

■ Stock options awarded to the Group's 10 staff who received the highest number in 2014:

Not applicable.

17.2.3. Bonus shares

During its general meetings, the Group invites its shareholders to vote on authorizations to be given to the Board of Directors to freely award existing shares and/or shares to be issued to employees and/or certain corporate officers of the Company or related companies.

On the date when this reference document was published, no bonus shares had been awarded to the executive officer or certain corporate officers, and this has been the case since Parrot's initial public offering. The Group's employees are the main beneficiaries, in line with its commitment to retaining its teams and enabling them to share in the Company's performances. In addition, the shares used when awarding bonus shares are traditionally taken from treasury stock acquired by the Company in connection with its share buyback programs and therefore do not result in any dilution of the capital.

The Human Resources Department submits proposals to the Appointments and Compensation Committee for bonus shares to be awarded.

For further details on the authorizations requested in connection with the upcoming general meeting, refer to Appendix 1 "Resolutions for the general meeting on June 30, 2015 ".

■ Bonus shares awarded in 2014

Not applicable

■ Bonus shares awarded to the Group's 10 staff who received the highest number in 2014

Not applicable

■ Breakdown of bonus shares awarded by category in 2014

Not applicable

17.3. Mandatory profit-sharing agreements

The Company is required to put in place a mandatory profit-sharing agreement since 2005.

In this way, a mandatory profit-sharing agreement was signed on May 2, 2006 between the Company's management and the sole staff representative office, notably looking to introduce a special profit-sharing reserve calculated based on the legal formula for Company staff and defining the conditions for managing employees' entitlements, the procedure for resolving any disputes between the parties, and the conditions for informing staff on an individual and a collective basis.

For 2014, the amount of the special profit-sharing reserve to be paid out represents nothing, as in 2013.

17.4. Voluntary performance-related bonus agreement

A voluntary performance-related bonus agreement was signed on June 29, 2009 for a three-year period between the Company and the sole staff representative office, notably looking to offer staff an opportunity to share in the Company's development and performances.

A new voluntary performance-related bonus agreement was signed on June 20, 2012 between the Company and the sole staff representative office. The agreement was entered into for a three-year period, commencing January 1, 2012.

The performance-related bonus is calculated based on elements from the Group's income from ordinary operations and revenues.

The individual amount of the performance-related bonus is determined in proportion to each employee's salary base for half, with the other half calculated in proportion to the period for which the employee was present during the year.

In 2014, the amount of the performance-related bonus to be paid out is 0.26 M€ (versus 0.37 M€ in 2013).

XVIII. Main shareholders

18.1. Shareholding structure

18.1.1. Current breakdown of the share capital and voting rights

The following table presents the breakdown of the capital interests and voting rights of the Company's main shareholders at December 31, 2014 (i) before the exercising of securities entitling holders to access the Company's capital (undiluted capital) and (ii) after the exercising of securities entitling holders to access the Company's capital.

The total number of Company shares that could be issued if all the securities entitling holders to access the Company's capital at December 31, 2014 were exercised is 507,915 for stock options, representing a potential dilution of around 4.00% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury stock.

Readers are also invited to refer to Section 4.1.11 "The company issues dilutive instruments which could have an impact on its capital" and 21.1.4 "Potential capital" in this reference document.

At December 31, 2014	Number of Company shares held	% of capital and voting rights	Number of Company shares on a diluted basis	% of capital and voting rights
Total number of shares (A)	**12 709 068**	**100%**	**13 216 983**	**100%**
Founder (B)	4 546 204	35.8%	4 546 204	34.4%
Founder subtotal	**4 546 204**	**35.8%**	**4 546 204**	**34.4%**
Directors (C)				
Jean Marie Painvain	100	0.0%	100	0.0%
Edward Planchon	1	0.0%	1	0.0%
Geoffroy Roux de Bézieux	732	0.0%	732	0.0%
Olivier Legrain	20	0.0%	20	0.0%
Jean-Yves Helmer	50	0.0%	50	0.0%
Stéphane Marie	1	0.0%	1	0.0%
Natalie Rastoin	1 000	0.0%	1 000	0.0%
Marie Ekeland	27	0.0%	27	0.0%
Directors subtotal	**1 931**	**0.0%**	**1 931**	**0.0%**
Other declared investors				
Covéa Finance	635 738	5.0%	635 738	4.8%
Declared investors subtotal	**635 738**	**5.0%**	**635 738**	**4.8%**
Parrot S.A. treasury shares (D)	**575 870**	**4.5%**	**575 870**	**4.4%**
General total	**5 759 743**	**45.3%**	**5 759 743**	**43.6%**
Estimated percentage of float (A-B-C-D)	**7 585 063**	**59.7%**	**8 092 978**	**61.2%**

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf. 15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

At December 31, 2014, the estimated float (A-B-C-D) therefore represented 59.7% of the capital.

18.1.2. Change in the Company's capital

For the main shareholders, the following table presents the changes in their interests in the Company's share capital and voting rights over the last two financial years:

	Number of Company shares held at Dec 31, 2014	% of capital and voting rights	Number of Company shares held at Dec 31, 2013	% of capital and voting rights
Founder (B)				
Henri Seydoux (Holding Horizon)	4 546 204	35.8%	4 546 204	35.9%
Founder subtotal	**4 546 204**	**35.8%**	**4 546 204**	**35.9%**
Directors (C)				
Jean Marie Painvain	100	0.0%	100	0.0%
Edward Planchon	1	0.0%	1	0.0%
Geoffroy Roux de Bézieux	732	0.0%	732	0.0%
Olivier Legrain	20	0.0%	20	0.0%
Jean-Yves Helmer	50	0.0%	50	0.0%
Stéphane Marie	1	0.0%	1	0.0%
Natalie Rastoin	1 000	0.0%	1 000	0.0%
Marie Ekeland	27	0.0%	0	0.0%
Directors subtotal	**1 931**	**0.0%**	**1 904**	**0.0%**
Other declared investors				
Covéa Finance	635 738	5.0%	914 305	7.2%
Declared investors subtotal	**635 738**	**5.0%**	**914 305**	**7.2%**
Parrot S.A. treasury shares (D)	**575 870**	**4.5%**	**625 449**	**4.9%**
General total	**6 038 283**	**47.5%**	**6 087 862**	**48.1%**

(*) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls (cf. 15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

18.2. Voting rights

Each Company share is entitled to one voting right. As such, the shareholders listed in Section 18.1.1 above "Current breakdown of the share capital and voting rights" in the present reference document have a number of voting rights that is equal to the number of shares they hold.

18.3. Issuer's control

At December 31, 2014, the Company's main shareholder was Mr Henri Seydoux, holding 35.8% of the Company's capital and voting rights and serving as its Chairman and Chief Executive Officer. Since February 2014, all the shares held by Henri Seydoux have been transferred to Horizon, the company which he controls (cf. 15.4.1 "Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market").

In this way, Henri Seydoux controls Parrot, which he founded in February 1994 and has managed for 20 years. As indicated in Section 16.5 "Corporate governance" and Section 16.6 "Internal control procedures put in place by the Company" in this reference document, the Company has put in place the provisions required to comply with the corporate governance system following the MiddleNext Governance code recommendation, more specifically setting up an Audit Committee and an Appointments and Compensation Committee, which report on their work directly to the Board of Directors. Furthermore, five of the eight directors are independent, which makes it possible to ensure that decisions are taken in line with the corporate interests of the Company and the Group in general.

18.4. Agreements whose implementation could result in a change of control

To the best of the Company's knowledge, there are:

- No other shareholders holding directly, indirectly or in concert 5.00% or more of Parrot's capital or voting rights,
- No shareholder agreements and no other agreements whose implementation could result in a change of control over Parrot,
- No direct or indirect interests in the Company's capital as defined by Articles L. 233-7 and L. 233-12 of the French commercial code,
- No agreements which have been entered into by the Company that would be amended or terminated in the event of a change of control over the Company.

18.5. Information on the change

Parrot share characteristics

ICB classification

- Industry: 9000 "Technology"
- Sector: 9570 "Technology Hardware & Equipment"
- Subsector: 9578 "Telecommunications Equipment"

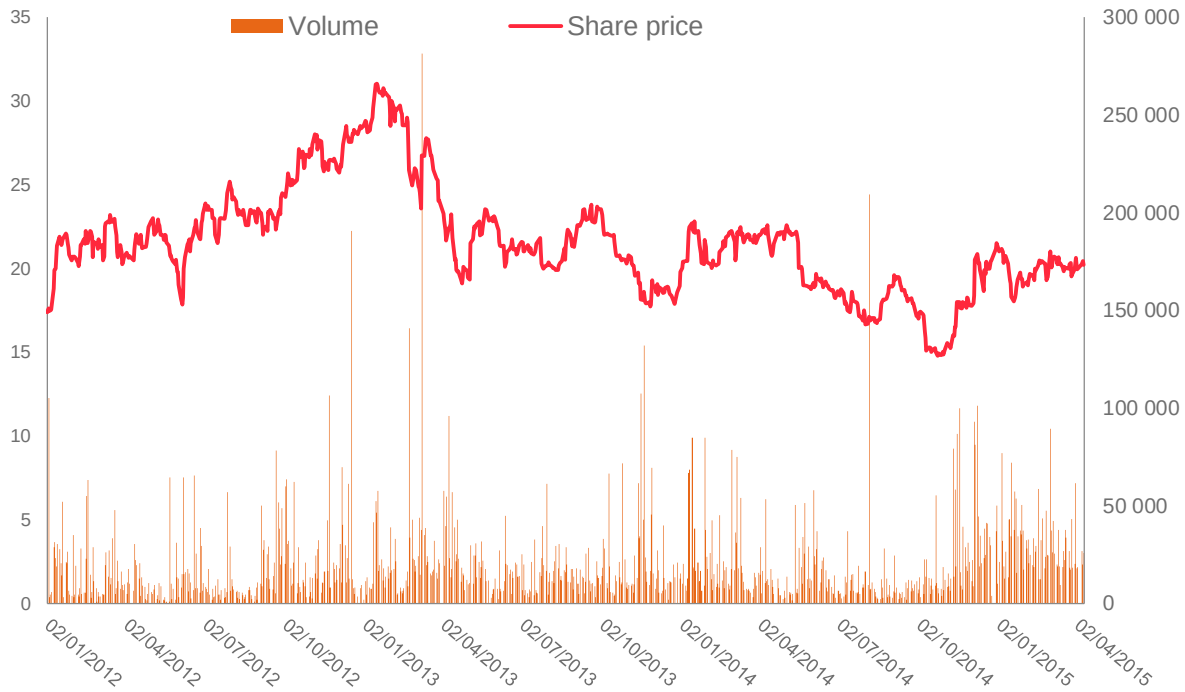
Market characteristics:

- **Market: Euronext Compartment B**
- **ISIN:** FR0004038263
- **Ticker: PARRO**
- Listing currency: **euro**
- Listing group: **16**
- Trading frequency: **continuous**

Other information

- Eligible for share-based savings schemes: yes
- Eligible for SME share-based savings schemes: yes
- Deferred settlement service: eligible for long-only deferred settlement service

Change in Parrot's share price from listing (June 27, 2006) to April 2, 2015



Change in Parrot's share price and volumes over the last two years

Closing share price in euros Volume in number of shares traded	2013	2014
Highest closing price	31.05	22.81
Highest daily volume	281 541	209 324
Lowest closing price	17.72	14.80
Lowest daily volume	1 829	1383
Average closing price for the year	22.69	19.28
Average volume for the year	20 650	18 482

XIX. Operations with related parties

19.1. Information on regulated agreements and commitments

For FY 2014, EKP Consult, LLC, the American-law company controlled by Mr Edward Planchon, a Company director, did not bill for any services provided to any Group companies. EKP Consult was paid USD 4,428.08 by Parrot S.A. for the reimbursement of costs;

No other agreements governed by Article L.225-38 of the French commercial code were entered into in 2014, particularly with any shareholders with significant voting rights in the Company's capital representing more than 2.5% of the capital, any members of the executive management bodies, including any directors, or any entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

19.2. Statutory auditors' special report on regulated agreements and commitments

KPMG Audit
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saison
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Dear Shareholders,

In our capacity as your company's statutory auditors, please find hereafter our report on regulated agreements and commitments.

We are required to report to you, based on the information provided, on the main terms and conditions of agreements and commitments that we have been informed of or that we have become aware of in connection with our audit, without making any judgment relative to their utility or legitimacy, or looking into the possible existence of any other agreements and commitments. It is your responsibility, under the terms of Article R.225-31 of the French commercial code, to evaluate the benefits of concluding such agreements and commitments with a view to their approval.

As relevant, it is also our responsibility to provide you with the information required under Article R. 225-31 of the French commercial code relative to the implementation during the past year of any agreements and commitments already approved by the general meeting.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (Compagnie Nationale des Commissaires aux Comptes) professional standards relative to this mission. These standards require that we perform procedures to verify that the information given is consistent with the underlying documents.

■ Agreements submitted for approval at the general meeting

We have not been informed of any agreements or commitments approved during the past financial year and to be submitted for approval by the general meeting as provided for under Article L. 225-38 of the French commercial code.

■ Agreements and commitments already approved by the general meeting

In accordance with Article R. 225-30 of the French commercial code, we have been informed that the performance of the following agreements and commitments, which were approved at general meetings in previous financial years, continued during the last financial year.

With EKP Consult, LLC, the American-law company controlled by Mr Edward Planchon, a director of your company.

▶ Nature and purpose

– Agreement for providing services to Group companies.

▶ Conditions

– Amount of services invoiced to the Group in 2014: none.
– Amount of costs reimbursed by your company in 2014: 4,224 US dollars.

Paris-La Défense, April 13, 2015

The statutory auditors

KPMG Audit IS
Eric Lefebvre
Partner

ERNST & YOUNG et Autres
Pierre Jouanne
Partner

XX. Financial information concerning the assets, liabilities, financial position and earnings

20.1. Consolidated financial statements

20.1.1. Consolidated income statement

€'000 / K€	Note	Dec 31, 2014	Dec 31, 2013
Revenues	4	**243 871**	**235,150**
Cost of sales	5	-115 363	-116,843
GROSS MARGIN		**128 508**	**118,308**
% of revenues		*52,7 %*	*50.3%*
Research and development costs (*)	5	-50 130	-45,639
% of revenues		*20,6 %*	*19.4%*
Sales and marketing costs	5	-45 941	-39,976
% of revenues		*18,8 %*	*17.0%*
General costs	5	-16 746	-14,492
% of revenues		*6,9 %*	*6.2%*
Production and quality	5	-14 577	-11,928
% of revenues		*6,0 %*	*5.1%*
INCOME FROM ORDINARY OPERATIONS		**1 113**	**6,273**
% of revenues		*0,5 %*	*2.7%*
Non-current operating expenses	6	-514	-198
EBIT		**599**	**6,075**
% of revenues		*0,2 %*	*2.6%*
Income from cash and cash equivalents	7	1 247	1,344
Cost of gross financial debt	7	-834	-744
Cost of net financial debt	7	413	599
Other financial income and expenses	7	220	-880
FINANCIAL INCOME		**633**	**-280**
Share in income from equity affiliates (net of tax)	14	-	-174
Tax	8	-4 088	-4,430
EARNINGS FOR THE PERIOD		**-2 855**	**1,190,**
Group share		**-2 592**	**1,557**
% of revenues		*-1,1 %*	*0.7%*
Non-controlling interest	23	-263	**-366**

K€ and number of shares	Note	Dec 31, 2014	Dec 31, 2013
Weighted average number of ordinary shares		**12 709 068**	**12,703,821**
Basic net earnings per share (€)	22	-0,20	0.12
Weighted average number of ordinary shares (diluted)		**12 709 068**	**13,396,866**
Diluted net earnings per share (€)	22	-0,20	0.12

20.1.2. Comprehensive income statement

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Net income – Group share	-2 855	**1,190**
Exchange gains or losses	3 858	1,397
Change in value of derivative hedging instruments	193	452
Change in actuarial gains or losses concerning employee benefits	-593	98
Taxes	-166	270
Other comprehensive income items	**3 293**	**-1,117**
- Subsequently recyclable to net income	3 886	-1,117
Comprehensive income for the period	**438**	**74**
Attributable to owners of the parent	706	461
Attributable to non-controlling interests	-269	-387

20.1.3. Consolidated balance sheet

ASSETS, €'000 / K€	Note n°	Dec 31, 2014	Dec 31, 2013
Non-current assets		100 505	**85,779**
Goodwill	9	39 952	38,659
Other intangible assets	10	43 181	33,441
Property, plant and equipment	12	8 965	7,529
Interests in equity affiliates		-	1,748
Financial assets	13	6 315	2,360
Deferred tax assets	15	2 093	2,042
Current assets		**210 157**	**192,795**
Inventories	16	31 788	24,168
Trade receivables	17	62 629	39,206
Other receivables	18	26 023	31,305
Other current financial assets	19	19 380	42,671
Cash and cash equivalents	19	70 338	55,444
Total assets		**310 663**	**278,574**

SHAREHOLDERS' EQUITY AND LIABILITIES, €'000 / K€	Note n°	Dec 31, 2014	Dec 31, 2013
Shareholders' equity			
Share capital		1 944	1,929
Issue and contribution premiums	20	50 750	49,800
Reserves excluding earnings for the period		130 939	131,319
Earnings for the period		(2 592)	1,557
Exchange gains or losses		2 772	-1,092
Equity attributable to Parrot S.A. shareholders		**183 813**	**183,514**
Minority interests		**-880**	**-611**
Non-current liabilities		**28 809**	**30,355**
Non-current financial liabilities	21	5 189	11,854
Pension provisions and related commitments	24	2 587	1,697
Deferred tax liabilities		59	240
Other non-current provisions	25	(0)	1,642
Other non-current liabilities	27.2	20 974	14,922
Current liabilities		**98 920**	**65,315**
Current financial liabilities	21	7 308	7,595
Current provisions	26	8 500	8,339
Trade payables	27.1	61 209	32,746
Current tax liability	27.1	2 126	1,980
Other current liabilities	27.1	19 777	14,655
Total shareholders' equity and liabilities		**310 663**	**278,574**

20.1.4. Consolidated cash-flow statement

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Operating cash flow		
Earnings for the period	24,310	1,190
Share in income from equity affiliates	356	174
Depreciation and amortization	6,595	9,728
Capital gains and losses on disposals	27	708
Capital gain linked to the revaluation of the interest previously recognized on an equity basis		
Tax charges	6,473	4,430
Cost of share-based payments	4,108	3,058
Cost of net financial debt	-650	-599
Cash flow from operations before cost of net financial debt and tax	**41,218**	**18,690**
Change in working capital	-18,095	10,605
Tax paid	-3,965	-5,682
CASH FROM OPERATING ACTIVITIES (A)	**19,158**	**23,614**
Investing cash flow		
Acquisition of tangible and intangible assets	-17,342	-15,905
Acquisition of subsidiaries, net of cash acquired	-894	
Acquisition of long-term financial investments	-2,085	-1,536
Disposal of tangible and intangible assets	-49	27
Disposal of subsidiaries, net of cash divested		
Disposal of long-term financial investments	26	40
CASH FLOW FROM INVESTMENT ACTIVITIES (b)	**-20,344**	**-17,375**
Financing cash flow		
Equity contributions (1)	1,243	286
Dividends paid		
Receipts linked to new loans		
Other financing		
Cash invested for over 3 months *	758	-9,565
Cost of net financial debt	650	599
Repayment of short-term financial debt (net)	-6,317	-6,352
Repayment of other debt		
Acquisition of treasury stock (2)	-5,609	-8,423
CASH FLOW FROM FINANCING ACTIVITIES (C)	**-9,275**	**23,455**
NET CHANGE IN CASH POSITION (D = A+B+C)	**-10,461**	**17,217**
Impact of change in exchange rates	44	1,633
CASH AND CASH EQUIVALENTS AT YEAR-START	83,530	73,113
CASH AND CASH EQUIVALENTS AT YEAR-END	**73,113**	**54,263**

(1) Capital increase through exercising of options.
(2) See Note 20.3.
(3) Of which, 421 K€ corresponding to the IFRS II expense to be paid for senseFly
(4) Of which:
Additional acquisition of senseFly securities: -152
Acquisition of 2nd tranche for Pix4D: -2,083
Cash from subsidiary acquired Pix4D : 2,630
Acquisition of subsidiaries, net of cash acquired: 395
(5) Of which, deconsolidation of the research tax credits for 2012 and 2013 for 12.9 M€ (cf. Note 18)

► **The net cash position can be broken down as follows:**

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Cash and cash equivalents for the period	70 338	54,263
Other current financial assets	19 380	42,671
Cash, cash equivalents and other current financial assets at year-end	**89 717**	**96,934**

20.1.5. Change in consolidated shareholders' equity

€'000 / K€	Capital (1)	Issue and contribution premiums	Exchange gains or losses	Treasury stock (2)	Consolidated reserves and earnings / Group consolidated reserves	Total shareholders' equity / Group share	Equity interests	Total
Position at end Dec. 2012	**1,954**	**54,175**	**283**	**-13,641**	**145,775**	**188,546**	**-224**	**188,322**
2013 net income	-	-	-		1,557	1,557	-366	1,191
Other comprehensive income	-	-	-1,375		280	-1,095	-21	-1,116
Comprehensive income	-	-	-1,375	-	1,837	462	-387	75
Changes in capital	-25	-4,375		1,378	-4,853	-7,875		-7,875
Share-based payments	-	-	-	-	2,674	2,674		2,674
Securities buyback options	-	-	-	-	-294	-294		-294
Position at end Dec. 2013	**1,929**	**49,800**	**-1,092**	**-12,263**	**145,139**	**183,514**	**-611**	**182,902**
2014 net income	-	-	-	-	-2,592	-2,592	-263	-2,855
Other comprehensive income	-	-	3,864	-	-565	3,299	-6	3,293
Comprehensive income	-	-	3,864	-	-3,157	707	-269	438
Changes in capital	15	949	-	-161	252	1,055	-	1,055
Share-based payments	-	-	-	-	2,220	2,220	-	2,220
Securities buyback options(3)	-	-	-	-	-3,684	-3,684	-2348	-6,032
Acquisitions of non-controlling interests (4)	-	-	-	-		-	2,348	2,348
Position at end Dec. 2014	**1,944**	**50,750**	**2,772**	**-12,424**	**140,770**	**183,812**	**-880**	**182,932**

(1) The change in capital during 2014 primarily reflects a capital increase through the exercising of options for 15 K€, with an issue premium of 949 K€ (cf. Note 20.1 "Share capital and issue premium").

(2) The change in treasury stock during 2014 primarily reflects purchases of treasury stock (cf. 20.3 "Treasury stock").

(3) The change in securities buyback options during 2014 reflects the commitments made to the senseFly and Pix4D minority shareholders (cf. Note 27.2 "Other non-current liabilities").

(4) Acquisitions of non-controlling interests" have been recorded following the first year of consolidation for Pix4D (cf. Note 11 "Business combinations").

20.2. Notes to the 2014 consolidated financial statements

20.2.1. Note 1 – The Company

The appended consolidated financial statements present the operations of PARROT S.A. and its subsidiaries (referred to collectively as "the Group"). Parrot S.A. is a French company whose securities are admitted for trading on Compartment B of the regulated market Euronext Paris. Its registered office is in Paris.

The financial statements for the year ended December 31, 2014 were approved by the Board of Directors on February 26, 2015. They will be submitted for approval at the General Meeting on June 30, 2015.

The financial statements are presented in euros. All the financial data are rounded off to the nearest K€.

20.2.2. Note 2 – Accounting methods and rules

The consolidated financial statements for 2014 have been drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union at December 31, 2014.

New standards and interpretations applicable from January 1, 2014 without any material impact on Parrot's consolidated accounts:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IFRS 10, 11 and 12, Transition Guidance
- Amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures, further to IFRS 10, 11 and 12
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
- Amendments to IAS 32 to clarify the principles for offsetting financial assets and liabilities
- Amendment to IAS 36 Impairment of Assets, relating to recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement, relating to the novation of derivatives and continuation of hedge accounting.

The non-mandatory standards, amendments to standards and interpretations adopted by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) and the European Union at December 31, 2014 have not been applied early and are not expected to have a material impact on the consolidated accounts. They concern:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendment to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions, aiming to simplify the recognition of contributions that are independent from the number of years of employee service
- Amendments to IAS 16 and IAS 38, aiming to clarify acceptable methods for depreciation and amortization
- IFRIC 21 Levies, relating to the recognition of a liability for current taxes or duties

The main accounting principles applied by the Group are as follows:

A) Consolidation methods

The financial statements for the various companies over which Parrot S.A. has direct or indirect control are fully consolidated. This control exists when Parrot S.A. has the power to directly or indirectly control the company's financial and operational policies so as to benefit from its activities.

Parrot S.A. is deemed to have control when it owns more than half of the voting rights in the controlled company. The financial statements for controlled companies are included in the Group's consolidated financial statements as of the date on which control has effectively been transferred over, up until the date on which it ceases to have control.

The Group's consolidated companies drew up their financial statements at December 31, 2013 and 2014 in line with the accounting rules and methods applied by the Group. Transactions between consolidated companies, and any in-house profits are eliminated.

Affiliates are entities in which the company has a significant influence over their financial and operational policies, although without having control over them. Significant influence is presumed to exist when the Group holds between 20% and 50% of an entity's voting rights. Interests in affiliates are recognized in line with the equity method and initially recorded at cost.

The Group does not control any ad hoc entities.

B) Use of estimates

To draw up the financial statements, management is required to make judgments and use estimates and assumptions that have an impact on the amounts of assets and liabilities at the close of accounts, as well as on items for earnings over the period. These estimates factor in economic data which are liable to change over time, and include various random elements.

The underlying estimates and assumptions are based on past experience and other factors that are deemed to be reasonable in view of the circumstances, particularly with regard to the current economic and financial crisis. In this way, they serve as a basis for the judgments required in order to determine the book values of assets and liabilities, which may not be obtained directly from other sources. Actual values may be different from the estimated values.

The underlying assumptions and estimates are reexamined on an ongoing basis. The impacts of changes in accounting estimates are recorded during the period of the change if they only affect this period or during the period of the change and subsequent periods if they are also affected by the change.

They primarily concern business combinations, the recognition of deferred tax assets, notably resulting from deferrable tax losses, value tests on current and non-current assets, the valuation of share-based payments, the valuation of financial instruments and current and non-current provisions.

C) Conversion methods

► Transactions denominated in foreign currencies

Transactions in foreign currencies are converted into euros based on the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the closing date are converted based on the exchange rate in force on the closing date. Any exchange rate differences resulting from such transactions are recorded under income or expenses unless they arise from long-term inter-company financing operations that can be considered as capital transactions: in this case, they are recognized through equity under exchange gains or losses.

Non-monetary assets and liabilities denominated in foreign currencies are recorded and kept at the historical rate in force on the transaction date.

► Financial statements denominated in foreign currencies

The Group's consolidated financial statements are presented in euros, the Group's functional and presentation currency.

The assets and liabilities of consolidated companies expressed in foreign currencies are converted into euros based on the exchange rate in force on the closing date, except for the net position, which is recorded at its historical value. These companies' income and expenses are converted into euros based on the average exchange rate for the period. Any exchange gains or losses resulting from conversions are recognized in other comprehensive income under "conversion reserves".

The conversion rates for the main currencies used within the Group over 2014 and 2013 were as follows:

Closing rate	Dec 31, 2014	Dec 31, 2013	Average rate	Dec 31, 2014	Dec 31, 2013
US Dollar	0.8237	0.7251	US Dollar	0.7526	0.7529
Hong Kong Dollar	0.1062	0.0935	Hong Kong Dollar	0.0970	0.0971
Pound Sterling	1.2839	1.1995	Pound Sterling	1.2401	1.1775
Chinese Yuan	0.1327	0.1198	Chinese Yuan	0.1222	0.1225
Japanese Yen	0.0069	0.0069	Japanese Yen	0.0071	0.0077
Swiss France	0.8317	0.8146	Swiss France	0.8233	0.8124
Australian Dollar	0.6743	0.6484	Australian Dollar	0.6794	0.7262

D) Income statement

In order to understand the specific characteristics of the Group's business more effectively, it presents an income statement for each function, highlighting the following elements: the cost of sales (costs linked directly to the products sold), research and development costs (including costs not recognized as assets on the balance sheet incurred during the year, as well as the depreciation of development costs recorded as assets on the balance sheet), commercial expenses, overheads and production and quality costs (operating costs for dedicated supply and quality management departments, primarily including wages for the staff concerned).

With the cost of sales, these four items represent operating expenses, which, deducted from revenues, make it possible to obtain the level of current operation income, the main performance indicator for the Group's business.

In order to provide more comprehensive information, these operating expenses are broken down by kind in Note 5 "Operating expenses by type" in these notes.

Other non-current operating income and expenses are recorded under EBIT. They include significant income and expenses considered to be non-recurring, such as capital gains or losses on the disposal of consolidated companies or activities, restructuring costs approved by management and communicated on externally, costs concerning exceptional disputes, costs relating to business combinations, impairments of assets and goodwill, and the recalculation of the fair value of the interest previously held by the Group in the company acquired through a business combination achieved in stages, considered to be non-recurrent.

The level of net income is then obtained by taking the following items into account:

- The cost of net financial debt, including interest on financial debt calculated based on the effective interest rate, less income from cash and cash equivalents,
- Other financial income and expenses, which include exchange gains and losses,
- The current and deferred tax expense.

E) Earnings per share

In accordance with IAS 33, the information presented is calculated in line with the following principles:

- Basic earnings per share: earnings for the period (Group share) are considered in relation to the weighted average number of ordinary shares outstanding over the period, after deducting treasury stock held during the period. The average number of ordinary shares outstanding represents a weighted annual average, adjusted for the number of ordinary shares redeemed or issued during the period and calculated based on the issue date for shares over the year;
- Diluted earnings per share: earnings for the period (Group share) and the weighted average number of shares outstanding, factored in when calculating basic earnings per share, are adjusted for the effects of all potentially dilutive ordinary shares: share warrants (Note 20.2 Share warrant and company founder equity warrant schemes) and bonus shares.

Basic earnings per share and diluted earnings per share are identical when the Group's net income is negative.

F) Revenues

Income from the sale of goods is recorded on the income statement when the significant benefits and risks inherent in ownership of the goods have been transferred to the buyer.

Income from the provision of services is recorded on the income statement based on the level of progress made with the service on the closing date.

No income is recorded when there is a significant level of uncertainty surrounding the collectability of the counterparty due, the costs incurred or to be incurred in relation to the sale or the possible return of goods in the event of the right to cancel the purchase, and when the Group remains involved in the management of the goods in question.

Revenues generated with specialized distributors are recognized net of any referencing or volume-based discounts. The amount of any referencing or volume-based discounts granted is recorded on the shipment date for goods based on past experience and the contractual conditions in force.

G) Operating lease payments

Payments for operating leases are booked as expenses on a linear basis over the term of the lease in question.

The benefits received represent an integral part of the net total for lease charges and are booked under income in line with the same rule.

H) Cost of net financial debt

The cost of net financial debt includes interest to be paid on loans (calculated based on the effective interest rate method), less interest to be received on investments and income from other dividends.

Interest-related income is recorded on the income statement when acquired under the effective interest rate method.

Income from dividends is recorded on the income statement as soon as the Group becomes entitled to receive the payments in question.

I) Corporate income tax

Corporate income tax (expense or income) comprises the tax expense (income) due and any deferred tax expenses (income). Tax is recorded on the income statement if it concerns items that are booked directly against shareholders' equity; in which case, it is booked against shareholders' equity.

The tax due is (i) the estimated amount of tax due relative to taxable profit for a given period, determined based on tax rates that have been adopted or virtually adopted on the closing date, and (ii) any adjustments to the amount of tax due relative to previous periods.

For deferred tax, see section N of the present note.

The tax on business value added (CVAE) is recorded under corporate income tax.

The research tax credit is booked against research and development costs or capitalized development costs.

The tax credit promoting competitiveness and employment (CICE) is deducted from staff costs and allocated to the various functions.

J) Segment reporting

In accordance with IFRS8, the information is based on the internal reporting system used by the Chief Operating Decision Maker, Henri Seydoux, the Group's Chairman and CEO, to decide on the allocation of resources and assess the performance of the operating segments.

The key indicators reviewed and used internally for each operating segment are revenues and income from ordinary operations.

There are four operating segments: Automotive, Connected objects, Drones and Other. The "Other" segment includes the entity Varioptic.

K) Intangible assets

- **Goodwill**

Business combinations are recorded in accordance with the acquisition method on the acquisition date, which is the date when control is transferred to the Group:

- The acquired assets and assumed liabilities of the company that has been acquired are measured at fair value.
- The acquisition price is the sum of the fair values of the assets transferred and liabilities assumed by the acquirer on the acquisition date, in addition to any equity instruments issued by the acquirer. The acquisition price includes any earnouts, measured and recognized at their fair value on the acquisition date.

The goodwill resulting from a business combination is equal to the difference between:

- The fair value of the acquisition price, plus the amount of any non-controlling minority interests in the acquired entity, and
- The fair value of the assets acquired and liabilities assumed on the acquisition date.

The initial measurement of the acquisition price and the fair values of the acquired assets and assumed liabilities is finalized within 12 months of the acquisition date and any adjustments are recognized as backdated corrections to goodwill. After this 12-month period, any adjustments are recognized directly through profit and loss.

The costs relating to the acquisition are recorded under expenses, as they are incurred.

At the time of each business combination, the Group may opt to recognize the fraction of interests not acquired:

- Either at its fair value on the acquisition date, resulting in the recognition of goodwill on this non-acquired fraction ("full goodwill" method),
- Or based on its share in the identifiable net assets of the acquired entity, measured at fair value, exclusively recognizing the goodwill attributable to the parent company's owners ("partial goodwill" method).

If control is established through successive acquisitions, the interest held previously by the Group is remeasured to its fair value on the date when control is acquired, with any gain or loss recognized in profit or loss.

The goodwill represents the difference between the acquisition price, plus related costs, of securities in consolidated companies and the Group share in the fair value of their net assets after deducting liabilities and contingent liabilities on the date when the interest was acquired, at the end of a measurement period for this fair value that may reach 12 months after the acquisition date. When the acquisition price, plus related costs, is lower than the fair value of the identified assets and liabilities and contingent liabilities acquired, the difference is immediately recognized through profit and loss.

- **Research and development costs**

Research costs are recorded as expenses when they are incurred.

Research spending made with a view to acquiring new scientific or technical knowledge or understanding is booked as an expense when incurred.

Development costs, i.e. costs resulting from the application of research findings for a plan or model with a view to producing new or substantially improved products or techniques are recorded as fixed assets if the Group is able to demonstrate that

it simultaneously fulfills the criteria for the technical and commercial feasibility of the product or technique, the availability of sufficient resources to complete the development, the commitment to complete the intangible asset, the capacity to use or sell this intangible asset, the capacity to generate future economic benefits, the capacity to reliably value the various expenses attributable to the intangible asset during its development.

The expenditure capitalized in this way notably includes direct labor costs and outsourcing costs. Other development costs are recorded as expenses when they are incurred.

Any capitalized development costs are recorded at cost less any aggregate depreciation and possible impairments in value. They are depreciated over three to five years or depending on the production unit consumption method.

Parrot incurs development costs on infotainment systems developed for auto manufacturers, with prospects for industrialization.

These development costs are financed under independent contracts. The revenues received on these contracts are deducted from development costs depending on progress with the development phase.

- **Other intangible assets**

Patents, trademarks, and fully-owned software and user rights are capitalized and depreciated over their useful life. The useful life range is from 1 to 10 years.

L) Property, plant and equipment

Property, plant and equipment are recorded under assets on the balance sheet at their depreciated historical cost, less any impairments in value. They are not revalued.

Subsequent expenditure (spending to replace assets and ensure their compliance) is capitalized and depreciated over the remaining useful life for the corresponding fixed asset. Regular upkeep and maintenance costs are booked as expenses when they are incurred.

Depreciation is calculated on a straight-line basis in view of the estimated useful life of the various categories of fixed assets. It is calculated based on the acquisition price less any residual value.

Fixed assets are depreciated based on their useful life as follows:

- Fixtures and fittings 3 to10 years
- Technical facilities 10 years
- Plant and equipment 3 years
- Office equipment and IT 3 years
- Transport equipment 3 years

The residual values and estimated useful lives are revised at each close of accounts.

Capital gains or losses stem from differences between the sales price and the net book value of assets sold off.

M) Depreciation of tangible and intangible assets

The book value of tangible and intangible assets is tested if there are any signs of impairment in value on the reporting date, and at least once a year for goodwill and other intangible assets with an indefinite lifespan, in addition to fixed assets under development.

The value test is based on determining the recoverable value of each unit generating its own cash (cash generating unit, CGU). These units correspond to activities generating cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

The four CGUs identified are as follows:

- Automotive
- Connected devices
- Drones and Other

The recoverable value of a cash generating unit represents the higher of its fair value less costs of sale and its value in use. The value in use of each cash generating unit is determined based on the net discounted cash flow generated by the activities that the goodwill relates to, in line with the most probable assumptions retained. The assumptions retained are based on a budget for the following year, approved by the Board of Directors and extrapolated by management over a three-year period, including rates of growth and profitability that are considered to be reasonable.

The long-term growth rate for beyond the three-year period is assessed based on analyses of the sector in which the Group operates, for each unit in question.

Discounting is applied at a rate corresponding to the average cost of capital on the valuation date plus a risk premium based on the unit in question.

When the recoverable value of a cash generating unit is lower than its net book value, the corresponding impairment in value is allocated in priority to goodwill, then to reducing the unit's other assets on a pro rata basis in line with the book value of each one of the unit's assets, and recognized under EBIT.

With regard to development costs, an impairment is recognized if one of the conditions indicated in Section K2) is no longer met. This impairment is determined based on a comparison between the asset's book value and the expected economic benefits relating to the asset in question.

Any impairments in value recorded on goodwill cannot be written back.

N) Deferred tax

Deferred taxes are recorded on the income statement and on the balance sheet in order to factor in any timing differences between the book values and the tax values of certain assets and liabilities.

Deferred taxes are recorded in line with the asset-liability approach for the accrual method. Deferred taxes are valued factoring in known changes in tax rates (and tax regulations) that have been adopted or virtually adopted on the closing date. The impact of any changes in the tax rate on deferred taxes booked previously on the income statement or against shareholders' equity is recorded respectively on the income statement or under shareholders' equity during the year when such rate changes come into force.

Deferred taxes are recorded respectively on the income statement or under shareholders' equity during the year depending on whether they concern items that are themselves booked on the income statement or under shareholders' equity.

Deferred tax assets are recorded once it is likely that taxable profits will be generated, making it possible for any deferred tax assets to be used. The book value of deferred tax assets is reviewed at each close of accounts, and may be reduced if it is no longer likely that sufficient taxable profits will be available to make it possible to use the benefit of all or part of such deferred tax assets. Conversely, such a reduction will be written back if it becomes likely that sufficient taxable profits will be available.

Deferred tax assets and liabilities are offset if and only if subsidiaries are entitled to offset tax assets and liabilities due and when these concern income tax deducted by the same tax authorities and at the same time.

O) Inventories

The cost of inventories is determined in line with the weighted average price method, and comprises the acquisition costs for inventories and the costs incurred for transporting them in the state and to the place where they are located.

Inventories are valued at the lower of their cost or their net realizable value. The net realizable value represents the estimated sales price during the normal course of business, less the estimated costs for completion and the estimated costs required for making the sale.

P) Non-derivative financial instruments

- **P1) Trade and other receivables**

Trade and other receivables are valued at their fair value when initially recorded in the accounts, and then at their amortized cost less the amount of any impairments in value, a provision for impairment is recognized when there is objective evidence that part of the sums due will not be recovered in accordance with the contractual arrangements.

- **P2) Trade and other payables**

All such accounts payable are initially recorded at their fair value, and then at their amortized cost.

Following their initial recording, the Parrot Group values all financial liabilities other than those held for trading at their amortized cost.

► P3) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, in addition to undertakings for collective investment in transferable securities (UCITS) that are compliant with the definition under IAS 7. Any UCITS that do not comply with the definition of cash and cash equivalents are recorded under other current financial assets.

Bank overdrafts that are repayable on demand and are an integral part of the Group's cash management represent a cash and cash equivalent component for the purposes of the cash-flow statement.

► P4) Cash-flow hedging and rate hedging

The Group uses financial derivatives to hedge its exposure to the interest rate risks resulting from its financial activities for investments. The financial instruments are initially measured at fair value, i.e. the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. With the exception of the hedging cases outlined above, changes in the fair value of derivatives are recognized under financial income and expenses on the balance sheet date.

The fair value of interest rate swaps is the estimated amount which the Group would receive or pay to terminate the swap on the closing date, factoring in the current level of interest rates and the credit risk for the swap's counterparties.

► P5) Share buyback commitments

When minority shareholders in a consolidated subsidiary have an option allowing them to call for their securities to be bought back by Parrot, Parrot's commitment is recognized as a liability relating to a supplier of fixed assets on the balance sheet for an amount equal to the discounted value of the put option's estimated exercise price. The discount rate retained is the marginal cost of debt for Parrot. The liability is initially recognized through a reduction in consolidated shareholders' equity, first for the amount of minority interests in the subsidiary, then for the balance, through a reduction in shareholders' equity (group share). The impacts of subsequent changes in the estimation of the exercise price (when it is variable) and the effects of liability accretion are recognized directly in shareholders' equity (group share).

Q) Other current financial assets

Financial instruments classed as other current financial assets are recorded in accordance with IAS 39 based on the categories which they correspond to. Any unrealized profit or loss resulting from them is recognized either directly through profit and loss, or temporarily through equity until the financial instrument is divested.

Investments that are not consistent with the IAS 7 definition are classed as other current financial assets.

Borrowings accruing interest are initially measured at fair value after deducting the amounts of any transaction costs attributable. Following the initial recognition, they are measured at their amortized cost; the difference between the cost and the repayment value is recognized through profit and loss over the duration of the borrowings.

R) Net cash

The concept of net cash used by the Group corresponds to the aggregate for other current financial assets, cash and cash equivalents, less current financial liabilities, including bank overdrafts, and non-current financial liabilities.

S) Treasury stock

When Company securities are held by the Company itself or by consolidated entities, they are deducted against consolidated shareholders' equity based on their acquisition cost. Conversely, income from any sale of treasury stock is recorded directly under shareholders' equity for the impact net of tax. As a result, the capital gain or loss recorded in this way does not affect earnings for the year.

T) Share-based payments

Share warrants or bonus shares may be awarded to a certain number of the Group's employees. Share warrants entitle beneficiaries to subscribe for Parrot S.A. shares over a four or five-year period at a fixed exercise price, set at the time they are awarded. In accordance with IFRS 2, they represent an additional form of remuneration paid by the Group for beneficiaries.

Warrants and bonus shares are valued based on the fair value of the benefits granted to staff on the allocation date. The expense evaluated is recognized in profit or loss under staff costs, over the vesting period for entitlements to options, deducted from shareholders' equity. In connection with the function-based presentation of the income statement, the corresponding staff costs are broken down based on the functions of the employees concerned.

The fair value of options is determined in line with the "Black and Scholes" model, the parameters for which notably include the exercise price for options, their term, the reference share price on the allocation date, the implied volatility for the share price, and the risk-free interest rate. The expense recorded also factors in assumptions for the turnover of staff benefiting from the allocation of options.

The fair value of the bonus shares associated with market performance conditions includes the probability of certain conditions being met and is determined based on the optional binomial model.

U) Employee benefits

- **Pension scheme**

The Group is primarily subject to pension systems with defined contributions.

Defined contribution systems are subject to payments by staff and by Group companies to various organizations authorized to manage such pension funds. The Group's obligations are limited to the payment of such contributions, which are therefore recorded on the income statement as they are incurred.

The Group is also subject to various defined benefit systems, notably for end-of-career benefits paid to staff.

The Group applies the revised version of IAS 19. Any actuarial gains or losses relating to defined benefit pension plans are recognized in other comprehensive income items.

V) Provisions

A provision is recorded on the balance sheet when the Group has a current legal or implied legal obligation resulting from a past event and when it is likely that an outflow of resources representative of economic benefits will be necessary in order to fulfill the obligation.

- **Warranty provisions**

A provision is intended to cover future expenses linked to product warranty claims concerning the aftermarket products sold by Parrot. It is calculated statistically based on real company information provided by its various departments. In this way, the following elements are calculated for each product category:

- Return rate
- Exchange rate
- Repair rate
- Repair costs

- **Other warranty provisions**

Provision for supplier commitments: provision recorded to cover the risk of impairments in the value of products ordered from suppliers on account of sales prospects.

- **Employment tribunal provisions**

A provision is estimated on a case-by-case basis in view of an analysis of the cases with help from the legal advisors in charge of monitoring them.

- **Litigation and claims**

Provisions for litigation and claims are recognized when the Group has a current obligation relating to litigation cases in progress, government investigations, disputed proceedings and other claims arising from past events not yet settled, and when it is likely that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The Group obtains legal advice to assess the probability of the outcomes and to measure the provisions for litigation and claims.

20.2.3. Note 3 – Basis for consolidation

The Parrot Group's basis for consolidation comprises 12 fully-consolidated companies. These companies, the parent company's interest in them and their consolidation methods are presented below:

Name	Address	Country	Dec 31, 2014 %	Dec 31, 2014 Consolidation method	Dec 31, 2013 %	Dec 31, 2013 Consolidation method
PARENT COMPANY						
Parrot S.A.	174 quai de Jemmapes 75010 Paris	France				
CONSOLIDATED SUBSIDIARIES						
Chez Parrot S.A.R.L.	30-34 rue du Quatre Septembre 75002 Paris	France	100%	Fully consolidated	100 %	Fully consolidated
Parrot Iberia S.L.	Calle Ulises 108 28043 Madrid	Spain	100%	Fully consolidated	100 %	Fully consolidated
Parrot Inc.	3000 Town Center STE 2340 Southfield, MI 48075	USA	100%	Fully consolidated	100 %	Fully consolidated
Parrot Italia Srl.	Via Lattanzio 23 20123 Milan	Italy	100%	Fully consolidated	100 %	Fully consolidated
Parrot Gmbh.	Leopoldstrasse 254 80807 München	Germany	100%	Fully consolidated	100 %	Fully consolidated
Parrot UK Ltd	Unit 1, 20 Avenue Road, Aston Birmingham B6 4DY	UK	100%	Fully consolidated	100 %	Fully consolidated
Parrot Asia Pacific Ltd	Suite 930, 9/F Ocean Drive, 5 Canton Road, Tsimshatsui, Kowloon Hong Kong	Hong Kong	100%	Fully consolidated	100 %	Fully consolidated
Parrot Shenzhen (subsidiary of Parrot Asia Pacific Ltd)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	Fully consolidated	100 %	Fully consolidated
Parrot Japan KK	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100%	Fully consolidated	100 %	Fully consolidated
Parrot Anz Ltd Limited	68 72 York street South Melbourne Victoria 3205	Australia	100%	Fully consolidated	100 %	Fully consolidated
senseFly	Route de Genève 38 1033 Cheseaux-sur-Lausanne	Switzerland	62%	Fully consolidated	60 %	Fully consolidated
Pix4D	EPFL Innovation Park Building D, 1015 Lausanne	Switzerland	56%	Equity basis	31 %	Equity basis

An additional stake was acquired in the subsidiary Pix4D on January 29, 2014, increasing the percentage held from 31% to 56%. Following the acquisition of a controlling interest in Pix4D, the company has been fully consolidated since January 1, 2014, whereas it had been consolidated on an equity basis since the first half of 2013.

Parrot UK Limited, registered in the UK under number 05480392, a fully-owned subsidiary of Parrot S.A., is exempt from the requirement under the Companies Act 2006 to prepare individual accounts in accordance with Article s479A of the Companies Act 2006.

20.2.4. Note 4 – Segment reporting

In view of market and technological developments, the Group decided, during the Board of Directors' meeting on November 14, 2013, to put in place a new reporting framework based around each business unit, monitoring revenues and income from ordinary operations as their aggregates, in order to:

- Provide better strategic visibility over three years
- Monitor profitability for each Business Unit, factoring in different challenges and economic cycles.

Since January 1, 2013, the four operational segments have been as follows:

- **Automotive**: grouping together the Carkits and Infotainment product lines.
- **Drones:** grouping together the Parrot Drone and Commercial Drone (resulting from the acquisition of senseFly and Pix4D) product lines.
- **Connected devices**: grouping together the Plug & Play, audio and other connected devices product lines.
- **Other**: comprising Varioptic, the specialized optics business.

The following tables present the information on these four segments that is used by the Chief Operating Decision Maker to assess segment performances and decide on the allocation of resources, i.e. revenues and income from ordinary operations.

The data for each operating segment follow the same accounting rules as those used and described in these consolidated financial statements.

▶ Income statement

€'000 / K€	Automotive	Connected Devices	Drones	Other	Dec 31
Revenues in 2014	135,043	23,913	82,964	1,951	243,871
Income from ordinary operations in 2014	10,255	-7,198	107	-2,051	1,113
Revenues in 2013	162,555	29,507	42,062	1,026	235,150
Income from ordinary operations 2013	14,323	-5,820	155	-2,384	6,273

The segment information for the "Other" segment includes the financial information for Varioptic.

▶ Statement of financial position

€'000 / K€	Automotive	Connected Devices	Drones	Other	Not allocated	2014
Non-current assets	**75,802**	**1,133**	**20,279**	**72**	**3,216**	**100,503**
Goodwill	36,327	-	3,624	-	-	39,952
Other intangible assets	34,511	-	8,670	-	-	43,181
Property, plant and equipment	4,964	879	3,050	72		8,965
Investments in associates	-	-	-	-	-	-
Financial assets	-	254	4,935	-	1,123	6,312
Deferred tax assets					2,093	2,093
Current assets	**66,693**	**11,810**	**40,973**	**964**	**89,717**	**210,157**
Inventories	17,603	3,117	10,814	254	-	31,788
Trade receivables	34,681	6,141	21,306	501	-	62,629
Other receivables	14,410	2,552	8,853	208	-	26,023
Other current financial assets					19,380	19,380
Cash and cash equivalents					70,338	70,338
Non-current liabilities	**1,360**	**274**	**21,845**	**82**	**5,248**	**28,809**
Non-current financial liabilities					5,189	5,189
Prov. for pensions and related commitments	1,360	274	872	82	-	2,587
Deferred tax liabilities					59	59
Other non-current provisions					-	-
Other non-current liabilities	-	-	20,974	-	-	20,974
Current liabilities	**48,030**	**8,393**	**30,356**	**1,590**	**10,552**	**98,921**
Current financial liabilities					7,308	7,308
Current provisions	3,034	738	4,198	17	513	8,500

Trade payables	33,895	6,002	20,823	490	-	61,209
Current tax liabilities					2,126	2 126
Other current liabilities	11,101	1,653	5,335	1,083	605	19 777

The top 10 customers represented around 30.1% of the Group's consolidated revenues in 2014, compared with 34.0% in 2013.

€'000 / K€	Automotive	Connected Devices	Drones	Other	Not allocated	2013
Non-current assets	**64,887**	**4,727**	**11,812**	**1,204**	**3,149**	**85,779**
Goodwill	35,994		2,031	634		38,659
Other intangible assets	23,688	3,532	5,683	537		33,441
Property, plant and equipment	5,205	945	1,347	33		7,529
Investments in associates			1,748			1,748
Financial assets		250	1,003		1,107	2,360
Deferred tax assets					2,042	2,042
Current assets	**65,450**	**11,881**	**16,936**	**413**	**98,115**	**192,795**
Inventories	16,707	3,033	4,323	105		24,168
Trade receivables	27,102	4,920	7,013	171		39,206
Other receivables	21,641	3,928	5,600	137		31,305
Other current financial assets					42,671	42,671
Cash and cash equivalents					55,444	55,444
Non-current liabilities					**30,355**	**30,355**
Non-current financial liabilities					11,854	11,854
Prov. for pensions and related commitments					1,697	1,697
Deferred tax liabilities					240	240
Other non-current provisions					1,642	1,642
Other non-current liabilities					14,922	14,922
Current liabilities	**32,768**	**5,948**	**8,479**	**207**	**17,914**	**65,316**
Current financial liabilities					7,595	7,595
Current provisions					8,339	8,339
Trade payables	22,637	4,109	5,857	143		32,746
Current tax liabilities					1,980	1,980
Other current liabilities	10,131	1,839	2,621	64		14,655

The top 10 customers represented around 34.0% of the Group's consolidated revenues in 2013, compared with 41.3% in 2012.

► Breakdown of Group sales by region

€'000 / K€	Dec 31, 2012	Dec 31, 2013
EMEA	87,556	77,172
USA	34,808	25,267
Asia	16,534	17,484
Retail products	**138,898**	**119,924**
Key Account products (1)	**104,973**	**115,227**
Total revenues	**243,871**	**235,150**

(1) Key account products include the key account automotive products of Parrot and the former-DiBcom, Varioptic and senseFly

► Workforce

€'000 / K€	Automotive	Connected Devices	Drones	Other	Not allocated	Total 2013
2014 Headcount	496	318	100	30	0	**944**
2013 Headcount	571	105	144	25	0	**845**

20.2.5. Note 5 – Breakdown of operating expenses

▶ Expenses by kind

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Consumption of raw materials and goods, and outsourcing purchases	-110,823	-112,601
Other external expenses	-64,076	-43,201
Staff costs	-58,395	-55,904
Tax	-2,926	-2,387
Depreciation and amortization	-10,438	-7,560
Stored production	4,989	-2,231
Other operating income and expenses	-1,089	-4,994
Total operating expenses	**-242,758**	**-228,877**

The non-capitalized portion of the Research Tax Credit (CIR) of 2.6 M€ (2.5 M€ in 2013) and the 0.5 M€ French tax credit to promote competitiveness and employment (CICE) are deducted from operating expenses.

▶ Staff costs

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Salaries and wages	-38,237	-36,228
Payroll taxes	-17,311	-16,003
Employee profit sharing	-206	-616
Share warrant expenses	-2,641	-3,058
Total staff costs	-58,395	**-55,904**

20.2.6. Note 6 – Other operating income and expenses

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Capital gain linked to remeasurement of Pix4D securities at fair value	902	-
Restructuring provision for Varioptic	-550	-198
Other	-865	-
Total other operating income and expenses	-514	**-198**

Following the acquisition of an additional interest in Pix4D, the Pix4D securities acquired in the first tranche were revalued, with a 902 K€ capital gain linked to this revaluation. The impairment concerning Varioptic at December 31, 2014 can be broken down as follows:

- Reduction in Varioptic's earnout payable in 2015 by 84 K€. The fair value of the liability after this adjustment is 645 K€ (729 K€ in 2013);
- Recognition of a -2,634 K€ goodwill impairment for the Varioptic CGU (2,800 K€ in 2013) ;

The "Other" line includes:

- A reversal of provisions for individual training entitlements (DIF) for 1,642 K€, recognized after the personal training account system was set up (cf. Note 25).
- Costs for legal advisor fees relating to disputes for -2,507 K€.

20.2.7. Note 7 – Net financial income / expense

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Cost of gross financial debt	-834	-744
Income from cash and cash equivalents	1,247	1,344
Other		
Cost of net financial debt	**413**	**599**
Exchange gains	3,837	3,407
Exchange losses	-3,233	-4,275
Other financial income and expenses	-384	-12
Financial income / expense	**220**	**-880**
Total	**633**	**-280**

20.2.8. Note 8 – Tax

► Tax expense

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Current tax	-4,262	-4,600
Deferred tax	174	169
Total	**-4,088**	**-4,430**

The current tax expense for 2014 primarily includes the 15% royalties tax, the Hong Kong withholding tax and the French CVAE tax on business value added.

The reconciliation between the theoretical tax expense and the effective tax expense is as follows:

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Earnings for the period	-2, 855	1,190
Minority interests	-	-
Net income from equity affiliates	-	-174
Tax charges	4,088	4,430
Of which, CVAE	797	661
Pre-tax earnings	**1,233**	**5,795**
Actual tax rate	***373.12 %***	***79.38 %***
Theoretical tax expense 34.40%	**424**	**1,995**
Reconciliation:		
Permanent differences	209	194
Reduced tax operations	-791	-759
Tax rate difference	-602	-1,345
Capitalized /Non-capitalized tax losses	3,233	3,905
Research tax credit	-1,400	-1,660
Withholding tax that cannot be allocated	1,595	-
Other	1,420	2,099
Actual tax expense	**4,088**	**4,430**

20.2.9. Note 9 – Goodwill

► Breakdown of goodwill in 2014

€'000 / K€	Dec 31, 2013	Increase	Decrease	Change in scope	Exchange losses and reclassification	Dec 31, 2014
Gross value						
Automotive CGU	35,994	-	-	-	333	36,327
Drones CGU	2,031	1,593	-	-	-	3,624
Other CGU	3,434	-	-	-	-	3,434
Total	**41,459**	**1,593**	-	-	**333**	**43,386**
Impairments						
Automotive CGU	-	-	-	-	-	-
Drones CGU	-	-	-	-	-	-
Other CGU	-2,800	-634	-	-	-	-3,434
Total	**-2,800**	**-634**	**-**	**-**	**-**	**-3,434**
Net book values						
Automotive CGU	35,994	-	-	-	333	36,327
Drones CGU	2,031	1,593	-	-	-	3,624
Other CGU	634	-634	-	--	-	-
Total	38,659	959	0	0	333	39,952

In 2013, the Group reorganized its activities and reporting structure around four operating segments, representative of its cash generating units (CGUs). The operating segments represent the level at which goodwill is monitored by the Group's management. The CGUs identified by the Group are as follows:

- Automotive
- Connected Devices (previously Consumer)
- Drones
- Varioptic

In January 2014, the acquisition of Pix4D resulted in a further 1,593 K€ of goodwill being recognized (cf. Note 11 "Business combination". Considering the convergence process underway for the three technological platforms - Parrot, senseFly and Pix4D - for the Drone business, this goodwill has been allocated to the Drone CGU.

The Group carries out value tests annually or when any evidence of impairments arises.

With the discounted cash flow method, the impairment tests carried out by the Group are based on business and earnings assumptions that are considered to be the most probable.

For all the CGUs, in accordance with the principles described in Note M, the cash flow beyond the three-year period is extrapolated with a perpetuity growth rate of 1%. The cash flow is discounted based on a rate of 13% after tax. The tax rate used is 20%.

The assumptions retained in 2014 for the perpetuity growth rate, the discount rate and the tax rate are identical to those used in 2013.

If the rate of income from ordinary operations after 2017 had been 1% lower than the cash flow estimates retained or if the revenues retained after 2017 had been 10% lower than the estimates retained, these variations would not have had any impact on the value of the goodwill for the Automotive and Drone CGUs.

For the "Other" CGU, with regard to indications of impairment, the value test has been updated. As a result of this test, the Group recognized a 634 K€ impairment on Varioptic's goodwill at December 31, 2014, bringing its value down to zero.

In 2013, the Group had already recognized a 2,800 K€ impairment on Varioptic's goodwill.

► **Breakdown of goodwill in 2013**

€'000 / K€	Dec 31, 2012	Increase	Decrease	Change in scope	Exchange losses and reclassification	Dec 31, 2013
Gross value						
Automotive CGU	36,105				-111	35,994
Drones CGU	2,031					2,031
Other CGU	3,434					3,434
Total	**41,570**				**-111**	**41,459**
Impairments						
Automotive CGU						
Drones CGU						
Other CGU		-2,800				-2,800
Total		**-2,800**				**-2,800**
Net book values						
Automotive CGU	36,105				-111	35,994
Drones CGU	2,031					2,031
Other CGU	3,434	-2,800				634
Total	**41,570**	**-2,800**			**-111**	**38,659**

20.2.10. Note 10 – Intangible assets

▶ **Breakdown of intangible assets in 2014**

€'000 / K€	Dec 31, 2013	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2014
Gross values						
R&D costs	45 141	12 117	-	-	16	57 274
Patents and brands	15 872	656	-	4 547	70	21 145
Software	2 766	490	-	-	224	3 479
Fixed assets under construction	203	94	-	-	-203	94
Other intangible assets	8	-	-	-	-	8
Total	**63 989**	**13 357**	**-**	**4 547**	**107**	**81 999**
Depreciation and amortization						
R&D costs	-20 336	-3 082	-	-	-	-23 418
Patents and brands	-8 067	-3 306	-	-904	-113	-12 396
Software	-2 145	-860	-	-	-	-3 005
Fixed assets under construction	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-
Total	**-30 548**	**-7 249**	**-**	**-904**	**-113**	**-38 818**
Net book values						
R&D costs	24 805	9 035	-	-	16	33 856
Patents and brands	7 805	-2 651	-	3 643	-43	8 749
Software	621	-371	-	-	224	474
Fixed assets under construction	203	94	-	-	-203	94
Other intangible assets	8	-	-	-	-	8
Total	**33 441**	6 108	-	3 643	-6	43 181

Depreciation charges are recorded under operating expenses. The change in scope corresponds to the fair value measurement of the technology developed by Pix4D.

▶ **Breakdown of intangible assets in 2013**

€'000 / K€	Dec 31, 2012	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2013
Gross values						
R&D costs	33,562	11,580				45,141
Patents and brands	18,230	-63	-2,262		-34	15,872
Software	2,167	638	-214		175	2,766
Fixed assets under construction	151	203			-151	203
Other intangible assets	8					8
Total	**54,118**	**12,357**	**-2,475**		**-11**	**63,989**
Depreciation and amortization						
R&D costs	-17,412	-2,924				-20,336
Patents and brands	-8,418	-1,949	2,261		38	-8,067
Software	-1,857	-481	214		-20	-2,145
Fixed assets under construction						
Other intangible assets						
Total	**-27,687**	**-5,354**	**2,475**		**18**	**-30,548**
Net book values						
R&D costs	16,150	8,656				24,805
Patents and brands	9,812	-2,012			4	7,805
Software	310	157			154	621
Fixed assets under construction	151	203			-151	203
Other intangible assets	8					8
Total	**26,430**	**7,004**			**7**	**33,441**

20.2.11. Note 11 – Business combination

► Acquisition of Pix4D

On January 29, 2014, Parrot acquired a further 24.67% interest in Pix4D's capital, in addition to the 31% acquired on September 18, 2012.

The total interest in Pix4D represented 55.67% at December 31, 2014, giving Parrot control of the company. Pix4D has been fully consolidated since January 1, 2014.

The acquisition price for the 31% interest, corresponding to the first tranche, was 1,946 K€ (capital increase for 1,657 K€ and acquisition of securities for 289 K€).

The acquisition price for the 24.67% interest, corresponding to the second tranche, was 1.04 MCHF per share, with 2,082 K€ paid to the vendors.

As such, the fair value of the 31% for the first tranche is 2,649 K€, while the capital gain following the remeasurement of the acquisition price at fair value for the first tranche came to 901 K€, recognized in non-current operating income.

The Group has chosen to apply the partial goodwill method.

Following the acquisition of the second tranche, the calculation of goodwill for Pix4D can be broken down as follows:

€'000 / K€	
Intangible assets (1)	3,599
Property, plant and equipment	8
Current assets	145
Cash	2,602
Financial debt	-106
Current liabilities	-610
Net position acquired, measured at fair value	**5,638**
Minority interests (44.3%)	-2,499
Share of net assets acquired	3,139
Goodwill	1,593
Total acquisition price (2)	**4,732**

(1) Intangible assets correspond to the technology developed by Pix4D, whose fair value was determined when the first tranche was acquired in 2013 and reduced by the depreciation for 2013

(2) The 4,732 K€ acquisition price corresponds to the first tranche, remeasured for 2,649 K€, and the second tranche for 2,082 K€.

In addition, the 39.9% interest held by the minority shareholders in Pix4D is subject to “combined” call and put options that may be exercised after year-end 2016, based on a variable price depending on Pix4D's operational performance.

Parrot’s commitment to buy out the minority interests has been recorded under “Other non-current liabilities”, deducted against consolidated shareholders' equity (cf. Note 27.2).

20.2.12. Note 12 – Property, plant and equipment

▶ **Breakdown of property, plant and equipment in 2014**

€'000 / K€	Dec 31, 2013	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2014
Gross values						
Buildings	2	-	-	-	0	2
Plant and equipment	16,045	4,811	-2,240	-	826	19,442
Other property, plant and equipment	10,708	1,196	-1,180	25	45	10,794
Total	**26,755**	**6,007**	**-3,420**	**25**	**871**	**30,237**
Amortization						
Buildings	-0	-0	-	-	-0	-1
Plant and equipment	-13,053	-3,558	2,233	-	-497	-14,869
Other property, plant and equipment	-6,173	-1,333	1,179	-17	-60	-6,404
Total	**-19,227**	**-4,892**	**3,412**	**-17**	**-557**	**-21,274**
Net book values						
Buildings	1	-0	-	-	0	1
Plant and equipment	2,992	1,253	-7	-	329	4,573
Other property, plant and equipment	4,535	-137	-1	8	-15	4,390
Total	7,528	1,115	-8	8	314	8,963

▶ **Breakdown of property, plant and equipment in 2013**

€'000 / K€	Dec 31, 2012	Increase	Decrease	Changes in scope	Exchange gains or losses	Dec 31, 2013
Gross values						
Buildings	27		-13		-12	2
Plant and equipment	17,704	1,683	-8,671		5,328	16,045
Other property, plant and equipment	15,848	2,049	-1,661		-5,527	10,708
Total	**33,579**	**3,733**	**-10,345**		**-212**	**26,755**
Amortization						
Buildings	-16		15		1	
Plant and equipment	-15,660	-2,914	8,001		-2,481	-13,053
Other property, plant and equipment	-8,528	-1,868	1,621		2,602	-6,173
Total	**-24,203**	**-4,782**	**9,637**		**122**	**-19,227**
Net book values						
Buildings	12		2		-11	1
Plant and equipment	2,044	-1,230	-670		2,847	2,992
Other property, plant and equipment	7,320	181	-40		-2,926	4,535
Total	**9,376**	**-1,049**	**-708**		**-90**	**7,528**

20.2.13. Note 13 – Financial assets

Receivables relating to equity interests, loans and other financial assets can be broken down as follows:

€'000 / K€	Dec 31, 2013	Increase	Decrease	Changes in scope	Reclassifi-cation	Dec 31, 2014
Gross values						
Security deposits	1,102	142	-163	17	23	1,121
Other long-term financial investments	1,753	4,301	-496	-	-0	5,559
Total	**2,855**	**4,444**	**-659**	**17**	**23**	**6,682**
Depreciations						
Depreciation of other long-term financial investments	-496	-360	496	-	-	-360
Total	**-496**	**-360**	**496**	**-**	**-**	**-360**
Net book values						
Security deposits	1,102	142	-163	17	23	1,121
Other long-term financial investments	1,257	3,942	-	-	-0	5,199
Total	***2,360***	***4,084***	***-163***	***17***	***23***	***6,322***

In 2014, Parrot S.A. acquired:

- On January 27, 2014: 37.06% (1,045 K€) of EOS INNOVATION, a specialist in mobile robotics for the surveillance of industrial sites, logistics platforms and warehouses,
- On February 18, 2014: 23.26% (1,625 K€) of AIRINOV, a company that produces and sells a dedicated drone solution exclusively for agronomic use, with an optical sensor and processing chain making it possible to accurately observe farms and agricultural operations,
- On October 29, 2014: 38.89% (1,624 K€) of MICASENSE, a company that produces and sells sensors for commercial drones.

The losses relating to FY 2014 for the companies acquired recently were covered by provisions for a total of 360 K€ at December 31, 2014.

In addition, Parrot S.A.'s entire 20.0% interest in Da Fact, recorded under other financial assets and fully depreciated since 2012, was divested.

In 2013, Parrot S.A. acquired:

- A 60% interest in NETATMO for 250 K€ on May 22, 2013: this company produces and sells connected devices;
- A 93% interest in DELAIR-TECH for 1,003 K€ on October 24, 2013: this company produces and sells aerial observation solutions using long-endurance drones for industrial and agricultural sectors.

20.2.14. Note 14 – Equity affiliate

At January 1, 2014, Pix4D was fully consolidated following the acquisition of additional securities. Since January 1, 2013, the company had been consolidated on an equity basis. In 2013, Pix4D recorded revenues of 2,297 K€, with 336 K€ in income. The share of income attributable to the Group in 2013 came to -173 K€.

20.2.15. Note 15 – Deferred tax

The deferred tax results primarily from Parrot S.A.

► Change in deferred tax assets

€'000 / K€	Dec 31, 2014	Dec 31, 2013
At January 1	2,042	2,212
Income (expense) for the year	-83	-96
Impact on reserves	372	-74
Other changes (1)	-238	
At December 31	**2,093**	**2,042**

(1) Corresponds to the offsetting of deferred tax assets by tax entity.

► **Change in deferred tax liabilities**

€'000 / K€	Dec 31, 2014	Dec 31, 2013
At January 1	240	349
Income (expense) for the year	47	-265
Impact on reserves	10	156
Other changes (1)	-238	
At December 31	**59**	**240**

(1) Corresponds to the offsetting of deferred tax assets by tax entity.

► **Detailed breakdown of deferred tax assets and liabilities by kind**

€'000 / K€	Assets		Liabilities		Net	
	2013	2014	2013	2014	2013	2014
Intangible assets			1,676	2,175	-1,676	-2,175
Inventories	2,781	1,042			2,781	1,042
Capitalization of development costs			10,772	8,187	-10,772	- 8,187
Capitalization of loss carryforwards	11,966	11,981			11,966	11,981
Short-term financial debt					-	-
Other current financial liabilities			1,074	1,074	-1,074	-1,074
Other assets	-37	19			-37	19
Provisions:	840	1,592	-	1,159	840	434
Of which, pensions	*840*	*540*			*840*	*540*
Of which, other social provisions	-	*565*			-	*565*
Of which, depreciation of subsidiary receivables			-	*1,159*	-	*(1,159)*
Of which, other provisions		*487*			-	*487*
Other liabilities			-3	241	3	(241)
Net deferred tax assets (liabilities)	**15,549**	**14,634**	**13,519**	**12,836**	**2,030**	**1,799**
Deferred tax assets on the Bal. S				Offset -->	2,093	2,042
Deferred tax liabilities on the Bal S.				Offset -->	**-59**	**-240**

For Parrot S.A., the outstanding balance for non-capitalized losses represents a total of 60.3 M€.

20.2.16. Note 16 – Inventories

€'000 / K€	Dec 31, 2013	Change	Changes in scope	Exchange gains or losses	Dec 31, 2014
Gross values					
Raw materials and goods	25,988	-162	-	1,771	27,597
Intermediate and finished goods	5,145	4,996	-	18	10,159
Total	**31,132**	**4,834**	**-**	**1,789**	**37,756**
Depreciation					
Raw materials, intermediate and finished goods(1)	-6,964	1,311	-	-314	-5,967
Total	**-6,964**	**1,311**	**-**	**-314**	**-5,967**
Total net book values	24,168	6,145	-	1,475	31,788

20.2.17. Note 17 – Trade receivables

Trade receivables can be broken down as follows:

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Trade receivables	66 972	41,507
Depreciation of trade receivables	4 343	-2,301
Total	**62 629**	**39,206**

The higher level of trade receivables at December 31, 2014 compared with the previous year reflects the increase in the Group's revenues for the fourth quarter (80.4 M€ in 2014 versus 60.5 M€ in 2013).

Receivables do not bear interest and are in general due to be paid within 30 to 90 days.

20.2.18. Note 18 – Other receivables

€'000 / K€	Dec 31, 2014	Dec 31, 2013
VAT receivables	5,650	4,403
Tax receivables	14,424	21,568
Prepaid expenses	3,701	2,245
Sundry debtors	1,545	2,787
Advances and deposits paid	592	198
Social security receivables	112	105
Total	**26,023**	**31,305**

The majority of other current receivables are due within 12 months, with 1 M€ due in one year or over.

The VAT receivables relate to VAT that may be deducted on purchases, primarily in France.

Tax receivables correspond to the research tax credit.

Parrot S.A. has transferred out and derecognized its receivables from the French State relating to the 2012 and 2013 research tax credits for a total of 13.3 M€. The cash received represents 12.9 M€.

The cost of these transfers, recognized in the cost of net financial debt, represents 0.4 M€. These transfers were made without any appeals.

In accordance with IAS 39, the company no longer records receivables on which the contractual rights to cash flow have been transferred, and substantially all the risks and benefits associated with these receivables.

20.2.19. Note 19 – Net cash

At December 31, 2014, cash, cash equivalents and other current financial assets came to 89,718 K€, including 19,380 K€ of other current financial assets, down 8,397 K€ compared with the previous year's closing position.

Cash equivalents primarily comprise risk-free investments, such as tradable certificates of deposit and term deposits maturing within a maximum of three months.

Other current financial assets (with guaranteed capital) consist of progressive term accounts maturing in:

- May 2015 for 6.4 M€,
- December 2017 for 10.0 M€
- March 2018 for 3.0 M€

20.2.20. Note 20 – Shareholders' equity

20.2.20.1. Share capital and issue premium

At December 31, 2014, the capital comprised 12,753,663 fully paid-up ordinary shares, representing 1,944,296 euros, with an issue premium of 55,404,301 euros. Changes in the number of shares outstanding can be broken down as follows:

€'000 / K€	Dec 31, 2013	Issues	Reductions	Dec 31, 2013
Number of securities	12,655,293	98,370		12,753,663
Rounded off par value (€)	0.15€			0.15€
Total	**1,929**			**1,944**

The change in capital and issue premiums reflects the following events:

- At the Board meeting on February 26, 2014 the directors acknowledged that the holders of marketable securities (giving access to the capital with the characteristics of stock options) exercised their rights to subscribe for 98,370 new shares to be issued in connection with a capital increase, representing a total issue of 964,265.86 euros; the subscribers paid up their subscriptions in cash; in this way, the new shares were subscribed for and then paid up for

any sums due in accordance with the conditions in force for the issue, with a capital increase of 14,991.59 euros. The issue premium totaled 949,274.27 euros.

20.2.20.2. Stock option warrant and bonus share scheme

Characteristics of schemes in 2014

On November 14, 2013, the Board of Directors validated the proposal, terms and conditions for the Incentive and Remuneration Plan Guidelines submitted by the Appointments and Compensation Committee for 93,500 units to be awarded on January 1, 2014 (50% subject to presence conditions and 50% subject to performance conditions), entitling the Top Management team to 93,500 Parrot bonus shares.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 25,700 bonus shares on March 1st , 2014, subject to various presence conditions.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 4,400 bonus shares on October 1st, 2014, subject to various presence conditions.

Changes in share schemes:

	2014	2013
Number of options at Jan 1	784,371	942,134
Options awarded during the year	123,600	91,500
Options exercised during the year	-144,070	-226,163
Options maturing during the year	-75,386	-23,100
Number of options at year-end	688,515	**784,371**

Fair value of share schemes

Parrot S.A. has determined the fair value of goods and services received over the period based on the fair value of the equity instruments awarded. The share's starting value is taken on the allocation date.

The interest rate curve is calculated based on the risk free euro-swap rates with corresponding maturities (five years) on each allocation date (source: Bloomberg).

Conditions for awarding bonus shares

All the schemes share warrants have the following characteristics (conditions for presence within the company):

- Beneficiaries may subscribe for 50% of the warrants awarded at the end of the second year following allocation.
- At the end of each quarter, beneficiaries may then subscribe for 6.25% of the warrants or options awarded over the following two-year period.

With regard to bonus shares, shares are only definitively vested after the end of a two-year period and provided that beneficiaries are still employed by the Parrot Group on this date.

The bonus shares awarded to the various beneficiaries from Varioptic will be vested at the end of a four-year period if the performance conditions are met in terms of minimum revenues.

On July 29, 2013, the Board of Directors validated the proposal, terms and conditions for the Remuneration and Incentive Plan Regulations submitted by the Appointments and Compensation Committee.

The Appointments and Compensation Committee has set up a new plan for awarding units settled in Parrot shares at the end of a three-year period subject to presence conditions for all beneficiaries, combined with a performance condition for Top Management (executive managers, Grade 3 executives under the national collective bargaining agreement (*convention collective*) applicable in France, as well as country managers).

The performance criterion will apply for 50% of the shares awarded based on the change in Parrot's share price over 2014, 2015 and 2016 under the following conditions:

- If the change in the share price is negative over the period, no shares will be awarded,
- If this change ranges from 0% to +20% → 50% of the shares will be awarded,
- If this change ranges from +20% to +40% → 70% of the shares will be awarded,
- If this change is higher than 40% → 100% of the shares will be awarded.

The share prices will be compared based on the average share price for the three months prior to the beginning of the plan (from October 1 to December 31, 2013) and the average for the three months prior to its end (from October 1 to December 31, 2016).

The assumptions used during 2014 to determine the fair value are:

Units entitling beneficiaries to bonus shares with awards decided by the Appointments and Compensation Committee during 2014:

– Bonus shares subject to presence conditions

Board date	Date awarded	Initial number	Start of vesting	Vesting period	Vesting date
14/11/2013	01/01/2014	46 750	01/01/2014	3.00	01/01/2017
01/03/2014	01/03/2014	25 700	01/03/2014	3.00	01/03/2017
01/10/2014	01/10/2014	4 400	01/10/2014	3.00	01/10/2017

The fair value retained for bonus shares is the Parrot stock price on the day they are awarded to staff as decided by the Appointments and Compensation Committee.

– Bonus shares subject to market performance conditions

Board date	Date awarded	Initial number	Start of vesting	Vesting period	Vesting date
14/11/2013	01/01/2014	46,750	01/01/2014	3.00	01/01/2017

The fair value retained for the bonus shares subject to market performance conditions is determined based on the optional binomial model on the day when they are awarded by the Appointments and Compensation Committee.

Date and type of scheme*	Duration	Quantity existing at Dec 31, 2013	Quantity awarded during the period	Quantity exercised during the period	Quantity cancelled, expired or lapsed	Quantity existing at Dec 31, 2014
BM 12/02/09: SO	4 years	44,313		-25,152	-19,161	-
BM 14/05/09: SO	4 years	34,043		-23,478	-10,565	-
BM 30/07/09: SO	4 years	0,260		-2,000	1,740	-
BM 12/11/09: SO	4 years	5,000			-5,000	-
BM 11/02/10: SO	4 years	18,468		-3,700		14,768
BM 12/05/10: SO	4 years	36,324		-3,540		32,784
BM 29/07/10: SO	4 years	95,000		-32,500		62,500
BM 10/11/10: SO	4 years	6,000				6,000
BM 10/02/11: SO	4 years	16,000				16,000
BM 12/05/11: SO	4 years	20,213				20,213
BM 28/07/11: SO	7 years	8,000				8,000
BM 28/07/11: BS	2 years	39,000			-39,000	-
BM 10/11/11: SO	7 years	75,000		-8,000		67,000
BM 15/02/12: SO	7 years	203,750				203,750
BM 15/02/12: BS	2 years	26,750		-25,850	-900	-
BM 12/05/12: SO	7 years	20,800				20,800
BM 12/05/12: BS	2 years	3,900		-3,500	-400	-
BM 28/07/12: BS	2 years	11,850		-11,350	-500	-
BM 10/11/12: SO	7 years	23,000			-1,400	21,600
BM 10/11/12: BS	2 years	5,200		-5,000	-200	-
BM 20/02/13 SO	7 years	10,500				10,500
BM 20/02/13 BS	2 years	23,700				23,700
BM 15/05/13 SO	7 years	24,000				24,000
BM 15/05/13 BS	2 years	13,300				13,300
BM 01/08/13 BS	3 years	2,500				2,500
BM 15/11/13 BS	3 years	17,500				17,500
BM 14/11/13 BS	3 years		93,500			93,500
BM 01/03/13 BS	3 years		25,700			25,700
BM 01/10/14 BS	3 years		4,400			4,400
Total		**784,371**	**123,600**	**-144,070**	**-75,386**	**688,515**

(*) Abbreviation: BM: Board meeting, SO: Stock options, BS: Bonus shares

► Impact on the financial statements

Based on the calculation parameters used to determine the fair value in line with the Black and Scholes method, and the optional binomial model for bonus shares subject to market performance conditions, the expense recognized for the allocation of stock options, warrants and bonus shares totaled 2,641 K€ for 2014, compared with 3,058 K€ in 2013.

20.2.20.3. Treasury shares

€'000	Dec 31, 2013	Acquisit.	Disposals	Other	Cancellat.	Delivery	Dec 31, 2014
Number of securities	625,449	198,945	(201,575)	5,700		(45,700)	582,819
Value (1)	12,263,348						12,426,143

The treasury shares at Dec 31, 2014

Breakdown of number of shares	Dec 31, 13	Acquisition	Sale	Reclass.	Cancel.	Awarded on registered basis	Dec 31, 14
Unallocated treasury stock	466,770			-123,600			343,170
Bonus shares awarded and not delivered to staff	143,700			82,600		-45,700	180,600
Shares to be cancelled	5,400			46,700			52,100
Subtotal	**615,870**			**5,700**		**-45,700**	**575,870**
Liquidity agreement	9,579	198,945	-201,575				6,949
Total	**625,449**	**198,945**	**-201,575**	**5,700**		**-45,700**	**582,819**

The general shareholders' meeting on June 11, 2014 authorized a share buyback program. The shares bought back may be used with a view to:

- Continuing to implement the liquidity agreement,
- Awarding stock options and/or bonus shares to the Parrot Group's employees or corporate officers,
- Reducing the Company's capital.

► Liquidity agreement

Transaction	Quantity (shares)	Acquisition/sale price (€)
Number of securities at Dec 31, 2013	9,579	176,330
Purchases in 2014	198,945	3,912,056
Sales in 2014	201,575	3,948,975
Number of securities at Dec 31, 2014	**6,949**	**139,411**

► Share buyback program

The value of the various programs corresponds to the balance for shares awarded to staff and not served, as well as the remaining shares purchased at December 31, 2014.

Denomination	Remaining shares at Dec 31, 2013	Cancelled in 2014	Awarded served in 2014	Buybacks	Awarded not served	Remaining shares at Dec 31, 2014
Share buyback program no. 5			45,700			
Share buyback program no. 10	266,770				123,600	143,170
Share buyback program no. 11	200,000					200,000
	466,770		**45,700**		**123,600**	**343,170**

20.2.20.4. Dividends

There are no plans to pay out any dividends relative to 2014.

20.2.21. Note 21 – Financial liabilities

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Bank loans and debts	3,692	11,385
Sundry borrowings and financial debt	1,497	469
NON-CURRENT FINANCIAL LIABILITIES (LONG-TERM)	**5,189**	**11,854**
Non-convertible bonds	-	212
Bank loans and debts	7,000	6,000
Sundry borrowings and financial debt	284	166
Bank borrowings (cash liabilities)	-	1,181
Accrued interest on borrowings	24	35
CURRENT FINANCIAL LIABILITIES (SHORT-TERM)	7,308	**7,595**

▶ Non-convertible bonds

– The final 213 K€ installment on the non-convertible bonds with an interest rate indexed against the three-month Euribor was repaid at the end of December 2014.

▶ Sundry borrowings and financial debt

The interest-free OSEO advance received by Varioptic, initially repayable from September 2010; the repayment schedule for this zero-rate advance was redefined with the amendment dated September 28, 2010, running from September 30, 2012 to June 30, 2016. At December 31, 2014, the OSEO advance represented 418 K€, including 284 K€ under one year.

– At December 31, 2014, senseFly had two conditional long-term loans for a total of 100 K€ and Pix4D had a similar loan for 108 K€ (government loans to support young businesses).
– At December 31, 2014, an interest-free repayable advance from BPI France was also recorded in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop new-generation integrated circuits and equipment for 4G connected devices, particularly for the automotive market, for a total of 1,162 K€. This advance will be repayable in four installments from June 2018 to June 2021.

▶ Bank loans and debts

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC (for 15 M€) and LCL (for 20 M€) - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts period (expiring July 1, 2016) are indexed against the three-month Euribor.

To hedge its exposure to the interest rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M).

The Company also decided to apply hedge accounting for these two instruments at December 31.

At December 31, 2014, the breakdown of Bank loans and debts was as follows:

– Credit line drawdowns: 10.5 M€ (LCL: 6.0 M€ and HSBC: 4.5 M€)
– Fair value of swaps: 191.8 K€

The following ratios defined with the banks were respected at December 31, 20143:

– Consolidated net financial debt / consolidated EBITDA
– Consolidated gross financial debt / consolidated equity (Group share)
– Consolidated net financial debt / consolidated equity

The non-convertible bonds and the Bank loans and debts are variable-rate (indexed against the three-month Euribor variable rate). Bank loans and debts are hedged in full under two rate swaps.

▶ **Fair value of derivative instruments at year-end**

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Current liabilities		
Non-current liabilities	192	385

20.2.22. Note 22 – Earnings per share

▶ **Basic earnings per share**

The level of basic earnings per share is obtained by dividing earnings (Group share) by the weighted average number of ordinary shares outstanding during the period, less any treasury stock, as relevant. The weighted average number of ordinary shares represents an annual average calculated based on the issue or redemption date for shares over the period.

	Dec 31, 2014	Dec 31, 2013
Net income (Group share, €)	2,592,267	1,556,532
Weighted average number of shares outstanding	709,068	12,703,821
Basic net earnings per share (€)	**0.20**	**0.12**

▶ **Diluted earnings per share**

Diluted earnings per share factor in any diluting instruments outstanding at the end of the period.

	Dec 31, 2014	Dec 31, 2013
Net income (Group share, €)	2,592,267	1,556,532
Diluted weighted average number of shares	12,709,068	13,396,866
Diluted net earnings per share (€)	**0.20**	**0.12**

20.2.23. Note 23 – Non-controlling interests

Parrot has awarded senseFly's minority shareholders put options to sell their 39.6% minority interests in senseFly. It has also awarded options for Pix4D's minority shareholders to sell their 39.9% minority interests in Pix4D (see Note 27.2 "Other non-current liabilities").

20.2.24. Note 24 – Provisions for pensions and related commitments

20.2.24.1. Introduction

Employee benefits primarily comprise pension benefits concerning Parrot S.A.

The Group is subject to defined benefit pension systems for the end-of-career benefits paid to staff. These systems are not financed in any way by the Group.

20.2.24.2. Financial information

Supplementary employee benefits primarily concern provisions for retirement benefits.

Parrot Srl in Italy recorded 84 K€ in provisions at December 31, 2014 (versus 64 K€ at December 31, 2013). Provisions for Parrot S.A. represented 2,503 K€ at December 31, 2014, compared with 1,635 K€ in 2013.

▶ **Expense for the year**

€'000 / K€	2014	2013
Cost of services	-239	-242
Net interest on the liability / asset	-57	-51
Plan change during the year	4	
Reduction / liquidation effects		
Income / expense for the year	**- 296**	**-294**

Total actuarial gains / (losses) recognized in OCI for the year

€'000 / K€	2014	2013
Experience gains and losses generated during the year	-167	12
Gains / (losses) linked to change in demographic assumptions	6	
Gains / (losses) linked to change in financial assumptions	-754	87
Total amount recognized in OCI	**-593**	**99**

Change in provisions

€'000	2014	2013
(Provision) / amount paid in advance	-1,633	-1,537
Income / expense for 2014	-296	56
(Provision) / amount paid in advance at January 1, 2013		-1,481
Income / expense for year 2013		-2941
Amount recognized in OCI for year 2014	-593	98
Benefits paid by the employer in 2014	20	42
(Provision) / amount paid in advance	**- 2,503**	**-1,635**

Change in actuarial liability

€'000 / K€	2014	2013
Actuarial liability (DBO) at start of period	-1,633	-1,481
Cost of services	-239	-242
Net interest on the liability / asset	-57	
Employee contributions		
Plan change	-44	-51
Reduction / liquidation effects		
Other experience gains and losses generated over the period	167	12
Gains / losses relating to changes in demographic assumptions	-6	
Gains and losses linked to changes in assumptions	-754	87
Benefits paid	-20-	42
Transfers		
Actuarial liability (DBO) at period-end	**-2,503**	**-1,633**

Reconciliation of the financial position

€'000 / K€	2014	2013
Actuarial liability (DBO)	-2,503	-1,633
Fair value of insurance fund assets at Dec 31, 2014		
Plan's financial position	-2,503	-1,633
Unrecognized actuarial gains / losses		
Unfunded cost of past services		
Impact of asset ceiling		
(Provision) / amount paid in advance	**-2,503**	**-1,633**

Main assumptions

%	2014	2013
Discount rate	2.00%	4.70%
Expected rate of inflation	2.00%	2.00%
Average / equivalent rate for increase in pay	**3.00%**	**3.00%**

20.2.25. Note 25 – Other non-current provisions

The change in other non-current provisions over the year can be broken down as follows:

€'000 / K€	Dec 31, 2013	Allowance	Reversals used	Changes in scope	Translation difference	Dec 31, 2014
Provisions for individual training entitlements	1,642	164	-1,642			
Total	**1,642**	**164**	**-1,642**			

After the personal training account (CPF) system was set up, a reversal of provisions for individual training entitlements (DIF) was recorded in other operating income; these provisions had not been used (cf. Note 6).

20.2.26. Note 26 – Current provisions

€'000 / K€	Dec 31, 2013	Allowance	Reversals used	Changes in scope	Translat° difference	Dec 31, 2014
Provisions for customer warranties	4,421	2,708	-3,292	-	115	3,952
Other prov. for contingencies and liabilities	3,918	5,525	-5,048	-	154	4,549
Total current provisions	**8,338**	**8,233**	**-8,340**	**-**	**269**	**8,500**

Other provisions for contingencies and liabilities primarily concern:

- Provisions corresponding to the costs for the current patent infringement proceedings underway, affecting Parrot S.A. and its American subsidiary in the US and concerning the Drone Business Unit. No provisions for contingencies have been recorded since the risk has not been able to be accurately assessed.
- 0.9 M€ in quality provisions.
- 0.5 M€ in provisions for supplier commitments, intended to cover firm commitments to purchase strategic components and finished products for which the sales prospects appear uncertain (modification of sales prospects).
- 0.5 M€ in provisions for tax risks.
- 1.1 M€ in provisions for the various commercial and employee disputes.

20.2.27. Note 27 – Trade payables, current tax liabilities and other current and non-current liabilities

Note 27.1 – Trade payables, current tax liabilities and other current liabilities

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Trade payables	**61,209**	32,746
Current tax liability	**2,126**	1,980
Advances and deposits paid on orders	500	1,379
Tax and social security liabilities	13,080	12,331
Other liabilities	6,197	945
Other current liabilities	**19,777**	**14,655**

Trade payables represented 61.2 M€ at December 31, 2014, compared with 32.7 M€ the previous year, with this increase factoring in the Group's higher level of fourth-quarter revenues and primarily attributable to purchases in December 2014.

The change in other liabilities is mainly due to the recognition of a first payment for subsidies on the FELIN project for 1.7 M€ (cf. Note 21), financed R&D for 1 M€, prepaid income for 2.2 M€, and the Varioptic earnout, which will be payable to all the vendors/sellers in 2015 based on the revenues achieved by Varioptic in 2014; it is not subject to future service conditions. The value of the earnout represents 0.6 M€.

The tax on business value added (CVAE) for 2014, totaling 797 K€ (versus 660 K€ in 2013), is recorded under current tax liabilities.

Note 27.2 – Other non-current liabilities

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Liabilities relating to acquisitions of fixed assets	20,974	14,923
Other non-current liabilities	**20,974**	**14,923**

Detailed breakdown of liabilities on acquisitions of fixed assets

€'000 / K€	Dec 31, 2013	Change through equity	Change through P&L	Exchange gains or losses	Reclassification as current liabilities	Dec 31, 2014
senseFly and Pix4D put options	13,796	6,032	-	344	-	20,172
senseFly share warrant costs	382	-	420	-	-	803
senseFly earnout	745	-	-100	-	-645	-
Total	**14,923**	**6,032**	**320**	**344**		**20,974**

In 2012, Parrot awarded senseFly's minority shareholders put options for the 39.6% interest they hold in senseFly. These options will be able to be exercised in 2016 and will be payable in Swiss francs, with an exercise price based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

In 2014, Parrot awarded Pix4D's minority shareholders put options for the 39.9% interest they hold in Pix4d. These options will be able to be exercised in 2017 and will be payable in Swiss francs, with an exercise price based on the revenues and operating margin achieved by Pix4D in 2015 and 2016. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of Pix4D's senior management team.

Parrot's obligation to buy back his securities is recognized under other fixed assets (classed as non-current liabilities), equal to the discounted value of the estimated exercise price, based on the levels of margins and revenues. The discount rate reflects the marginal cost of debt for Parrot.

20.2.28. Note 28 –Financial instruments

Note 28.1 – Category and fair value of financial assets and liabilities

2014 €'000 / K€	Fair value through P&L (1)	Fair value through equity	Assets available for sale	Loans & receivables	Debt at amortized cost	Deri-vatives	Balance sheet value	Fair value
Financial assets	-	-	6,315	-	-	-	-	-
Trade receivables	-	-	-	62,629	-	-	62,629	62,629
Other current receivables	-	-	-	26,023	-	-	26,023	26,023
Other current fin. assets	19,380	-	-	-	-	-	19,380	19,380
Cash and cash equivalents	70,338	-	-	-	-	-	70,338	70,338
Total financial assets	**89,717**	**-**	**6,315**	**88,652**	**-**	**-**	**178,369**	**178,369**
Other financial debts	-	-	-	-	12,305	192	12,496	12,496
Other non-current liabilities	-	20,974	-	-	-	-	20,974	20,974
Trade payables	-	-	-	-	61,209	-	61,209	61,209
Other current liabilities	-	-	-	-	19,777	-	19,777	19,777
Total financial liabilities	**-**	**20,974**	**-**	**-**	**93,291**	**-**	**114,456**	**114,456**

2013 €'000 / K€	Fair value through P&L (1)	Fair value through equity	Assets available for sale	Loans & receivables	Debt at amortized cost	Deri-vatives	Balance sheet value	Fair value
Financial assets	2,360						2,360	2,360
Trade receivables				39,206			39,206	39,206
Other current receivables				31,305			31,305	31,305
Other current fin. assets	42,671						42,671	42,671
Cash and cash equivalents	55,444						55,444	55,444
Total financial assets	**100,475**			**70,511**			**170,986**	**170,986**
Other financial debts					18,595	385	18,980	18,980
Other non-current liabilities		13,794			1,128		14,922	14,922
Trade payables					32,746		32,746	32,746
Other current liabilities					14,655		14,655	14,655
Total financial liabilities					**67,125**	**385**	**81,304**	**81,304**

(1) Financial assets at fair value through profit and loss

Fair value hierarchy

The criteria used for recording financial instruments at each fair value level are objective criteria based on the definition of fair value levels under IFRS 7.

The categories of assets and liabilities measured at fair value after their initial recognition are as follows:

- Assets / liabilities measured at fair value through profit or loss and through equity;
- Available-for-sale assets;
- Future cash-flow hedging derivative instruments.

The fair value hierarchy is based on the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Input data other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly - through prices - or indirectly - through data derived from prices - (Level 2);
- Input data relating to the asset or liability that are not based on observable market data - unobservable inputs - (Level 3).

We did not make any transfers between the various levels between 2013 and 2014.

At December 31, 2014

€'000 / K€	Total	Level 1	Level 2	Level 3
Financial liabilities measured at fair value:	-	-	-	-
Financial assets	-	-	-	-
Other current financial assets	19,380	19,380	-	-
Cash and cash equivalents	70,338	70,338	-	-
Total assets	**89,717**	**89,717**	-	-
Financial liabilities measured at fair value:	-	-	-	-
Other financial liabilities	12,305	-	-	-
Financial derivatives	192	-	192	
Other current liabilities	19,777	-	-	-
Other non-current liabilities	645	645	-	-
Other non-current liabilities (Level 3)	20,974	-	-	20,974
Total liabilities	**53,892**	**645**	**192**	**20,974**

At December 31, 2013

€'000 / K€	Total	Level 1	Level 2	Level 3
Financial liabilities measured at fair value:				
Financial assets	2,360	2,360		
Other current financial assets	42,671	42,671		
Cash and cash equivalents	55,444	55,444		
Total assets	**100,475**	**100,475**		
Financial liabilities measured at fair value:				
Other financial liabilities	18,595			
Financial derivatives	385		385	
Other current liabilities	14,655			
Other non-current liabilities	39	39		
Other non-current liabilities (Level 3)	14,883	-	-	14,883
Total liabilities	**48,557**	**39**	**385**	**14,883**

Note 28.2 – Schedule for financial liabilities

Financial liabilities are detailed in Note 21 “Financial liabilities”.

Note 28.3 – Analysis of trade receivables and their seniority

At December 31, 2014

€'000 / K€	Current	Trade receivables for which the payment due date has passed				Total
		0-3 months	3-6 months	6-12 months	>1 year	
Trade receivables	50,763	10,153	522	206	5,328	66,972
Total financial assets	50,763	10,153	522	206	5,328	66,972
Of which, COFACE cover	17,046	2,822	29	-	-	19,898
Trade receivables not covered	33,717	7,331	493	206	5,328	47,075
Provisions for trade receivables and related	-	-	-	-	4,343	4,343
Total trade receivables	**50,763**	**10,153**	**522**	**206**	**985**	**62 629**

At December 31, 2013

€'000 / K€	Current	Trade receivables for which the payment due date has passed				Total
		0-3 months	3-6 months	6-12 months	>1 year	
Trade receivables	31,220	6,745	531	286	2,725	41,507
Total financial assets	**31,220**	**6,745**	**531**	**286**	**2,725**	**41,507**
Of which, COFACE cover	12,562	3,038	213	142	14	15,968
Trade receivables not covered	18,659	3,707	318	145	2,711	25,539
Provisions for trade receivables and related					2,301	2,301
Total trade receivables	**31,220**	**6,745**	**531**	**286**	**423**	**39,206**

Overdue receivables concern a limited number of customers, which are closely monitored and analyzed. As relevant, provisions for depreciation have been recorded for a total of 4,343 K€, including an increase of 2 042 K€ for 2014. Trade receivables represent a net total 62,629 K€.

The Group's policy for trade receivables is based on managing cover under the existing COFACE policy and regularly monitoring trade receivables.

Note 28.4 – Hedging instruments

Under the various loan agreements - taken out on July 1, 2011 with its banking partners HSBC, LCL and Crédit Agricole Ile de France - to finance all or part of its external growth, the Parrot Group is exposed to the rate risk, and more specifically fluctuations in the three-month Euribor, the variable rate against which the credit line drawdowns are indexed.

To hedge this exposure, the Parrot Group decided to take out swap agreements to protect itself against interest rate fluctuations. The Company also decided to apply hedge accounting at December 31, 2014 in order to limit volatility on the income statement.

The hedged item (“underlying”) is defined as the future drawdowns on Parrot S.A.'s variable-rate credit lines.

The hedging instrument is an external derivative financial element. It corresponds to the interest rate swaps taken out to ensure that all or part of the drawdowns made by Parrot S.A. are covered by fixed rates.

At each quarter-end, swaps are remeasured at their fair value.

When a derivative financial instrument is designated as a hedging instrument for changes in cash flow on a recognized asset or liability, or a planned transaction that is highly probable, the effective portion of the profit or loss on the derivative financial instrument is recognized directly through equity. The ineffective portion of the profit or loss is recognized immediately through profit and loss.

20.2.29. Note 29 – Market risks

Note 29.1 – Foreign exchange risk

The Group is exposed to two types of foreign exchange risk which may have an impact on earnings and equity: on the one hand, risks relating to the translation, for drawing up the consolidated accounts, of the foreign currency accounts of

consolidated subsidiaries with a different functional currency from the euro, and on the other hand, operational risks on operating or financial flows not denominated in the entities' operating currencies.

In 2014, 57% of the Group's revenues, 96% of its cost of sales and 11% of its operating costs were denominated in USD or currencies linked to the dollar, with the Group exposed to this currency's fluctuations against the euro. The Group has not hedged its net exposure to changes in the USD.

In order to limit the impact of changes in the USD on its profitability, the Group has been developing the sales denominated in this currency since 2006.

At the end of December 2014, 38.7% of the Group's cash and other financial asset position was in US dollars or related currencies.

Foreign exchange risk exposure at December 31

• 2014, €'000 / K€	• USD	• HKD	• GBP	• CNY
Trade receivables	112,483	22,645	-	10,980
Trade payables	-91,547	-18,900	-587	-9,349
Other equity interest-related receivables	8,550	-	-	-
Financial derivatives	-	-	-	-

2013, €'000 / K€	USD	HKD	GBP	CNY
Trade receivables	79,861	17,360	-	2,334
Trade payables	-64,518	-3,543	-593	-12,729
Other equity interest-related receivables	9,550	-	-	-
Financial derivatives	-	-	-	-

€'000 / K€	2014			
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	10,723	-	-8,774	-
Other equity interest-related receivables	782	-	-640	-
Trade payables	8,823	-	-7,219	-
Financial derivatives	-	-	-	-

€'000 / K€	2013			
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	6,646	-	-5,437	-
Other equity interest-related receivables	769	-	-630	-
Trade payables	5,483	-	-4,486	-
Financial derivatives	-	-	-	-

The exchange risk sensitivity table below presents the impact of a 10% appreciation or depreciation in the euro against the other currencies in terms of the amounts of trade receivables, trade payables and hedging financial derivatives. It also presents how this impact would be reflected in the accounts:

Note 29.2 – Rate risk

Cash is invested during the year in risk-free vehicles with underlying rates of mostly up to three months.

The impact of a 1% variation in the average rate of return would represent a 502 K€ loss on the level of consolidated financial income.

The cash pooling system which has also been rolled out in order to optimize cash management within the Group, lending funds to or borrowing funds from subsidiaries as necessary, has made it possible to reduce the rate risks, repatriate surplus cash from certain subsidiaries and optimize the investment of free cash flow.

Lastly, the Parrot Group's rate risk management policy involves limiting the risks of changes in rates for drawdowns on the variable-rate credit lines. The Parrot Group adopts a policy which is intended to ensure that all or part of the exposure to changes in interest rates on borrowings is covered by fixed rates. The Group takes out interest-rate swaps and classes them as hedging for drawdowns on the variable-rate credit lines.

Note 29.3 – Risk relating to treasury stock

The Group hold treasury stock, in line with the share buyback program authorized by the general shareholders' meeting.

Parrot's share price has historically been subject to significant variations, both upwards and downwards. These variations, which may continue, are dependent on numerous factors, such as the Group's financial performance levels, the sector's financial performance levels, technological innovations and more generally fluctuations on the stock market.

The value of treasury stock reclassified as equity represents 12,426,143 K€ for 582,619 shares.

Note 29.4 – Liquidity and counterparty risk

Liquidity risk management is centralized by the Finance Division. Global cash management at Group level makes it possible to offset any internal cash requirements and surpluses.

The Company has carried out a specific review of its liquidity risk and considers that it is in a position to cover its upcoming maturities. Parrot's financing policy aims to ensure that the Group has the liquidity needed to finance its assets, its short-term cash requirements and its development at all times, in terms of both the duration and the amounts, at the lowest possible cost.

Financial Assets at December 31, 2014

The counterparty risk represents the risk of a financial loss for the Group in the event of a customer or counterparty for a financial instrument failing to uphold its contractual obligations. This risk stems primarily from trade receivables.

The net book value of financial assets represents the Group's maximum exposure faced with the credit risk. At December 31, 2014, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 62.6 M€
- Other receivables: 26.0 M€
- Other financial assets: 19.4 M€
- Cash and cash equivalents: 70.4 M€

During 2014, the Parrot Group's policy was to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

Faced with the counterparty risk on trade receivables, a provision is recorded for bad debt, which may correspond to all or part of the amount, determined in view of the probability of the debt being collected.

The credit risk is monitored at Group level by the treasury department. The Group monitors terms of payment with its subsidiaries on a monthly basis and records provisions for debts which it considers to be unrecoverable.

To protect itself against the credit risk and therefore cover its risk of non-payment, the Group has put in place procedures for collecting funds and blocking customer accounts.

A COFACE policy covers the non-collection of debt from certain French and foreign Company customers located within Regions “1” and “2” (respectively covering OECD countries and the rest of the world, based on criteria defined by COFACE) for sales of Company products, as well as sales made by the subsidiaries: Parrot GmbH, Parrot UK Ltd, Parrot Iberia S.L., Parrot Italia S.r.l., Parrot Inc. and Parrot Asia Pacific Ltd. The amount of the cover represents 90% of the net debt covered excluding VAT.

▶ Financial Liabilities at December 31, 2014

The Group's ability to service its debt depends on the performance of its operational activities and its capacity to generate cash flow through its activities. The schedule for financial liabilities can be broken down as follows:

At December 31, 2014

€'000 / K€	Book value	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities	-	-	-	-	-	-
Non-convertible bonds	-	-	-	-	-	-
Debt with credit institutions	10 524	-	7 024	3 500	-	-
Sundry borrowings and financial debt	1 781	-	284	1 497	-	-
Bank borrowings	-	-	-	-	-	-
Trade payables	61 209	-	61 209		-	-
Other liabilities	40 751	-	19 777	20 974	-	-
Current tax liability	2 126	-	2 126		-	-
Total	**116 391**	-	**90 421**	**25 970**	-	-
Derivative financial liabilities	-	-	-	-	-	-
Rate instruments	192	-			-	-
Total	**192**	**-**			**-**	**-**

At December 31, 2013

€'000 / K€	Book value	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Non-convertible bonds	212		212			
Debt with credit institutions	17,035		6,035	11,000		
Sundry borrowings and financial debt	635		166	469		
Bank borrowings	1,181		1,181			
Trade payables	32,746		32,746			
Other liabilities	29,577		14,185	15,392		
Current tax liability	1,980		1,980	-		
Total	**83,366**		**56,505**	**26,861**		
Derivative financial liabilities						
Rate instruments	385					
Total	**385**					

▶ Financial debt at December 31, 2014

Financial debt is detailed in Note 21.

20.2.30. Note 30 – Executive compensation

The total amount of compensation paid to members of the management committee can be broken down as follows:

€'000 / K€	Dec 31, 2014	Dec 31, 2013
Fixed pay	2,201	1,946
Variable pay	663	963
Short-term benefits	**2,864**	2,908
Post-employment benefits	-	
Payments in shares	1,112	723
Total	**3,976**	**3,631**

The management committee is made up of 12 people who perform the following functions: Chairman and Chief Executive Officer, VP research office, Deputy VP research office, VP Technical Business Units, VPs Business Units, Chief marketing

officer, Chief validation officer, Chief production officer, Chief procurement officer, Chief administrative and financial officer, Chief human resources officer and Chief marketing and communications officer.

20.2.31. Note 31 – Related parties

No significant operations were carried out over 2014 with:

- Shareholders with significant voting rights in the Company's capital representing more than 2.5% of the capital.
- Members of the executive management bodies, including any directors and observers, with the exception of the agreement entered into between the Company and Mr. Edward Planchon, a Company director. For 2013, Mr. Edward Planchon did not invoice for any services through EKP Consult LLC, the American-law company he controls, to the American subsidiary Parrot, Inc. but he was reimbursed for a total of 4,428.08 US dollars for the costs he incurred.
- Entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

20.2.32. Note 32 – Commitments given or received

► Commitments given

At December 31, 2014, the Company had commitments for future payments relating to operating leases that may not be terminated:

Year	2014 gross value ('000)
2015	1,498
2016	845
2017 and later	174
Total	**2,518**

On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company JADE SAS for a maximum of 0.5 M€ for the effective fulfillment by its subsidiary Chez Parrot SARL of its commitments in relation to its lease for the premises at 30 rue du Quatre-Septembre in Paris (75002). senseFly has joint liability for 122 K€ in relation to the tenant of the former premises through to October 31, 2015.

In addition, a bank guarantee has been given for a total of 300 K€.

It was also renewed at the start of the second half of 2014, with 5 M€ of investment collateral put in place as a guarantee for the agreement to open a drawdown credit facility with Crédit Agricole d'Ile de France.

At December 31, 2012 the amount of firm orders placed with our main suppliers came to a total of 47.0 M€.

20.2.33. Note 33 – Post-balance sheet events

Not applicable.

20.3. Statutory auditors' report on the consolidated financial statements for 2014

KPMG Audit IS
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

Statutory Auditor
Member of the Compagnie Régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saison
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Statutory Auditor
Member of the Compagnie Régionale de Versailles

Dear Shareholders,

Pursuant to the mandate given to us by your general meetings, please find hereafter our report on the financial year ended December 31, 2014 relative to:

- The audit of Parrot S.A.'s consolidated financial statements, as appended to this report;
- The basis for our opinions;
- The specific procedures and information required under French law.

The consolidated financial statements have been approved by your Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the industry standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from any material misstatements. An audit includes examining, on a test basis or using other methods for selection, evidence supporting the amounts and information contained in the consolidated accounts. An audit also involves assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

We certify that the consolidated financial statements present fairly, in all material respects, the assets, liabilities and financial position of the group comprising the consolidated companies, in addition to the results of its operations, in accordance with IFRS as adopted in the European Union.

II. Basis for our opinions

Pursuant to the provisions of Article L. 823-9 of the French commercial code relative to the forming of our opinions, we would like to draw your attention to the following elements:

- The group systematically carries out value tests on goodwill and intangible assets with an indefinite lifespan at each close under the conditions set out in Note 2M "Depreciation of tangible and intangible assets" to the consolidated financial statements. Based on the information available to date, we have reviewed the conditions for implementing this value test, as well as the cash flow forecasts and assumptions used. We have also ensured that Note 9 to the consolidated financial statements provides appropriate information.
- In connection with our assessment of the accounting principles applied by your company, we have reviewed the conditions for recording development costs as assets, as well as the conditions retained for their depreciation and for checking their recoverable value, and we have ensured that Notes 2K, 2M and 10 of the appendix to the consolidated financial statements provide appropriate information.
- The provisions for contingencies and liabilities recorded to cover disputes and claims have been assessed in accordance with the conditions presented in Note 2V. Based on the information currently available, we have reviewed the conditions for determining provisions for disputes and claims and we have verified that the notes to the financial statements provide appropriate disclosures.

The assessments made in this way are part of our audit of the consolidated financial statements in general and therefore contributed to the formation of our opinion expressed in the first part of this report.

III. Specific procedures and information

In accordance with the industry standards applicable in France, we also verified the information given relative to the Group in the management report, as required under French law.

We do not have any observations to make regarding the accuracy of this information or its application for the consolidated financial statements.

Paris La Défense, April 13, 2015

The statutory auditors

KPMG Audit IS	ERNST & YOUNG et Autres
Eric Lefebvre	Pierre Jouanne

20.4. Parrot S.A. financial statement

20.4.1. Parrot S.A. balance sheet

ASSETS, in €	GROSS	Depreciation and provisions	Net Dec 31, 2014	Net Dec 31, 2013
INTANGIBLE ASSETS				
Concessions, patents and related	12,546,032	10,909,465	1,091,114	1,636,568
Goodwill	23,949,257	3,140,216	19,420,041	20,809,041
Other intangible assets	2,969,262	2,126,202	572,687	843,061
Total Intangible assets	**39,464,551**	**16,175,882**	21,083,841	**23,288,669**
PROPERTY, PLANT AND EQUIPMENT				
Technical facilities, plant and equipment	13,018,926	10,813,786	3,044,856	2,205,141
Other property, plant and equipment	9,153,344	5,175,937	3,309,399	3,977,408
Fixed assets under construction	348,598	295,400	58,823	53,198
Total Property, plant and equipment	**22,520,869**	**16,285,122**	6,413,079	**6,235,746**
LONG-TERM FINANCIAL				
Other equity interests	33,378,433	23,635,328	17,997,139	9,743,104
Receivables from equity interests	6,924,806	3,365,413	7,042,254	3,559,393
Other long-term financial investments	826,019		1,823,246	826,019
Total Long-term financial investments	**41,129,258**	**27,000,741**	26,862,638	**14,128,517**
FIXED ASSETS	**103,114,678**	**59,461,746**	54,359,558	**43,652,932**
INVENTORIES AND WORK-IN				
Inventories of raw materials	15,869,792	4,267,625	9,659,125	11,602,168
Inventories of intermediate and finished	4,541,342	889,292	8,316,511	3,652,050
Total Inventories and work-in-progress	**20,411,134**	**5,156,917**	17,975,636	**15,254,217**
RECEIVABLES				
Advances and deposits paid on orders	53,684		244,210	53,684
Trade receivables and related	49,897,373	909,239	55,988,664	48,988,134
Other receivables	**25,396,494**	**345,000**	18,158,937	**25,051,494**
Total Receivables	**75,347,552**	**1,254,239**	74,391,812	**74,093,312**
CASH, CASH EQUIVALENTS AND				
Marketable securities	65,281,011	1,999,046	60,643,323	63,281,965
Cash at bank and in hand	5,200,334		6,137,235	5,200,334
Prepaid expenses	2,015,851		2,321,419	2,015,851
Total Cash, cash equivalents and other	**72,497,196**	**1,999,046**	69,101,977	**70,498,150**
CURRENT ASSETS	**168,255,882**	**8,410,202**	161,469,425	**161,149,876**
Deferred expenses over several years			-	
Bond redemption premiums			-	
Translation gains	430,611		419,798	430,611
TOTAL ASSETS	**271,801,170**	**67,871,948**	**216,248,780**	**203,929,221**

LIABILITIES in €	Net Dec 31, 2014	Net Dec 31, 2013
NET POSITION		
Share or individual capital, of which 1 952 766 paid	1,944,296	1,929,304
Issue, merger, contribution premiums	50,749,756	49,800,482
Revaluation differences	-	
Legal reserve	203,512	203,512
Statutory or contractual reserves	-	
Regulated reserves	-	
Other reserves	-	
Retained earnings	80,089,299	92,219,794
Earnings for the year	3,426,803	**12,130,495,**
Investment subsidies	-	
SHAREHOLDERS' EQUITY	136,413,666	**132,022,598**
Income from issues of equity securities	-	
Conditional advances	3,536,131	3,652,131
OTHER EQUITY	3,536,131	**3,652,131**
Provisions for contingencies	7,818,294	8,085,508
Provisions for liabilities	2,883,866	1,633,000
PROVISIONS FOR CONTINGENCIES AND LIABILITIES	10,702,160	**9,718,508**
FINANCIAL LIABILITIES	-	
Convertible bonds	-	
Other bonds	-	212,719
Bank loans and debts	11,691,511	17,041,703
Sundry borrowings and financial debt	2,884,675	1,847,550
Total Financial Liabilities	14,576,186	**19,101,971**
ADVANCES AND DEPOSITS RECEIVED ON CURRENT ORDERS	-	**727,000**
SUNDRY LIABILITIES	-	
Trade payables and related	35,391,363	24,352,936
Tax and social security liabilities	11,162,605	11,867,886
Fixed asset payables and related	-	
Other liabilities	2,819,792	1,685,204
Total Sundry liabilities	49,373,760	**37,906,025**
PREPAID INCOME	-	**238,914**
LIABILITIES	63,949,946	**57,973,911**
Translation losses	1,646,878	562,075
TOTAL	**216,248,780**	**203,929,221**

20.4.2. Parrot S.A. income statement

€	France	Export	Dec 31,	Dec 31,
Sales of goods				
Production sold: goods	19 594	93 539 107	113 133 751	104 143 307
Production sold: services	26 046	11 543 272	11 569 318	5 496 662
Net revenues	19 620	105 082	124 703 069	109 639 970
Stored production			4 503 294	-2 367 656
Capitalized production				
Operating subsidies			212 279	107 626
Reversal of depreciation and provisions, transferred			10 111 943	10 004 254
Other income			47 757 557	44 139 948
Operating income			4 503 294	-2 367 656
EXTERNAL EXPENSES			187 288 142	161 524 142
Purchases of raw materials and other supplies			53 294 565	33 445 116
Change in inventories (raw materials and supplies)			3 821 065	13 314 451
Other purchases and external expenses			70 313 886	58 918 765
Total External Expenses			127 429 516	105 678 332
Tax and related			3 418 400	2 944 852
STAFF COSTS				
Salaries and wages			37 300 486	35 380 057
Social security costs			15 276 506	14 271 280
Total Staff costs			52 576 992	49 651 337
OPERATING PROVISIONS				
Provisions for depreciation on fixed assets			5 839 340	5 787 941
Provisions on fixed assets			196 223	
Provisions on current assets			1 234 616	3 810 858
Provisions for contingencies and liabilities			4 631 419	2 630 554
Total Operating provisions			11 901 598	12 229 353
Other operating expenses			2 884 521	4 593 361
Total Operating expenses			198 211 026	175 097 236
EBIT			-10 922 884	-13 573 094
FINANCIAL INCOME				
Financial income from equity interests			6 601 338	
Other interest and related income			669 451	358 369
Reversal of provisions and transferred expenses			8 918 770	1 409 175
Foreign exchange gains			2 425 112	3 408 812
Net income from disposal of marketable securities			855 701	996 795
Total Financial income			19 470 372	6 173 151
FINANCIAL EXPENSES				
Financial depreciation and provisions			2 213 832	3 687 640
Interest and related expenses			845 474	517 943
Foreign exchange losses			1 762 018	3 987 752
Net expenses on sale of marketable securities			150 233	192 807
Total Financial expenses			4 971 557	8 386 142
Financial Result			14 498 815	-2 212 991
Income from Ordinary Operations Before Tax			3 575 931	-15 786 084
NON-RECURRING INCOME				
Non-recurring income on management transactions			84 001	2 264 672
Non-recurring income from previous reporting period				500 000
Non-recurring income on capital transactions				38 000
Reversal of provisions and transferred expenses			1 161 268	3 273 790
Total Non-recurring income			1 245 269	6 076 462
NON-RECURRING EXPENSES				
Non-recurring expenses on management transactions			1 679 951	232 587
Non-recurring expenses on capital transactions			1 042 164	3 082 636
Non-recurring depreciation and provisions			2 830 866	3 140 216
Total Non-recurring expenses			5 552 981	6 455 438
NON-RECURRING INCOME (LOSS)			-4 307 712	-378 977
Employee profit-sharing				
Corporate income tax			-4 158 584	-4 034 566
Total Income			208 003 783	173 773 755
Total Expenses			204 576 980	185 904 250
Profit or Loss			3 426 803	-12 130 495

20.4.3. Notes to Parrot S.A.'s financial statements

The appended financial statements present the operations of Parrot S.A., with its registered office in Paris, France.

The financial statements for the year ended December 31, 2014 were approved by the Board of Directors on February 26, 2015. The financial statements are presented in euros.

20.4.3.1. Note 1 – Highlights

Note 1.1. Main events over the year

Revenues for the year came to 124,703 K€, compared with 109,640 K€ in 2013, up 13.74%. Revenues for 2014 include 2,732 K€ in management fees invoiced to Parrot S.A. subsidiaries.

Other income came to 47,758 K€, including 44,728 K€ in royalties charged to Parrot Asia. These royalties relate to the use of industrial and intellectual property rights, with one concerning the license to use OEM and AFM patents, and the other the use of Parrot brands.

The margin on the consumption of raw materials and goods came to 72,091 K€, representing 57.81%, compared with 60,513 K€ and 55.19% in 2013.

EBIT shows a loss of 10,923 K€, compared with a 13,573 K€ loss one year earlier.

Non-recurring items show a loss of 4,308 K€, compared with a 379 K€ loss for the previous year.

With 14,499 K€ in financial income, net income shows a profit of 3,427 K€, representing 2.75% of revenues after factoring in a 4,158 K€ tax credit.

No share buyback mandates were implemented/été effectué during 2014.

20.4.3.2. Note 2. Main events of 2014

Parrot S.A. acquired the following interests:

- EOS Innovation is a specialist in mobile robotics for the surveillance of industrial sites, logistics platforms and warehouses.
- On February 18, 2014: 23.3% (1,625 K€) of AIRINOV, a company that produces and sells a dedicated drone solution exclusively for agronomic use, with an optical sensor and processing chain making it possible to accurately observe farms and agricultural operations,
- On October 29, 2014: 38.9% (1,624 K€) of MICASENSE, a company that produces and sells sensors for commercial drones.
- Parrot S.A.'s interest in PIX4D's capital was increased to 56% on January 29, 2014, with an option to buy out the balance in 2017.
- Parrot S.A.'s interest in SENSEFLY's capital was increased to 62% on July 7, 2014.

20.4.3.3. Note 3 – Post-balance sheet events

Not applicable.

20.4.3.4. Note 4 – Accounting methods and rules

The financial statements for the year ended December 31, 2014 have been prepared and presented in accordance with French accounting principles and rules (French general chart of accounts), including the French accounting standards board's (Comité de règlementations comptable) new accounting rules.

Generally accepted accounting principles have been applied in accordance with the fundamental accounting principles and core assumptions:

- Continuous operations,
- Consistent accounting methods from one year to the next,
- Independent financial years.

And in accordance with the general rules applicable for drawing up and presenting annual financial statements.

The main methods used are presented hereafter:

Note 4.1. Intangible assets

Fully-owned software and user rights are capitalized and depreciated on a straight-line basis over their useful life, i.e.

- Patents, licenses, brands 1 to 3 years
- Software: 1 to 3 years

Development costs are not capitalized. The total amount of research spending and development costs is recognized in expenses for the year.

Goodwill

The goodwill recorded on the balance sheet, with a net value of 19,420 K€, primarily corresponds to:

- The technical merger loss generated on the acquisition and merger of DiBcom for 19,412 K€.
- The technical merger loss recorded on the acquisition and merger of Varioptic for 4,529 K€, fully depreciated, including 1,389 K€ for the year/déprécié à hauteur de 100 % dont 1 389 K€ au cours de l'exercice.

In accordance with CRC Regulation 2004-01, these merger losses are not depreciated, but subject to impairment tests. They are considered to be impaired when the current value of one or more underlying assets to falls below the book value of the aforementioned assets.

Note 4.2. Property, plant and equipment

Property, plant and equipment are recorded under assets on the balance sheet at their historical cost.

Subsequent expenditure (spending to replace assets and ensure their compliance) is capitalized and depreciated over the remaining useful life for the corresponding fixed asset. Regular upkeep and maintenance costs are booked as expenses when they are incurred.

Depreciation is calculated on a straight-line basis in view of the estimated useful life of the various categories of fixed assets. It is calculated based on the acquisition price less any residual value.

Fixed assets are depreciated based on their useful life as follows:

- Fixtures and fittings and technical facilities 3 to 10 years
- Plant and equipment 3 years
- Office equipment and IT 2 to 3 years
- Transport equipment 3 years
- Furniture 5 years

Capital gains or losses stem from differences between the sales price and the net book value of assets sold off.

Note 4.3. Long term financial investments

Equity securities are valued based on their acquisition cost, which comprises the purchasing cost and related expenses.

If the inventory value is lower than the acquisition cost, a provision for depreciation is recorded and supplemented if necessary with a provision for depreciation for current accounts and a provision for contingencies and liabilities.

The inventory value corresponds to the going concern value of securities. The going concern value is based on the portion of shareholders' equity held or the future outlook.

Note 4.4. Stocks

The cost of inventories is determined in line with the weighted average price method, and comprises the acquisition costs for inventories and the costs incurred for transporting them in the state and to the place where they are stored. A provision is recorded if the realizable value is lower than the weighted average price.

Intermediate and finished products: Slow turnover is calculated by comparing the quantities in stock at the end of the period and the quantity sold over the last 12 months (year-on-year). Any surplus quantity in stock compared with sales for the last 12 months is provisioned based on the estimated impairment.

Note 4.5. Receivables

Trade receivables are subject to a provision for depreciation, estimated in line with the risk of non-collection based on a case-by-case analysis and taking any credit insurance facilities into consideration.

Note 4.6. Foreign currency transactions

Transactions in foreign currencies are converted into euros based on the exchange rate in force on the date of the transaction. Assets and liabilities denominated in foreign currencies on the closing date are converted at the exchange rate in force on the closing date. Any exchange differences resulting from such operations are recorded under translation gains for unrealized exchange losses and translation liabilities for unrealized exchange gains. A provision for contingencies and liabilities is booked for translation gains.

Note 4.7. Cash, cash equivalents and marketable securities

Cash and cash equivalents comprise cash in hand and demand deposits. Marketable securities are valued at their acquisition cost. When the inventory value is lower than the gross value, a provision for depreciation is recorded for the amount of any difference.

Note 4.8. Provisions for contingencies and liabilities

A provision is recorded on the balance sheet when the Group has a current legal or implied legal obligation resulting from a past event and when it is likely that an outflow of resources representative of economic benefits will be necessary in order to fulfill the obligation. A provision for free shares awarded is booked in line with a depreciation schedule spread over two or four years from the allocation date decided on by the Board of Directors.

Warranty provisions: A provision for warranties is recorded at the time of the sale of the corresponding goods. The provision for customer warranties is calculated based on the quantities sold by PSA. For each product category, the rate of returns for goods sold concerning sales over the past 30 months is applied, based on the weighted average price for the new product. The rate of returns is provided by the quality department. The cost of exchanges is based on the inventory value of a new product.

Other provisions: A provision for supplier commitments is recorded and intended to cover the risk of any loss in value of products ordered from suppliers as a result of sales prospects.

Employment tribunal provisions: A provision for disputes is estimated on a case-by-case basis in view of an analysis of the situations with help from the legal advisors in charge of monitoring them.

Provisions for retirement benefits: a provision for retirement benefits is recorded in the corporate accounts, with commitments valued in line with the national wage bargaining agreement for the metalworking industry, based on the following assumptions:

- Retirement age 62 to 64 years
- Rate of wage growth: 3%
- Discount rate: 2%
- Rate for social security costs: 45%

This provision represented 2,503 K€ at December 31, 2014, compared with 1,633 K€ in 2013.

Note 4.9. Revenues

Income from the sale of goods is recorded on the income statement when the significant benefits and risks inherent in ownership of the goods have been transferred to the buyer.

Income from the provision of services is recorded on the income statement based on the level of progress made with the service on the closing date. The level of progress made is determined with reference to the costs incurred.

Revenues generated with specialized distributors are recognized net of any listing or volume-based discounts. The amount of any listing or volume-based discounts granted is recorded on the shipment date for goods based on past experience and the contractual conditions in force.

Note 4.10. Breakdown of corporate income tax

The tax expense comprises:

- Tax calculated at the common law rate;
- Tax subject to the discount rate of 15% calculated on royalties for industrial property right concessions;
- Hong Kong withholding tax;
- Research tax credit.

Note 4.11. Transactions between related parties

Transactions carried out with related parties have been subject to an analysis making it possible to conclude that they are consistent with normal market operations.

20.4.3.5. Note 3 – Balance sheet information

Note 3.1. Assets

Fixed assets

in €	Gross value at year-start	Acqui., contrib.., creations, transfers	Reduction through transfers	Reduction through disposals, retirements	Gross value at year-end
INTANGIBLE ASSETS					
Patents and related rights	12,546,032	1,055,166			13,601,198
Goodwill	23,949,257				23,949,257
Other intangible assets	2,969,262	604,854			3,574,117
Total intangible assets	39,464,551	1,660,020	-	-	41,124,572
PROPERTY, PLANT & EQUIPMENT					
Technical facilities, plant and equipment	13,018,926	2,848,254		2,232,743	13,634,438
Other property, plant and equipment	6,267,998	378,405		796,116	5,850,288
Transport equipment	31,582			1,019	30,563
Office equipment and furniture	2,853,763	505,600		307,457	3,051,906
Ongoing property, plant and equipment	348,598	58,823	53,198		354,223
Total property, plant and equipment	22,520,869	3,791,082	53,198	3,337,335	22,921,417
LONG-TERM FINANCIAL INV.					
Other equity interests	33,378,432	6,530,156	495,691		39,412,897
Equity interest-related receivables	7,750,825	2,470,111		1,355,436	8,865,500
Loans and other LT financial inv.	41,129,257	9,000,267	495,691	1,355,436	48,278,398
General total	**103,114,678**	**14,451,369**	**548,889**	**4,692,771**	**112,324,386**

Depreciation

in €	Total at year-start	Provisions	Reversals	Total at year-end	Straight-line
INTANGIBLE ASSETS					
Patents and related rights	10,909,465	1,600,620		12,510,085	1,600,620
Goodwill	3,140,216	1,389,000		4,529,216	1,389,000
Other intangible assets	2,126,202	875,228		3,001,430	875,228
Total intangible assets	16,175,882	3,864,848		20,040,730	3,864,848
PROPERTY, PLANT & EQUIPMENT					
Technical facilities, plant and equipment	10,813,786	2,008,540	2,232 745	10,589,581	2,008,540
Other property, plant and equipment	3,006,238	1,111,346	796,116	3,321,468	1,111,346
Transport equipment	15,627	8,702	1,019	23,309	8,702
Office equipment and furniture	2,154,073	431,128	306,620	2,278,580	431,128
Current property, plant and equipment	295,400			295,400	
Total property, plant and equipment	16,285,123	3,559,715	3,336,500	16,508,338	3,559,715
General total	**32,461,005**	**7,424,563**	**3,336,500**	**36,549,069**	**7,424,563**

► Subsidiaries and equity interests

Subsidiaries	Capital	Shareholders' equity excluding earnings	Capital stake	Net book value of securities €			Loans and advances €			Revenues	Earnings	Dividends
	€	€	%	Gross	Provisions	Net	Gross	Provisions	Net	€	€	€
CHEZ PARROT	10 000	- 345 129	100	10 000		10 000	600 010	345 000	255 010	1 053 955	- 70 931	
PARROT ASIA PACIFIC Ltd (HK)	1 062	28 066 720	100	1 092		1 092				165 578 019	3 151 367	5 582 584
PARROT GmbH (Germany)	25 000	263 972	100	25 000		25 000				2 643 635	- 24 603	
PARROT, Inc. (USA)	3 042 103	- 3 818 116	100	2 083 637		2 083 637	7 042 254		7 042 254	36 081 752	39 902	
PARROT SRL (Italy)	10 000	266 338	100	10 000		10 000				1 216 981	- 65 749	
PARROT UK Ltd	128	614 237	100	145		145				1 918 581	181 310	1 018 754
PARROT IBERIA (Spain)	63 063	1 709 779	100	22 996 160	21 056 000	1 940 160				1 877 734	331 066	
PARROT JAPAN (KK)	68 860	256 967	100	77 950		77 950				809 821	56 264	
PARROT AUSTRALIE	6 743	58 506	100	8 236		8 236				924 853	35 472	
SENSEFLY	153 945	1 957 659	62	4 491 738		4 491 738				11 052 480	- 677 829	
PIX4D	83 167	2 037 326	56	4 155 847		4 155 847				3 231 825	84 731	
NETATMO												
DELTA DRONE				254 800		254 800						
EOS INNOVATION				93		93						
LA BOITE BLEUE				1 045 076	238 691	806 385						
AIRINOV				69 995		69 995						
MICASENSE				1 554 987	98 894	1 456 093						
PARROT INVEST 1				1 623 581		1 623 581						
PARROT INVEST 2			100	1 000		1 000						
DELAIR TECH			100	1 000		1 000						
Total				**1 002 560**	**22 174**	**980 386**						

During 2014, Parrot S.A. received 6,601 K€ in dividends from its subsidiaries. The provision for impairment of Parrot Inc. securities, which represented 2,084 K€ in 2013, was written back in full during 2014. Parrot S.A. received 75 K€ in repayments on the loan awarded to its subsidiary Chez Parrot, bringing it down to 600 K€.

The figures from the various subsidiaries are expressed in foreign currencies and converted into euros using the year-end exchange rate, with the exception of income and expenses, which are converted into euros based on an average rate for the year.

Inventories

in €	At year-end	At year-start	Change in inventories Increase	Change in inventories Decrease
Gross values				
Raw materials and other supplies	12,048,073	15,869,139		3,821,065
Finished products	9,045,285	4,541,995	4,503,294	
Total	**21,093,358**	**20,411,134**	**4,503,294**	
Impairments				
Raw materials and other supplies	2,388,948	4,267,625		1,878,676
Finished products	728,774	889,292		160,518
Total	**3,117,722**	**5,156,917**		**2,039,195**

Change in marketable securities

in €	Number	Unit price	Unrealized gain/loss	Total
SG Monétaires	7	5,310	-	37,168
LCL CAT garanti	4	2,422,921	4,374	9,691,684
Crédit Agricole BMTN 05/03/2015	1	10,000,000	23,775	10,000,000
CIC CATIP 08/03/2015	1	6,461,979	84,166	6,461,979
CIC CATIP 24/05/2015	1	6,379,591	23,104	6,379,591
Crédit Agricole DAT Prof revenus 5 18/03/2018	1	3,000,000	1,701	3,000,000
BNP Potentiels 1.2.3. 04/12/2017	2	5,000,000	4,986	10,000,000
DAT BNP USD maturing 05/01/2015	1	3,294,622	403	3,294,622
DAT BNP CHF maturing 22/01/2015	1	499,002	42	499,002
Subtotal: investments		**-**	**142,550**	**49,364,045**

in €	Number	Buyback value	Depreciation	Net Value
Shares allocated	180,600	4,326,810		4,326,810
Shares to be allocated	343,170	7,702,959	-889,902	6,813,057
Subtotal: treasury shares	**523,770**	**12,029,769**	**-889,902**	**11,139,867**

in €	Quantity (shares)	Loss	Purchase/Sale price
Number of securities at Dec 31, 2013	9,579	-	176,330
Purchased in 2014	198,945	-	3,912,056
Sold in 2014	201,575	-	3,948,975
Subtotal: liquidity agreement	**6,949**	**51,968**	**139,411**
Total Marketable securities			**60,643,323**

Share buyback agreement

Denomination	Remaining shares at Dec 31, 2013	Value (€)	Shares awarded served in 2014	Value (€)	Shares awarded not served	Remaining shares
Share buyback program no. 5			45,700	1,042,164		
Share buyback program no. 10	266,770	6,427,535			123,600	143,170
Share buyback program no. 11	200,000	4,253,433				200,000
	466,770	**10,680,968**	**45,700**	**1,042,164**	**123,600**	**343,170**

Liquidity agreement

Transaction date	Quantity	Amount in €
Number of securities at Dec 31, 2013	9,579	176,330
Purchased in 2014	198,945	3,912,056
Sold in 2014	201,575	3,948,975
Number of securities at Dec 31, 2014	**6,949**	**139,411**

Accounts receivable

Breakdown of accounts receivable on the balance sheet, in €	Amount
Long-term financial investments	
Equity interest-related receivables	-
Other long-term financial investments	-
Receivables	1,487,123
Trade receivables and related	406,585
Staff & social organizations	15,548
State	934,462
Sundry receivables & other receivables	130,528
Marketable securities	-
Cash and cash equivalents	-
Accrued interest receivable	-
Total	**1,487,123**

Prepaid expenses and income

in €	Expenses	Income
Operating income or expenses	2,321,419	-
Financial income or expenses	-	-
Non-recurring income or expenses	-	-
Total	**2,321,419**	**-**

This concerns income and expenses recorded during the fiscal year, although with part recorded in advance since they concern the following fiscal year.

Note 3.2. Liabilities

Change in shareholders' equity

in €	2013	Variation	2014
Capital	1,929,304	14,992	1,944,296
Issue premium	49,800,482	949,274	50,749,756
Legal reserves	203,512		203,512
Unavailable reserves	-	-	-
Retained earnings	92,219,794	-12,130,495	80,089,299
2013 earnings	-12,130,495	12,130,495	-
2014 earnings	-	3,426,803	3,426,803
Total	**132,022,597**	**4,391,069**	**136,413,666**

The change in the capital and issue premium over 2014 primarily reflects:

- A capital increase through the creation of 98,370 new shares, further to the exercising of options for a nominal of 15 K€ and a 949,000 euro issue premium.
- The loss for the year ended December 31, 2013, allocated in full to retained earnings.
- Parrot Asia Pacific and Parrot UK paid out 5,583 K€ and 1,019 K€ respectively in dividends during 2014.

▶ Share capital

in €	Number of shares	Per value
1-Shares or rights comprising the capital at year-start	12,655,293	0.1524
2-Shares or rights issued during the year	98,370	0.1524
3-Shares or rights cancelled during the year	-	0.1524
4-Shares or rights comprising the capital at year-end	**12,753,663**	**0.1524**

▶ Stock options and bonus shares

Stock options

Decision date	Situation at end 2013	Quantity exercised in 2014	Quantity expired in 2014	New scheme in 2014	Situation at end 2014	Exercise limit date
12 Feb. 09	44,313	-25,152	-19,161	-	-	11 Feb 14
14 May 09	34,043	-23,478	-10,565	-	-	13 May 14
30 July 09	2,000	-2,000	-	-	-	29 Jul 14
12 Nov. 09	5,000	-	-5,000	-	-	11 Nov 14
11 Feb. 10	18,468	-3,700	-	-	14,768	10 Feb 15
12 May 10	36,324	-3,540	-	-	32,784	11 May 15
29 July 10	95,000	-32,500	-	-	62,500	28 Jul 15
10 Nov. 10	6,000	-	-	-	6,000	09 Nov 15
10 Feb. 11	16,000	-	-	-	16,000	09 Feb 16
12 May 11	20,213	-	-	-	20,213	11 May 16
28 July 11	8,000	-	-	-	8,000	27 Jul 18
10 Nov. 11	75,000	- 000	-	-	67,000	09 Nov 18
15 Feb. 12	203,750	-	-	-	203,750	14 Feb 17
10 May 12	20,800	-	-	-	20,800	09 May 17
16 Nov. 12	23,000	-	-	-	23,000	15 Nov 17
20 Feb 13	10,500	-	-	-	10,500	19 Feb 18
15 May 13	24,000	-	-	-	24,000	14 May 18
Total	**642,411**	**-98,370**	**-34,726**	**-**	**509,315**	

Bonus shares

Decision date	Situation at end 2013	Quantity exercised in 2014	Stock options expired in 2014	New scheme in 2014	Situation at end 2014	Exercise limit date
28 Jul 11	39,000		-39,000	-	-	28 Jul 11
15 Feb 12	26,750	-25,850	-900	-	-	15 Feb 12
10 May 12	3,900	-3,500	-400	-	-	10 May 12
26 Jul 12	11,850	-11,350	-500	-	-	26 Jul 12
16 Nov 12	5,200	-5,000	-200	-	-	16 Nov 12
20 Feb 13	23,700	-	-	-	23,700	20 Feb 13
15 May 13	13,300	-	-	-	13,300	15 May 13
1 Aug 13	2,500	-	-	-	2,500	1 Aug 13
15 Nov 13	17,500	-	-	-	17,500	15 Nov 13
15 Jan 14	-	-	-	93,500	93,500	15 Jan 14
1 Mar 14	-	-	-	25,700	25,700	1 Mar 14
1 Oct 14	-	-	-	4,400	4,400	1 Oct 14
Total	**143,700**	**-45,700**	**-41,000**	**123,600**	**180,600**	

Provisions

in €	Amount at year-start	Increase, provisions	Decrease, write-backs	Amount at year-end
Prov. for supplier commitments	614,591	1,174,659	1,541,028	248,222
Prov. for customer warranties	3,660,057	1,892,575	2,720,810	2,831,822
Prov. for commercial disputes	1,201,873	1,974,051	1,201,873	1,974,051
Prov. for exchange rate loss	430,611	419,798	430,611	419,798
Prov. for depreciation schedule on shares distributed	1,199,889	407,454	864,147	743,196
Prov. for depreciation schedule on shares distributed (unqualified)	29,883	1,026,820	-	1,056,704
Prov. for employment disputes	948,604	162,000	566,104	544,500
Prov. for retirement benefits	1,633,000	870,000	-	2,503,000
Provision for tax	-	380,866	-	380,866
Prov. for contingencies and liabilities	**9,718,508**	**8,308,224**	**7,324,572**	**10,702,160**
Provision for intangible assets	-	-	-	-
Prov. for property, plant and equipment	295,400	-	-	295,400
Prov. for fixed assets: equity-consolidated securities	-	-	-	-
Prov. for other long-term financial investments	27,000,741	359,759	5,944,741	21,415,759
Prov. for current accounts	345,000	-	-	345,000
Prov. for inventories and work-in-progress	5,156,917	980,640	3,019,835	3,117,722
Prov. for accounts receivable	909,239	253,976	669	1,162,546
Prov. for impairment of marketable securities	1,999,046	-	1,109,144	889,902
Prov. for impairment of Varioptic goodwill	3,140,216	1,389,000	-	4,529,216
Prov. for depreciation	**38,846,559**	**2,983,375**	**10,074,389**	**31,755,545**
Total	**48,565,067**	**11,291,599**	**17,398,961**	**42,457,705**

Financial liabilities

In €	Dec 31, 2014	Dec 31, 2013
Non-convertible bonds	-	212,719
Borrowings and debt with credit institutions	10,500,000	17,000,000
Repayable advance for Félin project	1,162,000	-
Other borrowings and related liabilities	23,687	35,415
Accrued interest payable	5,824	6,287
Cash pooling: Group advance / borrowings	2,884,675	1,847,550
Total	**14,576,186**	**19,101,971**

Non-convertible bonds:

The final 213 K€ installment on the non-convertible bonds with an interest rate indexed against the three-month Euribor was repaid at the end of December 2014.

Borrowings and debt with credit institutions:

On July 1, 2011, Parrot S.A. set up two credit opening agreements with drawdown notices, repayable on a quarterly basis, with its banking partners - HSBC for 15 M€ and LCL for 20 M€ - and a revolving loan agreement with drawdown notices with Crédit Agricole Ile de France (for 10 M€), to finance all or part of its external growth. These three contracts are scheduled to mature on July 1, 2016 and are indexed against the three-month Euribor.

To hedge its exposure to the interest rate risk, and more specifically fluctuations in the three-month Euribor, against which the credit line drawdowns are indexed, the Company decided to take out two variable-fixed rate swap agreements (2.085% for 20 M€ of capital and 1.85% for 10 M€). The Company also decided to apply hedge accounting for these two instruments at December 31.

Repayable advance for FELIN project:

At December 31, 2014, an interest-free repayable advance from BPI France was also recorded in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop new-generation integrated circuits

and equipment for 4G connected devices, particularly for the automotive market, for a total of 1,162 K€. This advance will be repayable in four installments from June 2018 to June 2021.

Cash pooling: Group advance / borrowings:

Lastly, the cash pooling system which has also been rolled out in order to optimize cash management within the Group, lending funds to or borrowing funds from subsidiaries as required, has made it possible to reduce the rate risks, repatriate surplus cash from certain subsidiaries and optimize the investment of free cash flow.

► Accrued expenses

Accrued expenses included in balance sheet items	In €
Convertible bonds	-
Other bonds	-
Borrowings and debt with credit institutions	5,824
Sundry borrowings and financial debt	-
Trade payables and related	10,845,300
Tax and social security liabilities	8,671,417
Liabilities on fixed assets and related	-
Cash, cash equivalents and accrued expenses	-
Other liabilities	360,385
Total	**19,882,926**

The potential earnout for Varioptic will be payable in 2015, depending on the revenues achieved by Varioptic in 2014. This potential earnout will be payable to all the vendors and is not subject to any future service conditions. The value of the potential earnout was reduced by 84 K€ during 2014, factoring in the probability of the performance criterion being met and the impact of discounting on the future payment. After being adjusted, the earnout represents 645 K€.

► Translation gains or losses

Translation gains or losses on accounts receivable and payable in foreign currencies (in euros):

Type of gain or loss	Amount assets: unrealized loss	Difference offset through forex hedging	Provision for forex loss	Amount liabilities: unrealized gain
On non-financial fixed assets	-	-	-	-
On long-term financial investments	-	-	-	-
On receivables	21,361	-	21,361	1,640,988
On financial debt	-	-	-	-
On operating debt	398,438		398,438	5,891
On fixed asset-related debt	-	-	-	-
Total	**419,798**	**-**	**419,798**	**1,646,878**

20.4.3.6. Note 4 – Information on the income statement

Note 4.1. Breakdown of revenues

Breakdown by market	in €
Handsfree kits (Installed systems and Plug & Play)	54,464,510
Home: Designer Collection	5,463,026
Parrot AR.Drone	16,356,273
Mini Drones	16,803,106
Flower Power	709,651
DIB COM products	8,791,609
Varioptic products	1,959,009
Other sales	20,155,885
Total	**124,703,069**

Breakdown by regional market	in €
Europe excluding France	78,901,903
France	23,089,336
Other countries	22,711,830
Total	**124,703,069**

Note 4.2. Other income

	in €
Royalties billed to Parrot Asia Pacific	44,728,289
Royalties billed to other customers	3,029,269
Other	212,279
Total	**47,969,836**

Note 4.3. Financial income

Financial income	in €
Income from marketable securities	855,701
Reversal of provisions	8,348,642
Transferred non-recurring expenses	570,128
Foreign exchange gain	2,425,112
Other interest and related income	669,451
Financial income from equity interests	6,601,338
Total	**19,470,372**

Financial expenses	in €
Provisions for exchange gains or losses	419,798
Depreciation of shares distributed	407,454
Depreciation of shares distributed (unqualified)	1,026,820
Depreciation of long-term financial investments	359,759
Interest	845,474
Foreign exchange loss	1,762,018
Capital loss on treasury stock	150,233
Total	**4,971,557**

Financial income and expenses, which show a 14,499 K€ profit, primarily reflect:

- Reversal of the impairment of securities and the Parrot Inc receivable/loan/créance for 5,449 K€,
- Reversal of the impairment of treasury stock for 1,109 K€,
- Income from investment securities for 6,601 K€.

Note 4.4. Non-recurring income

Non-recurring income	in €
Income from disposal of asset items	1
Non-recurring income from previous years	-
Misc. non-recurring income	84,000
Reversal of provisions for non-recurring expenses	119,104
Transferred non-recurring expenses	1,042,164
Total	**1,245,269**

Non-recurring expenses	in €
Penalties	2,695
Non-recurring expenses	1,180,728
Book values of assets divested	496,528
Merger loss from the acquisition of shares issued by the Company	1,042,164
Non-recurring depreciation and provisions	2,830,866
Total	**5,552,981**

Non-recurring expenses include the costs for legal and other fees incurred in connection with litigation and claims/disputes and claims/coûts d'honoraires et d'avocats encourus dans le cadre de litiges et réclamations. More specifically, they include costs relating to the patent infringement proceedings opened in 2004 for Parrot S.A. and its American subsidiary in the US and concerning the Drone business. No provisions for contingencies have been recorded since the risk has not been able to be accurately assessed.

Note 4.4. Corporate income tax

in €	Pre-tax earnings	Tax
Income from ordinary operations	3,575,931	-
Common law tax	-	-
Discount rate tax	-	-561,963
Withholding tax	-	-1,595,274
Tax credit	-	6,696,687
Provisions for tax	-	-380,866
Non-recurring income / loss (excluding profit-sharing)	-4,307,712	-
Pre-tax earnings	-731,781	
Tax	-	4,158,584
Net income	**-**	**3,426,803**

Note 4.5. Unrealized tax

in €	Base	Tax
Temporarily taxable transactions	-	-
Losses carried forward	-77,963,921	-
Loss for the year	-16,682,832	-
ORGANIC (national fund for the independent organization of old-age insurance for non-salaried industrial and commercial workers)	51,156	-
Unrealized capital gains on UCITS	-43,522	-
Exchange gains	1,646,878	-
Retirement benefits	870,000	-
Total	-92,122,241	-
Future tax saving	-	-30,704,343
Total	**-92,122,241**	**-30,704,343**

20.4.3.7. Note 5 – Other information

Note 5.1. Payables and receivables

▶ **Due dates for accounts receivable**

in €	Gross amount	Under 1 year	Over 1 year
Fixed assets			
Equity interest-related receivables	7,042,254	7,042,254	-
Loans	-		-
Other long-term financial investments	1,823,246	1,146,865	676,380
Total	**8,865,499**	**8,189,119**	**676,380**
Current assets			
Bad or disputed receivables	1,195,126	-	1,195,126
Other trade receivables	55,956,085	55,956,085	-
Advances and deposits paid	244,210	244,210	-
Receivables representative of loaned securities	-	-	-
Staff and related	17,466	17,466	-
Social security and related	131,797	131,797	-
State - corporate income tax	14,068,022	14,068,022	
State - value-added tax	2,106,373	2,106,373	
State - other tax and payments	-		
State - other	910,014	910,014	
Group and related	610,937	610,937	
Sundry receivables	659,327	659,327	
Total	**75,899,358**	**74,704,232**	**1,195,126**
Prepaid expenses	2,321,419	2,321,419	
Total	**87,086,276**	**85,214,770**	**1,871,506**

The 14,068 K€ tax receivable corresponds primarily to the research tax credit receivable for 19,715 K€, against which a tax expense has been allocated for 5,647 K€.

▶ **Due dates for accounts payable**

in €	Gross amount	Under 1 year	1 to 5 years
Non-convertible bonds	-	-	-
Borrowings from credit institutions	11,691,511	8,191,511	-
- Up to 1 year at the outset	-	-	-
- Over 1 year at the outset	11,691,511	8,191,511	3,500,000
Sundry borrowings and financial debt	-	-	-
Trade payables and related	35,391,363	35,391,363	-
Staff and related	5,410,576	5,410,576	-
Social security and related	4,332,663	4,332,663	-
Corporate income tax	352,119	352,119	-
Value-added tax	67,761	67,761	-
Surety bonds	-	-	-
Other taxes and related	999,485	999,485	-
Fixed asset payables and related	-	-	-
Group and related	2,884,675	2,884,675	-
Other payables	2,819,792	2,819,792	-
Debt representative of borrowed securities	-	-	-
Prepaid income	-	-	-
Total	**63,949,946**	**60,449,946**	**3,500,000**

Note 5.2. Transactions between related parties

in €	Assets	Liabilities	Financial expenses	Financial income
Long-term financial investments	7,642,264	2,873,093	-	-
Group trade receivables	23,394,229	-	-	244,547
Group trade payables	-	15,538,432	-	-
Loan interest	-	-	-	-
Accrued interest	-	-	-	-
Total	**31,036,493**	**18,411,525**	**-**	**244,547**

Note 5.3. Off-balance sheet commitments

- Customs guarantee: 300 000 € outstanding
- Office leasing:
  - 2015: 1,312 K€
  - 2016: 658 K€
  - 2017: 86 K€

At the start of the second half of 2014, 5 M€ of investment collateral was renewed as a guarantee for the agreement to open a drawdown credit facility with Crédit Agricole d'Ile de France.

At December 31, the amount of firm orders placed with our main suppliers represented 27.3 M€.

On July 20, 2012, the Company granted JADE SAS a joint and several guarantee for up to 0.5 M€ for the effective fulfilment by its subsidiary CHEZ PARROT SARL of its commitments under its lease for the premises at 30 rue du Quatre-Septembre in Paris (75002).

Parrot S.A. has granted a parent company guarantee to the supplier Jabil covering the contractual commitments of its subsidiary Parrot Asia Pacific Ltd for 27 M$.

The following ratios defined with the banks were respected at December 31, 2014:

- Consolidated net financial debt / consolidated EBITDA
- Consolidated gross financial debt / consolidated equity (Group share)
- Consolidated net financial debt / consolidated equity

Parrot has awarded senseFly's minority shareholders put options for the 39.6% interest they hold in senseFly. These options will be able to be exercised in 2016 and will be payable in Swiss francs, with an exercise price based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

Parrot has awarded Pix4D's minority shareholders put options for the 39.9% interest they hold in Pix4d. These options will be able to be exercised in 2017 and will be payable in Swiss francs, with an exercise price based on the revenues and operating margin achieved by Pix4D in 2015 and 2016. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of Pix4D's senior management team.

Note 5.4. Retirement benefits

Assumptions for the valuation of Parrot's retirement benefit commitments at December 31, 2014:

Main assumptions	2013	2014
Discount rate	**2.00%**	**3.50%**
Inflation rate		
Rate of wage growth	**2.00%**	**2.00%**
Mortality tables	**INSEE TV/TD 06-08**	**INSEE TV/TD 06-08**
Retirement approach	**Voluntary**	**Voluntary**
Retirement age		
- Executive grade staff	64	64
- Non-executives	62	62
Turnover		
25 years old and less	15.00%	15.00%
25 - 29	11.00%	11.00%

30 - 34	7.50%	7.50%
35 - 39	4.50%	4.50%
40 - 44	1.90%	1.90%
45 - 49	0.80%	0.80%
50 years old and over	0.00%	0.00%
Employer payroll taxes rate	45.00%	45.00%
Valuation method	**Projected unit credits with prorated entitlements at term**	

Change in provisions at Dec 31, 2013 in K€	2013	2014
(Provision) / amount paid in advance at start of period	1,633	1,481
Income / expense for 2014	870	294
Benefits paid by employer		42
(Provision) / amount paid in advance at Dec 31, 2013	**2,503**	**1,633**

- **Individual training request**

Number of hours: Since January 1, 2015, the individual training entitlements (DIF) system has been replaced with personal training accounts, with entitlements representing a total of 31,221 hours.

Note 5.5. Headcount of Parrot S.A.

- **Headcount**

December 31	2013	2014
Actual headcount	571	609
Average headcount	571	598

The change in the headcount over 2014 can be broken down as follows:

Company recruitments during the year:

- 196 recruitments, including
- 90 fixed-term contracts

Departures during 2014:

- Resignations: 40
- Fixed contracts ended: 17
- Probationary periods completed: 3
- Dismissals for just cause: 7
- Dismissal for gross misconduct: 5
- Dismissal for ordinary negligence: 1
- Dismissal for economic reasons: 0
- Contract terminations by employer: 12
- Contract terminations by employees: 0
- Group transfers: 4
- Death: 0
- Retirement: 0

Note 5.6. Executive compensation

In 2013, the global compensation for administrative and management bodies totaled 368,871 euros, with 25 K€ in attendance allowances.

20.5. Statutory auditors' report on the annual financial statements

KPMG Audit
Immeuble Le Palatin
3 cours du Triangle
CS 80039
92939 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saisons
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Dear shareholders,

Pursuant to the mandate given to us by your General Meeting, please find hereafter our report on the financial year ended December 31, 2014 relative to:

- The audit of Parrot SA.'s annual financial statements as appended to this report;
- The basis for our opinions;
- The specific procedures and information required under French law.

The annual financial statements are the responsibility of your Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

1 Opinion on the annual financial statements

We conducted our audit in accordance with the industry standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from any material misstatements. An audit involves examining, on a test basis or using other selection methods, evidence supporting the amounts and information contained in the annual financial statements. An audit also involves assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the elements we have collected are sufficient and appropriate to form a basis for our opinion.

We certify that the annual financial statements present fairly, in all material respects, the financial position of the Company, its assets and liabilities, and the results of its operations for the year ended in accordance with the accounting rules and principles in force in France.

2 Basis for our opinions

Pursuant to the provisions of Article L.823-9 of the French commercial code relative to the forming of our opinions, we would like to draw your attention to the following points:

- The "Goodwill" section in Note 3.4.1 "Intangible assets" presents the accounting rules and methods for the impairment of technical merger losses.
- Note 3.4.3 "Long-term financial investments" presents the accounting methods and rules relating to the value in use and depreciation of investment securities.
- Note 3.4.4 "Inventories" presents the accounting methods and rules relating to the depreciation of inventories.
- The provisions recorded to cover litigation and claims have been valued in accordance with the conditions presented in Note 3.4.8 "Provisions for contingencies and liabilities".

In connection with our assessment of the accounting principles applied by your company, we verified the appropriate nature of the accounting methods set out above and the disclosures provided in the notes to the financial statements, while ensuring that they were applied correctly.

The assessments made in this way are part of our audit of the annual financial statements in general and therefore contributed to the formation of our opinion expressed in the first part of this report.

3 Specific procedures and information

In accordance with the industry standards applicable in France, we also performed the specific procedures required under French law.

We have no observations to make regarding the fair presentation and consistency with the annual financial statements of the information given in the Board of Directors' management report and the documents provided for shareholders with respect to the financial position and the annual financial statements.

With regard to the information supplied in accordance with the provisions of Article L.225-102-1 of the French commercial code concerning the compensation and benefits paid to corporate officers, as well as the commitments made in relation to them, we have checked that it is consistent with the accounts or with the data used for drawing up such accounts and, as relevant, with the elements collected by your company from companies controlling or controlled by your company. On the basis of this work, we certify that such information is true and accurate.

In accordance with French law, we also ensured that the management report contained the various disclosures required concerning the acquisition of interests and control, as well as the identity of shareholders and voting rights.

Paris La Défense, April 13, 2015

The statutory auditors

KPMG Audit
Eric Lefebvre
Partner

ERNST & YOUNG et Autres
Pierre Jouanne
Partner

20.6. Interim financial information

NA.

20.7. Dividend payment policies

The Company has not paid out any dividend over the last three years.

On the filing date for the present reference document, the Company intends to use its operational cash flow to finance its business over the short and medium term. The Company does not intend to pay out dividends to its shareholders in the near future.

20.8. Arbitration and judicial proceedings

Parrot S.A. and its American subsidiary are currently subject to patent infringement proceedings in the United States, opened in 2014 and concerning the Drone business unit. To date, the risk has not been able to be accurately evaluated.

There are no other governmental, arbitration or legal proceedings that have in the past 12 months had a material impact or would be likely in the future to have a material impact on the financial position of the Company and/or the Group.

20.9. Significant change in the commercial or financial position

The Group has not seen any significant change in its commercial or financial position since December 31, 2014.

XXI. Additional information

21.1. Share capital

On the filing date for the present reference document, Parrot is a French-law limited company ("*société anonyme*") governed by the laws and regulations in force, as well as its status as a publicly traded company whose shares are admitted for trading on a regulated market. This section presents information concerning the financial authorizations and the bylaws as on the date of the present reference document.

21.1.1. Amount of the share capital

At December 31, 2014, the share capital was split into 12753,663 fully paid-up ordinary shares, all of the same category, with a par value of 0.1524 euros, representing a total of 1,944,295 euros.

21.1.2. Non-capital securities

On the filing date for this reference document, the Company had not issued any securities that are not representative of its capital.

21.1.3. Shares bought back over the year

21.1.3.1. Share buyback policy and objectives

The general meeting on June 11, 2014 renewed the authorization to implement a share buyback program, for an 18-month period ending December 10, 2015. Under this authorization, the Company buys back treasury shares in connection with a liquidity agreement on the one hand and allocations of shares to Group employees on the other.

The Company entered into a first liquidity agreement with Natixis on July 31, 2008, in accordance with the AFEI compliance charter, approved by the French securities regulator (AMF), for a one-year period, tacitly renewable subject to the renewal of the authorization given to the Board of Directors to implement a share buyback program by the aforementioned general meeting.

Since the ordinary general meeting on June 11, 2014 renewed the authorization for the Board of Directors to implement a share purchase program, the Board acknowledged during its meeting on June 11, 2014 this contract's tacit renewal as from this same day. The latest mandate still in place with Natixis is due to end on the day of the general meeting convened to approve the annual financial statements for 2014.

As authorized by the general meeting on June 11, 2014, the maximum purchase price for shares has been set at 41.125 euros. Acquisitions made by the Company under these authorizations may not result in the Company directly or indirectly holding more than 10% of the shares comprising its capital.

The shares bought back may be used with a view to:

- Continuing to implement the liquidity agreement;
- Awarding stock options and/or bonus shares;
- Being submitted in exchange for payment in connection with external growth operations;
- Reducing the Company's capital.

■ Limiting dilution

Traditionally, since floating on the stock market in 2006, Parrot has carried out operations on the financial markets to acquire the bonus shares awarded and regularly offset the dilution resulting from stock options awarded through capital reductions based on cancellations of shares. In this way, during its session on May 15, 2013, the Board of Directors, in accordance with the tenth resolution from the combined general meeting on June 6, 2012, decided to cancel 200,000 treasury shares, representing 1.56% of the total number of securities at May 15, 2013, the capital reduction's effective date. The total number of Parrot shares came to 12,753,663 at December 31, 2014, compared with 12,599,724 at December 31, 2006.

In 2014, besides the shares traded within the liquidity agreement, the company did not purchase any of its own shares. At December 31, 2014, Parrot held 4.6% of its capital as treasury stock, representing 582,819 shares.

21.1.3.2. Liquidity agreement in connection with the share buyback programs

The means made available to Natixis Securities so that it can perform its market making activity have been set at a maximum of 600 K€, paid up in full, with the maximum unit price for purchases not to exceed 41.125 euros.

As decided by the Board of Directors on June 11, 2014, the Company acknowledged the automatic renewal of the liquidity agreement set up with Natixis for a one-year period from July 31, 2014 to July 31, 2015.

In 2014, under the liquidity agreement:

- Number of shares bought and sold:
  - 198,945 shares bought;
  - 201,575 shares sold.
- Average price for purchases and sales:
  - Average price for purchases: 19.66 euros;
  - Average price for sales: 19.59 euros.
- Number of shares registered in the Company's name at year-end:
  - 6,949 shares registered;
  - Value based on the purchase price: 139,411 euros;
  - Average purchase price: 20.06 euros;
  - Reasons for acquisitions made: market making or liquidity of the Company's share;
  - Percentage of the capital they represent: not significant.
- Resources available for the liquidity account at December 31, 2014:
  - 395,440 euros.
- Amount of trading fees for Natixis:
  - Annual flat rate: 30 K€.

21.1.3.3. Treasury share buybacks in connection with the share buyback programs

► Share buyback program implemented under the mandate from June 4, 2013

The company did not buy back shares during 2014.

21.1.4. Potential capital

The breakdown of the Company's capital and voting rights on the filing date for the reference document following the exercising of securities entitling holders to access the Company's capital is indicated in Section 18.1.1. above “Current breakdown of the share capital and voting rights” in this reference document.

21.1.5. Authorized capital not issued

Detailed information on the potential capital is provided in 17.2 “Company founder equity warrants, stock options and bonus shares for Group staff”, while noting that no dilutive instruments have been awarded outside of the Group’s employees.

The following table summarizes the valid delegations granted by general shareholders' meetings, as well as the uses made of them during previous financial years and 2014.

Extraordinary general meeting on June 4, 2013

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2014
1 - Authorization for the Board to reduce the capital through the cancellation of shares in accordance with Article L.225-209 of the French commercial code	18 months from Jun 4, 2013, i.e. through to Dec 31, 2014	10% per 24-month period	NA
2 - Authorization for the Board to award Company stock options or warrants to employees and/or certain corporate officers of the Company or related companies	From Jun 4, 2013 to the general meeting to approve the financial statements for the year ended Dec 31, 2013	1% of the capital	NA
3 - Authorization for the Board to freely award existing Company shares and/or Company shares to be issued to employees and/or certain corporate officers of the Company or related companies	From Jun 4, 2013 to the general meeting to approve the financial statements for the year ended Dec 31, 2013	1% of the capital	NA
4 - Delegation of authority for the Board to carry out capital increases through the issuing of shares with preferential subscription rights waived for members of a company savings scheme in accordance with Articles L.3332-18 of the French employment code	26 months from Jun 4, 2013, i.e. through to Aug 4, 2015	50 K€	NA

Overall cap on authorizations: 915,000 euros.

Extraordinary general meeting on June 11, 2014

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2014
1 – Authorization for the Board to reduce the capital through the cancellation of shares	18 months from Jun 11, 2014, i.e. through to Dec 10, 2015	10% per 24-month period	NA
2 – Authorization for the Board to award Company stock options or warrants	Through to the general meeting to approve the financial statements for the year ended Dec 31, 2014	0.5% of the capital	NA
3 – Authorization for the Board to freely award Company shares	Through to the general meeting to approve the financial statements for the year ended Dec 31, 2014	0.5% of the capital	NA
4 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	750,000 euros	NA

the awarding of debt securities, with preferential subscription rights maintained for shareholders			
5 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares and/or the awarding of debt securities, with preferential subscription rights waived for shareholders in connection with a public offering	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	750,000 euros	NA
6 – Delegation of authority for the Board to issue ordinary shares or marketable securities in connection with an offer covered under Section II of Article L.411-2 of the French monetary and financial code	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	20% of the capital/year	NA
7 – In the event of a capital increase with preferential subscription rights waived for shareholders, authorization for the Board to increase the number of securities to be issued	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	15% of the amount of the initial capital increase	NA
8 – Delegation of authority for the Board to issue ordinary Company shares and marketable securities entitling holders to access ordinary Company shares in the event of a public exchange offer initiated by the Company	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	750,000 euros	NA
9 – Delegation of authority for the Board to issue ordinary Company shares in return for contributions in kind made to the Company and comprising capital securities or marketable securities with an equity component	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	10% of the capital on Jun 11, 2014	NA
10 – Delegation of authority for the Board to increase the Company's capital through the incorporation of reserves, profits or premiums	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	750,000 euros	NA
11 – Delegation of authority for the Board to carry out capital increases reserved for staff who are members of a company savings scheme	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	50,000 euros	NA

Overall cap on authorizations: 750,000 euros.

21.1.6. Information on conditions governing the capital

NA.

21.1.7. Changes to the share capital

At December 31, 2014, the Company's share capital comprised 12,753,663 shares, including the exercising of 98,370 stock options by employees of the Group.

■ Details of changes to the share capital during the last two fiscal years

Date	Operation	Number of shares issued	Par value of shares (€)	Nominal amount of change in capital (€)	Issue, contribution or merger premium (€)	Aggregate amount of share capital (€)	Aggregate number of shares
Feb 15, 2012	Capital reduction	200,000	0.1524	-30,480	-4,513,520	1,934,920	12,692,145
Nov 15, 2012	Exercising of stock options	46,457	0.1524	7,080	678,363	1,942,001	12,738,602
May 15, 2013	Capital reduction	200,000	0.1524	-30,480		1,911,521	12,538,602
May 15, 2013	Exercising of stock options	86,958	0.1524	13,252	655,528	1,924,773	12,625,560
Nov 14, 2013	Exercising of stock options	23,289	0.1524	3,549	162,688	1,928,322	12,648,849
Feb. 26, 2014	Exercising of stock options	6,444	0.1524	982	37,677	1,929,304	*12,655,293

* The difference recorded for the capital at December 31, 2014 is linked to the Board of Directors' meeting held on February 26, 2015 acknowledging this capital increase, so following the end of the reporting period.

21.2. Bylaws

The bylaw provisions that have been adopted by the general shareholders' meeting and are in force are presented hereafter in full.

The latest amendments made following the general meeting on June 11, 2014 (20th resolution) concern Article 13 of the bylaws "Identification of shareholders – Disclosure thresholds", where the second paragraph is now mentioning:

"In addition to the legal disclosure requirement set out in Article L. 233-7 of the French commercial code, any individuals or legal entities acting alone or in concert that directly or indirectly acquire a number of shares representing 2.5% of the Company's capital or voting rights, or any multiple of this percentage, is required to inform the Company of the total number and the percentage of shares and voting rights that they hold, indicating its identity and that of any parties acting in concert with it, by email at ag@parrot.com, confirmed on the same day with a letter sent recorded delivery with delivery receipt to the Company's registered office, within four (4) trading days of any such thresholds being exceeded.

This obligation applies under the same conditions as those set out in the previous paragraph each time the fraction of the share capital or voting rights drops below one of the thresholds mentioned in the previous paragraph."

In addition, the provisions set out in the French securities regulator (AMF) recommendation 2008-12 "Guide for preparing reference documents for small and mid caps" are detailed following the bylaws.

► Article 1 - Form

The company is limited.

It is governed by the laws and regulations in force, and more specifically the provisions of the French commercial code (Code de commerce) relating to commercial companies, in addition to these bylaws.

► Article 2 - Corporate purpose

The Company's purpose, both in France and abroad, is as follows:

- Design, development, verification, control, manufacturing, marketing, distribution and leasing of electronic and IT products (particularly integrated chipsets) for industry and consumers;
- Performance and marketing of technical and economic research in the electronics and IT sectors;
- Design, development, manufacturing, marketing and distribution of optical components, optical subsets or optoelectronics for industry or consumers;

- Development, manufacturing and sale of optical instruments for industry and consumers;
- Research, development and marketing of all systems using the electrowetting principle or related electrokinetic principles in all areas of interest for such systems: medical, biological, physics or chemical instrumentation;
- All directly or indirectly, on its own behalf or on behalf of third parties, either alone or with third parties, through the creation of new companies, contributions, partnerships, subscriptions, purchases of securities or corporate rights, mergers, alliances, joint ventures, leasing, takeover, management leasing of any business assets, establishments, property, rights or other elements;
- And generally, any financial, commercial, industrial, civil, real estate or property operations that may be directly or indirectly related to any of the specific purposes or any similar or related purposes, or likely to facilitate the development of corporate assets.

▶ Article 3 - Company name

The company name is "Parrot".

In all documents originating from the Company and intended for third parties, the company name must be preceded or followed immediately by the words “société anonyme" ("limited company") or the abbreviation "S.A.", with a statement indicating the amount of the share capital.

▶ Article 4 - Registered office

The registered office is located at 174-178, Quai de Jemmapes, 75010 Paris, France.

It may be relocated to any other venue in the same *département* or a neighboring *département* following a decision by the Board of Directors, subject to such a decision being ratified at the next ordinary general meeting, or to any other location following a decision by an extraordinary general meeting.

When a relocation is decided by the Board of Directors in accordance with French law, the Board may amend the bylaws accordingly.

▶ Article 5 – Duration

The duration of the Company has been set at 99 years, starting from the date of its entry into the trade and companies register, unless extended or dissolved earlier.

▶ Article 6 – Share capital[9]

The share capital is set at 1,929,304.33 euros, split into 12,655,293 fully paid-up shares.

▶ Article 7 - Changes to the share capital

The share capital may be increased, reduced or redeemed by any means and in any way authorized under French law.

▶ Article 8 - Conditions for shares to be paid-up

The shares subscribed for in cash either on incorporation or as part of a capital increase must be paid up for at least half of their par value on subscription at the time of incorporation and one quarter of their par value for subsequent capital increases in addition to, when applicable, the entire issue premium.

The remaining balance must be paid up on one or more occasions as called by the Board of Directors within five years either from the Company's entry into the trade and companies register, or from the day when the capital increase became definitive.

Calls for funds are brought to the attention of subscribers at least 30 days before the date set for each payment in a notice published in a legal announcement journal or the French official gazette (BALO), followed by a recorded delivery letter for any shareholders who have not paid up the outstanding balance 15 days before the end of the period set.

Any late payment of sums due on the amount not paid up for shares is automatically subject to interest at the legal rate, without the need for any formalities, from the due date, without prejudice to any personal legal action that the Company may take against the defaulting shareholder and any legal enforcement measures.

[9] The share capital presented here is that from the Company's bylaws dated June 11, 2014 (date of the latest update following the general meeting on the same day). Information on the share capital at December 31, 2014 is notably available in Section 20.2.20.1 “Share capital and issue premium”.

► Article 9 - Form of the shares

Shares may be held on a registered or bearer basis, as selected by their holders. Their materiality results from their registration in the names of the holders in accounts held to this effect, under the legal terms and conditions, by the Company or its agent for registered shares, and by an authorized intermediary for bearer shares.

► Article 10 - Sale and transfer of shares and other marketable securities issued by the Company

The shares issued by the Company are freely tradable, unless indicated otherwise by any legislative or regulatory provisions.

Ownership of shares results from their registration in an account in the names of their holders in accounts held by the Company or its agent for registered shares, and in accounts held by an authorized intermediary for bearer shares.

With regard to third parties and the Company, shares are transferred based on an inter-account transfer under the legal and regulatory conditions in force. Shares that are not fully paid-up cannot be transferred between accounts.

The stipulations of this article apply in general for all marketable securities issued by the Company.

► Article 11 - Rights and duties associated with shares

1) Each share entitles the holder to a part of the profits and corporate assets proportional to the share in the capital that it represents.

In addition, it gives the holder the right to vote and be represented at general meetings, under the legal conditions provided for under French law and the Company bylaws.

2) Shareholders are only liable for up to the nominal amount of the shares that they own; beyond this, no further funds may be requested.

The rights and duties associated with shares correspond to the holder at all times.

Owning one share entitles holders as of right to be covered by the Company's bylaws and decisions taken by the general meetings.

3) Heirs, creditors, legal claimants or other representatives of a shareholder may not request the stamping of seals on the Company's assets, request the sharing or licitation of such assets, or interfere in the administration of the Company. For the exercising of their rights, they must do so with reference to the corporate inventories and the decisions of the general meeting.

4) Whenever it is necessary to own several shares to exercise any right, in the event of an exchange, consolidation or allocation of shares, or further to a capital increase or reduction, merger or other corporate operation, the owners of isolated shares, or shares below the number required, will only be able to exercise such rights if they personally ensure the consolidation and, as relevant, the acquisition or sale of any shares required.

► Article 12 - Indivisibility of shares – Beneficial ownership – Bare ownership

1) The shares are indivisible with regard to the Company.

Joint owners of shares are required to be represented in relation to the Company by only one of them, who is considered as the sole owner, or by a single proxy. In the event of a disagreement, the sole representative may be appointed by the courts at the request of the first joint owner to refer the matter to the courts.

2) Unless the Company is informed of an agreement indicating otherwise, the voting right belongs to the beneficial owner in ordinary general meetings and the bare owner in extraordinary general meetings.

► Article 13 - Identification of shareholders – Disclosure thresholds

1) With a view to identifying holders of securities on a bearer basis, the Company, under the legal and regulatory terms and conditions in force, may at any time ask, in return for remuneration, the organization responsible for clearing the securities for the name or, if this concerns a legal entity, the corporate name, the nationality and the address or, as relevant, the registered office of holders of securities entitling them immediately or at a later time to vote at its general meetings, as well as the quantity of securities held by each one, and if necessary, any restrictions which may apply to the securities.

2) In addition to the legal disclosure requirement set out in Article L. 233-7 of the French commercial code, any individuals or legal entities acting alone or in concert that directly or indirectly acquire a number of shares representing

2.5% of the Company's capital or voting rights, or any multiple of this percentage, is required to inform the Company of the total number and the percentage of shares and voting rights that they hold, indicating its identity and that of any parties acting in concert with it, by email at ag@parrot.com, confirmed on the same day with a letter sent recorded delivery with delivery receipt to the Company's registered office, within four (4) trading days of any such thresholds being exceeded.

This obligation applies under the same conditions as those set out in the previous paragraph each time the fraction of the share capital or voting rights drops below one of the thresholds mentioned in the previous paragraph.

In the event of failure to comply with the requirements stipulated in the previous two paragraphs, any shares exceeding the fraction that should have been disclosed will forfeit their voting rights for any general meeting held until the end of a two-year period following the date when the disclosure issue was resolved. With the exception of cases when one of the thresholds provided for under Article L. 233-7 of the French commercial code are exceeded, voting rights will only be suspended further to a request by one or more shareholders holding at least 2.5% of the Company's capital and voting rights, recorded in the general meeting's minutes.

► Article 14 - Board of Directors

The Company's administration is handled by a Board of Directors made up of a minimum of three and a maximum of 12 members.

For the duration of their term-of-office, each director must own at least ONE share (1).

Directors are appointed for a six (6) year term of office.

In the event of one or more director seats becoming vacant further to their death or resignation, the Board of Directors may, between two general meetings, make provisional appointments as provided for under French law.

However, when the number of directors in office falls below the minimum legally required, the directors still in office or, failing that, the statutory auditors must immediately convene an ordinary general shareholders' meeting with a view to completing the Board's headcount.

The provisional appointments made by the Board of Directors are submitted to be ratified at the next general meeting.

If provisional appointments are not ratified by the general meeting, the deliberations and proceedings carried out by the directors appointed provisionally, or with their support, will nevertheless remain valid.

Directors appointed to replace another member will remain in office for the time left to run on their predecessor's term.

All outgoing members may be reappointed. Notwithstanding the previous provisions, the number of individual directors and permanent representatives of corporate bodies over the age of 70 may not exceed one third of the directors in office (rounded up to the nearest whole number, as relevant) further to each ordinary annual general meeting convened to approve the corporate financial statements.

► Article 15 - Board of Directors' deliberations

1) Board meetings may be convened by any means, including verbally, either at the registered office or at any other location indicated in the notice to attend.

2) Deliberations are subject to the quorum and majority conditions provided for under French law. In the event of a tie, the Chairman of the session has a casting vote.

3) Except when the Board is convened to carry out the operations provided for under Articles L. 232-1 and L. 233-16 of the French commercial code, the Board of Directors' bylaws may consider directors participating in the meeting using videoconferencing or other telecommunications facilities enabling their identification and guaranteeing their effective participation, under the legislative and regulatory conditions in force, to be present for calculating the quorum and majority.

► Article 16 - Powers of the Board of Directors

The Board of Directors determines the strategies for the Company's business and oversees their implementation. Subject to the powers expressly granted for shareholder meetings and in accordance with the corporate purpose, it reviews all matters concerning the Company's effective operations and rules on the affairs concerning it through its deliberations.

In dealings with third parties, the Company is committed by actions taken by the Board of Directors that do not fall within the corporate purpose, unless it is able to prove that the third party knew that the actions in question exceeded this purpose or that it could not be unaware of this in view of the circumstances, with the publication of the bylaws alone not enough to constitute such proof.

The Board of Directors carries out the controls and verifications that it deems necessary. All directors receive all the information required for their missions and may be provided with any documents that they believe necessary.

The Board of Directors may adopt a set of bylaws specifying the conditions under which it operates.

The Board of Directors may decide to create committees tasked with looking into matters submitted to them by the Board or its chairman for their opinion and review. It determines the makeup and remits of the committees operating under its responsibility. It also determines any compensation to be awarded to the people making up such committees.

► Article 17 - Chairman of the Board of Directors

From among its individual members, the Board of Directors elects a Chairman and sets his or her term-of-office and compensation.

The Chairman is appointed for a term of office that may not exceed the term of his or her directorship, and may be reappointed.

The age limit for serving as Chairman of the Board of Directors is 65.

The Chairman of the Board of Directors organizes and oversees its work, which he or she reports on at the general meeting. He or she ensures that the Company's various bodies operate effectively and more specifically that the directors are able to perform their missions.

The Chairman of the Board of Directors is informed by the party concerned about agreements concerning day-to-day operations and entered into under normal conditions. The Chairman provides the Board members and the statutory auditors with a list and an indication of the purpose of such agreements.

► Article 18 - Executive Management

Conditions for performance:

The Company's executive management is performed, under his or her responsibility, either by the Chairman of the Board of Directors, or by any other individual appointed by the Board of Directors, serving as the Chief Executive Officer.

The Board of Directors chooses between the two executive management options available, under the following conditions:

- the choice is made by the Board of Directors ruling based on a majority of its members,
- the option selected will only be able to be called into question when reappointing or replacing the Chairman of the Board of Directors or at the end of the Chief Executive Officer's term of office.

The shareholders and third parties are informed about the Board's choice under the legal conditions in force.

When the Company's executive management functions are performed by the Chairman of the Board of Directors, the provisions relative to the Chief Executive Officer are applicable for the Chairman.

Chief Executive Officer and Deputy Chief Executive Officer:

The Company's executive management is performed by the Chief Executive Officer. As proposed by the Chief Executive Officer, the Board of Directors may appoint one or more individuals to support the Chief Executive Officer, serving as Deputy Chief Executive Officers. Up to five Deputy Chief Executive Officers may be appointed.

The age limit for serving as Chief Executive Officer or Deputy Chief Executive Officer is set at 65.

The Chief Executive Officer may be dismissed by the Board of Directors at any time. The same is true, as proposed by the Chief Executive Officer, for Deputy Chief Executive Officers. If the dismissal decision is taken without any reasonable grounds, it may result in damages, unless the Chief Executive Officer is serving as Chairman of the Board of Directors.

When the Chief Executive Officer ceases or is unable to perform these functions, the Deputy Chief Executive Officers maintain, unless decided otherwise by the Board, their functions and remits until the new Chief Executive Officer is appointed.

The Board of Directors determines the compensation for the Chief Executive Officer and any Deputy Chief Executive Officers.

The Chief Executive Officer has the broadest powers to act under any circumstances on behalf of the Company. He or she exercises these powers within the limits of the corporate purpose and subject to the powers expressly applicable for shareholder meetings and the Board of Directors under French law.

He or she represents the Company in its dealings with third parties. The Company is committed by actions taken by the Chief Executive Officer that do not fall within the corporate purpose, unless it is able to prove that the third party knew that

the actions in question exceeded this purpose or that it could not be unaware of this in view of the circumstances, with the publication of the bylaws alone not enough to constitute such proof.

Any decisions by the Board of Directors limiting the Chief Executive Officer's powers are unenforceable against third parties.

As agreed with the Chief Executive Officer, the Board of Directors determines the scope and term of any powers granted to the Deputy Chief Executive Officers. In relation to third parties, the Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Chief Executive Officer or the Deputy Chief Executive Officers may, within the limits set by the legislation in force, delegate the powers that they deem appropriate, for one or more given purposes, to any representatives, even from outside of the Company, taken individually or grouped together in a committee or commission. Such powers may be permanent or temporary, and may or may not include an option to stand in for the person in question. The delegations granted in this way remain fully in force despite the end of office for the person who awarded them.

► Article 19 – Statutory auditors

The ordinary general shareholders' meeting appoints one or more incumbent statutory auditors and one or more deputy statutory auditors for the duration, under the conditions and with the mission set by law.

► Article 20 – General meetings

Ordinary general meeting:

The ordinary general meeting receives the Board of Directors' management report and the statutory auditors' reports, approves the annual financial statements, rules on the appropriation of earnings and the distribution of profits. It appoints and dismisses directors and sets their compensation under the legal and bylaw conditions in force. It appoints the statutory auditors.

The ordinary general meeting rules on the appointment of candidates for the Board of Directors as nominated based on a secret ballot with a simple majority by the employee shareholders, convened to a general meeting on the initiative of the Chairman and Chief Executive Officer, with the option to delegate to the head of HR, whenever the staff of the Company and affiliated companies hold at least 3% of the capital at year-end through a collective management structure.

The term of office for the director representing employees is identical to that for the other members of the Board of Directors, it being understood however that the termination of the person's employment contract renders the office null and void.

The ordinary general meeting grants the Board of Directors the authorizations which the latter deems relevant to request and which are not reserved for the extraordinary general meeting.

In general, the ordinary general meeting rules on all matters that do not concern amendments to the bylaws.

An ordinary general meeting is held each year within six months of the previous year-end, except for in the event of a court ruling extending this timeframe.

Extraordinary general meeting:

The extraordinary general meeting may amend any of the provisions of the bylaws. However, it may not increase the commitments of shareholders or change the Company's nationality, except for under the conditions set out by French law or international agreements.

Only the extraordinary general meeting is authorized to check and approve any contributions in kind and specific benefits.

Convening and assembly of general meetings:

General meetings are convened and deliberate under the conditions set by French law.

They are held at the registered office or any other venue indicated in the notice to attend.

Agenda:

The agenda for the general meeting is set by the author of the notice to attend.

However, one or more shareholders or the works' council may, under the conditions determined by the legislative and regulatory provisions in force, ask for points and draft resolutions to be included on the agenda for general meetings.

The meeting may not deliberate on any matters that are not included in the agenda. Nevertheless, it may at any time dismiss and replace one or more directors.

The agenda for a general meeting may not be modified when meetings are convened for a second time.

Access to general meetings – proxies:

1) The general meeting comprises all the shareholders, irrespective of the number of shares held, provided that they have been fully paid-up. All shareholders are entitled to attend general meetings and take part in deliberations, either personally or through a proxy, irrespective of the number of shares held, upon justification of their status.

2) If shareholders are unable to attend general meetings in person, they may choose one of the following three options:

- be represented by another shareholder or their spouse;
- vote by correspondence using a paper or electronic form, in accordance with regulatory requirements, which may be obtained under the conditions indicated in the notice to attend for the meeting; paper correspondence voting forms will only be taken into consideration if they reach the Company at least three (3) days before the meeting date; electronic correspondence voting forms may be received by the Company up until 3 pm (Paris time) on the day before the general meeting;
- send a proxy form to the Company without indicating any representative; the chairman of the general meeting will vote in favor of adopting the draft resolutions put forward or approved by the Board of Directors, and will vote against adopting any other draft resolutions; to vote in any other way, shareholders will need to select a proxy, who agrees to vote as indicated by the shareholders in question.

Holders of securities referred to in Paragraph 7 of Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the terms and conditions required by French law.

3) The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the third working day before the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force.

Under this condition, all shareholders are entitled to take part in meetings, irrespective of the number of shares held, either in person, using videoconferencing facilities or any other electronic means of communication applicable under the laws and regulations in force, as mentioned in the notice to attend, by returning a correspondence voting form or appointing a proxy.

The Board of Directors may shorten or cancel the timeframes set out above.

The Board of Directors may, if it deems it relevant, provide shareholders with personal admission cards in their names and require them to produce these cards.

Attendance sheet – Office – Minutes:

1) An attendance sheet is filled out for each general meeting containing the information required under French law.

The attendance sheet must be signed by the shareholders that are present and the proxies. It must be certified as accurate by the meeting office. The proxies given to representatives must be appended to the attendance sheet.

The attendance sheet and the proxies appended to it must be kept at the registered office and disclosed upon request under the legal and regulatory conditions in force.

2) Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the longest-standing director present at this meeting. For meetings convened by the statutory auditors or a representative of the courts, the meeting is chaired by the party that convened it. Failing that, the meeting elects its Chairman itself.

- The role of scrutineer is performed by the two present and willing shareholders with the largest number of votes, both through themselves and as proxies.
- The office created in this way appoints a secretary, who may be chosen from outside of the shareholders.
- The members of the office are responsible for checking, certifying and signing the attendance sheet, ensuring that discussions take place effectively, resolving any incidents during sessions, checking the votes made, ensuring that they are compliant, and ensuring that the minutes are drawn up.

3) Minutes are sent out and copies or extracts from deliberations are issued and certified in accordance with French law.

Quorum and voting at meetings:

1) At general meetings, each member of the meeting is entitled to one voting right for each share owned or represented, without any restrictions.

2) An ordinary general meeting's deliberations may only be valid if the shareholders present or represented, or voting by correspondence, own at least one fifth of the shares entitled to voting rights at the first meeting convened.

- No quorum is required when convened for the second time. It rules subject to a majority of votes of the shareholders present, represented or voting by correspondence.
- The quorum is calculated based on all the shares comprising the share capital, after deducting any shares not entitled to voting rights under the legal conditions or the stipulations in the present bylaws.

3) The extraordinary general meeting's deliberations may only be valid if the shareholders present, represented or voting by correspondence, own at least one quarter of the shares entitled to voting rights at the first meeting convened, and one fifth when convened for a second time. In the event of failure to reach the latter quorum, the second meeting may be postponed by up to two months as of the date on which it had been convened.

- It rules subject to a two-thirds majority of the votes of the shareholders present, represented or voting by correspondence.
- In the event of a capital increase through the incorporation of reserves, profits or issue premiums, the meeting rules under the quorum and majority conditions required for ordinary general meetings.

4) Any shareholders taking part in general meetings using videoconferencing or other telecommunications resources making it possible to identify them under the regulatory conditions in force will be deemed to be present for calculating the quorum and majority.

► Article 21 - Financial years

The financial year runs from January 1 to December 31 each year.

► Article 22 - Distribution of profits

After having approved the financial statements and noted the existence of a distributable profit, as defined by French law, the general meeting decides to allocate this profit to one or more reserve accounts, for which it determines their allocation or use, to retain this profit or to distribute it. After deducting previous losses if relevant, at least five percent (5%) of the profit for the year is deducted to make up the legal reserve fund. This deduction is no longer compulsory when the amount of the reserve fund is equal to one tenth of the share capital.

In addition, the general meeting may decide to pay out any sums deducted against the reserves available to it, expressly indicating the reserve headings against which deductions are made. However, dividends are deducted in priority against the distributable profit for the year.

The general meeting may grant each shareholder, for all or part of the dividend or interim dividends paid out, an option for the dividend or interim dividends to be paid in cash or in shares.

► Article 23 - Liquidation

1) Subject to compliance with the mandatory legal provisions in force, the Company's liquidation will be governed by the rules set out hereafter, while noting that Articles L. 237-14 to L. 237-31 of the French commercial code will not apply.

2) At an ordinary general meeting, ruling under the quorum and majority conditions applicable for ordinary general meetings, the shareholders appoint one or more liquidators, selected from amongst themselves or externally, and determine their duties and remuneration.

This appointment terminates the directors' terms of office and, unless the general meeting decides otherwise, the offices of the statutory auditors.

The ordinary general meeting can still dismiss or replace the liquidators and extend or restrict their powers.

Unless indicated otherwise, the liquidators' mandate is given for the duration of the liquidation.

3) Jointly or separately, the liquidators have the broadest powers to realize any of the Company's assets at the prices, costs and conditions they consider relevant, in addition to extinguishing its liabilities.

The liquidator(s) may make interim payments while the liquidation is underway and, at the end of the liquidation process, distribute the balance available without being bound by any formalities in terms of disclosures or depositing funds.

Any sums that are attributable to shareholders or creditors but have not been claimed by them will be transferred to the *Caisse des Dépôts et Consignations* in the year following the end of the liquidation process.

Even separately, the liquidators are authorized to represent the Company in relation to third parties, particularly public or private organizations, and to initiate legal proceedings in all jurisdictions as either claimant or defendant.

4) During the liquidation, general meetings are held as often as required in the Company's best interests, without it being necessary to comply with the terms of Articles L. 237-14 of the French commercial code.

General meetings can be convened under valid conditions by a liquidator or by various shareholders representing at least one tenth of the share capital.

General meetings are chaired by one of the liquidators or, if they are absent, by the shareholder with the highest number of votes. They deliberate under the same quorum and majority conditions as prior to the dissolution.

5) At the end of the liquidation, the shareholders, in an ordinary general meeting, rule on the final liquidation account, the discharge for the liquidators' management, and the discharge concerning their mandates.

Under the same conditions, they acknowledge the closing of the liquidation process.

If the liquidators neglect to convene the general meeting, the president of the commercial court, in a summary ruling, may, if requested by any shareholder, appoint a proxy to convene the meeting.

If the closing general meeting can deliberate or if it refuses to approve the liquidation accounts, it is governed by the commercial court's ruling, as requested by the liquidator or any stakeholder involved.

6) The remaining amount of shareholders' equity, following repayment of the par value of shares, is also split between all the shares.

When the share capital is repaid, the cost for any withholding taxes that must be retained by the Company will be split between all the shares indistinctly on a uniform basis in proportion to the capital repaid for each one of them, without having to factor in the different issue dates or the origins of the various shares.

- **Article 24 - Disputes**

Any disputes that may arise during the life of the Company or during its liquidation, either between the shareholders, or between the Company and its shareholders, concerning the interpretation or application of these bylaws, or generally in respect of company business, will be submitted to the jurisdiction of the competent courts under common law.

21.2.1. Company's corporate purpose

See **Article 2** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.2. Administrative, management and supervisory bodies

See **Articles 14, 15, 16, 17 and 18** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.3. Rights and obligations associated with the shares

See **Articles 11 and 12** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.4. Changes to shareholder rights

The rights of shareholders as presented in the Company's bylaws may only be amended at an extraordinary general meeting of the Company's shareholders. Any decision to increase shareholders' commitments must be taken unanimously (cf. Article 20 in Section 21.2 "Bylaws").

21.2.5. Conditions for convening and admission at general meetings

See **Article 20** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.6. Clause likely to influence the Company's control

The Company's bylaws do not provide for any arrangements making it possible to delay, defer or prevent a change of control.

21.2.7. Disclosure threshold

See **Article 13** of the Company's bylaws, presented in Section 21.2 "Bylaws".

21.2.8. Specific stipulations governing changes to the capital

See **Article 7** of the Company's bylaws, presented in Section 21.2 "Bylaws".

XXII. Significant contracts

The Group has not entered into any significant contracts over the past three years other than those signed within the normal framework of its business, with the exception of the following contract:

22.1. Contract to acquire the company senseFly

In 2012 Parrot granted to the minority shareholders of senseFly, a put option on the 39.6% stake they hold in senseFly. This option may be exercised in 2016 with an exercise price, payable in Swiss Francs, based on the revenues and operating margin achieved by senseFly in 2015. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

22.2. Contract to acquire the company Pix4D

In 2014 Parrot granted to the minority shareholders of Pix4D a put option on the 39.9% stake they hold in Pix4D. This option may be exercised in 2017 with an exercise price, payable in Swiss Francs, based on the revenues and operating margin achieved by Pix4D in 2015 and 2016. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

XXIII. Information from third parties

The external sources referred to in the present reference document are detailed as footnotes whenever an external source is given for reference.

XXIV. Public documents

Copies of this reference document are available free of charge from the Company, or may be downloaded from the internet sites of the Company (www.parrot.com) and the AMF (www.amf-france.org).

All of the Company's legal and financial documents that must be made available to shareholders in accordance with the regulations in force may be consulted at the Company's registered office.

Copies may be sent out free of charge after submitting a request to Parrot, Investor Relations, 174 quai de Jemmapes, 75010 Paris, France.

XXV. Equity interests

The equity interests are presented in detail in Section VII “Structure” in this reference document.

In addition, readers can refer to Section 20.2.3 “Note 3 – Basis for consolidation”, and the section 20.4.3.5 “Note 3 – Balance sheet information - Note 3.1 Assets” in this reference document.

XXVI. Information published during the past 12 months

26.1. Regular and one-off disclosures

In connection with its financial communications, the following information was released in 2013 until the date when this reference document was published.

Date	Title
Jan. 08, 2013	CES 2014: the best technologies for playing, communicating, flying
Feb. 27, 2014	2013 fourth-quarter earnings
Feb. 27, 2014	Further progress with commercial and civil drones
Mar. 31, 2014	Parrot's share eligible for SME share-based savings schemes
May 13,2014	Presenting the new consumer Drone
May 16, 2014	2014 first-quarter earnings
June 4, 2014	Parrot MiniDrones Rolling Spider and Jumping Sumo: the new generation of connected robots
June 12, 2014	Description of the share buyback program
June 20, 2014	Parrot joins AVnu alliance
July 31, 2014	2014 second-quarter earnings
Sept. 29, 2014	Collaboration between Parrot and Renault Design
Oct. 1, 2014	Small UAV coalition launched to advance the commercial use of unmanned aerial vehicules
Oct. 7, 2014	senseFly eXom, the drone that let's you focus on your work, not on flying
Nov. 11, 2014	Parrot Bebop drone: fly, film and take pictures like a pro
Nov. 14, 2014	2014 third-quarter earnings
Jan. 5, 2015	CES 2015 line up
Jan. 26, 2015	The FELIN project launched by 10 French SME is granted €23 million from the BpiFrance aid program
Jan. 27, 2015	Initial earnings guidance for 2014 and strategy for 2015
March 2, 2015	2014 fourth-quarter earnings
March 10, 2015	Inmarsat takes off bith BGAN-powered Bebop drone from Parrot at CABSAT
March 11, 2015	Cancellation of treasury shares and implementation of a new share buyback program
March 31, 2015	Parrot confirms its PEA PME eligibility
April 4, 2015	Banning headsets while driving: let's be clear on what this (French) law is about
April 13, 2015	A premium German car maker selects Parrot for its new Rear Seat Entertainment (RSE)
April 27, 2015	Parrot Inc. sets up in San Francisco

The regular and permanent press releases above, as well as the earnings presentations, are available at: www.parrot.com/fr/societeparrot/relationsinvestisseurs.

26.2. Information released to the trade and specialized press

In connection with its product communications, Parrot mostly rely on "new medias", informations disseminated in 2014 can be found here:

- http://blog.parrot.com/category/france/
- https ://www.facebook.com/Parrot
- https ://twitter.com/Parrot

26.3. Financial advertising

None.

26.4. Information published in the French official gazette (BALO)

Date	Title	BALO notice number
May 7, 2014	Meeting notice serving as an invitation to attend the general meeting for shareholders and unit holders	1401700
July 23, 2014	Approval of the corporate and consolidated financial statements for the year ended December 31, 2013	1403979

Items published in the official gazette are available on the internet site: http://www.journal-officiel.gouv.fr/balo/.

XXVII. Resolutions for the general meeting on June 30, 2015

27.1. Ordinary general meeting

FIRST RESOLUTION

Approval of the corporate financial statements for the year ended December 31, 2014

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' report on the Company's management and its appendices, its special reports on the option and warrant schemes and bonus shares awarded, and on the share buyback program, as well as the President's report and the statutory auditors' report on the Company's annual financial statements, approves the balance sheet and the financial statements for the year ended December 31, 2014, as presented, with the accounts for the year showing a profit of 3,426,803 euros.

It also approves the transactions reflected in these accounts or summarized in these reports.

It acknowledges that no items of expenditure or expenses covered under Article 39-4 of the French general tax code ("*Code Général des Impôts*") were recorded during the year ended December 31, 2014.

As such, the general meeting discharges the directors and statutory auditors from any liability in respect of their offices for the past year.

SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2014

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' report on the management of the Group formed by the Company and its subsidiaries and the corresponding appendices, as well as the President's report and the statutory auditors' report on the consolidated financial statements for the year ended December 31, 2014, approves, as presented, the consolidated financial statements as per Article L. 233-16 of the French commercial code, drawn up in accordance with IFRS, showing a loss of 2,592,267 euros (net income, Group share).

As such, the general meeting discharges the directors and statutory auditors from any liability in respect of their offices for the past year.

THIRD RESOLUTION

Appropriation of earnings

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, approves the Board of Directors' proposal and decides to allocate the profit for the year ended December 31, 2014, totaling 3,426,803 euros, to "retained earnings".

In addition, the general meeting acknowledges that no dividends were paid out over the last three years.

FOURTH RESOLUTION

Approval of agreements covered under Article L. 225-38 of the French commercial code

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, takes note of the statutory auditors' special report, drawn up in accordance with Article L. 225-38 of the French commercial code, notes that no new agreement has been concluded during the year ended December 31, 2014.

FIFTH RESOLUTION

Renewal of Mr. Henri Seydoux's term of office as a director

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after considering the report of the Board of Directors, decides to renew the term of office of Mr. Henri Seydoux, a French national, born on July 20, 1960 in Paris (75008), residing at 99 rue de Courcelles 75017 Paris, France, as a director for a six-year period ending further to the general meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

SIXTH RESOLUTION

Renewal of Mr. Jean-Marie Painvin's term of office as a director

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after considering the report of the Board of Directors, decides to renew the term of office of Mr. Henri Seydoux, a French national, born on November 22, 1951 in Caracas (Venezuela), residing at 201 West 17th Street, New York, NY 10011, USA, as a director for a six-year period ending further to the general meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

SEVENTH RESOLUTION

Renewal of Mr. Stéphane Marie's term of office as a director

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after considering the report of the Board of Directors, decides to renew the term of office of Mr. Stéphane Marie, a French national, born on November 12, 1963 in Levallois-Perret, residing at 61 rue des Galons, 92190 Meudon, as a director for a six-year period ending further to the general meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020.

EIGHT RESOLUTION

Allocation of attendance fees

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, sets the total annual amount of attendance allowances at 255,000 euros, to be awarded to directors for their participation in Board of Directors' meetings and meetings of the Board's specialized committees relative to the year 2015.

NINTH RESOLUTION

Authorization given to the Board of Directors to implement a program to acquire the Company's shares in connection with European Commission Regulation 2273/2003 of December 22, 2003 and Article L. 225-209 of the French commercial code, term of authorization, rationale, conditions and maximum limits

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings and in accordance with the legal provisions in force, and more specifically European Commission Regulation 2273/2003 of December 22, 2003 or any other European regulations that might replace it, and "Articles L.225-209 et seq" of the French commercial code, having reviewed the Board of Directors' report,

Authorizes the Board of Directors, for 18 months as of the present meeting, to acquire or get the Company to acquire its own shares, under the conditions set out in European Commission Regulation 2273/2003 of December 22, 2003 or any other European regulations that might replace it and "Articles L.225-209 et seq" of the French commercial code and those set by the present resolution.

The maximum unit price for purchases may not exceed 41.125 euros.

The Board of Directors may however adjust the abovementioned purchase price in the event of the incorporation of premiums, reserves or profits, resulting in either an increase in the par value of shares, or the creation and free allocation of shares, as well as in the event of a stock split or consolidation, or any other operation modifying the share's par value or relating to shareholders' equity, in order to take into consideration the impact of such operations on the share's value.

The maximum amount of funds set aside for the implementation of this program to buy shares is 20,000,000 euros, or a maximum of 486,322 shares based on the maximum unit price for purchases.

Such shares may be acquired or transferred at any time, including during a public offering period, subject to this being paid for in cash in full under the conditions and within the limits, particularly in terms of the volumes and prices, provided for under the laws and regulations in force on the date of the operations in question, by any means, notably on the market

or on an over-the-counter basis, including through block acquisitions or sales, through the use of derivative financial instruments traded on a regulated market or over-the-counter, or through a public offering, under the conditions set out by the market authorities and at the times deemed relevant by the Board of Directors or the party acting under the Board of Directors' delegation.

The acquisitions made by the Company under the present authorization may not under any circumstances result in the Company directly or indirectly holding more than 10% of the shares comprising its capital.

Such share purchases may be made with a view to any allocation permitted under EC Regulation 2273/2003 and under French law or that might be permitted by French or European law and regulations in the future, notably with a view to:

- Implementing the market practices approved by the French securities regulator (AMF), such as (i) the purchasing of Company shares to be kept and issued again subsequently in exchange, in payment or otherwise in connection with any external growth operations, it being understood that the number of shares acquired with a view to being issued again subsequently in connection with a merger, spin-off or contribution operation may not exceed 5% of its capital, or (ii) the coordination of the market or liquidity of the Company's share by an investment service provider acting under a liquidity agreement in accordance with the compliance charter recognized by the AMF, as well as (iii) any market practices that might be approved subsequently by the AMF or under French law;
- Awarding shares further to the exercising of rights associated with marketable securities entitling holders to access Company shares by any means, immediately or in the future, as well as carrying out any hedging operations relating to the obligations of the Company (or any of its subsidiaries) linked to such marketable securities, under the conditions set out by the market authorities and at the times deemed relevant by the Board of Directors or the party acting under the Board of Directors' delegation;
- Covering stock option and/or bonus share plans (or related plans) for the Group's employees and/or corporate officers, as well as any allocations of shares in connection with a company or group savings scheme (or related plan), company profit-sharing and/or any other forms of allocations of shares to Group employees and/or corporate officers;
- Awarding shares to employees in connection with the profit-sharing agreement, enabling them to share in the Company's growth, and implementing company savings schemes under the conditions provided for under French law, notably Articles L.3332-1 et seq of the French employment code;
- Reducing the Company's capital in accordance with the tenth resolution for the present general meeting, subject to it being adopted.

Each year, the Board of Directors will report to the general meeting on any operations carried out under the present resolution, in accordance with Article L.225-209 of the French commercial code.

The general meeting grants full powers to the Board of Directors, with an option to subdelegate under the legal conditions in force, to implement the present delegation and more specifically carry out any orders on the stock market, enter into any agreements, draw up and amend any documents, particularly in terms of information, perform all formalities, including allocating or reallocating the shares acquired for the various purposes set, and making any filings with the French securities regulator (AMF) and any other bodies and, more generally, doing whatever is necessary.

The general meeting acknowledges that the authorization given under the present resolution cancels and replaces, as of this day and, as relevant, for the section not used by the Board of Directors, the authorization granted previously under the eighth resolution at the ordinary general meeting on June 11, 2014.

27.2. Extraordinary general meeting

■ TENTH RESOLUTION

Authorization for the Board of Directors to reduce the capital through the cancellation of shares, under the provisions of Article L. 225-209 of the French commercial code, term of authorization, maximum limits

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Article L.225-209 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Authorizes the Board of Directors, for an 18-month period from the day of the present general meeting, i.e. through to December 10, 2016, to reduce the Company's capital, on one or more occasions and for up to 10% of the Company's capital per 24-month period, of all or part of the Company shares acquired in connection with the share purchase program authorized under the ninth resolution as presented above or even share purchase programs authorized prior to or following the date of your general meeting.

The general meeting decides that the Board of Directors will have full powers, with the option to delegate under the legal conditions in force, to reduce the capital further to the cancellation of shares, and more specifically determine the definitive amount of the capital reduction, set the corresponding conditions, record the difference between the book value of the shares cancelled and their par value against any reserve or premium accounts, acknowledge their performance and amend the bylaws accordingly, and perform any formalities required.

The present resolution cancels, as of today, for the unused portion, if any, the eighth resolution from the ordinary and extraordinary general meeting on June 11, 2014

ELEVENTH RESOLUTION

Authorization for the Board of Directors to grant Company stock options and/or warrants to employees and/or to certain corporate officers of the Company or related companies, waiving of their preferential subscription right by shareholders, term of authorization, maximum limits, exercise price and maximum option period

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-177 et seq of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

(i) Acknowledges that the previous authorization from June 11, 2014 is null and void further to the present general meeting,

(ii) Authorizes the Board of Directors for a period from the present general meeting through to the end of the general meeting ruling on the financial statements for the year ending December 31, 2015, to award, on one or more occasions, Company stock options or warrants, under the conditions set by below.

1. Each option will entitle holders to subscribe for or acquire one new or existing ordinary share, as relevant. The total number of options that may be awarded under the present resolution may not entitle holders to subscribe for or acquire a number of shares representing more than 0.5% of the Company's capital on the date of your general meeting.
2. The beneficiaries will be eligible employees or corporate officers (subject to compliance with the provisions of Articles L. 225-186-1 and L. 225-197-6 of the French commercial code further to the Law of December 3, 2008) or certain employees or corporate officers (as per Article L. 225-185 Paragraph 4 of the French commercial code) from the Company or related companies or groups as per Article L.225-180 of the French commercial code. The Board of Directors may award the options to some or all of these people.
3. The shares which may be obtained by exercising stock options awarded under the present resolution will need to be acquired by the Company in accordance with Article L. 225-208 of the French commercial code or Article L.225-209 of the French commercial code.
4. The exercise price for stock options or warrants will be set by the Board of Directors on the day when options are awarded, under the conditions set out by Article L.225-177 of the French commercial code for stock warrants and Article L.225-179 of the French commercial code for stock options.
5. The options awarded will need to be exercised within maximum 7 years of the date when they were awarded by the Board of Directors.

   The general meeting acknowledges and decides, as required, that under the present delegation, the shareholder beneficiaries of stock warrants expressly waive their preferential subscription right for shares that would be issued as such warrants are exercised.

   The general meeting grants full powers to the Board of Directors to implement the present resolution and more specifically:

- Set, under the legal conditions and limits in force, the dates when options will be granted;
- Determine the timeframe during which beneficiaries may exercise their options, as well as the exercise periods for options, for up to a maximum of 10 years;
- Determine the list of beneficiaries for options, the number of options awarded to each one of them, the conditions for options to be awarded and exercised;
- Set the conditions for exercising options, and more specifically, limit, restrict or forbid (a) the exercising of options or (b) the sale of shares obtained by exercising options, during certain periods or as of certain events, with this decision able to concern (i) all or part of the options and (ii) all or part of the beneficiaries;
- Setting the dividend entitlement date, even on a retroactive basis, for new shares resulting from the exercising of warrants;

- Take, in the cases provided for under French law, any measures required to protect the interests of beneficiaries of warrants in accordance with the conditions set out in Articles L. 225-181 and L. 228-99 of the French commercial code;
- More generally, with the option to delegate and subdelegate under the legal conditions in force, enter into any agreements, draw up any documents, acknowledge capital increases further to the exercising of warrants, amend the bylaws accordingly, as relevant, perform all the formalities required, notably for listing the securities issued in this way, handling all filings with all relevant bodies and doing whatever else may be necessary.

Each year, the Board of Directors will be required to report to the ordinary general meeting on any operations carried out under the present resolution, in accordance with Article L.225-184 of the French commercial code.

TWELFTH RESOLUTION

Authorization for the Board of Directors to freely allocate existing shares and/or shares to be issued to employees and/or to certain corporate officers of the Company or related companies, waiving of their preferential subscription right by shareholders, term of authorization, maximum limits and vesting periods

The general meeting, ruling under the quorum and majority conditions required for extraordinary general meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-197-1 et seq of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

(i) Acknowledges that the previous authorization from June 11, 2014 is null and void further to the present general meeting.

(ii) Authorizes the Board of Directors for a period from the present general meeting through to the end of the general meeting ruling on the financial statements for the year ending December 31, 2015, to freely allocate existing Company shares or Company shares to be issued on one or more occasions under the conditions below.

1. The total number of existing Company shares or Company shares to be issued and freely awarded under the present resolution may not represent more than 1% of the Company's capital on the date of the present meeting.
2. The beneficiaries will be eligible employees or corporate officers (as per Article L.225-197-1 II Paragraph 1 of the French commercial code, and subject to compliance with the provisions of Articles L. 225-186-1 and L. 225-197-6 of the commercial code further to the Law of December 3, 2008) from the Company or related companies or groups as per Article L.225-197-2 of the commercial code, or certain categories of them.
3. The Board of Directors will set, under the legal conditions in force, at the time of each allocation decision, the vesting period further to which any shares will be definitively awarded. The acquisition period must be at least two years from the allocation, unless legal and regulatory provisions in effect at the date of the general meeting allow to set a shorter acquisition period, in which case the Board of Directors will be authorized to reduce the vesting period to the minimum period established by the legal and regulatory provisions in effect.
4. The Board of Directors will set, under the legal conditions in force, at the time of each allocation decision, the mandatory period for Company shares to be held by beneficiaries, with this period commencing from the definitive allocation of the shares. The conservation period may be no less than two years from the definitive allocation date, unless legal and regulatory provisions in effect at the date of the general meeting allow to set a shorter conservation period, in which case the Board of Directors will be authorized to reduce the conservation period to the minimum period established by the legal and regulatory provisions in effect.
5. The existing shares that may be awarded under the present resolution will need to be acquired by the Company, either within the framework of Article L.225-208 of the French commercial code, or, as relevant, within the framework of the share acquisition program authorized by the ninth resolution submitted at the present general meeting relative to Article L.225-209 of the commercial code, or any share acquisition program that may apply subsequently.
6. The general meeting acknowledges and decides, as required, that under the present delegation, shareholder beneficiaries of free allocations of existing shares or shares to be issued waive (i) their preferential subscription right to the shares that will be issued as shares are definitively awarded, (ii) any entitlement to shares freely awarded under the present delegation, and (iii) any entitlement to the amount of reserves and premiums, against which, as relevant, the sum required to free up any new shares will be booked.
7. The general meeting gives full powers to the Board of Directors, within the limits set out above, to implement the present authorization and more specifically:

- Determine the identity of beneficiaries, the criteria for allocation, the number of shares awarded to each one of them, the terms and conditions for awarding shares, and more specifically the vesting and holding periods for shares awarded in this way;
- Set, within the legal conditions and limits in force, the dates when bonus shares will be awarded;
- Decide on the dividend entitlement date, even on a retroactive basis, for newly issued shares;
- Decide on the conditions under which the number of shares freely awarded will be adjusted in order to safeguard the rights of beneficiaries; and,
- More generally, with the option to delegate and subdelegate under the legal conditions in force, enter into any agreements, draw up any documents, acknowledge capital increases further to definitive allocations, amend the bylaws accordingly, as relevant, perform all formalities and filings with all relevant bodies, and do whatever else may be necessary.

Each year, the Board of Directors will report to the ordinary general meeting on any allocations carried out under the present resolution, in accordance with Article L.225-197-4 of the French commercial code.

THIRTEENTH RESOLUTION

Delegation of authority for the Board of Directors to carry out capital increases through the issuing of shares, or other securities giving access to the share capital, with preferential subscription rights waived for members of a company savings scheme in accordance with Articles L. 3332-18 et seq of the French labor code, term of delegation, maximum nominal amount of the capital increase, issue price, possibility for awarding bonus shares under Article L. 3332-21 of the French labor code

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings and in accordance with the legal provisions in force, and more specifically Articles L.225-129-6, L.228-92, L.225-138 I and II and L.225-138-1 of the French commercial code and Articles L.3332-18 et seq of the French labor code, having reviewed the Board of Directors' report and the special statutory auditors' reports,

Delegates to the Board of Directors, for a 26-month period from the day of the present General Meeting, its authority to decide, under the conditions set by the present resolution, to increase the share capital on its decisions alone, on one or more occasions, and at the times and under the conditions it deems relevant, through the issuing of shares or marketable securities entitling holders to access Company shares which already exist or are to be issued, reserved for the current and former staff of the Company and affiliated French or foreign companies or groups in accordance with the regulations in force, who are members of a company savings scheme; as relevant, such issues may be combined with a free allocation of shares or marketable securities entitling holders to access Company shares which already exist or are to be issued, notably through the incorporation of reserves, profits or premiums into the capital, within the legal and regulatory limits applicable, partially or totally replacing the discount under the conditions set out below.

1. The maximum nominal amount of the increase in the Company's capital which may be carried out, immediately or in the future, as a result of all the issues carried out under the present delegation is set at 50 K€, it being understood that this cap does not include the nominal value of Company shares to be issued, as relevant, relative to any adjustments made in accordance with French law and the contractual stipulations in order to protect the holders of rights associated with marketable securities entitling them to access Company shares.

2. The General Meeting acknowledges that if subscriptions have not accounted for the entire issue of securities, the capital increase will only be carried out for the amount of the securities subscribed for.

3. For the current and former staff referred to in the second paragraph of the present resolution, the General Meeting decides to waive the preferential subscription rights for shareholders to the shares or marketable securities entitling them to access shares to be issued under the present delegation, with such shareholders also waiving any entitlement to the shares or other marketable securities awarded freely under the present delegation. The General Meeting acknowledges that under the present delegation shareholders waive their preferential subscription right to the actions which the marketable securities issued under the present delegation may entitle them to.

4. The General Meeting decides that:

- The subscription price for new shares will be equal to the average listed prices recorded over the 20 trading days prior to the day of the decision setting the subscription start date, less the maximum discount provided for under French law on the day of the Board of Directors' decision, it being understood that the Board of Directors may reduce this discount if it considers this to be relevant. The Board of Directors may also replace all or part of the discount by awarding shares or other marketable securities in accordance with the provisions set out below;
- The Board of Directors may plan for the free allocation of existing shares or marketable securities entitling holders to access Company shares which already exist or are to be issued to replace all or part of the aforementioned discount,

it being understood that the total benefit resulting from this allocation and, as relevant, the discount mentioned in the paragraph above may not exceed the legal limits in force; and provided that taking into consideration the equivalent cash value of any shares awarded freely, valued at their subscription price, does not result in the legal limits being exceeded.

5. The Board of Directors will have full powers to implement the present resolution, and more specifically with a view to:

- Determining the characteristics, amount and conditions for any issue or free allocation of securities;
- Determining that subscriptions may be carried out directly by beneficiaries or through collective bodies;
- Determining, under the legal conditions in force, the list of companies or groups whose current and former staff will be able to subscribe for the shares or marketable securities issued and, as relevant, receive the shares or marketable securities awarded freely;
- Determining the nature and conditions for the capital increase, as well as the conditions for the issue or the free allocation;
- Setting the subscription price for shares and the duration of the subscription period;
- Setting the seniority conditions required for the beneficiaries of new shares or marketable securities resulting from the capital increase or increases or securities subject to each free allocation covered under the present resolution;
- Setting the terms and conditions for shares or marketable securities to be issued under the present delegation, and more specifically their dividend entitlement date (even backdated), as well as the conditions for them being fully paid-up;
- Setting the subscription start and end dates, and collecting subscriptions;
- Acknowledging the performance of the capital increase through the issuing of shares for the amount of shares effectively subscribed for;
- Determining, as relevant, the nature of any securities awarded freely, as well as the terms and conditions for this allocation;
- Determining, as relevant, the amount of sums to be incorporated into the capital, within the limit set out above, the equity heading or headings against which they are drawn, and the dividend entitlement date for the shares created in this way;
- Based solely on its decision, and if it deems this relevant, booking the costs for capital increases against the amount of the corresponding premiums for such increases and deducting the sums required to take the legal reserve up to one tenth of the new capital after each increase against this amount;
- Taking any measures for the definitive performance of capital increases, carrying out the resulting formalities, notably those relating to the listing of any securities created, amending the bylaws accordingly further to such capital increases.

6. The Board of Directors may, within the limits it has determined beforehand, delegate the authority granted under the present resolution to the Chief Executive Officer or, as agreed with the latter, to one or more Deputy Chief Executive Officers.

The Board of Directors will be required to report at the following Ordinary General Meeting on the use made of the present delegation of authority in accordance with the legal and regulatory provisions in force.

The present resolution cancels and replaces the nineteenth resolution from the ordinary and extraordinary meeting on June 11, 2014.

■ FOURTEENTH RESOLUTION

Decision following the implementation, by the Law n°2014-384 of March 29, 2014, of a legal double voting right: rejection of the measure and confirmation of the statutory rule that one share is attached to one vote. Modification of Article 11 "Rights and duties associated with shares" of the Bylaws concerning paragraph 1) relating to the voting rights attached to the shares of the Company.

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Board of Directors report, and considered the facility referred to in Article 7 of the Law n°2014-384 of March 29, 2014, aiming to win-back the real economy, endorses the decision of the Board of directors, and therefore:

(i) decides not to impose double voting right for shareholders under the third paragraph of Article L.225-123 of the Commercial Code; and

(ii) therefore confirms the rule under which each share of the Company is entitled to one vote at the General Meeting.

The General meeting therefore decides to amend Article 11 of the bylaws "Rights and duties associated with shares" concerning the voting rights attached to the shares of the Company:

"Under the 15th resolution of the extraordinary general meeting dated June 30, 2015, it was decided not to confer double voting rights as established by Law n°2014-384 dated March 29, 2014 to holders of shares referred to in Article L. 225-123 paragraph 3 of the Commercial Code"

The rest of Article 11 of the bylaws remains unchanged.

FIFTEENTH RESOLUTION

Amendment of Article 20 if the Bylaws: "General Meetings": amendment concerning paragraph 3) of the "Access to general meetings – proxies" section relating to persons entitled to attend general meetings

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Board of Directors report, and the decree of December 8, 2014 modifying Articles R. 225-85 and R. 225-86 of the Commercial Code, decides to modify Article 20 of the Bylaws "General Meetings", as follows:

"Article 20 – General meetings

(…) Access du general meetings – proxies"

The first paragraph of section 3) is now completed as follow:

"The right to take part in general meetings is subject to securities being registered in the name of the shareholder or their intermediary by midnight (Paris time) on the ***second*** business day before the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary, as justified in accordance with the regulations in force."

The rest of Article 20 of the bylaws remain unchanged.

SIXTEENTH RESOLUTION

Powers for formalities

The general meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full powers to the bearer of an original or duplicate copy of or extract from the minutes for the present meeting to perform all the legal filing or disclosure formalities.

27.3. Statutory auditors' report on the capital operations provided for under Resolutions 10 to 13 from the combined general meeting on June 30, 2015

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France

ERNST & YOUNG et Autres
1/2, place des Saisons
Tour First
TSA 14 444
92037 Paris la Défense Cedex
France

Dear Shareholders,

In our capacity as your company's statutory auditors and pursuant to the mandate provided for under the French commercial code, please find hereafter our report on the capital operations which you are invited to give your opinion on.

1. Report on the authorization to reduce the capital of your company (Resolution 8)

Pursuant to the mandate provided for under Article L. 225-209 of the French commercial code, in the event of a capital reduction through the cancellation of shares purchased, we have drawn up the present report in order to present our assessment of the causes and conditions for the planned capital reduction.

For the implementation of the authorization for your company to buy its own shares, your Board of Directors is asking that you delegate full powers to it for an 18-month period starting on the day of this General meeting, with a view to cancelling up to 10% of its capital, per 24-month period, of the shares purchased within the implementation of the authorization granted to your company to purchase its own shares within the frame of the pre-mentionned dispositions.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These procedures involve determining whether the causes and conditions for the planned capital reduction, which is not likely to affect shareholder equality, are consistent.

We do not have any observations to make regarding the reasons and conditions for the planned capital reduction.

2. Report on the authorization to award of stock options and/or warrants (Resolution 11)

Pursuant to the mandate provided for under Articles L.225-177 and R.225-144 of the French commercial code, we are presenting you with our report on the authorization to award stock options or warrants to some of the employees and/or some of the corporate officers of the Company or related companies, on which you are invited to make a decision on.

Your Board of Directors is proposing, based on its report, that you authorize it, for a period ending further to the general meeting convened to approve the financial statements for the year ending December 31, 2015, to award stock options and/or warrants.

The Board of Directors is responsible for drawing up a report on the reasons for opening up stock options and/or warrants and the conditions proposed for setting the subscription or purchase price. It is our responsibility to give an opinion on the proposed conditions for determining the subscription and/or purchase price of the shares.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These standards notably require that we perform procedures to verify that the proposed conditions for setting the subscription or purchase price of the shares are indicated in the Board of Directors' report and that they are consistent with the legal and regulatory provisions in force.

We do not have any observations to make regarding the proposed conditions for determining the subscription and/or purchase price for shares.

3. Report on the authorization to bonus shares - existing and/or to be issued (Resolution 12)

Pursuant to the mandate provided for under Article L.225-197-1 of the French commercial code, we are presenting you with our report on the proposed authorization to award existing and/or future shares to employees or corporate officers of the company or French or foreign related companies, on which you are invited to make a decision on.

The report of the Board of Directors mentions that the awarding of existing and/or future shares to employees of Parrot and of its French and foreign subsidiaries will be limited to a number of shares which will not exceed 1% of the Company's capital.

Your Board of Directors is proposing, based on its report, that you authorize it for a period ending further to the general meeting convened to approve the financial statements for the year ending December 31, 2015 to award existing bonus shares and/or future shares.

The Board of Directors is responsible for drawing up a report on this operation which it would like to be able to carry out. It is our responsibility to inform you, as relevant, of our observations on the information provided to you in this way concerning the planned operation.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These standards notably require that we perform procedures to verify that the proposed conditions and information set out in the Board of Directors' report are compliant with the legal provisions in force.

We do not have any observations to make regarding the information given in the Board of Directors' report in terms of the planned operation to authorize the awarding of bonus shares.

4. Report on the issuing of ordinary shares and/or marketable securities entitling holders to access the capital with preferential subscription rights waived reserved for members of a company savings scheme (Resolution 13)

Pursuant to the mandate provided for under Articles L.228-92 and L. 225-135 *et seq* of the French commercial code, we are presenting you with our report on the proposition to delegate to the Board of Directors the authority to decide on capital increase through the issuing of ordinary shares and/or marketable securities entitling holders to access the capital with preferential subscription rights waived, with a maximum amount for the capital increase of 50,000 euros, reserved for current and former employees of the Company and related French or foreign companies or groups that are members of a company savings scheme, which you are being asked to vote on.

You are asked to approve this operation in accordance with the provisions of Articles L.225-129-6 of the French commercial code and L.3332-18 *et seq* of the French employment code.

On the basis of its report, your Board of Directors proposes that you delegate authority to it, for a 26-month period, to decide on a capital increase and to waive your preferential subscription rights for the securities to be issued. When necessary, it will set the issue terms and conditions for this operation.

Your Board of Directors is responsible for drawing up a report in accordance with Articles R.225-113 *et seq* of the French commercial code. It is our responsibility to give an opinion on the accuracy of the quantified information based on the accounts, on the proposal to waive preferential subscription rights and on certain other items of information concerning the issue, as set out in this report.

We have performed the procedures that we have deemed necessary in view of the French national statutory auditors board (CNCC) professional standards relative to this mission. These procedures involved verifying the content of the Board of Directors' report relative to this operation and the conditions for determining the issue price for the capital securities to be issued.

Subject to the subsequent review of the conditions for the issue that may be decided on, we do not have any observations to make regarding the conditions for determining the issue price given in the Board of Directors' report for the capital securities to be issued.

As the definitive conditions under which issue may be carried out have not been set, we have not expressed any opinion on them or as a result the proposal submitted to you to waive preferential subscription rights.

In accordance with Article R.225-116 of the French commercial code, we will draw up an additional report concerning the use of this delegation by your Board of Directors.

Paris-La Défense, le April 13, 2015

The Statutory Auditors

KPMG Audit IS	**ERNST & YOUNG et Autres**
Eric Lefebvre	Pierre Jouanne
Partner	*Partners*

Index of headings

For the convenience of readers of this reference document, the following index, drawn up in accordance with the provisions of Article 212-13-I of Title II of the AMF's general regulations (as per the Decrees from January 4 and February 26, 2007), makes it possible to determine which sections in the annual report correspond to the sections required by Regulations (EC 809/2004 of April 29, 2004).

ANNUAL REPORT	Location in the reference document
Main financial data	Chapters 3, 9
Presentation of the Parrot Group	Chapter 7, section 1
Consolidated financial statements at December 31, 2014	Chapter 20, section 1
Annual financial statements at December 31, 2014	Chapter 20, section 4
Analysis of the change in the Company's business, earnings and position	Chapter 6 Section 1.5 Chapter 9
Debt position	Chapter 10
Description of the main risks	Chapter 4
Capital increase delegations	Chapter 21, section 1.1.5
Share capital structure and elements likely to have an impact in the event of a public offering	Chapters 4, 15, 16 and 18
Treasury stock transactions	Chapter 21, section 1.3
Chairman's report on internal control	Chapter 16, section 4
Resolutions presented by the Board of Directors at the general meeting	Chapter 27
Declaration by the person responsible	Chapter 1
Statutory auditors' reports on the consolidated financial statements	Chapter 20, section 3
Statutory auditors' reports on the annual financial statements	Chapter 20, section 5
Statutory auditors' fees	Chapter 2, section 3
Annual disclosure document	Chapter 26
Report on social and environmental consequences	Chapter 6, section 6.7