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

2015
Reference Document

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 May 10, 2016 under number D.16-0472, 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.

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Note to readers

In connection with this Reference Document:

- The "**Company**" refers to Parrot S.A.;
- The "**Group**" refers to the Company and:
- Its subsidiaries from its Drones / Connected Devices Segment: Parrot Drones S.A.S., Parrot Asia Pacific Ltd, Parrot Shenzhen, Parrot, Inc., senseFly, Pix4D, Pix4D Inc., Airinov, EOS Innovation, MicaSense, Inc. and Iconem.
- Its subsidiaries from its OEM Automotive Segment: Parrot Automotive S.A.S., Parrot Automotive Asia Pacific Ltd. and Parrot Automotive Shenzhen; and
- Its other subsidiaries: Chez Parrot S.A.R.L., Parrot GmbH, Parrot UK Ltd., Parrot Iberia S.L., Parrot Italia S.r.l., Parrot ANZ Ltd, Parrot Japan K.K. and Parrot Shmates S.A.S.

Certain figures are expressed in "millions of euros" (€M), "thousands of euros" (€K), "billions of U.S. dollars" ($bn), "millions of U.S. dollars" ($M) or "thousands of U.S. dollars" ($K), and have been rounded off to the nearest decimal.

Investors are invited to carefully review the risk factors presented in Section IV "Risk factors" of the reference document before taking their investment decision. If one or more of these risks were to occur, this could have an adverse effect on the Group's activities, condition and financial results, or its ability to achieve its objectives, as well as on the value or price of the Company's shares. Furthermore, other risks that have not yet been identified or are not currently considered to be significant by the Group, could have a similar adverse effect.

This reference document contains information concerning the Group's objectives, as well as forward-looking statements, particularly in Chapter VI "Group business" and Chapter XII "Information on trends". At times such indications are identified by the use of the future or conditional tenses or by forward-looking terminology, such as "consider", "envision", "think", "aim", "expect", "intend", "should", "ambition", "estimate", "believe", "would like", "may" or other similar terms. Such information is based on data, assumptions and estimates that the Group considers to be reasonable. It is liable to change or be modified as a result of various uncertainties relating in particular to changes in the economic, financial, competitive or regulatory environments. Moreover, if some of the risks described in Chapter IV "Risk factors" of the Reference Document were to materialize, this would be likely to impact the Group's activities in particular and its ability to achieve its objectives. Moreover, the achievement of these objectives is based on an assumption for the success of the strategy described in in Section VI of the reference document. The Group does not offer any commitments or any assurances that the objectives set out will be achieved.

This reference document also contains information relating to the markets and competitive positioning of the Group and its competitors, particularly in Chapter VI. This information is notably taken from research by external sources. However, the publicly available information that the Company considers to be reliable has not been verified by an independent expert and the Company cannot guarantee that a third party using different methods to collate, analyze or calculate market data would obtain the same results. The Group does not offer any commitments or any assurances concerning the accuracy of such information.

This reference document presents:

- The Company's corporate financial statements for the 12-month period ended December 31, 2015, prepared in accordance with French generally accepted accounting principles;
- The Group's consolidated financial statements for the 12-month period ended December 31, 2015, 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, 2015.

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, 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.
- For the year ended December 31, 2014: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on pages 106 to 160 of Parrot's reference document filed with the AMF on April 30, 2015 under number D.15-0468.

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 200), 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.

Paris, May 9, 2016



Henri Seydoux

Chairman and Chief Executive Officer

II. Statutory auditors

2.1. Incumbent statutory auditors

KPMG AUDIT IS., represented by Mr Eric Lefebvre

Tour EQHO - 2, Avenue Gambetta - CS 60055 - 92066 Paris la Défense Cedex - France

KPMG AUDIT IS was appointed as the incumbent 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.

ERNST & YOUNG et Autres, 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

Tour EQHO - 2, Avenue Gambetta - CS 60055 - 92066 Paris la Défense Cedex - France

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 Le 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. Statutory auditors' fees

Group fees for the statutory auditors and members of their networks

	KPMG				EY			
	Euros net of tax		%		Euros net of tax		%	
	2015	2014	2015	2014	2015	2014	2015	2014
Auditing								
Statutory auditing, certification, review of individual and consolidated accounts								
Issuer	369 360	157 500	*79%*	*65%*	395 000	157 000	*61%*	*80%*
Fully-consolidated subsidiaries	100 000	70 000	*21%*	*29%*	47 300	4 000	*7%*	*2%*
Other audits and services linked directly to the statutory auditing assignment								
Issuer	0	14 400	*0%*	*6%*	205 800	35 000	*32%*	*18%*
Fully-consolidated subsidiaries	0	0	*0%*	*0%*	0	0	*0%*	*0%*
Subtotal	**469 360**	**241 900**	***88%***	***87%***	**648 100**	**196 000**	***100%***	***100%***
Other services provided by networks to fully-consolidated subsidiaries								
Legal, tax, social	66 500	37 500	*100%*	*100%*	0	0	*0%*	*0%*
Other	0	0	*0%*	*0%*	0	0	*0%*	*0%*
Subtotal	**66 500**	**37 500**	***12%***	***13%***	**0**	**0**	***0%***	***0%***
Total	**536 360**	**279 400**	***100%***	***100%***	**648 100**	**196 000**	***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 Section XX "Financial information concerning the assets, liabilities, financial position and earnings" in the present reference document.

3.1.1. Condensed income statement

€'000	2013	2014	2015	Change 2015-2014
Revenues	**235 150**	**243 871**	**326 273**	**+34%**
Gross margin	**118 308**	**128 508**	**152 678**	**+19%**
% of revenues	*50.3%*	*52.7%*	*46.8%*	
Income from ordinary operations	**6 273**	**1 113**	**-426**	**-138%**
% of revenues	*2.7%*	*0.5%*	*-0.13%*	
Non-recurring items	-198	-514	2 494	+585%
EBIT	**6 075**	**599**	**2 068**	**+245%**
% of revenues	*2.6%*	*0.2%*	*0.6%*	
Net income (Group share)	**1 557**	**-2 592**	**462**	**+118%**
% of revenues	*0.7%*	*-1.1%*	*0.1%*	
Non-controlling interests	-366	-263	1 095	+516%

3.1.2. Quarterly revenues

€'000	1st quarter	2nd quarter	3rd quarter	4th quarter
2015 revenues	**71 002**	**69 241**	**77 848**	**108 182**
% of Group revenues	22%	21%	24%	33%
2014 revenues	**47 919**	**51 947**	**63 635**	**80 371**
% of Group revenues	20%	21%	26%	33%
2013 revenues	**57 438**	**61 811**	**55 415**	**60 485**
% of Group revenues	24%	26%	24%	26%

Also see 4.1.5 "The Group's results are seasonal and strongly depend on sales recorded during the fourth quarter".

3.1.3. Revenues and EBIT for each business

€'000	Drones	Automotive(1)	Connected devices	Other	Total
2015 revenues	**183 425**	**125 390**	**15 381**	**2 078**	**326 273**
% of Group revenues	*56%*	*38%*	*5%*	*1%*	*100%*
Income from ordinary operations	-2 207	11 253	-6 726	-2 745	-429
% of Group revenues	*-1%*	*9%*	*-44%*	*-132%*	*0%*
2014 revenues	**82 964**	**144 419**	**14 537**	**1 951**	**243 871**
% of Group revenues	*34%*	*59%*	*6%*	*1%*	*100%*
Income from ordinary operations	107	10 255	-7 198	-2 051	1 113
% of Group revenues	*0%*	*7%*	*-50%*	*-105%*	*0%*
2013 revenues	**42 062**	**175 180**	**16 882**	**1 026**	**235 150**
% of Group revenues	*18%*	*74%*	*7%*	*0%*	*100%*
Income from ordinary operations	155	14 323	-5 820	-2 384	6 273
% of Group revenues	*0%*	*9%*	*-20%*	*-232%*	*3%*

(1) Plug & Play business allocated to the Automotive segment since January 1, 2015, as well as in the data for 2014 and 2013 above. The reclassification of revenues represents 9.4 M€ for 2014 and 12.6 M€ for 2013, while the impact on income from ordinary operations is not significant.

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.

Further segment information is presented in 20.2.4 “Note 4 - Segment reporting”.

3.1.4. Condensed balance sheet

€'000	2013	2014	2015	Change 2015-2014
Goodwill	38 659	39 952	58 149	+46%
Non-current assets	47 120	60 553	66 436	+10%
Current assets	192 795	210 157	529 020	+152%
Total assets	**278 574**	**310 663**	**653 606**	+110%
Shareholders' equity	183 514	183 813	424 978	+131%
Non-controlling interests	-611	-880	613	-170%
Non-current liabilities	30 355	28 809	75 447	+162%
Of which long-term financial debt	11 854	5 189	17 039	+228%
Current liabilities	65 315	98 920	152 568	+54%
Of which short-term financial debt	7 595	7 308	2 345	-68%
Total liabilities	**278 574**	**310 663**	**653 606**	**+110%**

3.1.5. Condensed cash flow statement

€'000	2013	2014	2015	Change 2015-2014
Cash and equivalents - year-start	**73 113**	**54 263**	**70 338**	+30%
Cash flow from operations	18 690	14 209	19 053	+34%
Working capital	10 605	5 464	-32 173	-689%
Net cash flow from operating activities	23 614	15 865	-17 619	-211%
Cash flow from investment activities	-17 375	-23 244	-21 146	-9%
Cash flow from financing activities	-23 455	19 059	158 283	+730%
Cash and equivalents - year-end	**54 263**	**55 652**	**193 143**	+247%
Other current financial assets	42 671	25 740	158 000	+514%
Net cash	**96 934**	**81 392**	**351 143**	**+331%**

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 relies on resellers for the sale of its retail products. The problems affecting these resellers and the changes relating to their purchases or to the associated decisions may have a material impact on the Group's business as well as on its operating results.

The Group relies above all on resellers (retailers, wholesalers) in order to sell and to distribute its retail products, particularly for its Drones business, rather than using its direct or specialized distribution channels. Pricing, quantities and volumes, frequency, shelving, advertising or special offers, among other things, are regularly subject to negotiations and modifications with each of these resellers. If one of these resellers were to reduce its purchases from the Group or to significantly change the terms of their relationship with the Group, this could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

The overall economic situation or that of the Group's markets in particular, as well as other factors that could have an adverse effect on these resellers (such as trading difficulties, the restructuring of the resale sector, the closing of stores or financial difficulties), may have an adverse impact on the Group. If said resellers were to experience a downturn in their business for any given reason, this could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

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

85% of the Group's sales 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.

4.1.3. The Group may encounter difficulties in achieving the repositioning of its Automotive business

In 2015, revenues for this business contracted 13% compared with the previous year. This is the fourth transition year for this business. In 2010, the Group chose to develop in-car infotainment technologies in line with a mid to high-end positioning, adapted to its expertise and scale, with a view to serving manufacturers' needs over the long term. In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge, driving far-reaching changes within the auto industry, and carried out a strategic review in order to identify the best conditions for ensuring the development of this business. This strategic review particularly led, during the 2015 financial year, to the conversion of the Automotive business into a subsidiary within Parrot Automotive. The development of this Group business strongly depends on the launch of certain key contracts, over the coming years, given that for such contracts, car manufacturers do not guarantee the volumes ordered from the Group or the effective start date for mass production. The Group's efforts in this direction may prove ineffective, and as a result, revenues from its Automotive business may not recover or may continue to decline, which could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.1.4. The Group may encounter difficulties in integrating the acquired companies and in implementing its external growth strategy in the Commercial Drones market

Within the framework of its development strategy, the Group implements an external growth policy by acquiring companies.

Since 2011, the Group has acquired the following interests in particular:

(i) 100% of the capital of the companies Varioptic and DiBcom, respectively specialists of digital optics and digital mobile radio/television (and which were merged within the Company);

(ii) 61.87% of the capital of senseFly, 55.67% of the capital of Pix4D, 59.03% of the capital of Airinov, 49.05% of the capital of EOS innovation, 56.33% of the capital of MicaSense, and 45.00% of the capital of Iconem, which are all specialized in the Commercial Drones sector.

The Group plans to continue with its external growth strategy on the Commercial Drones market. There is no guaranteeing that the Group will be able to successfully integrate the companies acquired, or acquire and generate the planned synergies, revenues or other benefits, or that the Group will not incur unanticipated costs or liabilities related to these acquisitions. In addition, there is no guaranteeing that the Group will be able to identify or complete the acquisition of new companies. The failure to integrate the companies acquired or difficulties in identifying and acquiring new targets may have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.1.5. The Group's results are seasonal and strongly depend on the sales recorded during the fourth quarter.

The Group generates a significant part of its revenues during the fourth quarter of each financial year, due to the importance of sales of the Group's products during the end-of-year holiday period. Therefore, the Group's revenues for the fourth quarter of 2015 represented 33% of the Group's total revenues for this same year. As a consequence, a decline in the Group's revenues during the fourth quarter of a financial year may have an adverse effect on the Group's business, situation, results or its ability to achieve its aims for the entire financial year in question.

In particular, the occurrence, during this period, of unforeseen events with an adverse effect on the purchasing patterns of the Group's clients or resellers, the demand for its products or the Group's ability to serve its clients or resellers, could have such an adverse effect.

It is specified that, as the end-of-year holiday period approaches, the Group carries out an extensive review of all the events under its control that may have an impact on its ability to distribute its products to its clients or resellers.

4.1.6. 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 top 10 subcontractors represented 65% of the Group's purchases in 2015, compared with 63% in 2014 (see 6.4 “Competitive environment”, sub-point “Flexible industrial strategy and effectively managed costs” for details of the amounts invoiced by the Group's main suppliers).

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 responsiveness.

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.

4.1.7. 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, which could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.8. 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 date of 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. In addition, bonus shares and/or stock options are awarded, 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.

Furthermore, 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 people could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

4.1.9. 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 35.1% of the Company's capital and voting rights (see 18.1.1 "Breakdown of the share capital and voting rights").

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). Note that the Company refused to introduce a double voting right as provided for under the French Florange Act in 2015 (see 18.2 "Voting rights").

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

If one of the Company's principal shareholders (see 18.1.1 "Breakdown of the share capital and voting rights"), and Henri Seydoux in particular (see 4.1.9 "The Company's principal shareholder has the power to influence the Company's corporate decisions"), 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.

In 2015 and 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.

4.1.11. 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 at the time of this decision.

4.1.12. 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, 2015 represents:

- BSA1 and BSA2 equity warrants issued for the capital increase in December 2015: 3,347,672 shares, representing a potential dilution of 11.10% of the Company's capital which could occur if the equity warrants are exercised under the planned conditions from December 16, 2020 to December 15, 2022 (see 18.1.2 "Change in the Company's capital");
- Stock options: 474,925 shares, representing a potential dilution of approximately 1.58% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury shares;
- Bonus shares: 337,913 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.

Details of the shareholding structure are presented in 18.1 "Shareholding structure".

4.1.13. 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 (see 3.1.2 "Quarterly revenues"), 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:

- Fluctuations in the US dollar ($) in relation to the euro (€), and more specifically the Group's exposure to the US dollar (see 4.3.1. "Foreign exchange risk");
- 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.

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

The Company recorded goodwill of 58,149 K€ 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;
- Two external growth operations carried out in 2011, recognized as business combinations, with 3.4 M€ in goodwill recorded 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;
- Two external growth operations carried out in 2015, recognized as business combinations, with 5.8 M€ in goodwill recorded for Airinov and 11.8 M€ for MicaSense Inc.

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, 2015, four cash generating units are defined based on the Group's organization: Drones, Automotive, Connected Devices and Other. As a result of these tests, the Group did not recognize any impairments in 2015 on its cash generating units (in 2014, 0.6 M€ impairment recorded for the Other CGU) (see "Note 9 – Goodwill").

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. Risks relating to the Group's business sectors

4.2.1. The Group is dependent on the context of the markets in which it operates, economic conditions and the pace of adoption of new technologies by the different audiences the Group is targeting

The Group is a new technology firm. The level of sales of products and technology solutions is influenced by the economic situation of the principal markets in which the Group operates, particularly by the economic situation in Europe and the United States, where the Group generates most of its sales. Indeed, in periods of economic downturn, the purchasing decisions of consumers or investment decisions in professional new technology may be dictated by specific considerations and are likely to be revised downwards. More specifically, consumers may decide to devote more of their spending on necessities or goods and products considered as priorities, and defer or cancel purchases of innovative technological products such as those sold by the Group.

The level and pace of sales growth for the Group's products and solutions, whether for Consumer Drones (48% of Group revenues in 2015), Commercial Drones (9% of Group revenues in 2015), Automotive products and solutions (38% of Group revenues in 2015) or Connected Devices (5% of Group revenues in 2015), also depend on the pace of adoption and penetration of the technologies offered by the Group, as well as the sales prices for these products and solutions, all of which can be negatively impacted by an adverse economic environment.

Adverse economic conditions in the Group's principal markets or a lower than expected pace of adoption or penetration for the technologies offered by the Group could adversely affect the Group's business, position, results or ability to achieve its aims. In this respect, the Group believes that its diversified positions, in terms of both its offer and the different geographical markets on which it operates, makes it possible to distribute these risks to some extent and limit their effects.

4.2.2. There is no guaranteeing that the Consumer Drones or the Commercial Drones business will develop as expected, or that the Group will take these new market opportunities

The Group currently intends to devote significant resources and efforts in order to capitalize on its technology and further penetrate and develop the Consumer Drone and Commercial Drone markets. The Group considers that these markets provide development opportunities. However, these markets are still emerging and evolving (including with regard to potential customers and their expectations). As a result, the Group's efforts to benefit from these markets' development opportunities may prove to be inconclusive or fail to meet expectations, in particular if the markets were not to develop as planned, which could have an adverse effect on its business, situation, results or ability to achieve its aims.

In addition, the development process for new products and services for these markets involves, by its very nature, significant risks and uncertainties, including:

(i) Risks related to competition and the entry of new players on these markets,

(ii) Risks resulting from the Group's products not achieving the expected success with customers or resellers, or being considered less satisfactory or less efficient than those of current or future competitors of the Group,

(iii) Risks resulting from the Group being unable to develop or maintain adapted distribution channels for its products, or

(iv) Risks resulting from the Group being unable to develop new products to meet the new requirements of customers or resellers. The materialization of the risks outlined above may have an adverse impact on the Group's business, situation, results or ability to achieve its aims.

4.2.3. The Group cannot anticipate the development or the positioning of its current or future competitors, and may be unable to compete with them

Due to the emerging nature of the Consumer Drone and Commercial Drone markets, the competitive environment within these markets is not yet well established, and the Group cannot anticipate the development or positioning of its current or future competitors.

Furthermore, since the Consumer and Commercial Drone markets are currently characterized by low barriers to entry, new entrants (e.g. firms with a popular product idea) may access these markets and rapidly become an important source of competition for the Group's products.

A certain number of stakeholders of different sizes have already committed to marketing products that are either directly competing with those of the Group, or products that could compete with the Group's products in the future on the Consumer Drone and Commercial Drone market segments. In particular, the Group already faces direct competition from other global players on the Consumer Drone and Commercial Drone markets, such as Da-Jiang Innovations Science and Technology Co (DJI) or 3D Robotics. Renowned players on other markets, such as Go Pro (camera), AeroVironment (military drones) and Trimble (topography), have also started to develop on the Consumer Drone or Commercial Drone markets or announced their intention to do so.

These current or future competitors may possess more advanced technologies or greater financial resources than those of the Group, which the Group may choose to use or invest, in the short-term, in developing Consumer and Commercial Drones. These competitors may also be able to respond to changes in consumer preferences or be more successful than the Group when launching their new products.

If the Group were unable to compete with its current or future competitors on the Consumer or Commercial Drone markets, this could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.2.4. The marketing of the Group's products may be impacted if wireless communications operators do not provide the required wireless services

The Group's success partly depends on the capacity, the accessibility, the reliability and the frequency of the wireless data networks provided by wireless communications operators on which its products operate. The growth in demand for wireless data access may be limited if, for example, wireless communications operators were to cease or significantly reduce their activities, and were unable to provide services that customers consider necessary or useful at reasonable prices, were unable to maintain an appropriate capacity to meet the demand for wireless data access, were to delay the development of their wireless networks and services, or were unable to offer and maintain reliable services. In particular, the Group's future growth depends on the successful deployment of next generation wireless data networks provided by third parties, including networks for which the Group is currently developing products. If these next generation networks were not deployed or widely accepted, or if their deployment were delayed, there would be no market for the products that the Group is developing to be used on these networks. The materialization of the risks mentioned above may have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.2.5. 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 strong levels of demand, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

4.2.6. 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.

4.2.7. The Group may face risks relating to adverse legislative and regulatory developments regarding the civil drones sector

Regulations applying to the use of civil drones (which covers the Consumer Drones and Commercial Drones sold by the Group) do not exist or are in the process of being drawn up in certain countries where the Group markets its products. In other countries, including certain ones where the Group generates a large part of its revenues, especially certain European Union Member States (and more specifically France) and the United States, the use of civil drones is regulated. However, these regulations are currently either in their infancy or under revision. In any case, due to the emerging nature of the civil drone market and the novelty of the legal issues relating to this market, applicable regulations (even when they exist) are characterized by elements of uncertainty.

In France, most of the regulations which apply to civil drones are provided for under the French Transport Code (*Code des transports*), the French Civil Aviation Code (*Code de l'aviation civile*) and, above all, two Decrees issued by the Department of Transport in April 2012, which were repealed and replaced by two new Decrees dated December 17, 2015 (applicable from January 1, 2016). In its Report entitled "*L'essor des drones aériens civils en France: enjeux et réponses possibles de l'Etat*" presented on October 21, 2015, the General Secretariat of Defense and National Security (*Secrétariat général de la défense et de la sécurité nationale*) considers that the regulations which apply to civil drones must be subject to legislative and regulatory developments, particularly regarding the clarification of users' obligations and raising awareness among users in order to avoid misuse (for example, by informing or training users). The regulations could change and require recreational drone owners to register with the authorities.

At European level, European Parliament and Council Regulation (EC) 216/2008 of February 20, 2008 "*on common rules in the field of civil aviation and establishing a European Aviation Safety Agency*" limits its application to drones weighing over 150 kg, which does not include the products sold by the Group. However, the Report on "*safe use of remotely piloted aircraft systems in the field of civil aviation*" of September 25, 2015 calls for an amendment of the abovementioned Regulation (EC) 216/2008, eliminating the 150 kg limit so that the European Union may regulate drones. This report specifically emphasizes the need to guarantee the right to the protection of privacy and personal data.

In the United States, regulations on the flying of drones ("Unmanned Aircraft Systems") are still being prepared, and mainly result, for the time being, from the recommendations published in February 2015 by the Federal Aviation Administration ("FAA"), the competent body in this area. For Commercial Drones, users must either obtain prior approval from the FAA, or obtain an exemption under Section 333 of the FAA Modernization and Reform Act of 2012. With regard to recreational drones, which correspond to the Group's Consumer Drones, owners of drones weighing more than 250 grams are required to register with the FAA since December 21, 2015. In addition, both in the case of drones used for professional purposes and recreational drones, users must comply with several obligations related to the use of drones (for example: place of use, altitude and maximum speed).

The entry into force of new regulations, particularly in the states mentioned above, may require:

- For the Group, changes in its products, which could generate an increase in manufacturing costs or sales prices, or limit the opportunities for innovation. The Group may also be required to obtain new regulatory approvals for the launch of new products. In this context, it is difficult to predict the authorizations that may be required in the future, the time needed and the costs associated with obtaining said approvals, and there is no guaranteeing that the Group will obtain them; and
- For users, new requirements, for example regarding training, registration or insurance, which could reduce the demand for the Group's products.

The repeated misuse of civil drones may also entail regulatory changes imposing new restrictions on the characteristics of the drones that may be marketed or their possible uses.

Although it is difficult at this stage to predict the terms of future regulations, the entry into force of regulations imposing changes to the characteristics of current or future Group products, the obligations for obtaining approvals, or additional restrictions on the terms of use of the drones marketed by the Group may have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.2.8. The Group may face commercial returns in the Consumer Drone sector that are hard to predict

In the Consumer Drone sector, the Group faces commercial returns not arising from quality issues in certain countries (including certain of its main markets), due to local commercial practices. Given the emerging nature of this market, said returns remain hard to predict, as far as their volume or their frequency is concerned, particularly with the launch of new product ranges or the establishment of business relations with new resellers. If the Group was to incur a larger number of such product returns than expected, this could generate significant additional costs (in particular regarding customer support, logistics for the recall of products or changes to product characteristics) or an unanticipated decrease in expected revenues, which could have an adverse impact on its business, situation, results or ability to achieve its aims. The Group strictly monitors, on a regular basis, the functioning of the different markets on which it markets its Consumer Drones in order to assess this risk and the ways in which it could be limited.

4.2.9. Any significant disruption of its information systems may affect the Group

The Group increasingly depends on its information systems to operate its websites, offer its services and sell its products, process its transactions, respond to the demands of customers and users, manage its supply chain and its stocks and ship its products. As a result, any significant failure or disruption (including following malicious acts) of the Group's information systems may cause delays in its supply chain, losses or delays in the collection, transmission and the processing of information relating to orders from customers or resellers, as well as delays in delivering the Group's products to resellers or clients.

In addition, if changes in technology were to render the Group's information systems obsolete or if said information systems proved to be insufficient to manage the expected growth in the Group's activities, the risk of the failures or disruptions mentioned above occurring may grow.

In the event of a failure or a disruption of this nature occurring, in particular during the end-of-year holidays during which the Group generates an important part of its revenues, the Group may experience an increase in costs, claims from clients or resellers, a loss of earnings in the event of not achieving the relevant sales or said sales being cancelled, and overall, a decrease in demand for its products, which could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

4.2.10. 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.

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

Considering the specific features of the market for Commercial Drones and Connected Devices, as well as 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 the supply cycle of around 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.

4.2.12. 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 requires 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 (see XII "Information on trends" and XIII "Financial outlook").

4.2.13. 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.

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.

4.2.14. 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.

At December 31, 2015, over half of the Group's revenues, almost all of its sales costs and around 10% of operating expenditure are denominated in US dollars or associated currencies, such that the Group is exposed to fluctuations in this currency against the euro.

In order to limit the impact of fluctuations in the US dollar on its profitability, the Group has been developing its sales denominated in this currency.

At December 31, 2015, 5.3% of the Group's cash and other current financial assets are in US dollars or associated 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:

At December 31, 2015 (€'000)	P&L impact	Equity impact	P&L impact	Equity impact
	10% appreciation of currencies against the euro		10% appreciation of the euro against other currencies	
Trade receivables	4 586	-	-3 752	-
Other receivables attached to equity interests	-	755	-	-618
Trade payables	-2 649	-	2 167	-
Financial derivatives	-	-	-	-

At December 31, 2014 (€'000)	P&L impact	Equity impact	P&L impact	Equity impact
	10% appreciation of currencies against the euro		10% appreciation of the euro against other currencies	
Trade receivables	3 005	-	-2 458	-
Other receivables attached to equity interests	0.0	782	-	-640
Trade payables	-1 923	-	1 574	-
Financial derivatives	-	-	-	-

The Company has carried out two forward purchases of 5 million Swiss francs with a maturity date of March 15, 2016 and 2 million Swiss francs with a maturity date of April 15, 2016 in order to partly cover the reciprocal put and call option agreements for senseFly securities (denominated in Swiss francs) in the second quarter of 2016.

4.3.2. Interest rate risk

The Group's interest rate risk management policy aims to limit the risks related to rate fluctuations for drawdowns on variable rate credit lines. The Group's policy involves ensuring that all or part of the exposure to fluctuations in interest rates on borrowings is at fixed rates. The Group sets up interest rate swaps to hedge drawdowns on variable rate credit lines.

Lastly, the cash pooling system set up to optimize the management of cash flows within the group contributes to reducing interest rate risks by repatriating surplus cash to certain subsidiaries and optimizing the investment of available cash.

4.3.3. Risk relating to treasury stock and equity interests

The Company holds treasury shares in accordance with the stock buyback program authorized by the General Shareholders' Meeting.

The Company's share price has historically been subject to significant fluctuations, both up and down. These fluctuations, which may continue to occur, depend on many factors, such as the Group's financial performance, the sector's financial performance, technological innovations and, more generally, stock market fluctuations.

At December 31, 2015, the value of treasury stock reclassified as equity capital represented 6.3 M€, for 377,673 shares, with an average price of 16.56 euros. Shareholders' equity would be impacted by fluctuations in the share price (see 20.2.20.3 “Treasury stock”).

The Group also holds the following equity interests:

- 9.93% of Delair Tech;
- 13.57% of BioCarbon Ltd;
- 1.14% of Netatmo.

4.3.4. Liquidity and counterparty risk

Liquidity risk management is centralized by the Group's Finance Department. This global cash management approach for the Group makes it possible to offset internal cash requirements and surpluses.

The Group's financing policy seeks to guarantee the liquidity required to finance the Group's assets at all times, to meet its short-term cash requirements and to enable its development, in terms of both duration and figures, 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

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. For the Group, this risk is linked primarily to trade receivables.

The net book value of financial assets represents the Group's maximum exposure faced with the credit risk. At December 31, 2015, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 85.0 M€, in line with the Group's normal operating cycle;
- Other receivables: 25.4 M€;
- Other current financial assets: 158.0 M€; and
- Cash and cash equivalents: 193.1 M€.

In 2015, the Group's policy was to reduce the counterparty risk by distributing investments across leading banks and different maturities, while ensuring regular monitoring.

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 guarantees the non-recovery of receivables from certain French and foreign customers of the Company situated in zones "1" and "2" (respectively covering OECD countries and the rest of the world, in accordance with the criteria set by COFACE) for sales of the products of Parrot Automotive SAS, Parrot Drones, Parrot Inc., Parrot Asia Pacific Ltd. and Parrot Automotive Asia Pacific. The amount of the cover represents 90% of the net debt covered excluding VAT.

Financial liabilities

At December 31, 2015, financial liabilities primarily comprised:

- 17.0 M€ in non-current financial liabilities (borrowings and debt with credit institutions for 15.6 M€, and sundry borrowings and financial debt for 1.4 M€);
- 2.3 M€ in current financial liabilities (borrowings and debt with credit institutions for 2.2 M€, sundry borrowings and financial debt for 0.1 M€).

Borrowings and debt with credit institutions

In March 2015, the Company terminated a 10 M€ loan agreement (which had not been drawn down). In June and July 2015, the Company also repaid, ahead of schedule, and terminated two loan agreements (which had been drawn down for a total of 8.7 M€). The Company also terminated the rate risk hedging contracts connected to the aforementioned loan agreements.

On July 24, 2015, the Company set up a new syndicated credit facility for a total of 50 M€, with drawdowns available to finance its external growth operations. This contract is due to mature on June 20, 2022 and the interest rate is indexed against the three-month Euribor.

On August 4, 2015, the Company made an initial drawdown from this credit line for 11.2 M€. Alongside this, the Company set up a new rate risk hedging contract linked to fluctuations in the three-month Euribor. The first drawdown mentioned above was fully hedged at a fixed rate of 0.64% through to its maturity in June 2022; this will also be the case for future drawdowns (25 M€ in the second quarter of 2016 and 10 M€ in the second quarter of 2017) linked to the completion of the acquisitions of senseFly and Pix4D. On October 27, 2015, the Company made a second drawdown on the credit line for 6.5 M€.

In connection with this syndicated credit facility, the following covenants apply:

- Leverage ratio (net financial debt / consolidated EBITDA) of less than or equal to 1.00 at each year-end date;
- Gross cash, as presented in the quarterly financial statements, of at least 20 M€; and
- Consolidated EBITDA at December 31, 2015 of over 12 M€.

The above ratios defined with the banks were respected at December 31, 2015.

At December 31, 2015, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 17,367 K€, with 15,156 K€ for over one year and 2,211 K€ under one year;
- Swap fair value: -489 K€; and
- Use of short-term credit lines: 6 K€.

Sundry borrowings and financial debt

They represent the 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, 2015, the OSEO advance represented 134 K€ (under one year).

At December 31, 2015, the fair value of the OSEO advance was estimated at 134 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, 2015, there were five long-term conditional loans in place (government loans to support young companies):

- Two at senseFly for a total amount of 120 thousand Swiss Francs (111 K€); and
- Three at Pix4D for a total amount of 130 thousand Swiss Francs (120 K€).

At December 31, 2015, an interest-free repayable advance from BPIfrance was also recorded for Parrot Automotive in connection with the FELIN future integrated LTE equipment with virtualization project, aiming to develop next-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.

Other liabilities

At December 31, 2015, the Group recorded a liability relating to its reciprocal put and call agreements for securities of senseFly, Pix4D, Airinov and MicaSense in its consolidated accounts against its equity capital. The reciprocal put and call agreements for senseFly securities, which will mature during the first half of 2016, are currently being set up (see 5.2.3 "Future investments"). The reciprocal put and call agreements for Pix4D securities will mature in 2017, followed by the agreements for Airinov and MicaSense in 2019.

4.3.5. Risks relating to off-balance sheet commitments

The Group's main off-balance sheet commitments at December 31, 2015 are as follows (also detailed below in 20.2.31 "Note 31 – Commitments given or received" and 20.4.3.7.3 "Off-balance sheet commitments"):

- Future payment commitments relating to operating lease agreements (staggered between 2015 and 2021) for a total amount of 3.8 M€.
- An American-law guarantee (supersedeas bond) was registered on July 1, 2015 with the Clerk's Office for the Federal Court of the Western District of Pennsylvania for a principal total of $11 million, dated June 29, 2015, guaranteeing the appeal lodged by the Group in the Drone Technologies litigation proceedings.
- A joint and several guarantee was set up for 160 K€ on May 18, 2015 for Parrot S.A. with the company THISO, guaranteeing rental commitments for EOS Innovation.
- An agreement was signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth to pledge financial securities as collateral for 35.5 M€.
- A parent company guarantee for a maximum of $27 million was signed on September 3, 2010 for the companies JABIL CIRCUIT Inc. and JABIL CIRCUIT Ltd.
- On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company JADE SAS for a maximum of 500 K€ 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).

4.4. Legal risks

4.4.1. Risks related to the Group's intellectual property

4.4.1.1. 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, as well as 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.

This risk could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

4.4.1.2. 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 for the 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.

4.4.1.3. 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.

4.4.1.4. Claims from third parties considering to hold rights over certain technologies or data operated by the Group

The Group's success mainly depends on strong and dynamic research and development activities, enabling it to develop new technologies (particularly inventions and new software). However, the Group cannot guarantee that certain technologies do not infringe intellectual property rights held by third parties, such as patents or copyright licenses for software, despite the fact that said technologies are developed internally.

Furthermore, the Group integrates a number of technologies for which the industrial property rights are held by its commercial partners, who grant the Group operating licenses for said technologies and which way also infringe the intellectual property rights of third parties.

Within the framework of the activities it develops, the Group may also come to hold and use certain information and data collected during the use of its drones.

In the event of a claim by a customer, a user, a partner or any other party purporting to hold rights over a technology, information or data collected or used by the Group, the latter, if said claim is made on valid grounds, may have to sign a license and, as the case may be, pay license fees. If the Group was unable to conclude a license agreement allowing it to exercise these rights, or if no license can be obtained within reasonable trade conditions, the Group may be required to modify its products or its type of services to no longer use the technology, the information or the data in question, failing which it would face legal claims.

The Group is regularly contacted by third parties claiming to hold intellectual property rights over the technologies or the data that the Group uses.

The company Parrot S.A. and its American subsidiary Parrot Inc (owned by Parrot Drones S.A.S.) are currently subject to patent infringement proceedings in the United States, opened in 2014 and concerning the Drone Business Unit (see 20.2.25 "Note 25 – Current provisions" and 20.2.31 "Note 31 – Commitments given or received").

Within the framework of the legal proceedings brought against the Company and/or certain of its subsidiaries, if the Group (i) were unable to defend itself in satisfactory conditions, or were to incur significant costs for its defense, or (ii) were forced to conclude a license agreement for the use of intellectual property rights, or (iii) were forced to modify its technology and its products in question, or (iv) should cease to trade the products in question, this could have an adverse effect on the Group's business, situation, results or its ability to achieve its aims.

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

To develop its products, the Company uses various operating systems, which 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. "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.

4.4.2. Risks related to the Group's products

4.4.2.1. The Group may be subject to product liability or guarantee claims that could entail significant costs

The Group generally grants a 12 to 24-month guarantee period for all of its products (36 months for some of its automotive products). The Group's guarantee provides for certain restrictions, including the fact that in principle, it only covers product repairs and returns.

If the Group were to experience a higher number of guarantee activations or product returns, this may generate significant additional costs (in particular regarding customer support, logistics for the recall of products or changes to the characteristics of products).

Furthermore, in the event of a defect in the Group's products, the latter cannot exclude the possibility that users, resellers or other parties having suffered damages might challenge the restrictions of the Group's guarantee and/or seek to engage its liability, for example by claiming that the Group is responsible for omissions or inaccuracies within the content of the operating instructions for its products, or for failing in its duty of advice. Such claims may lead to litigation.

In the event of there being serious defects in the Group's products that cause damage to property or personal injury, the Group may also have to face the resellers' refusal to sell, a decrease in demand from its clients, and overall sustainable damage to the reputation of the Group and to that of its products.

As a result, the materialization of the abovementioned risks may have an adverse impact on the Group's business, situation, results or its ability to achieve its aims.

4.4.2.2. The protection of the personal data collected by the Group may be affected

Within the framework of its activities, the Group collects personal data regarding the users and the customers of its products, in particular by means of the applications used to implement the products that it sells (for example, whenever the user has to register online to download the applications required to use the product). Access security, confidentiality and the protection of personal data may be affected by malicious activities (hacking, intrusion or sabotage) or defaults (materials, human errors, supplier problems) relating to the operating systems or to the relevant software. The Group could then be exposed to claims from users or customers, injunctions or fines from the authorities in charge of the protection of personal data, which could have a negative effect on the Group's business, situation, results or its ability to achieve its aims.

4.5. Insurance and risk coverage

4.5.1. The Group's insurance policies may not entirely cover the damages resulting from the risks to which the Group is exposed and the Group may not be covered regarding certain risks

The Group has put in place a policy to cover the main risks related to its business and that may be insured at reasonable prices, subject to exclusions, guarantee limitations and deductibles usually imposed by insurance companies on the market. However, there is no certainty that the amount of the damages incurred will not exceed the thresholds of the Group's insurance policies.

The Group's insurance level may be insufficient to fully cover all of the losses it may experience as part of its business, and the insurance policies covering these risks may no longer be available in the future. Due to its fabless model, the Group may experience uninsured financial losses following material damages to the facilities of its subcontractors.

Given the uncertain regulatory context, “terrestrial” insurers are reluctant to insure civil drones with standard “civil liability” insurance policies, which limits the Group's ability to negotiate under favorable conditions. A specific aviation policy, with terms that tend to be less favorable than those of a terrestrial policy, may have to be implemented for certain drones due to their technical characteristics and/or their use. In addition, the Group may be unable to obtain insurance cover under comparable conditions in the future.

The Group may be significantly affected if it were to experience losses that are not fully covered by its insurance policies and said policies may have a significant adverse impact on the Group's business, financial situation or results.

4.5.2. Insurance policies in 2015

The Company has not had to make any major claims and only used its policies on an isolated and insignificant basis in 2015. 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.

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.

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, covering more specifically fire, water, theft and glass breakage risks.

The Company has also taken out a “Comprehensive IT” policy covering IT and electronic equipment, excluding electrical equipment. The Company has maintained the local “comprehensive office” policies covering the offices for the Automotive 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 sales of Parrot Automotive SAS, Parrot Drones, Parrot Inc., Parrot Asia Pacific Ltd and Parrot Automotive Asia Pacific products. The amount of the cover 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 created by 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 “Parrot By” collection launched with a digital photo frame designed by Andrée Putman 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 (39.5%) 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 established with e.Solutions GmbH Parrot Minikit SMART launched (Plug & Play) Varioptic acquired (Digital Lenses) DiBcom acquired (mobile digital TV and radio) Parrot Minikit+ launched (Plug & Play) Parrot joins GENIVI alliance (non-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 expands 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 (consumer and commercial drones) Progress made with commercial and civil drones: three new minority interests acquired Parrot's share eligible for SME share-based savings schemes New consumer 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 albris (initially called 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 senseFly ablris' 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 Parrot's share eligible for SME share-based savings schemes Parrot Inc. sets up in San Francisco Parrot's Bebop Drone achieves French civil aviation authority approval for professional use Parrot MiniDrone: new generation of connected robots released from July 2015 Parrot further expands its civil drone business: majority acquisition of Airinov and EOS Innovation Parrot Zik 3 headset launched Consumer Drones: major distribution agreements signed in the US (Target and ATT) Commercial Drones: stakes acquired in MicaSense and Iconem Flight Plan application launched for the Bebop Drone Parrot announces the conditions for the capital increase, with preferential subscription rights maintained, for around 300 M€ Parrot Bebop 2 consumer drone launched Parrot announces the success of its capital increase, with preferential subscription rights maintained, for around 300 M€
2016	CES 2016: Parrot unveils the Parrot Disco, a fixed-wing consumer drone, as well as commercial drone solutions for precision farming and an overhauling of connected devices for the garden (Parrot Pot and Flower Power 2.0). In the automotive sector, Parrot highlights the key account solution Parrot Simple Box, for a new generation of connected car radios, and Smart Antenna, an Ethernet deported multi-radio tuner. Arrival of a new Sales & Marketing Director for consumer drones and connected devices Parrot presents Sequoia, a high-precision sensor for agricultural drones Annual confirmation of eligibility for SME share-based savings schemes

5.2. Investments

5.2.1. Investments carried out

In 2015, the Group made the following investments:

- Intangible investments: 6,942 K€, with 6,428 K€ for capitalized R&D (IFRS).
- Investments in property, plant and equipment: 6,406 K€ (see 20.2.12 "Note 12 – Property, plant and equipment").

5.2.2. Investments underway

The investments underway at March 31, 2016 are presented below:

- Intangible assets for 200 K€, excluding the capitalization of development efforts (IFRS);
- Property, plant and equipment and 827 K€;

  Long-term financial investments for 2,764 K€, primarily with: (i) acquisition of 25.5% (1 M$) of Planck Aerosystems Inc, a US company that is developing drone-based surveillance solutions for the fishing industry; and (ii) acquisition of 20% (1 M€) of Nanoracing S.A.S., a French company that is developing a small racing drone.

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) and the exercising of the reciprocal put and call options between Parrot and the minority shareholders in senseFly SA: in May 2016, Parrot will buy out the remaining 41.81% of securities for CHF 31,536,000 (see 22.1 "Contract to acquire the company senseFly").

VI. Overview of the Group's activities

6.1. Main activities

Founded in 1994 by Henri Seydoux, the Company is a French technology firm that has a strong international focus and has successfully adapted its business model over the years.

Headquartered in Paris, the Company employs more than 1,000 people worldwide, with nearly half focused on research and development, and it generates the vast majority of its sales on international markets. The Company has been listed on Euronext Paris (FR0004038263 – PARRO) since 2006.

Pioneering the identification of tomorrow's technologies, the Company initially developed its business around handsfree communication systems and infotainment solutions for the automotive industry, a market on which it has a leading position today.

After the Company floated on the stock market in 2006, the Group has gradually diversified its activities, developing and selling retail products in the connected devices sector, focusing in particular on audio and gardening products with a view to exploring a range of innovative technologies.

Since 2009, the Group has also started to design and sell drones, benefiting from the research work carried out by its Innovation Lab.

Building on its success on the consumer drone market, the Group is developing its drone offering for commercial markets, combining a range of advanced solutions around hardware, software and services.

As a result of these gradual changes, Consumer Drones and Commercial Drones represented 56% of the Group's revenues in 2015, compared with 34% of the Group's revenues at December 31, 2014 and 18% at December 31, 2013.

The international scale achieved by the Group is reflected in the countries where its products are sold, as shown on the following chart:



The following table presents an analysis of the Group's consolidated revenues for each region:

Consolidated accounts - IFRS (€M and % of Group revenues)	2014		2015		Change
EMEA	87 556	36%	124 779	38%	43%
AMERICAS	34 808	14%	71 745	22%	106%
ASIA	16 534	7%	26 811	8%	62%
Retail products	**138 898**	**57%**	**223 335**	**68%**	**61%**
Key Account products (1)	**104 973**	**43%**	**102 939**	**32%**	**-2%**
Total revenues	**243 871**	**100%**	**326 274**	**100%**	**34%**

(1) Key Account products mainly include OEM Automotive and Commercial Drone products.

The following table presents recent changes in the Group's revenues from each activity:

Consolidated accounts - IFRS (€M and % of Group revenues)	2014		2015		Change
Drones	**83.0**	**34%**	**183.4**	**56%**	**121%**
Consumer	70.5	29%	155.2	47%	120%
Commercial	12.5	5%	28.3	9%	126%
Connected Devices	**14.5**	**6%**	**15.4**	**5%**	**-13%**
Audio	12.4	5%	14.1	4%	19%
Other Connected Devices	2.1	1%	1.2	1%	-27%
Automotive (1)	**144.4**	**59%**	**125.4**	**38%**	**6%**
Retail	53.9	22%	52.8	16%	14%
OEM	90.5	37%	72.6	22%	-59%
Other	**2.0**	**1%**	**2.1**	**1%**	**6%**
Group total	**243.9**	**100%**	**326.3**	**100%**	**34%**

(1) Plug & Play revenues, which were included in the Connected Devices segment until December 31, 2014, were reclassified in the Retail Automotive segment as of January 1, 2015 The data for 2014 are presented after the reclassification of Plug & Play revenues in the Retail Automotive business.

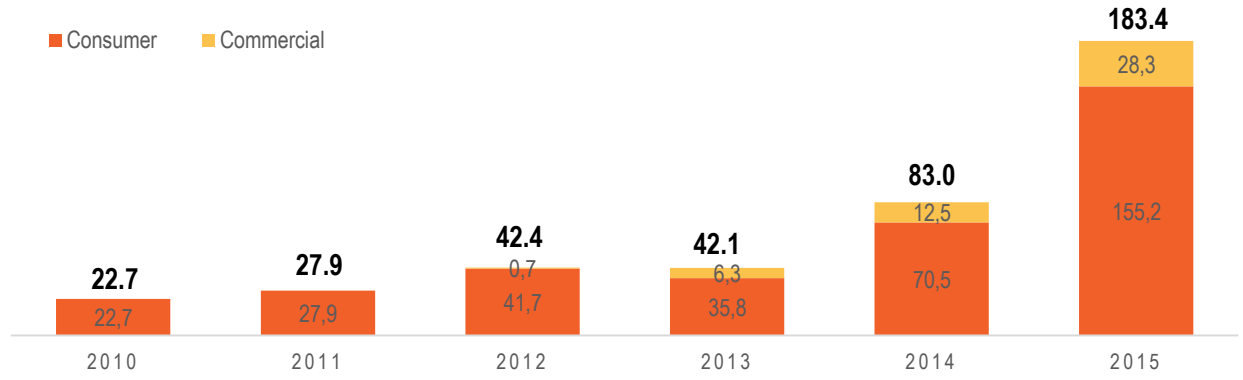
6.1.1. Consumer Drones

History: Parrot, civil drone pioneer

The Group has pioneered the development of civil drones, launching the Parrot AR.Drone 1.0 for consumer markets in 2010. Initially designed to offer a new form of Augmented Reality (AR) video gaming, this smartphone-controlled device proved very popular with consumers for its ability to take photos and film their activities.

Building on this initial success, which has been a key factor behind the emergence of a new industry, the Group has capitalized on its technological expertise to support the development of a comprehensive range of consumer drones. Alongside this, in the emerging commercial drone sector, the Group has successfully worked upstream to identify commercial applications for its products, as well as startups developing some of the most innovative solutions.

Drones: breakdown of revenues
CAGR 2010-2015: +42%



6.1.1.1. Group consumer drones

Following its breakthrough in the consumer drone market, the Group has sought to develop drones that are easy-to-use, very light and linked to the smartphone ecosystem. These three key features of the Group's Consumer Drones reflect a strong industrial and commercial choice:

Ease-of-use is based on a dual approach. Firstly, Parrot's drones are controlled using a flagship technology for the 21st century: smartphones and tablets. In a world dominated by images - photos and videos - as illustrated by the success of social media, drones are opening up the field of vision, with selfies moving beyond arm's length (illustrated by the recent success of the "selfie stick"). Secondly, the control interface and piloting actions are based on standard smartphone uses, and particularly the many videogames available, ensuring that they can be instantly understood and adopted by users.

Lastly, by sourcing its main components from the smartphone sector, the Group is able to benefit from two of this industry's specific features: its continued drive for increasingly miniaturized, lightweight end products and its focus on economies of scale. This enables the Group to sell products with low use-related risks for consumers and optimized cost prices. It is also able to take on board the market's rapid growth thanks to components that are very widely available.

Following the A.R. Drone, the first drone truly for the consumer market, the Group has capitalized on its success to expand its range with:

Parrot MiniDrones

In 2014, this differentiating strategy led to the launch of the first four Minidrone models during the summer. Ultralight, very easy to use and priced considerably lower than current consumer drones, the MiniDrones are aimed primarily at children and teenagers. In 2015, Parrot expanded this range to offer a total of 13 Minidrones (for a detailed description of the products, see 6.1.1.1 Consumer drones sold by the Group in 2015) launched in summer 2015, with some offering voice and audio features for instance. More than 550,000 Minidrones were sold in 2014, with sales climbing to over 750,000 in 2015.

Although differentiating, the MiniDrones are also in line with several objectives mapped out by the Group and offer extensive synergies with its range of prosumer and commercial drones.

By opening up widespread access to drones, which were previously restricted to hobbyists or audiovisual professionals, the Group's strategy is helping drive the market's expansion. The Group has also been the driving force behind the emergence of a genuine consumer drone market, on which it believes that it has a strong position and on which it is achieving more and more commercial success in both Europe and North America. This specific product positioning supports the brand and loyalty strategy for a young target audience that is set to grow in a world where drones are going to become a growing part of day-to-day life.

Minidrones are sold for 100 to 250 euros. With its extensive user base, the Group is also well positioned to analyze their uses and ultimately optimize its products' performance, continuously improving their reliability and efficiency: this continuous analysis of performance levels is possible thanks to the piloting applications downloaded onto smartphones which, when connected to the internet, transmit data on their use to the Group. At this stage in the technologies' development, all feedback from clients provides an opportunity to improve products, from their industrial design to their software core. All these factors are helping further strengthen the technological foundations around which the Group is developing its expertise; this strong position could prove to be even more strategic if civil drones follow the same miniaturization approach as other high-tech products.

Lastly, the high volumes generated on this market will help bring down cost prices and free up additional financial resources that will immediately be reinvested in R&D and marketing for the next generations of products, particularly for professionals.

Parrot Bebop Drone

The launch of the Parrot Bebop at the end of 2014 and the Parrot Bebop 2 at the end of 2015, aimed primarily at the consumer market, illustrates Parrot's strategic development approach, focused on lightweight, very high-tech designs, while continuing to offer affordable prices. In addition to being easy to control, the Parrot Bebop has 1080p HD filming capabilities with digitally stabilized images, as opposed to mechanically stabilized devices (articulated arm). This patented proprietary technology, which is currently unique on the consumer drone market, notably requires graphic processing in the processor core itself. The Parrot Bebop weighs in at less than 500g and is able to produce cinema-quality video for a price from 500 to 800 euros.

In 2015, Parrot also launched sales of related applications aimed at improving the user experience. The Parrot Flight Plan app makes it possible to create autonomous flight plans for the Bebop and define all the parameters: direction, altitude, speed, camera angle, etc. Thanks to its GNNS chipset, which associates the GPS and GLONASS data, the Bebop's location will be accurately pinpointed within +/- 6 feet, and can precisely follow the pre-set route and actions.

Parrot Disco Drone

The Parrot Disco was presented at the 2016 CES – as such, it was not released for sale in 2015; it will be released in 2016 with a public retail price that has not yet been announced. Parrot Disco is the first fixed-wing consumer drone. Created through technological synergies with its commercial drone subsidiary senseFly, the Parrot Disco has a flight time of 45 minutes, with a top speed of 80 kmph, and weighs less than 700gr. It has a 14-megapixel camera with a very wide-angle lens and 3-axis digital stabilization. It will offer immersive flights for pilots equipped with FPV glasses, as well as "return home" and autopilot features, and will be compatible with the Parrot SkyController, which is also adapted for the Bebop 2.

Consumer drones sold by the Group in 2015

Parrot Bebop Drone
Recommended sales price: €499



Lightweight and 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 Skycontroller
Recommended sales price: €499



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 Bebop Drone Skycontroller
Recommended sales price: €899



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 Elite Edition
Recommended sales price: €299



New matt black body and 3 options for camouflage colors
HD 720 p camera
Preregistered acrobatic flight figures (“flip”);
2 pairs of blades included
Rechargeable Lithium-Ion battery (up to 12 minutes flight time)

Parrot AR.Drone 2.0 GPS Edition
Recommended sales price: €349



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

Parrot AR.Drone 2.0 Power Edition
Recommended sales price: €349



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
Recommended sales price: €159



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
Recommended sales price: €99



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)

Parrot Minidrones Airborne Cargo Drone
Recommended sales price: €99



Available in 2 models - Mars and Travis - and customizable
Sturdy and shock resistant, this unique drone can be instantly customized.
Maximum distance: 20 m.
FreeFlight 3 free app available
Embedded mini-camera
Take aerial shots with the embedded vertical mini-camera
32 MB flash memory
300,000 pixel snapshot VGA (480x640)

Parrot Minidrones Airborne Night
Recommended sales price: €129



Available in 3 models - Swat, Blaze and MacClane - and customizable
Equipped with two powerful LEDs with adjustable intensity, this agile, lightweight drone is ultra-stable and easy to pilot
Fly your drone very easily via Bluetooth and FreeFlight 3
The FreeFlight 3 app offers intuitive control from your smartphone or tablet and connects to your Airborne Night Drone with Bluetooth® Smart.
Maximum distance: 20 m.
FreeFlight 3 free app available
Embedded mini-camera
Take aerial shots with the embedded vertical mini-camera
1 GB flash memory
300,000 pixel snapshot VGA (480x640)

Parrot Minidrones Hydrofoil
Recommended sales price: €169



Available in 2 models - NewZ and Orak - and customizable
The Hydrofoil is a hybrid drone with sophisticated propellers for moving on fresh water and in swimming pools
Embedded mini-camera
Fly your drone very easily via Bluetooth and FreeFlight 3
The FreeFlight 3 app offers intuitive control from your smartphone or tablet and connects to your Drone with Bluetooth® Smart.
Take aerial shots with the embedded vertical mini-camera
1 GB flash memory
300,000 pixel snapshot VGA (480x640)

Parrot Minidrones Jumping Race
Recommended sales price: €199



Available in 3 models - Jett, Tuk Tuk and Max
Fast, energetic and ultra-stable, this dashing drone sports large tires for racing
Equipped with sound ability to record sound or talk through your robot from your smartphone headset
Thanks to the WiFi network generated by the drone itself, connect your Jumping Race to your smartphone or tablet, and control it with the FreeFlight 3 free app, compatible with iOs and Android.
Maximum range: up to 50 meters in free-field conditions
FreeFlight 3 free app available on the Apple Store and Google Play Store
Immersive experience
Equipped with a wide-angle camera lens that live streams video on the piloting screen
VGA video / pictures (640 x 480 px).
4GB internal memory to record videos and photos.

Parrot Minidrones Jumping Race
Recommended sales price: €199



In 3 models: Diesel, Buzz and Marshall
Fast, energetic and ultra-stable, this dashing drone is equipped with powerful LEDs to film in dark conditions
Equipped with sound ability to record sound or talk through your robot from your smartphone headset
Thanks to the WiFi network generated by the drone itself, connect your Jumping Race to your smartphone or tablet, and control it with the FreeFlight 3 free app, compatible with iOs and Android.
Maximum range: up to 50 meters in free-field conditions
FreeFlight 3 free app available on the Apple Store and Google Play Store
Immersive experience
Equipped with a wide-angle camera lens that live streams video on the piloting screen
VGA video / pictures (640 x 480 px).
4GB internal memory to record videos and photos.

6.1.1.2. Pricing strategy focused on innovation

The Group strives to develop consumer drones that are lightweight, easy-to-use and affordably priced, with a range of innovative and differentiating features (audio and voice, night vision, use on water, digitally stabilized images, etc.), aiming to generate interest among consumers. The Group, which may apply temporary promotional offers on certain products, generally strives to maintain sales prices for its products throughout their lifespan and, to achieve this, it prefers to add new features (e.g. different versions of the AR.Drone 2.0). If innovations were no longer enough to maintain and even increase sales prices, and the sources of margins dried up, the Group may prefer to stop producing and selling the product in question, rather than lowering its sales price. The levels of margins targeted also make it possible to clear any unsold stock on secondary markets or websites with sales at preferential prices for consumers.

6.1.1.3. Consumer drone market

The Group has a key position on the rapidly developing Consumer Drone market, which, with Commercial Drones (market presented in 6.1.2.5 "Commercial drone market" in this Reference Document), is one of the two civil drones segments. On these markets, which are still young, market data are relatively rare and variable in terms of their results and their definitions of market segments.

For example, a report published by Oppenheimer & Co. Inc ("Drone Industry Report", February 2016) presents the following data, all segments combined (consumer, commercial, etc.):

Drone market	Size	Horizon	Source
Estimates based on sales			
Consumer	$1.7B (4.3M units)	2015	KPMG
US civil and commercial	$125M	2015	IBISWorld
US consumer	$1B	2018	Consumer Electronics Association
Commercial small	$5.1B	2019	ABI Research
Prosumer and hobby small	$1.1B	2019	ABI Research
Small UAS	$1.9B	2020	Markets and Markets
Worldwide commercial	$2.07B	2020	Grand View Research
Worldwide hobby	$4.4B	2020	Frost & Sullivan
Worldwide commercial	$6.4B	2020	Frost & Sullivan
Global aerial drone	>$3B	2024	Business Insider Intelligence
Commercial	$1.7B	2025	Lux Research
Worldwide production	$14B	2025	Congressional Research Service
Estimates based on units shipped			
Non-military ($200+)	1M+ units	2015	Deloitte
Small UAV intended as model aircraft	1.6M units	2015	FAA
Small UAV intended as model aircraft	1.9M units	2016	FAA
Small UAV intended for commercial purposes	600,000+	2016	FAA
China camera drone	3M units	2019	IDC
Small UAV intended for commercial purposes	11M units	2020	FAA

Source: Oppenheimer & Co. Inc with KPMG, IBISWorld, CEA, ABI Research, Markets and Markets, Grand View Research, Frost & Sullivan, Business Insider, Lux Research, Congressional Research Service, Deloitte, FAA, IDC, Oppenheimer & Co. Inc.

The Group has been a driving force behind the emergence of growth in the Consumer Drone market, particularly since 2014 with its range of MiniDrones. This market is made up of Connected Toys, represented by MiniDrones at Parrot, and Flying Cameras, like the A.R. Drones and Bebop Drone. In 2015, the Group sold around 1,073,000 consumer drones and generated 155.2 M€ of total revenues on this segment, up 120% from 2014. In 2014, the Group sold around 703,000 consumer drones, with total revenues of 70.5 M€ for this segment, up 96% from 2013.

Market data do not clearly distinguish between drones bought through retail distribution channels for professional / commercial use and drones that are really intended for recreational use:

- According to Gartner, the retail quadricopter drone market (including flying video cameras for commercial use) represented $700 million in 2014 and grew to around $1.6 billion in 2015e, with unit deliveries of around 1.1 million and 2.2 million respectively.
- According to Goldman Sachs, the retail quadricopter drone market will grow $3.3 billion by 2020e, with an average annual growth rate of 16% from 2015 to 2020e and unit deliveries of 7.8 million by 2020e.
- According to Olivier Wyman, the consumer drone market (excluding flying video cameras for commercial use) was estimated at $321 million in 2015 and is expected to see average annual growth of around 37% between now and 2020e, when it will represent over $1.5 billion.

■ Competitors on the consumer drone market

In the Connected Toys sector, firms such as Syma, Sphero, Ubsan and WooWee already sell products that are becoming similar to the consumer drones developed by the Group (but their technological content is currently less advanced).

In terms of Flying Cameras, the competition is more intense, faced with the products sold by DJI (China), 3DRobotics (USA) and Yuneec (China). In addition, new players such as GoPro have announced plans to enter the market in 2016, with a positioning that could be very similar to the Group's in terms of pricing. However, the Group believes that it will be able to stand out from its competitors thanks to the fun, lightweight and "all-in-one" features of its consumer drones, as well as their brand image.

To date, the Group does not have reliable statistics concerning the volumes of units sold by its competitors, but it believes that it has a strong position on these markets, particularly the Connected Toys sector.

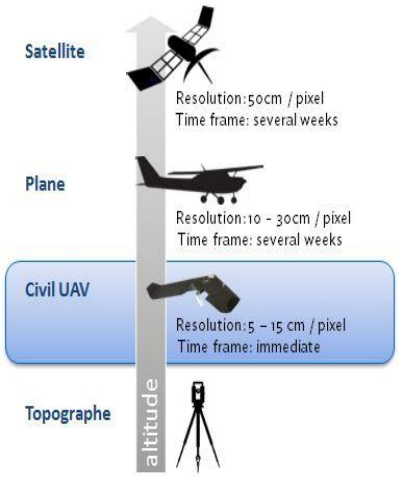
6.1.2. Commercial Drones

6.1.2.1. Group's commercial drone products

When it was launched in 2010, the Parrot A.R. Drone immediately generated interest among many professionals: aerial imaging, environment, security and surveillance specialists, as well as real estate agents and architects. Many of them immediately perceived the benefits of an affordable flying video camera to facilitate their commercial processes.

By looking at professionals' requirements and the technologies needed to meet them, the Group has identified innovative startups that were developing civil drones, as well as a whole ecosystem of related products in their initial phases, including software, sensors and services. The technologies developed by these companies were intended to fill the gap between satellite imaging (expensive and inaccurate), aerial imaging (expensive and unpredictable in terms of weather conditions) and surveying (slow and mechanical).

Building on its industrial know-how (component sourcing, longstanding partnership with EMS) and its international footprint through its subsidiaries in charge of distributing its products worldwide, the Group launched a selective external growth policy, acquiring some of these innovative young companies with a focus on verticalization, targeting three priority markets: mapping, precision farming, and lastly, inspection and surveillance.



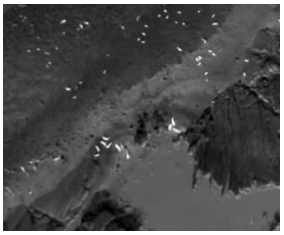
- **Initial cases using commercial drones: all the following missions were completed with senseFly drones**



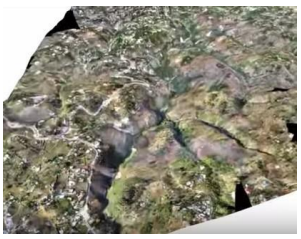
Positioning a 3D building on an actual site for a hotel construction project in France



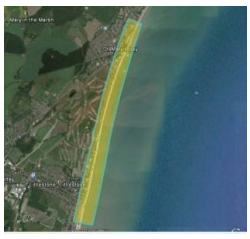
Assessing damage following a forest fire in Lithuania



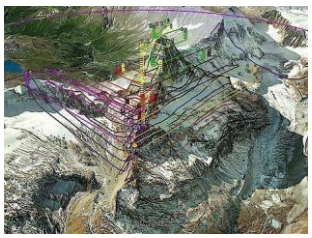
Counting the seal population on Canada's northeast coast



Exploring a riverbed to establish a water access point close to communities displaced by the disaster in Haiti



Reviewing needs to replenish beaches in southeast England



Mapping the impossible: 3D modelling of the Matterhorn (4,478m) in Switzerland

- **Positioned on three high value-added commercial markets**

In 2015, the Group held various majority and minority interests (see 6.1.2.2 "Group's specialized commercial drone entities and products") with a range of carefully selected technologies to serve three target markets in priority, chosen for their potential for development over the medium term (the following estimates are taken from Markets&Markets research from October 2015 "UAV Drones Market by Type (Fixed Wing, Rotary Blade, Nano, Hybrid), Application (Law Enforcement, Precision Agriculture, Media and Entertainment, Retail), & Geography (Americas, Europe, APAC, RoW) - Analysis & Forecast to 2020", while details of the markets are provided in 6.1.2.5 "Commercial drone market"):

- **Mapping:** the market for commercial drones with integrated geographic information systems (GIS) for the environment, mining / quarrying and city planning sectors, is estimated at $150 million in 2015. It is expected to see average annual growth of 24%, with the market to reach $431 million by 2020.
- **Precision farming:** the Group identified the potential of the precision farming market very early on, made possible by the combination of drones, sensors and algorithms for conversion into agricultural recommendations. The Group has successfully

developed a technology that is particularly well-suited to this segment, notably through its acquisitions of the following companies: senseFly, Airinov and MicaSense, Inc. (also see below). This segment offers one of the highest rates of growth on the Commercial Drone market. Drone sales are estimated at $205 million for 2015 and are expected to reach $1.2 billion by 2020, with an AAGR of 42%.

- **Inspection and surveillance:** the Commercial Drone segment covering inspection (civil engineering structures, infrastructures and facilities) and surveillance of sensitive areas (warehouses, industrial sites, large stores), protected locations (natural sites) or accident sites is estimated at $263 million in 2015. The inspection and surveillance drone market is expected to see average annual growth of 36% and reach $1.2 billion by 2020.

6.1.2.2. Group's specialized commercial drone entities and products

senseFly

To date, Parrot Drones holds 61.87% of the capital of senseFly (acquired in 2012 for a 4.2 M€ investment). The investment agreements notably include cross put and call options that may be exercised in 2016 for the remaining capital, with a variable price based on the revenues and EBIT achieved by senseFly at December 31, 2015. SenseFly has been fully consolidated since 2012.

In 2015, senseFly recorded revenues of CHF 24.4 million, up 81%, with 106 staff. The company has sold over 1,000 drones, primarily fixed-wing eBee units, and launched senseFly albris, its first quadricopter (initially called eXom).

Incorporated in November 2009, senseFly was set up through the Ecole Polytechnique Fédérale de Lausanne (EPFL) and has specialized in developing and selling self-piloting lightweight drones for mapping, precision farming and inspection.

senseFly is managed by its cofounders, who have in-depth knowledge of technical and aerospace aspects, as well as the commercial drone market and geomatics. senseFly's main assets are linked to (i) its network of specialized distributors and its Drone Connector services platform, grouping together more than 700 drone operators, (ii) its excellent reputation with professionals, (iii) its easy-to-use products, benefiting from a quick return on investment, (iv) its motivated R&D team with leading-edge innovations, and (v) its production capabilities that are in advance of most of its competitors.

Today, senseFly is the leading producer of fixed-wing mapping drones in terms of the volumes distributed internationally. The aim is to maintain this position thanks to the quality of its products and its level of service, geared to professionals' needs. In addition, with the launch of its new rotary-wing drone, senseFly aims to establish itself on the infrastructure inspection market.

Pix4D

To date, Parrot Drones holds 55.67% of the capital of Pix4D (acquired in 2012 for a 3.9 M€ investment). The investment agreements notably include cross put and call options that may be exercised in 2017 for the remaining capital, with a variable price based on the revenues and EBIT achieved by Pix4D for 2015 and 2016. Pix4D has been fully consolidated since 2014.

In 2015, Pix4D recorded revenues of 7.0 M€, up 121%, with 44 staff. The company has released various software solutions - Pix4D Mapper Pro, Pix4D Mapper Entreprise and Pix4D Mapper Mesh - which make it possible to analyze and retranscribe data captured by drones. The company is developing its solutions to address the three priority segments (mapping, precision farming and inspection) and its development model (rental, sale, cloud, SaaS) to meet the growing interest generated by the data captured by drones.

Created following more than 10 years of research by Dr. Christoph Strecha, primarily at the Ecole Polytechnique Fédérale de Lausanne (EPFL) computer vision lab, Pix4D was founded in 2011. Today, this company is the 3D digital mapping specialist for low-altitude aerial image processing. Pix4D has developed software based on next-generation algorithms that automatically combine raw images (RAW) to produce three-dimensional orthomosaic models enabling extremely accurate views of environments, as well as distance and volume measurements.

Inspection and mapping are key elements for many industries: mining, infrastructures, pipelines and electricity pylons, as well as construction, civil engineering and precision farming. All these professionals face growing demands for monitoring, measuring and mapping in response to logistical, environmental or even regulatory challenges (security, urban development, etc.), which have traditionally been managed with significant levels of resources and high costs.

Today, harnessing Pix4D's software solutions, the drones can meet aerial mapping requirements with a flexible, cost-effective approach. The software is based on the unique know-how developed by Dr Strecha, a world-renowned pioneer for photogrammetry and computer vision 3D modelling. With his team, they have developed technologies based on stereoscopics, the same concept that our brains use to build 3D images based on data transmitted by both human eyes, making it possible to achieve highly accurate 3D measurements using traditional cameras.

From the outset, Pix4D has been recognized as an industry leader, providing its software solutions for the main drone manufacturers and distributors. Confirming its commercial success, the sales generated by Pix4D with other drone manufacturers represented 70% of Pix4D's total sales in 2014, compared with 25% in 2012. Its Pix4D Mapper software is available in several versions: pro, mobile, education, business, agriculture and consumer. Pix4D's range of solutions is tailored to the needs of industrial firms and available in various forms, including licenses, rental or SaaS (Software as a Service).

Airinov

To date, Parrot Drones holds 59.03% of the capital of Airinov (acquired for a 9.1 M€ investment). The management team and founders hold the remaining 40.97%. The investment agreements notably include cross put and call options that may be exercised in 2019 for the remaining capital, with a price based on the revenues and earnings achieved by Airinov in 2017 and 2018. Airinov has been fully consolidated since July 1, 2015.

In 2015 (over six months), Airinov recorded revenues of 0.8 M€, with 29 staff. The company has deployed its range of services for precision farming in France, completing flights over more than 100,000 hectares in 2015. Airinov is based in Paris and also has a test farm in southwest France, where its future projects are assessed.

Airinov, founded in 2010 by two engineers and a farmer's son, has rapidly developed its business with dedicated drones for precision farming, one of Parrot's three target markets for developing its range of commercial drones. The company has developed a sensor and a set of data processing algorithms enabling it to obtain groundbreaking agronomic indicators to simply, reliably and efficiently provide farmers with very strong value-added data on their crops' needs and health, improving their harvests' quality and yields.

Since it launched, Airinov has met the needs of over 5,000 farmers. Since 2014, the Airinov sensor has been incorporated into senseFly's eBee drone. Airinov has also built up a growing network of operators ("agri-droners") who, equipped with an eBee AG, are able to cover 3 ha per minute of flight time and are paid per hectare covered. In addition, these agri-droners are able to benefit (i) upstream from Airinov's expertise to easily complete the preliminary steps before making flights over farms (2,000 flights registered with the French civil aviation authority (DGAC) in December 2014) and (ii) downstream from its proprietary SaaS platform for analyzing the data collected. The Airinov sensor is also being integrated into all types of drones sold by rival firms. In particular, Airinov is looking to develop its expertise in terms of services for farmers and processing the data collected. The "agridrone" makes it possible to observe a range of agronomic indicators for plots to the nearest centimeter without having to take destructive samples. The sensor records the light reflected by the plant cover in four different bands, defined with the EMMAH joint research unit, part of the Avignon branch of France's national institute for agricultural research (INRA), making it possible to access groundbreaking agronomic data on wheat, barley, rapeseed and corn, such as biomass, leaf-area index (LAI) or even chlorophyll rates (CAB). The data analysis gives accurate statistics on the levels of fertilization, flowering, humidity, weather damage, etc. The data sent to the farmers enables them to automatically and accurately adjust their fertilizer requirements for their entire fields during the different growth phases for their crops.

MicaSense, Inc.

To date, Parrot Drones holds 56.33% of the capital of MicaSense, Inc. (acquired for an 8.2 M€ investment). The investment agreements notably include cross put and call options that may be exercised in 2019 for the remaining capital, with a variable price based on the revenues and earnings achieved by MicaSense in 2017 and 2018. MicaSense, Inc. has been fully consolidated since October 1, 2015.

In 2015 (over three months), MicaSense recorded revenues of 0.5 M€, with 10 staff. This startup has launched its deployment for precision farming in the US.

MicaSense, Inc. was founded in 2014 in Seattle (Washington, USA) by three drone industry experts. MicaSense, Inc. designs advanced data gathering and processing systems for precision farming: its RedEdge™ sensor, well-known for its speed and performance, is used by several major drone brands.

To provide fast and accurate crop health information, MicaSense, Inc. also offers ATLAS, a powerful cloud service for the storage, processing, analysis and presentation of multispectral data. These proprietary analytics tools make it possible to provide time-based trends (water, soil, fertilizer and pests) and change maps for crops, optimizing their management. The raw data collected by the sensors are analyzed and processed by ATLAS, which converts them into information that can be directly used by farmers and their existing hardware.

EOS Innovation

To date, Parrot Drones holds 49.05% of the capital of EOS Innovation (acquired for a 1.3 M€ investment). In addition, the Group subscribed for a 2 M€ convertible bond issue in July 2015. Once the bonds have been converted into EOS Innovation shares in 2019, the Group will hold 67.96% of EOS Innovation's capital. The investment agreements also include cross put and call options that may be exercised in 2019 for the remaining capital, with a variable price based on the earnings achieved in 2018. EOS Innovation has been consolidated on an equity basis since August 1, 2015.

Founded in 2010, EOS Innovation has developed "e-vigilante", a mobile surveillance robot designed to carry out automated patrol rounds in warehouses and sensitive sites with a view to reducing security costs and risks, while optimizing surveillance. e-vigilante moves about and positions itself within its environment independently. Thanks to its multiple on-board sensors (day/night camera, thermal camera, long-range detection sensor, LiDAR), e-vigilante constantly analyzes its environment to provide instant reports on any incidents encountered, such as intrusions, hot spot detection or displaced objects. The "remote operator" can dispel any doubts remotely, activate the alarm, communicate with the person on site, follow up on incidents and check the site's critical points. It was released in 2014, aimed in particular at major logistics and distribution firms. EOS Innovation's new resources will be focusing in priority on e-vigilante's international distribution. The Group and EOS Innovation will also be working together to develop complete, ultra-modern surveillance solutions.

Parrot Sequoia: first industrial approach to precision farming

The Parrot Sequoia was presented in February 2016 at the World AG Expo (Tulare, California, USA) and in March at the Paris International Agricultural Show (Paris, France). It was released in March 2016 with a public retail price of 3,200 euros. Sequoia is a universal multispectral camera: it can be attached to any type of drone and is compatible with most existing agricultural applications, making it possible to collect data with precision levels up to 2 cm per pixel to optimize irrigation management and pesticide distribution or estimate yields. Sequoia has been created through synergies developed with the Group' subsidiaries, working jointly on its marketing and operations.

Sequoia includes two sensors: the first, the multispectral sensor, is fitted underneath the drone, looking down at the crops. It is fitted with four sensors that collect data in different spectral bands - green, red, Red Edge and near infrared - as well as an RGB camera making it possible to capture images in the visible spectrum and keep a clear view of plots, in addition to a GPS module for taking geo-tagged photos, all in a single flight. The second, the Sunshine sensor, is positioned on the drone's back. It continuously captures and records luminosity conditions during the flight, enabling more flexible use whether the conditions are cloudy or clear. Information is captured in the same spectral bands as the multispectral sensor. The luminosity data collected in this way make it possible to certify the accuracy of the spectral signatures identified.

Commercial drones, sensors and software sold in 2015:

Parrot senseFly – swinglet cam



Mapping drone (1st generation)
- 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



Mapping drone (2nd generation)
- 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 senseFly – albris (commercial launch end of H1 2015, product initially called eXom)



Inspection drone
- Weight: 1800 grams
- Flight time: 22 min
- Maximum speed: 29 to 43 kmph depending on flight mode
- Wind resistance: up to 35 kmph
- Radio range: 2 km
- Triple-use camera: high-definition images (38 MP), thermal camera, ultrasound camera
- 1 mm per pixel at 6 m and 1 cm per pixel at 60 m distance

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

Parrot Airinov – AgriDrones



Sensors and services for agricultural drones
- 7 view-points to improve accuracy
- Reflectance signal rectification (automatic calculation of the sun's position)
- Wide angle with ground resolution of 5 to 30 cm per pixel (depending on the drone's flying height)
- Proprietary software for analyzing results and issuing recommendations (direct data transfer from the sensor to the tractor)

6.1.2.3. Pricing positioning geared to the market cycle and end-customer uses

Sales prices for the Group's professional solutions and products are provided to clients based on quotes. The factors influencing the sales price include the type of drones selected, any sensors integrated and the types of software required for using the data. Depending on the products and solutions concerned, sales prices may range from a few hundred euros to tens of thousands of euros.

6.1.2.4. Group's minority interests in specialized commercial drone companies

Delair Tech

A 9.9% interest was acquired in October 2013 for 1 M€ (not consolidated, recorded on the balance sheet as a financial investment); the current interest represents 8.71%. This Toulouse-based company is located at the heart of the French aerospace region and designs, produces and sells aerial observation solutions using long-endurance drones for industrial and agricultural sectors. Delair-Tech is designed primarily for carrying out surveillance missions of linear infrastructures (power lines, railways, inland waterways, pipelines, etc.), taking environmental measurements in inaccessible areas and meeting requirements for mapping large areas (surveying, crop mapping).

Iconem

To date, Parrot Drones holds 45.0% of Iconem's capital (acquired for a 1.4 M€ investment). Iconem has been consolidated using the equity method since August 1, 2015.

This company, founded in 2013, is specialized in the digital conservation of archaeological sites. The images and data captured using Commercial Drones (GPS coordinates, area, volume, height, etc.) are processed using algorithms developed in partnership with the digital sciences research institute (Inria Rocquencourt) and make it possible to generate very accurate 3D models (1 pixel/cm). These advanced technological capabilities make it possible to take measurements for normally inaccessible areas, in addition to creating exact digital replicas of sites and monitoring their changes over time. Iconem, with support from Inria, Microsoft France and the Joint Inria-Microsoft Research Center, is rolling out its solutions with UNESCO, the World Bank and even National Geographic.

6.1.2.5. Commercial drone market

Since 2012, the Group has regularly consolidated and strengthened its position on the Commercial Drone market, and it considers that it is now a benchmark on this market. The Group has effectively capitalized on its brand image and technological expertise, focusing primarily on three segments - mapping, precision farming, and inspection / surveillance – on which the Group has quickly and successfully rolled out adapted solutions (drones, sensors, software and services).

The commercial drone market is developing very quickly, driven by several key factors:

- Rapidly evolving technologies in line with professionals' expectations;
- Diverse uses;
- Productivity gains made possible by these products.

The Commercial Drone market includes drones designed for professional use, as well as the prosumer segment (covering users such as hobbyists, midway between the world of consumers and the professional world, see 6.1.1.3 "Consumer drone market").

Between 2015 and 2020, the commercial drone market is expected to grow from $1.4 billion to nearly $5.6 billion, with an AAGR of 32%[1]. Currently driven primarily by drones for audiovisual use, the market's future development is expected to be based on growing use by certain industries such as mapping, precision farming, and inspection and surveillance. The market's growth is expected to be relatively consistent across the three main continents: the Americas, Europe and Asia-Pacific. Lastly, the expansion of commercial drones is also expected to encourage the development of adapted software and sensors. The Group believes that it should be able to capitalize on its unique positioning to profit from the market's growth.

1 *Source: Marketsandmarkets.*

The following table presents the estimated levels of growth from 2015 to 2020 for the main types of commercial drone markets:

$M	2015	2016	2017	2017	2019	2020	AAGR
Total	**1 384**	**2 225**	**3 092**	**3 911**	**4 718**	**5 595**	***32%***
Law enforcement / public safety	49	80	112	144	177	213	34%
Precision agriculture	205	358	538	732	945	1 197	42%
Media and entertainment	417	642	852	1 028	1 178	1 324	26%
Retail	24	40	59	77	97	120	38%
Inspection and monitoring	263	435	623	812	1 008	1 229	36%
Surveying and mapping	150	227	296	350	393	431	24%
Prosumer	222	351	481	599	712	831	30%
Education	55	91	130	169	209	254	36%

Source: Marketsandmarkets

The Americans region currently represents nearly two thirds of the commercial drone market, thanks in particular to audiovisual drone use. Strong growth is expected across all the regions, with the market to triple as a minimum by 2020 in each region. The following table presents the regional breakdown of the commercial drone market:

	2015	2020	AAGR	Growth 2015-2020
Europe	16.9%	12.3%	24.1%	x2.9
Americas	64.8%	66.9%	33.1%	x4.2
Asia-Pacific	12.5%	15.3%	37.7%	x5.0
Rest of world	5.8%	5.4%	30.4%	x3.8

Source: Marketsandmarkets

In 2015, the Group generated 28.3 M€ in revenues on the commercial drone segment, up 126% from 2014. In 2014, the Group generated 12.5 M€ in revenues on the commercial drone segment, up 98% from 2013.

Competitors in the Commercial Drone segment

According to Marketsandmarkets, DJI was the market leader for Commercial Drones in 2014, followed by the Group and 3D Robotics, which were ranked second and third respectively. DJI's leading position reflects its prosumer positioning, adopted several years ago, and above all its strong presence in the audiovisual industry, which is the largest segment on the Commercial Drone market. On the other hand, DJI's position is not as strong as the Group on certain segments such as precision farming.

In addition to DJI and 3D Robotics, the other firms on this market, particularly in the US, include Precision Hawk, Aerovironment (listed on Nasdaq) and Trimble (listed on the NYSE). These firms are either civil drone specialists that are focused on a niche application and their product ranges are not as wide as the Group's, or they do not have an equivalent level of business (e.g. Precision Hawk), or they are firms whose core business is not civil drones (e.g. Aerovironment (military drones) or Trimble (surveying equipment)).

The relevance of the Group's positioning, covering the entire ecosystem - drones, data sensors, software and professional services - is recognized by certain industry analysts, which consider Parrot to be the market leader for commercial drones. To establish this ranking, in addition to the number of drones sold, the data researched include the level of brand awareness and the number of drone employees.



Source: droneii.com, March 2016

6.1.2.6. Legislative environment for drones

Regulations applying to the use of civil drones (which covers the Consumer Drones and Commercial Drones sold by the Group) do not exist or are in the process of being drawn up in certain countries where the Group markets its products. In other countries, including certain ones where the Group generates a large part of its revenues, especially certain European Union Member States (and more specifically France) and the United States, the use of civil drones is regulated. However, these regulations are currently either in their infancy or under revision.

Readers are invited to refer to Section 4.2.14 "The Group's business is linked to regulations governing the use of drones".

In France, the main regulations for drones are set out by the French transport code (Code des transports), the French civil aviation code (Code de l'aviation civile) and, above all, two decrees issued by the Ministry of Transport dated April 11, 2012. The first of these two decrees primarily regulates the design of "civil aircraft that circulate without any people on board", the conditions for their use and the capacities required for people using them (commonly referred to as the "Design Decree" or "Aircraft Decree"). The second decree primarily regulates the use of airspace by "aircraft that circulate without any people on board" (commonly referred to as the "Usage Decree" or "Space Decree"). Drones can be considered as aircraft that circulate without any people on board, as defined by these two decrees. The system that governs them primarily depends on the nature of the activities performed by users, and particularly whether this is a model aircraft activity or a "specific" activity:

Model aircraft activities are notably defined as the use of drones for recreational or competition purposes, and primarily concern drones weighing less than a maximum of 25 kg. The Consumer Drones sold by the Group are primarily included in this category of model aircraft activities. Under the Design Decree, model aircraft, i.e. drones used exclusively for recreational or competition purposes, are included in Category A or B:

- **Category A:** motorized or non-motorized model aircraft with a maximum weight on takeoff of less than 25 kg, or, for inert gas aircraft, with a total weight (structural weight and load carried) of less than 25 kg, including one single type of propulsion and respecting the following limits:
  - Thermal engine: total capacity of less than or equal to 250 cc;
  - Electrical engine: total capacity of less than or equal to 15 kW;
  - Turboprop engine: total capacity of less than or equal to 15 kW;
  - Jet engine: total thrust of less than or equal to 30 decanewtons, with a thrust-weight ratio (excluding fuel) of less than or equal to 1.3;
  - Hot air: total weight of gas in bottles on board of less than or equal to 5 kg;
  - All captive model aircraft (model aircraft connected to the ground or a mobile that cannot be raised or moved).
- Provided that they are used at altitudes of less than 150 meters, and they remain in the user's direct line of sight, the use of Category A model aircraft does not require any permission from the authorities.
- **Category B:** any model aircraft that do not fulfil the characteristics for Category A and that need to receive (unlike category A) flight clearances issued by the French Civil Aviation Minister to certify the model aircraft's navigability and the capacities required for people using them.

The Consumer Drones sold by the Group are primarily included in Category A.

"Specific" activities are defined as the use of drones for professional purposes (e.g. agricultural treatments, aerial observation and surveillance, photography, measurements, as well as certain security activities such as firefighting). The Commercial Drones sold by the Group are primarily included in this category of "specific" activities. The regulations have defined various flight scenarios, with more or less restrictive regulatory requirements for each scenario (location for use, areas of caution, flight distance and height, etc.).

The Design Decree differentiates between four flight scenarios for specific activities:

- S-1: operational scenario in the remote pilot's direct line of sight, taking place away from populated areas, at a maximum horizontal distance of 100 meters from the remote pilot;
- S-2: operational scenario taking place away from populated areas, at a maximum horizontal distance of one kilometer radius from the remote pilot and a height of less than 50 meters above the ground or artificial obstacles, without any people on the ground in the area covered by the flight;
- S-3: operational scenario taking place in an agglomeration or close to a gathering of people or animals, in the remote pilot's direct line of sight, at a maximum horizontal distance of 100 meters from the remote pilot;
- S-4: operational scenario covering a specific activity for aerial observation, surveillance, photography and measurements taking place away from populated areas and not meeting the criteria for scenario S-2.

Drones used in connection with specific activities correspond to Categories C to G in the Design Decree, as defined below:

- Category C: captive remote-controlled aircraft that are not model aircraft, with a maximum weight on takeoff of less than 150 kg.
- Category D: remote-controlled aircraft that are not model aircraft, motorized or non-motorized, non-captive, with a maximum weight on takeoff of less than 2 kg, or, for aircraft using inert gas, with a total weight (structural weight and load carried) of less than 2 kg.
- Category E: remote-controlled aircraft that are not model aircraft, that are not included in Category C or D, motorized or non-motorized, with a maximum weight on takeoff of less than 25 kg, or, for remote-controlled aircraft using inert gas, with a total weight (structural weight and load carried) of less than 25 kg.

- Category F: remote-controlled aircraft that are not model aircraft, with a maximum weight on takeoff of less than 150 kg that do not fulfil the characteristics for Category C, D or E.
- Category G: remote-controlled aircraft that are not model aircraft, and that do not meet the criteria for Categories C to F.

The Commercial Drones sold by the Group are primarily included in Category D.

In connection with specific activities, manufacturers must obtain a "standard design certificate" from the French civil aviation authority (DGAC), which notably indicates (i) the aircraft's category, (ii) the type of activity envisaged, and (iii) the mission scenario (S1 to S4). Operators must be included on a list maintained by the DGAC, which notably indicates (i) the nature of the activity, (ii) the mission scenario, (iii) the manufacturer, and (iv) the model of aircraft used. Remote pilots must have a pilot license theory certificate (microlight pilot certificate as a minimum) and have a certificate for their level of proficiency. Lastly, the specific logbook (MAP) must be registered beforehand with the Prefecture to obtain flight clearances. The regulations applicable for specific activities will therefore depend on (i) the category of aircraft in question, and (ii) the remote pilot's scenario. On April 23, 2015, the French civil aviation authority issued a "standard design certificate" for the BeBop model, initially sold by the Group for exclusively recreational use, now authorizing this product's professional use.

For both model aircraft and specific activities, access to airspace below an altitude of 150 meters does not require any further obligations other than those described above. However, drones must be used (i) away from agglomerations and gatherings of people or animals, (ii) away from areas close to airfields, and (iii) away from specifically regulated airspace as presented on navigation charts (airfields, nuclear power plants, etc.). Flights over agglomerations or gatherings of people are only possible if authorized by the Prefecture after consulting with the defense services and the regional civil aviation authorities. For activities close to airfields, in regulated airspace or at altitudes over 150 meters, the regional civil aviation authorities must be contacted.

Furthermore, regardless of its use or category, when a drone is equipped with a camera, a mobile camera, an audio sensor or a geolocation system, its use must ensure compliance with the general regulations to protect privacy and personal data. Under current French regulations, users cannot capture images of sensitive locations (unless granted dispensation), with the list of locations set by the regulations, or capture images or recordings in private locations, or capture information relating to national defense secrets.

In its report "*Rapid development of civil UAVs in France: challenges, stakes and possible State responses*", presented on October 21, 2015, the French general secretariat for defense and national security stated that the regulations for drones require certain changes to the legislative and regulatory framework, particularly in terms of clarifying users' obligations, simplifying administrative processes and raising user awareness in order to prevent inappropriate uses (e.g. through information or training for users).

At European level, European Parliament and Council Regulation (EC) 216/2008 of February 20, 2008 "*on common rules in the field of civil aviation and establishing a European Aviation Safety Agency*" limits its application to drones weighing over 150 kg, which does not include the products sold by the Group. However, the Report on "*safe use of remotely piloted aircraft systems in the field of civil aviation*" of September 25, 2015 calls for an amendment of the abovementioned Regulation (EC) 216/2008, eliminating the 150 kg limit so that the European Union can adopt a harmonized and appropriate approach for regulating the integration of drones into the civil aviation system. This report specifically emphasizes the need to guarantee the right to the protection of privacy and personal data.

In the United States, regulations on the flying of drones ("Unmanned Aircraft Systems") are still being prepared, and mainly result, for the time being, from the recommendations published in February 2015 by the Federal Aviation Administration ("FAA"), the competent body in this area. A preliminary bill is expected to be presented in spring 2016.

For commercial drones, users must either obtain prior approval from the FAA, or obtain an exemption under Section 333 of the FAA Modernization and Reform Act of 2012. In addition, users are required to fly during the day and maintain visual contact with drones, it is forbidden to fly over crowds and users must respect a maximum flying altitude of 500 feet (around 150 meters) and maximum speed of 87 knots (around 160 kilometers per hour).

Regarding recreational drones, corresponding to the Group's Consumer Drones, their owners are still subject to certain requirements set by the FAA: they must not fly their drones in inhabited areas or close to aircraft, (ii) they must keep their drone in sight while it is in flight, and (iii) they must obtain certification from a model aircraft organization unless the drone weighs less than 25 kg. On December 21, 2015, the FAA also introduced an online registration system for owners of recreational drones weighing more than 250 gr.

6.1.3. Connected Devices

The Connected Devices business groups together revenues from the audio products (Parrot ZIK) and other connected devices (Parrot FLOWER POWER) sold to consumers through the distribution networks and online.

In 2015, revenues from Connected Devices came to 15.4 M€, compared with 14.5 M€ in 2014 (+6%). This growth is attributable entirely to the good performances by the Parrot Zik 2.0 headphones, while Flower Power sales have continued to make a minor contribution. In autumn 2015, the Group launched sales of the Parrot ZIK 3.0 headphones, which include new features compared with previous generations, such as new colors, improved design, wireless charging, USB hi-fi quality and optimized intelligent noise cancellation. These innovations help the Parrot ZIK headphones to stand out and are in line with the Group's pricing policy focused on innovation. On a highly competitive audio headphones market which includes major global brands (e.g. Bose, JBL, Sennheiser

and Sony), the Group has successfully designed a first-class product that is appreciated by consumers and the media, that, through its innovative features and design, benefits from a high-end positioning and stands out from other similar products.

In addition to these products, the Connected Devices business includes the Group's Innovation Lab. In this laboratory, three to five small teams of two to four engineers look into technologies and uses, while working on developing prototypes that could represent long-term sources of growth or new products relating to current activities.

The range of products offered by the Connected Devices business will be further strengthened in 2016, particularly with new connected devices for plants (Parrot POT and Parrot H2O), presented at the 2016 CES event.

Connected devices sold in 2015

Parrot ZIK 2.0 and Zik 3.0
Recommended sales price: €349



40 mm neodymium drivers
32-bit processor
Digital-to-Analog Converter integrated 192kHz – 24-bit
Built-in NFC technology
Frequency response: 20Hz – 22kHz
Capacitive touch panel
Bluetooth 3.0 supported profiles: AD2P, AVRCP, HFP and PBAP
Handsfree communications
Battery: Li-Ion 830 mAh
Flight mode (ANC activated + line-in): 18 hours
Longer battery life for standard use and smaller design for the Zik 3.0.

Parrot Flower Power
Recommended sales price: €49



Bluetooth Smart connectivity
Water resistant, for indoor and outdoor use
AAA battery
6 months of battery life
Size: 15x20x2 cm
Weight: 170 gr
Parrot Flower Power smartphone / tablet app (ios and android) for data analysis.
Real-time notifications when plants have specific water, fertilizer, light or temperature needs.
Database of over 8,000 plants
Live mode to check light intensity, air temperature and soil moisture levels.

6.1.4. Automotive business

The Group's historical business, the Automotive segment groups together:

- Revenues from installed handsfree kits (Parrot CK and Parrot MKi range) and infotainment products (Parrot ASTEROID range);
- Revenues from Plug&Play products (Parrot Minikit range) sold through the distribution networks to consumers;
- Revenues from Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM suppliers (OEM Automotive).

Following several years of success, based on global leadership for automotive Bluetooth solutions (market share of up to 80% in 2011 for retail automotive products – source GfK), the Group has made significant investments to offset the commoditization of Bluetooth technologies by focusing on in-car infotainment technologies. The pace at which these technologies are being adopted is currently being held back by the automotive industry's innovation cycle and the deployment of fourth-generation telecoms networks; indeed, to work under optimum conditions, in-car connectivity is better suited to 4G networks.

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 on-board digital revolution since 2009 and has deployed major resources to develop a complete infotainment platform, particularly with:

- The acquisition of 100% of DiBcom's capital in July 2011 for 29.4 M€ (acquisition of shares for 15.9 M€ and net debt buyback for around 12 M€), enabling 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.

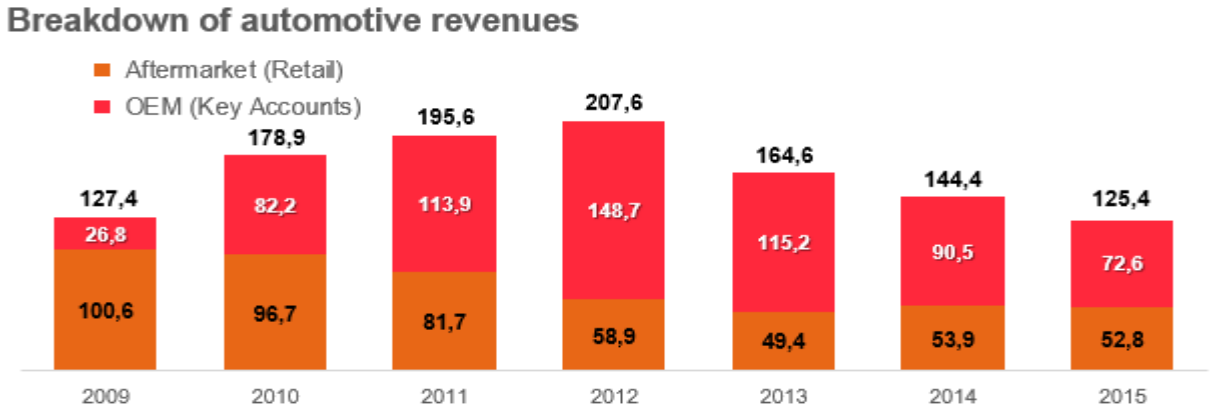
The Group is capitalizing on its longstanding connectivity, signal processing and digital music expertise to position itself on the infotainment market segment that covers the mutualization of driving-assistance technologies and entertainment technologies for drivers and their passengers.

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) and a growing portfolio of useful applications for drivers, as well as handsfree telephony (see 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 and technologies from Parrot's traditional intellectual property portfolio.



Through its new "Parrot ASTEROID" retail solutions and its long-established multimedia connectivity expertise, Parrot 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 will represent around 100 million units, equivalent to the number of car radios currently sold on an OEM and after-market basis, and will be offered at higher prices than the current solutions.



In 2015, Automotive revenues came to 125.4 M€, representing 38% of the Group's revenues. The Automotive business is down 13% from 2014, in line with the transition to infotainment solutions, reflecting the gradual withdrawal from contracts for previous generation products.

This trend is slowing down, in line with the Group's expectations, after contracting 22% in 2013 and 17% in 2014.

The Group has developed a comprehensive range of quality infotainment solutions, illustrated by:

- Its participation in the Open Automotive Alliance, which unites together leading groups from the automotive and technology industries and aims to integrate the Android system into vehicles (Android Auto). The Group, with Nvidia and Freescale, is one of the only new technology firms to have been invited to join this organization, led by Google;
- The quality of the first manufacturers that have adopted its infotainment solutions: Volvo, McLaren, Porsche, Chrysler, Honda.

To date, the Group has a total of nine contracts, with five already in production and at least four scheduled to move into production by 2017, for which the stages to customize the solutions are underway, financed largely by the automotive clients.

Automotive products and solutions sold by the Group in 2015

Parrot CK3100 LCD
Recommended sales price: €169



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

Parrot CK3000 Evolution
Recommended sales price: €119



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

Parrot MKI 9200
Recommended sales price: €249



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

Parrot MKI 9100
Recommended sales price: €199



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

Parrot MKI 9000
Recommended sales price: €169



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

Parrot ASTEROID Tablet
Recommended sales price: €349



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
Recommended sales price: €549



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

Parrot MINIKIT Neo 2 HD & MINIKIT +

Recommended sales price: €79 / €59



Make and receive calls in HD, without handling your phone
Free app for Android and iPhone
Compatible with all cars
Available in different colors
Bluetooth 2.1 / 4.0
Charging time: 3 hrs maximum – 5V / 500mA
Conversation battery life: over 10 hours
Ultra Low Power Mode battery life: over 6 months
Digital signal processing
Parrot NR3 noise reduction
Multidirectional microphone with temporal coherence
Echo and residual echo cancellation
3W speaker
Full duplex conversation
Languages: ENG (UK), FR, GER, IT, ESP (SP), POR, DUT, ENG (US), ESP (America), ZH, DAN, SW, POL, CZ, RU, TUR

Main OEM Automotive products sold in 2015

Parrot FC6000 / FC6050B / FC6050W



Professional modules
Bluetooth 4.0
Handsfree telephony and messaging
Advanced voice recognition (text to speech, siri eye free)
Multi-audio support (USB, Apple, Bluetooth A2DP, jack)
Tethering
Advanced digital acoustics (noise reduction, echo cancellation, automatic adjustment)

Parrot OCTOPUS 3



Professional chip
Worldwide digital TV
DVB-T, DVB-T2, ATSC, ISDB-T, CMMB, CTTB, T-DMB
Worldwide digital radio
AM/FM, DAB, DAB+, DRM, DVB-T2 Lite, HD Radio
Multi-band tuner
AM/FM, VHF and UHF
Reception combining signals from 2 or more antennas to improve reception performance
Dynamic download and demodulation software
Internal AVB ethernet network

Parrot FC8000



Professional module
Worldwide radio: AM / FM, DAB, DAB +, DRM, DVB-T2 Lite, web radio, SiriusXM, HD Radio
Handsfree telephony and messaging
Compatible with iOS and Android (option)
Media player: USB, Apple devices, Bluetooth, SD, line-in, radio
Advanced audio processing: Equalizer & audio FX, AEC & NR
Wi-Fi access point
Advanced voice recognition (text to speech)
Tethering: USB, Bluetooth, Wi-Fi

6.2. Exceptional events in 2015

The Group's markets and activities were not affected by any exceptional elements in 2015. Readers are invited to refer to Section IV "Risk factors" and more specifically the following sections:

- 4.1.2 The Group could experience difficulties managing the risks linked to the international deployment of its activities and its growth on new international markets
- 4.1.3 The Group may encounter difficulties in achieving the repositioning of its Automotive business
- 4.1.4 The Group may encounter difficulties in integrating the acquired companies and in implementing its external growth strategy in the Commercial Drones market
- 4.1.5 The Group's results are seasonal and strongly depend on the sales recorded during the fourth quarter
- 4.1.13 The Group's earnings are subject to fluctuations which make them difficult to forecast
- 4.2.1 The Group is dependent on the context of the markets in which it operates, economic conditions and the pace of adoption of new technologies by the different audiences the Group is targeting
- 4.2.2 There is no guaranteeing that the Consumer Drones or the Commercial Drones business will develop as expected, or that the Group will take these new market opportunities
- 4.2.3 The Group cannot anticipate the development or the positioning of its current or future competitors, and may be unable to compete with them
- 4.2.4 The marketing of the Group's products may be impacted if the wireless communications operators did not provide the required wireless services
- 4.2.8 The Group may face commercial returns in the Consumer Drone sector which are hard to predict
- 4.2.10 The Group is dependent on the market environment for automotive and electronic products
- 4.2.11 The Group may not be in a position to cope with growth in the markets
- 4.2.12 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.13 The Group's activities are dependent on regulations governing cellphone use while driving
- 4.2.14 The Group's business is linked to regulations governing the use of Drones

6.3. 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" and more specifically the following sections:

- 4.1.6 The Group depends on subcontractors for the manufacturing and assembly of its products

- 4.1.1 The Group relies on resellers for the sale of its retail products. The problems affecting these resellers and the changes relating to their purchases or to the associated decisions may have a material impact on the Group's business as well as on its operating results.
- 4.1.5 The Group's results are seasonal and strongly depend on the sales recorded during the fourth quarter
- 4.1.7 The Group's success depends to a great extent on the development of Parrot's brand awareness
- 4.1.8 The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development
- 4.1.9 The Company's main shareholder has the power to influence the Company's corporate decisions
- 4.1.10 Future sales of Company shares could have an impact on the Company's stock price
- 4.1.12 The Company issues dilutive instruments which could have an impact on its capital
- 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 dependent on the context of the markets in which it operates, economic conditions and the pace of adoption of new technologies by the different audiences the Group is targeting
- 4.2.5 The Group's business depends on the electronic components market
- 4.2.6 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
- 4.2.9 Any significant disruption of its information systems may affect the Group
- 4.2.12 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.13 The Group's activities are dependent on regulations governing cellphone use while driving
- 4.2.14 The Group's business is linked to regulations governing the use of Drones
- 4.3.1 Foreign exchange risk
- 4.3.2 Interest rate risk
- 4.3.3 Risk relating to treasury stock and equity interests
- 4.3.4 Liquidity and counterparty risk
- 4.4.1.1 Potential lack of protection in terms of intellectual property
- 4.4.1.2 Potential unauthorized use of technologies developed by the Company
- 4.4.1.3 Potential shortcomings concerning confidentiality protection for certain information relating to its technology
- 4.4.1.4 Claims from third parties considering to hold rights over certain technologies or data operated by the Group
- 4.4.1.5 The Company could encounter difficulties linked to the use of "freeware"

6.4. Competitive environment

The Group believes that its main competitive advantages are as follows:

■ Brand renowned for its reliable and innovative products

Widely recognized for having successfully developed outstanding technological know-how, initially for telecoms equipment for the automotive world, then for drones, the Group has built up a very strong reputation for innovation and reliability. In particular, the Group has proven its ability to combine highly technical components, ease-of-use and the universal nature of its products. These sound foundations in terms of its brand and its ability to create user-friendly interfaces with phones, then smartphones, have enabled the Group to successfully attract and engage large numbers of consumers around new markets such as consumer drones and commercial drones, as well as audio products (e.g. Parrot Zik headphones).

■ Advanced technologies and strong R&D expertise supporting the commercial success of its products

The Group stands out from the competition by capitalizing on its R&D team (see XI "Research and development") of over 500 people, renowned for its software development and programming expertise, enabling it to build up an extensive portfolio of patents. For over 20 years, this team has successfully developed technologies adopted from the ecosystem for phones then smartphones (GPS, accelerometer, gyroscope, MEMS (Microelectromechanical Systems), wifi, etc.) to find new commercial opportunities, as shown by the changes in the scope for the Group's business since 1994. The expert signal processing, voice recognition and chip design capabilities built up by the Group's teams are particularly renowned.

With its highly technological content, each new product is also designed around a set of specifications helping ensure the commercial success of products, such as:

- Capacity for sales on a wide scale;
- Target gross margin of a minimum of 40%;
- Availability of the main components;
- Presence of the features that are the Group's hallmark, i.e. lightweight, easy-to-use design.

Ability to launch benchmark products for new uses on the growing drone market

The Group has played an essential role in the emergence of the consumer drone market, on which it was one of the very first firms, particularly with its launch of the A.R. Drone in 2010, and it has successfully grown and developed this market with new products, including its MiniDrone and Bebop Drone ranges launched in 2014 and 2016.

Building on the Parrot brand's reputation and the powerful technology developed for consumer drones, the Group offers a range of innovative products and services for diverse professional uses, such as mapping and precision farming, two markets with recognized potential for development.

Flexible organization based on a proven ability to develop new markets and adapt to their growth

Over the last 20 years, the Group has proven its ability to adapt and develop its range of solutions in line with market expectations, even preempting them, thanks to its flexible, efficient organization based on:

- R&D (see XI "Research and development"): a research office that has built up extensive know-how in terms of continuous improvements and innovation for the products sold by the Group;
- Production: a fabless model that is based on assemblers with which the Group has longstanding relationships, enabling it to quickly bring innovative products into production on a large scale, with the Group's strong sourcing, logistics, production monitoring and quality control capabilities;
- Distribution: an extensive and growing network, enabling the Group to distribute its products worldwide, with complementary distribution channels: (i) consumer electronics retailers (e.g. Brookstone and Target (USA), Fnac (France), Media Markt (Spain, Germany)), (ii) online distribution specialists (e.g. Amazon and Apple), (iii) telecommunications product distributors (e.g. Orange (France), AT&T (USA)), and (iv) automotive specialists (e.g. Norauto and Feu Vert (France), Halfords (UK)). Globally, the Group has a major distribution network, with over 12,500 points of sale and 300 internet sites.

Since the markets started to develop for consumer drones and commercial drones, the Group has successfully deployed and adapted its organization's resources in order to fully benefit from the opportunities opening up with these new markets. The Group is confident that its organization will be able to continue adapting to the rapid changes on these markets in order to help drive their development, as a leader.

Unique positioning throughout the drone market's value chain

The Group believes that it is one of the only operators on the market to sell both consumer and commercial products and services, enabling each one of them to benefit from their respective assets:

- Consumer drones are benefiting from the technological expertise developed for commercial drones;
- Commercial drones are capitalizing on the return on experience linked to millions of users of consumer drones, ensuring that they are highly reliable, with quicker development times and optimized design and production costs.

On the commercial drone market, the Group is positioned across the entire value chain, from drones to sensors, software and related services. On the precision farming market, the Group's range of solutions illustrates the extensive commercial synergies supporting the Group's pivotal position:

- senseFly sells the eBee AG, a flying wing which, unlike quadricopters, is particularly well-suited to flying over large areas of farmland and combines a long battery life with effective wind resistance;
- Airinov (Europe) and Micasense (USA) sell high-performance sensors and data processing and recommendation services for all the players in this sector;
- Pix4D sells its mapping software to all Commercial Drone firms.

Proven track record and know-how for acquiring and integrating companies

The Group has successfully implemented an external growth policy targeting innovative firms positioned on the Commercial Drone market, and offers one of the most advanced range of solutions on this market segment.

For each of the companies acquired over the last three years, the Group has acted as a genuine accelerator. In particular, the Group has successfully provided them with the capital required for their development, as well as the operational organization that is crucial for their successful transition to an industrial scale.

Thanks to the successful investments in senseFly, Airinov and Pix4D, the Group's teams have shown their ability to identify, far upstream, companies with truly differentiating technologies that can be deployed on an industrial scale. In addition, the approach adopted by the Group to increase its capital interests in these companies by linking the founders and managers' exit conditions to the commercial and operational performances achieved has helped maintain the entrepreneurial approach around which the Group has built its success for more than 20 years.

Development model combining innovation and profitable growth

Since the Company's IPO, the Group has proven its ability to deal with changes in the markets and develop its business on new markets, while maintaining a balanced financial profile (EBIT and cash flow), despite making significant investments, including R&D investments (see XI "Research and development").

This financial performance is built around the strategic choices with its operating model:

- Effective control over setting its sales prices;
- Active management of product lifecycles;
- Use of components produced on a large scale;
- Fabless model;
- Careful selection of partners and distributors.

This model has made it possible to generate cash flow with the Automotive business, which has helped finance the development of the Drone business since 2009.

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.

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. To be able to apply an adapted 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.

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 also represents the Group's global supply point in Asia.

The industrialization and production department, made up of 134 people at December 31, 2015, based primarily 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.

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

Suppliers	Location	2014 ranking	2014 (M€)	2015 ranking	2015 (M€)
Jabil Circuit Ltd (China)	Asia	1	80.4	1	144.7
Fujikon Industrial Co. Ltd	Asia	2	7.0	2	10.0
Geodis	France	3	5.8	3	9.7
Google Ireland Limited	Europe			4	3.1
Rothschild	France			5	3.0
Aztech System Ltd	Asia	4	2.9	6	3.0
Siliconware Precision Ind.	Asia	8	2.4	7	3.0
TSMC	Asia	7	2.5	8	2.7
Natixis	France			9	2.7
SCOMAP	France	9	2.0	10	2.0

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.

6.5. Human resources and environmental data

6.5.1. Parrot's share included in the Gaia Index

Parrot has been included in the Gaia Index since 2010. Launched in October 2009 by IDMidCaps and EthiFinance, with support from the French financial analysts association (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 2015 Gaia Index report is available online at:

http://www.gaia-index.com/files/pdf/Soiree_Gaia_21-10-2015.pdf

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 the Parrot economic and social unit. Its subsidiaries and controlled companies, including those located outside of France, are mentioned when the Group scope is applied.

6.5.2. 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 environmental management system. Parrot's head office includes the research and development department that designs Parrot products. It represents 67% of the Group's workforce. The human resources data correspond to the Parrot economic and social unit unless indicated otherwise.

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 (environmental 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.

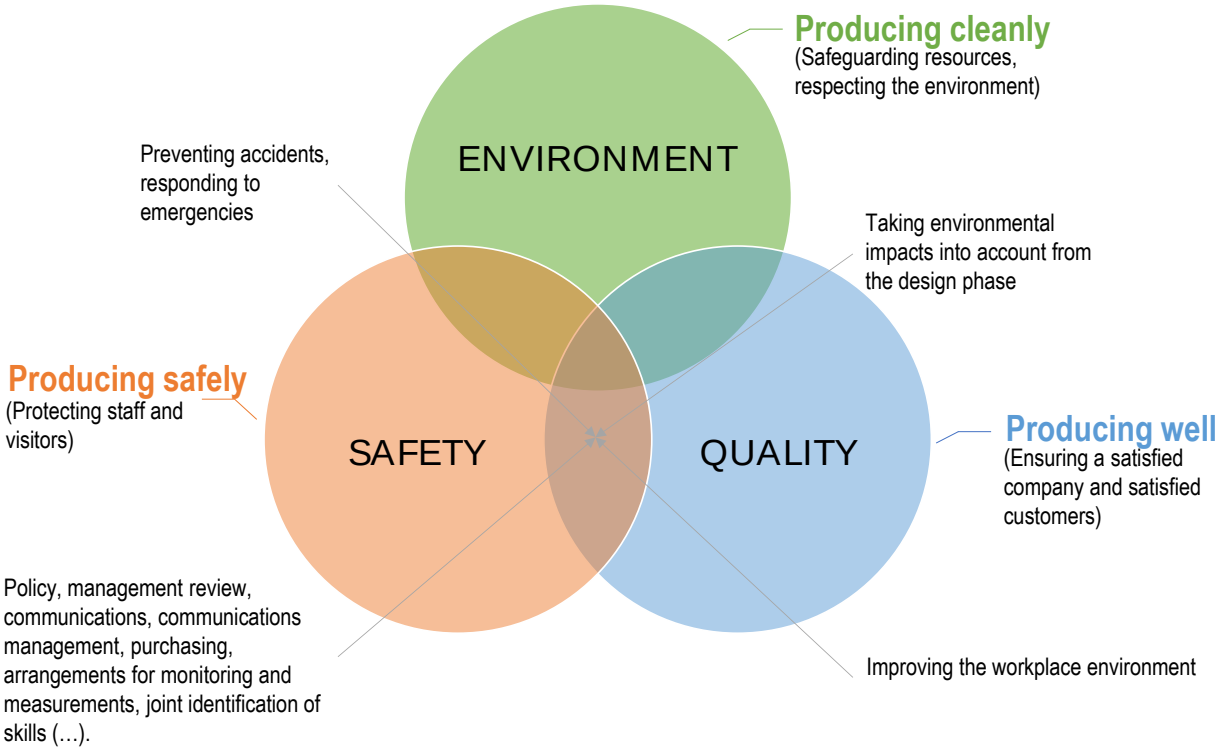
The data concerning the human resources indicators are consolidated based on various monthly reports.

6.5.3. 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 workplace 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.

6.5.4. Human resources data: employment

Breakdown of the workforce by country (Parrot Group)

Country	France	Switzerland	UK	Spain	Sweden	Italy	Poland	Russia	Germany	Europe
Headcount	628	119	14	12	6	8	1	1	13	**802**

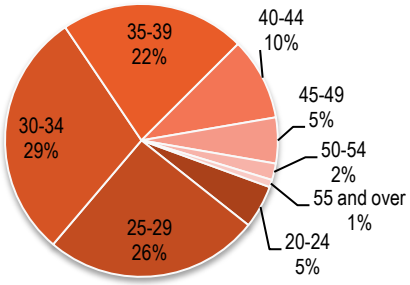
Country	China	HK	Japan	Korea	ANZ	Asia-Oceania
Headcount	87	22	5	1	3	**118**

Country	USA
Headcount	**36**

Breakdown of the workforce by gender (Group) at December 31, 2015

- Women: 22.77%
- Men: 77.33%

Breakdown of the workforce by age range at December 31, 2015



Monitoring of staff movements (Group)

There were 172 arrivals, 187 departures and 44 dismissals in 2015. Dismissals accounted for 24% of the contracts terminated.

Remuneration figures and changes (Group)

- France: 32,961,316 euros
- Europe excluding France: 12,262,346 euros
- Asia-Pacific: 4,363,015 euros
- United States: 2,874,367 euros

Organization of working time

Within the Parrot economic and social unit: 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

Within the Group: each subsidiary applies the regulations in force locally and ensures compliance with ILO recommendations in this area.

Absenteeism within the Parrot economic and social unit

For unplanned absenteeism within the Parrot economic and social unit, including occupational accidents and illnesses, maternity and paternity leave, long-term absences and absences for family events, the rate comes out at:

- 3.16% for Parrot S.A.
- 2.18% for Parrot Automotive
- 3.34% for Parrot Drones

Labor relations at Parrot

Organization of dialogue between management and employees

With the creation of an economic and social unit grouping together Parrot S.A., Parrot Drones and Parrot Automotive, joint structures were set up for the various entities in 2015:

- 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)
- Joint mandatory annual negotiations for all the entities.
- Review of collective agreements within the economic and social unit, with the following agreements in force to date:
  - Company-wide agreement on working time dated July 4, 2008
  - 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 relating to incentive bonuses dated June 22, 2015
- Company-wide agreement on means of communication for staff representatives dated July 8, 2010
- Agreement to set up electronic voting dated August 26, 2015
- 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 welfare benefits dated December 4, 2015
- Company-wide agreement relating to the generational contract dated August 27, 2013
- Company-wide agreement relating to the company savings scheme dated April 7, 2010
- Amendment 4 to the mandatory profit-sharing agreement dated May 23, 2014
- Amendment 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 December 4, 2015
- Amendment to the company-wide agreement on the generational contract dated March 26, 2014
- Collective pension savings plan agreement dated May 23, 2014

The other structures and subsidiaries do not have structured staff representative organizations in accordance with the regulations or their size. As such, Parrot encourages and facilitates direct employee expression, particularly through top-down communications on the company's main strategic aspects, as well as team meetings.

Health and safety within Parrot

Occupational health and safety conditions

Parrot takes the greatest care with occupational health and safety conditions. Although it does not have its own production facilities, some of these activities (particularly tests) require high levels of care concerning potential occupational safety risks.

Parrot has an OHSAS 18001 standard occupational health and safety management system, which has been certified by AFNOR, the French standards 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 our business.

In 2015, the decision was taken to encourage training for the staff concerned for safe and secure drone piloting.

In addition, to improve workplace conditions for its staff, Parrot has rolled out arrangements within the economic and social unit for occasionally working from home.

Review of agreements signed with union organizations or staff representatives within Parrot

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

Occupational accidents (and accidents travelling to and from work) within the Parrot economic and social unit

- Occupational accidents: two accidents in 2015
- Accidents travelling to and from work: three accidents in 2015
- Frequency rate = (number of accidents resulting in at least 24 hours off work / hours worked) x 1,000 000= 2.2
- Severity rate = (days lost as a result of temporary incapacity / hours worked) x 1,000= 0.031

Training within the Parrot economic and social unit

The priority in 2015 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, personal training account (CPF) system, 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 and office IT. It has also been extended to include new training methods such as MOOCs.

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 2015, 3,701.25 hours of training were provided.

Workplace equality

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).

At Group level, Parrot ensures compliance with all local workplace equality regulations and follows the ILO's recommendations in this area. Its global recruitment policy also aims to promote the workplace equality policy through non-discriminatory practices.

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 environmental 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 our business.

Environmental protection training and information actions for staff

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

- 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.
- Display board at the Paris headquarters making it possible to communicate on actions carried out by the QSE department.

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:

2015	Paris headquarters			Géodis platform			Varioptic		
	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	% reclaimed for energy	Tonnage	% incinerated	% reclaimed
WEEE	2.431	100%	0%	1.111	100%	0%	-	-	-
Cardboard / common industrial waste	0	0%	0%	5.632	0%	100%	-	-	-
Batteries	0.083	100%	0%	0	0%	0%	-	-	-
Other	0	0%	0%	0	0%	0%	-	-	-
Dispersed hazardous waste	-	-	-	-	-	-	0.491	0%	100%
Dispersed toxic waste	-	-	-	-	-	-	0.173	100%	0%

*As December's waste monitoring forms have not been received for the Paris headquarters, we cannot say exactly how many tons are missing.

	2013			2014		
	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	% reclaimed for energy
WEEE	12.518	100%	0%	1.385	1	0
Cardboard / common industrial waste	3.28	0%	100%	0.14	0	1
Batteries	0.101	100%	0%	0.246	1	0
Other	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 four 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 Environmental 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 rental expenses statement):

	2013	2014	2015
Cbm per person	8.0	8.7	9.0

This consumption indicator corresponds to water consumption at the Paris headquarters (headcount at end-December 2015: 593 people).

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: annual change in bills based on EDF meters):

	2013	2014	2015	
Site	Paris	Paris	Paris	Lyon
kWh per person	1,956	1,707	1,679*	10,530

*An estimate has been made for December

Paris headcount at end-December 2015: 593 people. Lyon headcount at end-December 2015: 30 people.

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 2015, CO2 emissions relating to electricity consumption at the Paris head office represented 133.2 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.

6.5.5. 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 adopted any other measures to support human rights in addition to the aforementioned ethics policy and compliance with the ILO's stipulations.

6.5.6. Report by the independent third party on the consolidated social, environmental and societal data

ERNST & YOUNG et Associés

Dear Shareholders,

In our capacity as an independent third party, accredited by the French national accreditation body COFRAC[2] under number 3-1050 and a member of the network of one of Parrot's statutory auditors, please find hereafter our report on the consolidated social, environmental and societal data presented in Section VI of the management report (the "CSR Data") for the year ended December 31, 2015, 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, in accordance with the procedures adopted by the company, including the HR reporting procedures and environmental data guides (the "Reporting Standards"), as summarized in the introduction to Section VI of 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.

[2] Accreditation scope available on www.cofrac.fr

Independent third party's responsibility

It is our responsibility, based on our work, 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.225105 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 four people over a period of approximately three weeks between December 2015 and the date when our report was signed.

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

Nature and scope of our work

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.

We checked that the CSR Data covered the consolidated scope, namely the company and its subsidiaries as defined by Article L. 233-1 of the French commercial code, as well as its controlled companies as per Article L. 233-3 of the commercial code, within the limits set out in the methodological memo presented in Section VI of the management report, notably that the environmental data are drawn up for the Group's head office in Paris and Parrot's products, and that the human resources data correspond to the Parrot economic and social unit unless indicated otherwise[4].

Conclusion

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

2. Considered opinion on the accuracy of the CSR Data

Nature and scope of our work

We conducted three interviews with the people responsible for the preparation of the CSR Data, from the Human Resources department, the Quality department and the Legal department 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.

[3] ISAE 3000 – Assurance engagements other than audits or reviews of historical information
[4] Group level for the breakdown of staff by gender and age, as well as for monitoring staff movements and remuneration

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[5]:

- For the consolidating entity, we reviewed the related documentary sources and we conducted interviews to corroborate the qualitative data (organization, policies, actions, etc.), 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 divisions we selected[6] 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 identify any omissions, and carried out detailed tests on a sampling basis, checking the calculations made and the consistency of data in the supporting documents. On average, the sample selected in this way represents over 67% of the workforce.

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 this 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, March 14, 2016

The Independent Third Party

ERNST & YOUNG et Associés

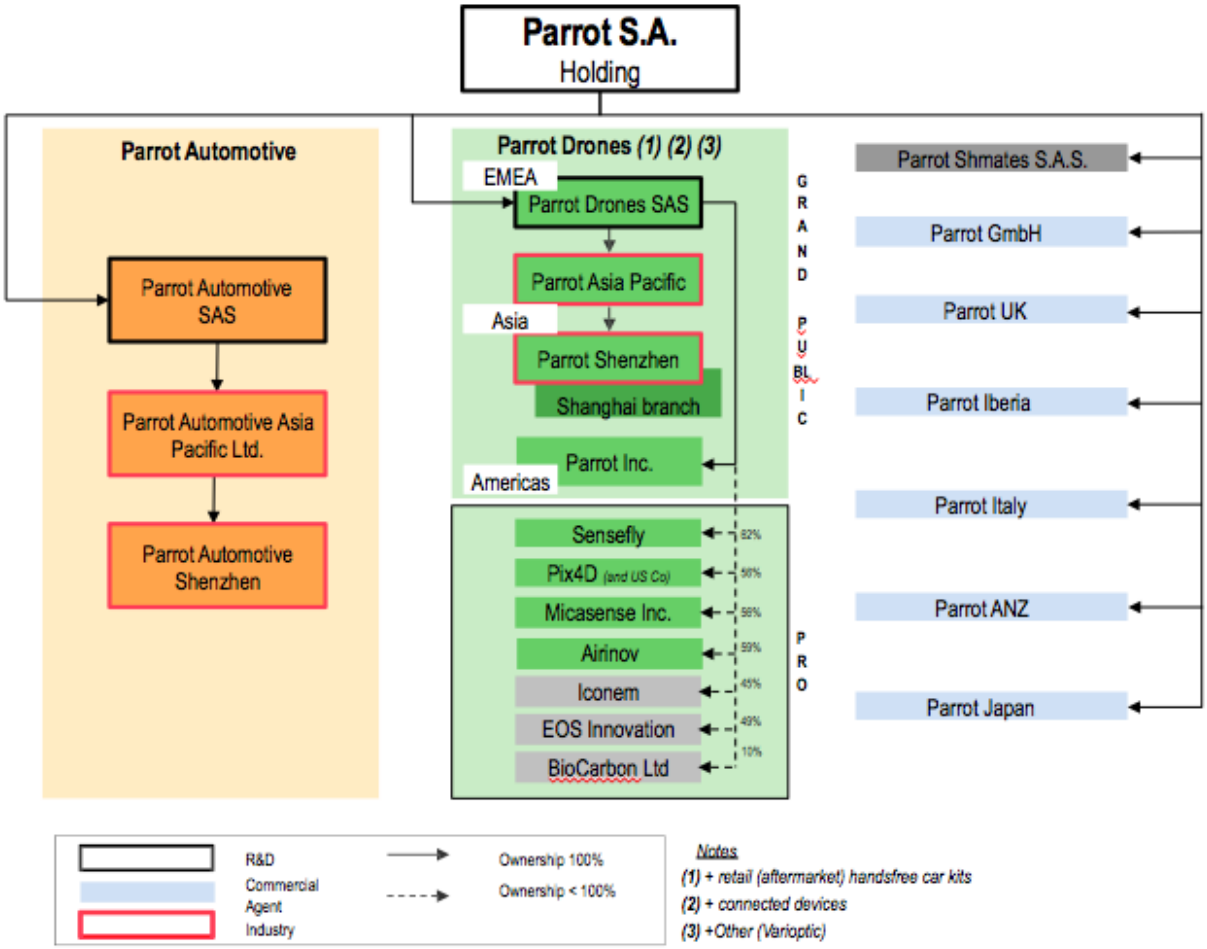
Christophe Schmeitzky	Bruno Perrin
Sustainable Development Partner	Partner

[5] **Environmental and societal data:** Indicators (quantitative data): measures to prevent, recycle and eliminate waste (tonnage and percentage reclaimed), as well as electricity consumption.
Qualitative data: relations with stakeholders (conditions for dialogue), importance of subcontracting and taking social and environmental stakes into account in the procurement policy and relations with suppliers and subcontractors, fair practices (actions taken to prevent corruption, measures adopted to support the health and safety of consumers).
Human resources data: Indicators (quantitative data): total registered workforce, absenteeism rate, occupational accident frequency rate.
Qualitative data: employment (total headcount and breakdowns, recruitments and dismissals, remuneration and changes), absenteeism, management-employee relations (organization of management-employee dialogue, review of collective agreements), occupational accidents, particularly their frequency and severity, and occupational illnesses.
[6] Parrot SA (Paris site, Parrot's corporate headquarters, as well as the other French sites in Evry and Lyon) for the environmental data, the Parrot economic and social unit for the human resources data.

VII. Structure

7.1. Group structure

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



At December 31, 2015, 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 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
- Parrot Shmates, fully-owned French subsidiary
- Pix4D, Swiss subsidiary in which the Company has a 56% stake through Parrot Drones S.A.S, following an additional interest acquired in January 2014; fully consolidated since January 1, 2014 (at December 31, 2013, the subsidiary was consolidated on an equity basis)
- Pix4DINC, fully-owned American subsidiary through Pix4D
- Airinov, 59%-owned French subsidiary through Parrot Drones S.A.S
- Micasense, 56%-owned American subsidiary through Parrot Drones S.A.S
- Parrot Automotive S.A.S, fully-owned French subsidiary
- Parrot Automotive Asia Pacific Ltd., Hong Kong-based subsidiary, fully-owned through Parrot Automotive SAS

- Parrot Automotive Shenzhen, Chinese sub-subsidiary fully-owned through Parrot Automotive Asia Pacific Ltd
- Parrot Drones S.A.S, fully-owned French subsidiary
- Parrot Asia Pacific Ltd, Hong Kong-based subsidiary, fully-owned through Parrot Drones S.A.S
- Parrot Trading (Shenzhen) Ltd, Chinese sub-subsidiary fully-owned through Parrot Asia Pacific

The following minority interests are consolidated on an equity basis at December 31, 2015:

- EOS innovation: 49% interest
- Iconem: 45% interest

7.2. Presentation of the Group's companies

In 2015, the company optimized its legal organization in order to differentiate between the business models, the pace of development, the resources required and the market cycles for its two main business lines: Drones and Automotive.

The Company's legal organization therefore underwent some significant changes during the year:

- On June 30, 2015, the proposal was approved for a partial transfer of assets from the "OEM Automotive" branch to Parrot Automotive S.A.S., registered in the Paris trade and company register under number 808 381 156 and in which the Company is the sole partner. This partial asset transfer involved subsidiarizing an independent business branch: handsfree communication and infotainment systems for vehicles, designed for sale to auto manufacturers or OEM suppliers. The partial asset transfer is subject to the French legal system for spin-offs, in accordance with Articles L. 236- 16 to L. 236-21 of the French commercial code, with all the Company's rights, assets and obligations for the branch in question transferred in full to Parrot Automotive;
- On November 30, 2015, the proposal was approved for a partial transfer of assets from the "Drones Connected Devices" branch to Parrot Drones S.A.S., registered in the Paris trade and company register under number 808 408 074 and in which the Company is the sole partner. This partial asset transfer involved subsidiarizing an independent business branch (drones and connected devices). The partial asset transfer is subject to the French legal system for spin-offs, in accordance with Articles L. 236- 16 to L. 236-21 of the French commercial code, with all the Company's rights, assets and obligations for the branch in question transferred in full to Parrot Drones.

From an accounting and tax perspective, these two partial asset transfer operations were effective from January 1, 2015.

The distribution subsidiaries (Parrot Italia S.r.l., Parrot UK Ltd, Parrot GmbH, Parrot Asia Pacific Ltd, Chez Parrot S.A.R.L., Parrot ANZ Ltd, Parrot Japan KK, Parrot Shmates SAS) are still linked directly to the Company.

Following these reorganization operations, the Company became a holding company.

Amount of corporate sales for each subsidiary (including invoicing within the Group):

- Parrot Inc.: 76.9 M€ in 2015 compared with 36.0 M€ in 2014
- Parrot Italia S.r.l.: 1.9 M€ in 2015 compared with 1.2 M€ in 2014
- Parrot GmbH: 3.8 M€ in 2015 compared with 2.6 M€ in 2014
- Parrot UK Ltd: 3.1 M€ in 2015 compared with 1.9 M€ in 2014
- Parrot Asia Pacific Ltd: 235.2 M€ in 2015 compared with 165.6 M€ in 2014
- Parrot Automotive Asia Pacific Ltd: 22.6 M€ in 2015
- Parrot Trading (Shenzhen) Ltd: 8.2 M€ in 2015 compared with 7.1 M€ in 2014
- Parrot Automotive Shenzhen: 0.7 M€ in 2015
- Parrot Iberia: 2.4 M€ in 2015 compared with 1.9 M€ in 2014
- Parrot S.A.: 12.9 M€ in 2015 compared with 124.7 M€ in 2014
- Parrot Automotive S.A.S.: 28 M€ in 2015
- Parrot Drones S.A.S.: 129.6 M€ in 2015
- Parrot Japan KK: 0.9 M€ compared with 0.8 M€ in 2014
- Parrot ANZ Ltd: 1.8 M€ in 2015 compared with 0.9 M€ in 2014
- Chez Parrot S.A.R.L.: 1.3 M€ in 2015 compared with 1.1 M€ in 2014
- senseFly: 22.8 M€ in 2015 compared with 11.1 M€ in 2014
- Pix4D: 6.9 M€ in 2015 compared with 3.2 M€ in 2014
- Pix4D Inc.: 0.1 M€ in 2015
- Airinov: 0.8 M€ in 2015
- MicaSense: 0.5 M€ in 2015

Parrot Automotive S.A.S.

Parrot Automotive S.A.S. is a French-law joint-stock company (société par actions simplifiée) with a capital of 35,507,913 euros (following the partial asset transfer operation). It was incorporated in Paris on December 15, 2014 with the corporate name "Parrot Invest 1". Its registered office is located at 174-178 Quai de Jemmapes, 75010 Paris, France.

The corporate purpose of Parrot Automotive S.A.S is to design, manufacture and sell handsfree communication and infotainment systems for vehicles, designed for sale to auto manufacturers or OEM suppliers.

At December 31, 2015, Parrot Automotive employed 198 people.

Parrot Drones S.A.S.

Parrot Drones S.A.S. is a French-law joint-stock company (société par actions simplifiée) with a capital of 59,537,825 euros (following the partial asset transfer operation). It was incorporated in Paris on December 15, 2014 with the corporate name "Parrot Invest 2". Its registered office is located at 174-178 Quai de Jemmapes, 75010 Paris, France.

The corporate purpose of Parrot Drones S.A.S. is to design, manufacture and sell drones, robotics products and connected devices.

At December 31, 2015, Parrot Drones employed 361 people.

Parrot, Inc.

Parrot, Inc. is an American-law limited company with a capital of $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, 2015, Parrot, Inc. employed 35 people (compared with 30 at December 31, 2014).

Parrot Italia S.r.l.

Parrot Italia S.r.l. is an Italian-law limited liability company with a share capital of 10,000 euros. 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, 2015, Parrot Italia S.r.l. employed 9 people (unchanged from December 31, 2014).

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, 2015, Parrot UK Ltd employed 14 people (compared with 12 at December 31, 2014).

Parrot GmbH

Parrot GmbH is a German-law company with a share capital of 25,000 euros. 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, 2015, Parrot GmbH employed 13 people (compared with 15 at December 31, 2014).

Parrot Asia Pacific Ltd

Parrot Asia Pacific Ltd is a private company limited by shares with a share capital of 10,000 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, 2015, Parrot Asia Pacific Ltd employed 88 people, with 70 in Shenzhen and 18 in Hong Kong (compared with 105, with 84 in Shenzhen and 21 in Hong Kong at December 31, 2014).

Parrot Automotive Asia Pacific Ltd.

Parrot Automotive Asia Pacific Ltd is a private company limited by shares with a share capital of 1 Hong Kong Dollar. It was incorporated on November 26, 2014 under number 2173244. Its registered office is located at Suite 501B, 5th Floor, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong-Kong (China).

The corporate purpose of Parrot Automotive Asia Pacific Ltd. is to design, manufacture and sell handsfree communication and infotainment systems for vehicles, designed for sale to auto manufacturers or OEM suppliers.

At December 31, 2015, Parrot Automotive Asia Pacific Ltd employed 4 people.

Parrot Automotive (Shenzhen) Ltd.

Parrot Automotive (Shenzhen) Ltd. is a private company limited by shares with a share capital of 1,230,653 CNY. It was incorporated on June 10, 2015 under number 440301503504745. Its registered office is located at Room 1501 – 1503, Centre Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen.

The corporate purpose of Parrot Automotive (Shenzhen) Ltd. is to design, manufacture and sell handsfree communication and infotainment systems for vehicles, designed for sale to auto manufacturers or OEM suppliers.

At December 31, 2015, Parrot Automotive (Shenzhen) Ltd employed 15 people.

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, 2015, Parrot Iberia, S.L. employed 13 people (compared with 16 at December 31, 2014).

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, 2015, Parrot Japan KK employed 5 people (compared with 6 at December 31, 2014).

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, 2015, Parrot ANZ Ltd employed 3 people (compared with 4 at December 31, 2014).

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, 2015, Chez Parrot employed 4 people (compared with 5 at December 31, 2014).

Parrot Shmates S.A.S.

Parrot Shmates S.A.S. is a French-law joint-stock company (société par actions simplifiée) with a capital of 10,000 euros. It was incorporated on July 2, 2015. Its registered office is located at 174-178 Quai de Jemmapes, 75010 Paris, France.

The corporate purpose of Parrot Shmates S.A.S. is to design, manufacture and sell electronics and IT products and connected devices.

At December 31, 2015, Parrot Shmates did not have any employees.

- **senseFly**

senseFly is a Swiss-law company with a capital of 185,104.43 Swiss Francs (CHF). It was incorporated on November 30, 2009 and registered under number CH-5501063796-3. 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 Drones SAS held a 62% capital stake at December 31, 2015, is fully consolidated.

At December 31, 2015, senseFly employed 77 people (compared with 69 at December 31, 2014).

- **Pix4D**

Pix4D is a Swiss-law company with a capital of 100,000 Swiss Francs (CHF). It was incorporated on June 1, 2011 and is registered under number CH-550193877-2. 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.

Pix4D, a subsidiary in which Parrot Drones SAS held a 56% capital stake at December 31, 2015, is fully consolidated.

At December 31, 2015, Pix4D employed 44 people (compared with 33 at December 31, 2014).

7.3. Investments in associates

7.3.1. Majority investments

The senseFly subsidiary, which Parrot Drone held a 62% interest at December 31, 2015, is fully consolidated under the equity method. Parrot has awarded senseFly's minority shareholders on option to sell their minority interest in senseFly.

The Pix4D subsidiary, which Parrot Drone held a 56% interest at December 31, 2015, is fully consolidated under the equity method. Parrot has awarded Pix4D's minority shareholders on option to sell their minority interest in Pix4D.

The Airinov subsidiary, which Parrot Drone held a 59% interest at December 31, 2015, is fully consolidated. Parrot has awarded Airinov's minority shareholders on option to sell their minority interest in Airinov.

The MicaSense subsidiary, which Parrot Drone held a 56% interest at December 31, 2015, is fully consolidated. Parrot has awarded MicaSense's minority shareholders on option to sell their minority interest in MicaSense.

7.3.2. Minority investments

At December 31, 2015, Parrot Drones held the following interests:

- 1.14% of the company NETATMO (investment carried out in 2013);
- 9.9% of the company DELAIR TECH (investment carried out in 2013);
- 49% of the company EOS INNOVATION (investment carried out in 2014);
- 45% of the company Iconem (investment carried out in 2015);
- 13.6% of the company Biocarbon Ltd (investment carried out in 2015)

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 2015, Parrot's revenues climbed 34% to 326.3 M€. During this record year, the Group also made major advances in a number of areas, including:

- Reorganizing its legal and operational structure by creating two separate companies, on the one hand to house its high-growth Drones and Connected Devices business (Parrot Drones SAS);
- Further strengthening its capacity for innovation on Consumer Drones in order to expand its product range (launch of 14 consumer drones), then extending its distribution networks and investing in the deployments of its subsidiaries, primarily in the US, where the team now has the critical mass needed to drive its growth forward;
- Continuing to ramp up its Commercial Drone business with the acquisition of four companies, further strengthening their resources to cover the Group's three priority markets (mapping, precision farming and inspection);
- Carrying out a capital increase for nearly 300 M€, enabling it to accelerate its development, while consolidating its organization and its leading position for consumer and commercial civil drones (see 18.1.2 below "Change in the Company's capital").

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 includes (i) revenues from sales of Consumer Drones (MiniDrones, AR.Drone, Bebop Drone), sold to consumers through the Group's retail distribution networks and online, as well as (ii) revenues from sales of Commercial Drones (SenseFly, Airinov and MicaSense) sold through specialized distribution networks, and (iii) revenues from software licensed for use with drones (Pix4D);
- The **Automotive** business includes (i) revenues from installed handsfree kits (Parrot CK and Parrot MKi range), Plug & Plays (MiniKit range) and Infotainment products (Parrot ASTEROID range) sold to consumers through the Group's retail distribution networks (Retail Automotive), as well as (ii) revenues from the Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers (OEM Automotive);
- The **Connected Devices** business includes revenues from the audio products (Parrot Zik) 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, which is specialized in optics.

■ Breakdown of revenues by business

Consolidated accounts - IFRS (€M and % of Group revenues)	2014		2015		Change
Drones	**83.0**	**34%**	**183.4**	**56%**	**121%**
Consumer	70.5	29%	155.2	48%	120%
Commercial	12.5	5%	28.3	9%	126%
Automotive	**144.4**	**59%**	**125.4**	**38%**	**-13%**
Retail	44.5	18%	52.8	16%	19%
OEM	99.9	41%	72.6	22%	-27%
Connected Devices	**14.5**	**6%**	**15.4**	**5%**	**6%**
Audio	12.4	5%	14.1	4%	14%
Other Connected Devices	1.1	0%	0.4	0%	-59%
Other	**2.0**	**1%**	**2.1**	**1%**	**6%**
Group total	**243.9**	**100%**	**326.3**	**100%**	**34%**

(1) Plug & Play business allocated to the Automotive segment since January 1, 2015, as well as in the data for 2014. The reclassification of revenues represents 9.4 M€ for 2014, while the impact on income from ordinary operations is not significant.

9.2. Change in consolidated earnings

€'000	Dec 31, 2014	Dec 31, 2015
Revenues	**243 871**	**326 273**
Cost of sales	-115 363	-173 595
Gross margin	**128 508**	**152 678**
Gross margin as % of revenues	52.7%	46.8%
Research and development costs	-50 130	-57 679
% of revenues	*20.6%*	*17.7%*
Sales and marketing costs	-45 941	-59 344
% of revenues	*18.8%*	*18.2%*
General and administration costs	-16 746	-19 505
% of revenues	*6.9%*	*6.0%*
Production and quality costs	-14 577	-16 576
% of revenues	*6.0%*	*5.1%*
Income from ordinary operations	**1 113**	**-426**
Income from ordinary operations as % of revenues	0.46%	-0.13%
Other operating income and expenses	-514	2 494
EBIT	**599**	**2 068**
EBIT as % of revenues	0.25%	0.63%
Income from cash and cash equivalents	1 247	522
Gross finance costs	-834	-448
Net finance costs	413	74
Other financial income and expenses	220	879
Financial income / expense	**634**	**953**
Share in income from associates	0	-1 158
Tax	-4 088	-307
Net income	**-2 855**	**1 557**
Group share	**-2 592**	**462**
Net income (Group share) as % of revenues	*-0.11%*	*0.14%*
Non-controlling interests	-263	1 095

9.2.1. Revenues

The consolidated accounts show 326,273 K€ in consolidated revenues, up 34% from the previous year (243,871 K€). Revenue growth reflects the 183,425 K€ increase in revenues for the Drone business, up to 183,425 K€, representing 56% of the Group's total revenues at December 31, 2015, offsetting the contraction in revenues for the Automotive business from 144,419 K€ to 125,390 K€ .

9.2.2. Cost of sales and gross margin

The gross margin came to 46.8% of revenues, in line with the Group's business model. The decrease in the gross margin as a percentage of revenues primarily reflects the US dollar's appreciation and a slight drop in the margin for Plug& Play products. The Group's Drones segment benefited from the highest gross margin.

9.2.3. Operating expenditure

Current operating expenditure totaled 153,104 K€, up 20.18% compared with the 127,395 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 8.1 M€ in 2015, with 6.5 M€ booked against operating expenses and the balance against capitalized development costs.

■ Research and development costs

In 2015, the Group's research and development costs came to 57,679 K€, representing 17.7% of revenues, compared with 50,130 K€ in 2014 (20.6% of revenues), an increase of 7,548 K€ (+15.06%). This increase is primarily due to the gradual completion of capitalized automotive R&D programs and the reallocation of engineers that were previously assigned to capitalized automotive R&D programs within the drone development programs.

■ Sales and marketing costs

In 2015, the Group's sales and marketing costs came to 59,344 K€, representing 18.2% of revenues, compared with 45,941 K€ in 2014 (18.8% of 2014 revenues), up 13,403 K€ (+29.18%). The increase in sales and marketing costs reflects the ramping up of the

Consumer Drone business, and the related higher marketing budgets, as well as the development of the Commercial Drone sales teams.

■ Production and quality

In 2015, the Group's production and quality costs came to 16,576 K€, representing 5.1% of revenues, compared with 14,577 K€ in 2014 (6% of 2014 revenues), up 1,999 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 2015, the Group's general and administration costs came to 19,505 K€, equivalent to 6% of revenues, compared with 16,746 K€ in 2014 (6.9% of 2014 revenues), representing an increase of 2,758 K€. General and administration costs primarily reflect the development of the Commercial Drone business and an increase in the headcount in the Group's European and US subsidiaries.

9.2.4. Income from ordinary operations

Income from ordinary operations came to (429) K€ for 2015, representing 0.1% of revenues, compared with 0.5% one year earlier.

€'000	Drones	Automotive(1)	Connected Devices	Other	Total
2015 revenues	**183 425**	**125 390**	**15 381**	**2 078**	**326 273**
% of Group revenues	*56%*	*38%*	*5%*	*1%*	*100%*
Income from ordinary operations	-2 207	11 253	-6 726	-2 745	-429
% of Group revenues	*-1%*	*9%*	*-44%*	*-132%*	*0%*
2014 revenues	**82 964**	**144 419**	**14 537**	**1 951**	**243 871**
% of Group revenues	*34%*	*59%*	*6%*	*1%*	*100%*
Income from ordinary operations	107	10 255	-7 198	-2 051	1 113
% of Group revenues	*0%*	*7%*	*-50%*	*-105%*	*0%*

(1) Plug & Play business allocated to the Automotive segment since January 1, 2015, as well as in the data for 2014 below. The reclassification of revenues represents 9.4 M€, while the impact on income from ordinary operations is not significant.

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 953 K€ for 2015, compared with 633 K€ in 2014, linked primarily to income from the Group's investments and foreign exchange effects.

9.2.6. Earnings for the period

In 2015, net income (Group share) totaled 462 K€, representing 0.3% of revenues, compared with -2,592 K€ and -1.1% respectively in 2014.

9.3. Change in Parrot S.A. earnings

Parrot S.A. earnings are presented in detail in section 20.4 au-dessous "Parrot S.A. 2015 annual financial statements".

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

Following the partial asset transfers for Parrot Automotive and Parrot Drones, effective retroactively to January 1, 2015:

- Net revenues came to 12,894 K€, compared with 124,703 K€ for the previous year.
- Operating income came to 25,989 K€, compared with 187,288 K€ the previous year.
- Operating expenses came to 32,430 K€, compared with 198,211 K€ the previous year.
- EBIT came to -6,441 K€, compared with -10,923 K€ the previous year.
- Financial income and expenses show 3,223 K€ in income, compared with 14,498 K€ in income the previous year.
- Non-recurring items show 119 K€ of income, compared with a 4,307 K€ loss the previous year. A net accounting loss of 1,954 K€ was recorded in 2015, compared with a net accounting profit of 3,426 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 30,130,052 shares, an increase of 17,376,389 shares as a result of the 121,111 stock options exercised by the Group's staff, as well as the cancellation of 320,000 shares and the creation of 17,575,278 shares due to the capital increase in December 2015.

At December 31, 2015, the Company had 417,491 K€ in shareholders' equity, up 283,032 K€ from the previous year.

Other equity

Following the partial asset transfers for Parrot Automotive, the 3,119 K€ conditional advance received by the former DiBcom from OSEO, the French innovation agency, was transferred at January 1, 2015.

Following the partial asset transfers for Parrot Drones, the 700 K€ conditional advance received from OSEO by the former Varioptic, initially repayable from September 2010, was transferred at January 1, 2015.

Debt

Refer to section 20.2.21 au-dessous "Note 21 - Financial debt".

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 section **Erreur ! Source du renvoi introuvable.** "Risk factors", and more specifically the following sections:

- 4.1.1 The Group relies on resellers for the sale of its retail products. The problems affecting these resellers and the changes relating to their purchases or to the associated decisions may have a material impact on the Group's business as well as on its operating results.
- 4.1.5 The Group's results are seasonal and strongly depend on the sales recorded during the fourth quarter.
- 4.1.8 The Group is dependent on certain key executives, engineers and sales managers whose departure could adversely affect its development. Future sales of Company shares could have an impact on the Company's stock price
- 4.1.12 The company issues dilutive instruments which could have an impact on its capital.
- 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 dependent on the context of the markets in which it operates, economic conditions and the pace of adoption of new technologies by the different audiences the Group is targeting.
- 4.2.2 There is no guaranteeing that the Consumer Drones or the Commercial Drones business will develop as expected, or that the Group will take these new market opportunities.
- 4.2.3 The Group cannot anticipate the development or the positioning of its current or future competitors, and may be unable to compete with them.
- 4.2.4 The marketing of the Group's products may be impacted if the wireless communications operators did not provide the required wireless services.
- 4.2.5 The Group's business depends on the electronic components market.
- 4.2.10 The Group is dependent on the market environment for automotive and electronic products.
- 4.2.11 The Group may not be in a position to cope with growth in the markets.
- 4.2.12 The Group's target markets are subject to rapid technological change and frequent launches of new products.
- 4.2.13 The Group's activities are dependent on regulations governing cellphone use while driving.
- 4.2.14 The Group's business is linked to regulations governing the use of Drones.

9.5. Five-year financial summary

Breakdown (€, except I-b and IV-a)	2011	2012	2013	2014	2015
I. Capital at year-end					
a) Share capital	1 965 401	1 952 766	1 929 304	1 944 296	4 592 458
b) Number of existing ordinary shares	12 892 145	12 809 264	12 655 293	12 753 663	30 130 052
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	1 122 832	942 134	784 371	507 915	474 925
II. Operations and earnings for the year					
a) Revenues (net of tax)	143 107 682	129 378 455	109 639 970	124 703 069	12 893 727
b) Earnings before tax, employee profit-sharing, depreciation and provisions	22 283 454	31 363 838	-11 795 072	-3 977 466	-14 354 854
c) Corporate income tax	-3 923 709	-6 913 729	-4 034 566	-4 158 584	-1 144 034
d) Employee profit-sharing due for the year					
e) Earnings after tax, employee profit-sharing, depreciation and provisions	7 768 900	22 963 227	-12 130 495	3 426 803	-1 954 319
f) Distributed earnings					
III. Earnings per share					
a) Earnings after tax and employee profit-sharing, but before depreciation and provisions	2.03	2.99	-0.61	-0.64	0.51
b) Earnings after tax, employee profit-sharing, depreciation and provisions	0.60	1.79	-0.96	0.27	0.06
c) Dividend per share					
IV. Workforce					
a) Average headcount over the year	503	542	589	615	481
b) Annual payroll	30 909 596	31 817 947	33 519 692	35 613 551	3 776 447
c) Amount of sums paid for employee benefits for the year (social security, benefits, etc.)	16 596 032	19 289 107	16 131 645	16 963 440	2 214 117

(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.

9.6. Non-deductible expenses

NA.

X. Cash and capital

At December 31, 2015 the Group's cash position, including other financial assets, came to 351.1 M€, compared with 89.7 M€ at December 31, 2014. 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 331.8 M€ at December 31, 2015, compared with 77.2 M€ at the previous financial year-end, linked to the capital increase in December 2015 (see 18.1.2 “Change in the Company's capital" and 20.9 "Significant changes in the commercial or financial position").

10.1. Cash

Consolidated cash flow (IFRS)

€'000	Dec. 31, 2014	Dec. 31, 2015
Operating cash flow		
Earnings for the period	(2 855)	1 557
Share in income from associates	-	1 158
Depreciation and amortization	11 677	19 154
Capital gains and losses on disposals	(25)	72
Capital gain linked to remeasurement of securities of companies previously recorded as long-term financial investments	(902)	(7 177)
Tax charges	4 088	307
Cost of share-based payments	2 641	4 058
Cost of net financial debt	(413)	(74)
Cash flow from operations before cost of net financial debt and tax	**14 210**	**19 053**
Change in working capital	5 464	(32 173)
Tax paid	(3 808)	(4 500)
CASH FROM OPERATING ACTIVITIES (A)	**15 866**	**(17 619)**
Investing cash flow		
Acquisition of tangible and intangible assets	(19 364)	(13 348)
Acquisition of subsidiaries, net of cash acquired (2)	395	(4 688)
Acquisition of financial assets	(4 438)	(3 253)
Disposal of tangible and intangible assets	-	34
Disposal of subsidiaries, net of cash divested	-	-
Disposal of long-term financial investments	163	109
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(23 243)**	**(21 146)**
Financing cash flow		
Equity contributions (1)	964	290 279
Dividends paid	-	-
Receipts linked to new loans	1 164	17 808
Other financing	-	-
Cash invested for over 3 months *	23 299	(138 620)
Cost of net financial debt	413	74
Exchange hedging instruments	-	-
Repayment of short-term financial debt (net)	(6 818)	(10 984)
Repayment of other debt	-	-
Acquisition / Disposal of treasury stock (2)	37	(274)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**19 059**	**158 283**
NET CHANGE IN CASH POSITION (D = A+B+C)	**11 682**	**119 519**
Impact of change in exchange rates	4 393	3 286
CASH AND CASH EQUIVALENTS AT YEAR-START	**54 263**	**70 338**
CASH AND CASH EQUIVALENTS AT YEAR-END	**70 338**	**193 143**

(1) The equity contributions in 2015 primarily reflect:
- A 289 M€ capital increase, after deducting fees relating to the operation (10.4 M€);
- Options exercised for 2 M€.

See Note 20.1 - Share capital and issue premiums.

(2) Of which:

€'000	
Cost of securities paid out over the period for Airinov	(1 411)
Cash acquired Airinov	318
Cost of securities paid out over the period for Micasense	(2 036)
Cash acquired Micasense	616
Varioptic earnout paid in 2015	(627)
Cost of securities paid out over the period for EOS and Iconem	(1 559)
Other	10
Acquisition of subsidiaries, net of cash acquired	**(4 688)**

(3) See Note 20.3.

10.2. Sources and amounts of cash flow

10.2.1. Net cash from operations

The Group's net cash from operating activities came to 18.0 M€ in 2015, down 33.5 M€ compared with the previous year. To some extent, it reflects the less favorable change in working capital requirements over 2015.

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 investments activities

Investments represented 21.1 M€, down 2.0 M€ on the previous year.

10.2.3. Net cash from financing activities

The Group's debts represented 19.4 M€ at December 31, 2015, compared with 12.5 M€ at December 31, 2014, and can be broken down as follows:

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

As a result, the Group's net cash position after liability came to 331.7 M€.

10.3. Company financing lines

Since the start of 2015, the Company has had authorized overdraft lines and an import documentary letter of credit with the banks Palatine, HSBC, Palatine, 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 2015, 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, 2015, the Company had not used any of these financing lines.

10.4. Credit agreement

10.4.1. Information concerning the use of financial instruments

In connection with the new syndicated loan set up with its banking partners on July 24, 2015 for a total of 50 M€, for use by drawdown, to finance its external growth operations, 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 a swap agreement to protect itself against interest rate fluctuations. The Company decided to apply hedge accounting at December 31, 2015.

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 swap 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, the swap is remeasured at its 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 2015

In March 2015, the Company terminated a 10 M€ loan agreement (which had not been drawn down). In June and July 2015, the Company also repaid, ahead of schedule, and terminated two loan agreements (which had been drawn down for a total of 8.7 M€). The Company also terminated the rate risk hedging contracts connected to the aforementioned loan agreements.

On July 24, 2015, the Company set up a new syndicated credit facility for a total of 50 M€, with drawdowns available to finance its external growth operations. This contract is due to mature on June 20, 2022 and the interest rate is indexed against the three-month Euribor.

On August 4, 2015, the Company made an initial drawdown from this credit line for 11.2 M€. Alongside this, the Company set up a new rate risk hedging contract linked to fluctuations in the three-month Euribor. The first drawdown mentioned above was fully hedged at a fixed rate of 0.64% through to its maturity in June 2022; this will also be the case for future drawdowns (25 M€ in the second quarter of 2016 and 10 M€ in the second quarter of 2017) linked to the completion of the acquisitions of senseFly and Pix4D. The Company also decided to apply hedge accounting for this instrument at December 31. On October 27, 2015, the Company made a second drawdown on the credit line for 6.5 M€.

At December 31, 2015, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 17,367 K€ of which 15,156 K€ due at over a year and 2,211 K€ due at under a year;
- Swap fair value swap: -489 K€; and
- Short-term financing drawdowns: 6 K€.

In connection with this syndicated credit facility, the following covenants apply:

- Leverage ratio (net financial debt / consolidated EBITDA) of less than or equal to 1.00 at each year-end date;
- Gross cash, as presented in the quarterly financial statements, of at least 20 M€; and
- Consolidated EBITDA at December 31, 2015 of over 12 M€.

The ratios defined above are respected at December 31, 2015.

10.4.3. Contractual obligations

Please see chapter **Erreur ! Source du renvoi introuvable.** "Significant contracts" for Parrot's contractual obligations.

XI. Research and development

11.1. Strategy and organization

11.1.1. A key part of the Group's success

The Group's research and development is one of its key features, contributing towards its competitive edge, flexibility and technological independence. The Group's research and development is constantly focused on improving existing products by incorporating ever more features and developing new products that are increasingly innovative.

Following its initial success in the automotive handsfree telephony sector, the design office successfully capitalized on its core business capabilities to diversify and innovate in technically-related fields, opening up new commercial opportunities for the business. The Group has been able to develop a series of technologies and products for audio "on the move", connected devices and drones. Its research and development has stood out in particular with the launch of the AR.Drone at the 2010 Consumer Electronics Show (CES), the first consumer drone able to be piloted with a smartphone and a wireless wifi connection, combined with advanced self-stabilizing techniques based on sonar and optical flows ensuring that the product is very easy to use for large numbers of people. The Group also successfully attracted the spotlight at the CES shows in the following editions, with its respective launches of the ZIK headphones, the first smart audio headphones combining touchscreen ergonomics with advanced audio processing features, such as active noise cancellation, and a Bluetooth wireless connection, followed by the Flower Power, the first connected device compatible with the Bluetooth Low Energy standard helping users grow their plants indoors and outdoors.

With a team of engineers educated at 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 comprehensive expertise across all the technologies required for developing its products, notably designing its own solutions for signal processing and wireless connectivity using Bluetooth and Wifi standards. Parrot also designs its own integrated electronic circuits and chips (Parrot4+, Parrot5, Parrot 5+, Parrot 6, Parrot 7, Octopus 2, Octopus 2s and, more recently, Octopus 3 ASICs).

11.1.2. Structured organization

R&D is organized around each business segment:

- Consumer Drones
- Commercial Drones
- Retail Automotive
- OEM Automotive
- Connected Devices
- Other (optics)

Each business sector is focused on specific product developments, managed by project leaders, who head up their teams.

Product developments are supported by cross-business areas of expertise, specific to each segment, from mechanical design to industrial design and even software core development.

Changes in the breakdown of R&D spending for each business segment are presented below:

M€ and %	Group	Drones	Automotive	Connected Devices	Other
2015 revenues	326.3	183.4	125.4	15.4	2.1
% of R&D spending	*18%*	*16%*	*17%*	*31%*	*97%*
2014 revenues	243.9	83.0	144.4	14.5	1.9
% of R&D spending	*21%*	*14%*	*21%*	*45%*	*94%*

11.2. Group technologies

11.2.1. Expertise in Bluetooth and Wifi technologies

The Group has developed its own Bluetooth software solution since 1999. Indeed, the Group was one of the first to develop Bluetooth handsfree telephony systems (2001: Parrot CK3000).

Since then, Parrot has become a major player in the Bluetooth world and built up considerable expertise in this technology. Parrot has been a major driving force behind this technology's development through its participation and extensive contributions to the Bluetooth SIG, the consortium in charge of developing and promoting Bluetooth technology, and it has always sought to be at the forefront of industry standards with this technology, enhancing its software solution in line with the various advances made and changes to the Bluetooth standard as it has evolved.

Having its own Bluetooth software offers a key advantage over the Group's rivals, which usually incorporate solutions developed by third parties (generic software), because this makes it possible to be more responsive, have a more scalable solution and fully master the technology's various parameters so that the Group can innovate and diversify its uses.

Today, for its Flower Power and minidrone products, Parrot uses the Bluetooth Low Energy standard for wireless connections. Capitalizing on its experience, its team of engineers is looking to optimize the use of this technology, primarily in terms of latency and range, to continue improving the user experience.

Similarly, since the 2010 launch of its AR Drone, the retail drone that can be piloted with a smartphone and wifi connection, Parrot has built up significant expertise on Wi-Fi technology.

Parrot's use of Wi-Fi is very different from standard Wi-Fi products, such as internet access points, laptop computers, mobile phones, etc., since drones can travel considerable distances, over several kilometers, and are extremely mobile. Today, Parrot is one of the only players on the drone market to use Wi-Fi as its one dedicated technology for wireless connections between the remote control and the drone for piloting, as well as video streaming, and it is the only one to have successfully achieved such performances in terms of range and video quality over long distances using this technology.

Parrot's engineers have identified the parameters with the physical connection that previously limited the range and have been able to adjust them in order to optimize the distances that can be reached, while maintaining the necessary responsiveness.

In addition, Parrot has developed a “smart” video streaming solution that automatically adapts the video speed in real time, as well as the number of images per second, in relation to the quality of the Wi-Fi link. This makes it possible to optimize the video quality depending on environmental conditions: distance, interference, etc. Parrot's video streaming approach is constantly evolving and a number of potential improvements are being considered and currently being researched and tested.

Parrot is currently working closely with various Wi-Fi chipset manufacturers to further strengthen the suitability of Wi-Fi technology for operational drone use cases.

11.2.2. Automatic and control

Responsible for a drone's flight quality, the autopilot is one of its crucial components. Since the AR.Drone in 2010, the Group has developed its own control and stabilization algorithms, continuously improving their performance capabilities.

By combining data from a number of sensors (motion sensor, gyroscope, optical flow, ultrasound, barometer and GPS) and constantly improving its understanding of the physical phenomena affecting drones in flight (modelling of aerodynamic effects measured in wind tunnel, research into how the drone structure distorts during maneuvers), Parrot has successfully developed an affordable flight control solution for consumers, which has been a key factor behind the success of its products. This combines simplified manual piloting for beginners with automatic phases such as takeoff, landing or flips, with fully autonomous flight modes such as return to home or flight plan.

11.2.3. Image processing

Taking aerial shots with a drone is a major challenge and multiple aspects that are hard to combine on a camera system must be taken into consideration:

- Significant angular movements requiring solutions with a wide stabilization range
- Immunity to vibration from the propellers
- Reduced weight to maximize flight time
- Maintain retail competitiveness
- Material robustness
- High image quality driven by mobile technology and action camera standards.

In this area, the R&D department is developing innovative fully integrated digital stabilization solutions for drones, in line with the issues faced. These solutions require innovation throughout the image processing chain: specific optical design based on wide-angle lenses, accurate electronic synchronization for inertial units and high-resolution sensors, specific algorithmic processing operations for color and exposure, and lastly, algorithms for image correction and vibration effects using GPU processors.

These developments have enabled the company to build up retail camera design expertise, with several patents filed.

11.2.4. Computer vision

Parrot introduced the use of cameras as sensors to develop assisted flying since its first AR-Drones in 2010. Optical flow use is key to the stability performance of drones under all operational conditions (outdoors or indoors). The algorithms are continuously refined to enable increasingly accurate speed and position estimates. Other applications using several camera systems are being developed to make it possible to extend the possibilities for environment analysis and localization with a view to making the drones easier to fly and more autonomous.

11.2.5. Audio signal processing

Parrot's "in-house" technologies and audio expertise have been a major asset for the company for many years, based on the expert capabilities developed in the automotive sector. These techniques initially concerned voice processing (telephone applications), before diversifying into musical effect algorithms, active noise control algorithms (for Zik headphones) and audio recording algorithms for drones. In this area, Parrot has a vast portfolio of patents that is further strengthened each year with around five new proposals.

■ Voice processing

Parrot started off by developing a proprietary voice recognition solution for its automotive range (voice control for making calls), as well as a voice synthesis solution (caller announcer). Its developments then focused on the noise reduction and acoustic echo cancellation algorithms that are essential for telephone use in automotive environments. A team of around 10 engineers has developed three successive generations of algorithms, covering the scope for Parrot Aftermarket solutions and embedded OEM solutions with a number of OEM suppliers, auto manufacturers (BMW, Audi, VW, Nissan, etc.) and car radio manufacturers (Pioneer, Kenwood, Panasonic, etc.). These techniques have helped define industry best practices (articles, theses) and have been constantly benchmarked against suppliers of rival algorithms. They cover various product geometries (single microphone, network of microphones, moving speaker). In particular, these techniques have stood out from the competition thanks to the performance levels achieved for processing and eliminating "non-stationary" noise.

Capitalizing on these years of experience with voice processing, Parrot has developed an original noise reduction solution for audio headphones (present on Zik 2 and Zik 3), working with the latest innovations in terms of supervised algorithms; today, this feature makes it possible to enjoy quality phone communications in varied environments using your audio headphones, a clear differentiating feature compared with the competition.

■ Audio effects

Parrot initially opened up this area of expertise to improve audio playback quality for compact wireless speakers with techniques for extending the stereo range and the low frequency range (for compact and single-unit speakers). These solutions have been rolled out for music playback in automotive environments. Lastly, spatialization techniques are integrated into the Zik headphones and offer, through a smartphone application, various ambiance settings (living room, jazz club, concert hall, etc.) and spatial expansion options. Compared with the competition, these effects contribute to the sophisticated, high-end features offered by Zik headphones.

■ Active noise control

Parrot has developed its active noise control solution for the Zik, Zik 2 and Zik 3 audio headphones. This technology has evolved from a classic analogue implementation to a fully digital solution (present on Zik 2 and Zik 3). By releasing these products on the market, in the space of a few years, Parrot has become a benchmark for active control headphones, with excellent press reviews highlighting the performance of its active noise control features, positioning it on the same level as the historical main competitor on this market. Active control primarily makes it possible to ensure insulation against external noise, particularly when on board planes. Parrot's team is contributing to industry best practices in this area (particularly through innovations such as adapting insulation to noise conditions, as well as an "open" mode, which electronically simulates the feeling of no headphones being worn).

■ Audio capturing for drones

Parrot is currently working on processing operations that will make it possible to add an audio capturing feature (free from the noise of the propellers and wind) to the feature for recording images with its range of drones.

11.2.6. Mechanical conception and design

Designing quality products also requires a good level of expertise concerning the aesthetic and mechanical aspects of products.

Parrot is committed to developing drones that are lightweight, solid and aesthetically designed. To achieve this, each component and each technological choice is carefully researched and calibrated to meet the Group's requirements and limit the impact of regulatory constraints, often linked to the weight of drones, working closely with the designers. In particular, these efforts enable Parrot to offer a range of the lightest drones on the market with distinctive, compact designs.

The Group's mechanical design expertise also makes it possible to meet the very high demands of auto manufacturers in terms of product resilience faced with environmental stresses (coastal environments, extreme temperatures, uneven terrain) for both retail and commercial vehicles.

11.2.7. Electronics

Parrot has built up strong electronics research and development expertise for radiofrequency integrated chipsets and GNSS, Bluetooth and Wifi antennas, engine control, inertial units, phonic audio and video, in addition to designing miniaturized circuit boards. To be able to design product electronics more efficiently, electromagnetic, antenna and aerodynamic simulation systems are in place or being set up and, to validate all the features, work is continuing to develop specific test resources such as test units for Wifi, Bluetooth and GNSS radiofrequency, antennas, near field scanners, engines and blades, sensors, batteries, power supply, memory, quick serial links, etc.

Drones need to be small and lightweight, offering a growing range of features and increased battery life. Electronics miniaturization is key to the strategy to develop circuit boards for our products. The benefits include reducing the volume, weight and price, as well as the consumption of energy and materials, while expanding the features available based on equivalent product volumes.

Miniaturization requires:

- Research and development for the use of integrated chipsets, such as Systems on Chip (SoC), integrating the microprocessors, memory interfaces, specialized audio and video circuits, timers and communications peripherals,
- Research and development for even more integrated components, Systems in Package (SiP), containing these same SoCs, but with the memory, Wi-Fi and Bluetooth radio communications circuits, power supply circuits, etc.,
- Design of miniature, robust, energy-efficient electronic power supplies,
- Use of technologies for miniature component sets (0201, BGA, QFN, PoP, etc.),
- Research and development for very dense 3D printed circuits: multilayer, with any-layers, FR4 substrates, polyimide, factoring in the constraints for electromagnetic compatibility, adapted circuits, thermal dissipation, etc.,
- Research and development for reduced-size, high-performance Bluetooth, Wifi and GNSS antennas,
- Research and development for phonic audio and inertial sensors, as well as propulsion units (engine control, engines, blades) combining high-performance with extremely small sizes,

Drones are being piloted over increasingly long distances and require very reliable connections.

The quality of wireless links needs to be continuously improved. Within electronics R&D, the radiofrequency team is working in this area:

- By defining and validating the Bluetooth Low Energy, Wifi and GNSS technological platforms implemented on products,
- By integrating, through simulation software and effective measurement devices, these various technologies on increasingly miniaturized circuit boards and complex software architectures,
- By developing multi-antenna systems adapted for each flight scenario (optimized radiation pattern, gain dipoles, patches and PIFA),
- By monitoring emerging technological developments to assess appropriate technologies for future products.

Propulsion is an essential function for a drone because this is the main contributor to its flight time, agility and wind resistance. To provide an effective propulsion solution for its drones, Parrot has put in place a team capable of developing leading-edge technological propulsion systems. Engines are optimized to deliver the best performances on the market for these formats, getting close to the maximum theoretical limits, while minimizing the engine's mass to the levels required to ensure the overall unit's mechanical solidity. Control is based on an electronics system and logic developed and optimized in-house by Parrot, surpassing the performances achieved by all the competition's alternative solutions. The blade designs are tailored to each drone, making it possible to optimize the torque and thrust features with the best possible profile for the drone. The use of aerodynamic simulation solutions (CFD), taken from the aerospace industry, makes it possible to develop innovative blade profiles in line with the specific challenges of micro-rotors, with no optimal solutions currently defined in the various publications for aerospace propeller design. This unique area of expertise makes it possible to effectively combine these functional components and achieve optimum performance levels, which cannot be equaled by combining modules developed independently.

The drones are easy to pilot thanks to the many synchronized and linked sensors: absolute speed and positioning in space with GNSS, direction with the magnetic compass, altitude with the ultrasound sensors and barometer, relative speed and position with the inertial unit, optical flow and Pitot tube. The sensors team designs and develops the core software and electronics for these sensors. The need for synchronization with flight algorithms is critical. Indeed, servo control decisions for the engines must be able to be taken based on "consistent" data. Consistent data means data that reflect the physical reality of the drone in flight (angular speed, acceleration, atmospheric pressure for the altitude, differential pressure for the horizontal speed, magnetic north). In addition, these data must be available at the same time or based on a consistent timeline. Considering that the components available on the market operate with specific frequencies, both the software and the electronic design must be able to effectively manage these constraints. Lastly, digital processing for optical flow stabilization also requires a very strong level of synchronization with the inertial unit to be able to link the corresponding drone movements (parasites) with each group of pixels on the image. This makes it possible to correct the images by applying a reverse movement.

11.2.8. Software development

Throughout its history, the Group has always had comprehensive, vertical software development expertise for its products. This expertise can be seen at all levels within software:

Operating systems, pilots, core software tiers

Capitalizing on the Group's experience with designing and developing SoC (System-on-Chip) circuits on ARM architectures, the core software engineering team has in-depth knowledge of the Linux core embedded on board the drones, as well as the buses and technologies whose reliability and performance are crucial for the sensors and systems to operate effectively (USB, I2C, SPI, SDIO, NAND, WIFI, etc.). Its experience enables it to design innovative solutions combining software and electronics to minimize the costs and maximize the hardware's possibilities on very diverse architectures and platforms. Its expertise with operating system dynamics and operations makes it possible to benefit from in-depth understanding and effectively analyze the real-time performance of embedded software.

Embedded services

These services cover all the drone's functions, particularly independent flight, control, photo/video, vision, wireless communications, etc. The modular, portable architecture of the software in charge of these functions enables a high level of flexibility with developing innovative algorithms, as well as quick responses for adapting and transitioning to new hardware platforms. The separation of the functions into independent processes makes it possible to fully benefit from the capabilities of modern multicore processors, while ensuring that overall operations are robust. Capitalizing fully on industry best practices for open source software, the embedded software teams develop and integrate a comprehensive, high-performance system, designed to meet the requirements for the flight software's real-time constraints and low latency, as well as complex real-time video processing operations: computer vision, image stabilization, etc.

SDK interface

Developed, published and used both in-house and externally, the SDK enables a community of developers to communicate with the drones and control them with a PC, tablet or smartphone. This openness to a community of developers is a key, essential feature for drones: it enables the rapid development of innovative features by partners, in addition to establishing the Group's drones as leading platforms for developing and innovating in terms of drone use.

Application for Android and iOS smartphones

Once again, the Group has comprehensive expertise for application software developed for smartphones and tablets. This expertise is essential to ensure the overall consistency of products and control the end user's experience.

Simulator

The development of a comprehensive simulator, making it possible to run the software developed in full in a simulated environment, is an essential component within the Group's strategy. The simulator enables quick development cycles, in addition to optimizing drone designs.

The Group's software development strategy is also based on two important principles:

- Use of free software and platforms: the Group's software engineers embrace the Open Source philosophy and benefit from the efforts of a vast international community of developers. A recognized player within this community, the Group is contributing to the development of a high-performance free software platform for drones. This ensures its independence in relation to proprietary third-party software. It also avoids the issues associated with the NIH (Not Invented Here) syndrome, which force many companies to redevelop solutions that already exist within the community. While a large part of the software solutions developed are still proprietary, in order to protect the Group's intellectual property, this openness also enables it to position itself as a leading platform for the community of academic researchers, laboratories, innovative startups, etc.
- Use of standard and open protocols: for reasons similar to those described above for the adoption of free software, the Group prefers to use standardized, open protocols for data formats and exchanges. This standardization accelerates development thanks to the use of tools and technologies that are already available and have proven their effectiveness. The resulting interoperability also makes it possible to ramp up the number of innovative partnership established.

11.2.9. Multistandard digital radio and television

The digital radio and television technologies were initially brought on board with 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 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. 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, these multistandard digital radio and television solutions have specific capabilities in terms of:

- **Integration:** capacity 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. Innovative and patented algorithms and architectures have been developed to ensure excellent reception under such difficult conditions.
- **Diversity:** the MRC diversity technology, integrated from the outset into all Octopus chips, is key to improving reception reliability, speed and sensitivity, particularly in mobile environments.

11.3. Intellectual and industrial property

The Group 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 and commercial partners). 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.

The Company holds word and figurative marks for "Parrot" and its logo and/or has filed requests for registration in Classes 09, 38 and 42 in France, European Union countries, Switzerland, Iceland, the United States, Canada and more widely in most countries in which the Group distributes its products: in Central and South America (including Mexico, Colombia, Brazil, Venezuela and Guatemala), in Asia (China, Japan, Hong Kong, Taiwan, Singapore), in Israel, 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 and classes concerned).

As a member of the Bluetooth SIG, the Group 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. The Group 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.

11.3.1. 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, and 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 Group 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 Japan. Its patents concern all of Parrot's areas of activity and specific applications, software, equipment or 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 2015, the Group filed 20 new patents and a dozen additional patents are in progress, mainly in the drone area.

11.3.2. 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 from the ASTEROID range. The designs and models for the AR.Drone, the Bebop, the Parrot MiniDrones (Parrot MINIDRONES ROLLING SPIDER and JUMPING SUMO) and their accessories (Parrot SKYCONTROLLER) and the Flower Power ranges are also registered in France, and sometimes extended to cover the US, China and Japan.

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

In January 2016, Parrot has decided to change its distribution strategy to optimize its growth through new tools for managing with a sell-through approach (sales to end customers) for each country, type of distribution channel, retailers and product range. This optimized sales approach aims to enable the Group to better adapt to the current sales cycle for consumer drones and connected devices, with increased responsiveness in an environment that is expected to become more competitive, as well as enhanced support for retailer capabilities to help drive the expansion of this still young market.

This development, combined with the schedule for product launches, will affect first-half growth, with business expected to consolidate over the first half of the year with a contraction in revenues expected for the first quarter as well as operational losses, in line with the roadmap drawn up since the capital increase at the end of 2015. The second half of 2015 will be essential for achieving the full-year targets.

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

For the past three years, the Group has been focused primarily on the following two objectives:

- Ensuring the transition of its commercial Automotive range to complete infotainment solutions, in line with the Group's strategic choices since 2010; and
- Building a strong commercial position on the Consumer and Commercial Drone markets, in connection with the Group's rapid development on these quickly expanding markets.

In 2015, the Group has reorganized its activities in line with this strategy, with the hive-down of its Automotive branch within its subsidiary Parrot Automotive and the hive-down of its Drones / Connected Devices branch within its subsidiary Parrot Drones. Lastly Parrot completed a 289.3 M€ net capital increase in December 2015.

As a result, in a competitive environment marked by the creation and development of large numbers of companies in the Consumer and Commercial Drone sectors, the Group has notably decided to:

- maintain an ambitious strategy for innovation and technology;
- maintain its position as a recognized leader on the Consumer Drone market;
- continue with its rapid development on the Commercial Drone market; and
- continue with its external growth strategy on the Commercial Drone market

This strategy is reflected in the following developments:

- strengthening of the Group's research office, aiming to implement an ambitious and highly innovative research and development plan;
- target for a gross margin of at least 50% for the new products launched by the Group;
- additional human and financial resources deployed for marketing, aiming in particular to put in place new skills and budgets aligned with the volume of business expected;
- additional financial and human resources to further strengthen the Group's own online sales on the www.parrot.com site;
- optimized organization rolled out for after-sales service and quality;
- development of commercial resources to extend the network of online and traditional retailers for Consumer Drones, and develop the distribution channels for Commercial Drones;
- accelerated integration of Commercial Drone offers, and the development and release of new services, targeting a growing percentage of the Group's revenues for Commercial Drones;
- moving forward with external growth operations in the Commercial Drone sector, aiming in particular to further strengthen the range of technology offered, while acquiring new business skills and accelerating the creation of a unique range of commercial mapping, farming and inspection / surveillance solutions.

This strategy is being rolled out since the end of 2015 with a focus on investment to drive growth in the Group's business and consolidate its position as a major player for civil drones, aiming within three years to further strengthen the Group's structure,

continue increasing the percentage of Group revenues generated by Drone activities, and reestablish an operating margin in line with the Group's development model, combining sustainable growth and profitability

In addition, to date, and within the announcement of the 2015 earnings on February 29, 2016, Parrot has detailed the following information:

Accelerate the Group's capacity for innovation, with around 200 engineers brought on board through a major recruitment campaign launched at the end of 2015, as well as internal transfers.

- For commercial drones, the new resources will be focused on accelerating the verticalization strategy on the three core market segments (mapping, precision farming and inspection). All the Group's expert capabilities (drones, sensors, software and services) are being brought together to create combined or standalone offers, aligned with the needs of as many customers as possible. For instance, at the World AG Show, Parrot presented a new universal agricultural sensor (Parrot Sequoia), enabling visibility for valuable crop status information to improve harvest quality and yields.
- The key consumer areas will be based around a more streamlined selection of products to focus on their ease of use, the choice of robust, lightweight materials, and the longer run-times they offer. The consumer experience will be further strengthened with our image processing and computer vision developments to offer innovative solutions for video and autopilot features. At the 2016 CES, Parrot presented the first consumer wing drone (Parrot Disco), which will be released from the second half of this year. As in previous years, the majority of launches will take place in the second half of the year.

Take on board a new phase in its maturity, which Parrot is fully committed to, rapidly ramping up the resources allocated for sales and marketing, as confirmed in early February with the arrival of an executive manager with extensive experience in the new technologies sector.

The optimization of the organization (i) will involve:

- Rolling out a more ambitious and refined distribution strategy, through new tools for managing growth with a sell-through approach (sales to end customers) for each country, type of distribution channel, brand and product range. This development, combined with the schedule for product launches, will affect first-half growth, with business expected to contract over the first half of the year;
- Strengthening the marketing budgets, which will start off with segmented campaigns to accurately assess the return on investment on marketing actions for each customer segment and region with a view to achieving optimum efficiency by the end of the year;
- Doubling the sales and marketing teams (consumer drones and commercial drones) in order to continue with the market's expansion and popularization.

And (ii) aims to make it possible to:

- Consolidate relationships with today's major retailers, notably enabling them to support the rapid development of product ranges at this stage in the market's maturity, while also targeting new retailers;
- Optimize the multichannel approach: consumer electronics, mass retail, online sales, specialized channels, value-added partners serving prosumer and professional segments;
- Highlight the differentiating features and strengths of the Group's products in order to continue ramping up the Parrot brand in an environment in which the competition, despite contrasting levels of innovation, is fragmenting the range of solutions offered due to the large number of new entrants. From its strategy to its operational implementation, Parrot wants to capitalize more on its status as a pioneer and its strong technological and industrial expertise;
- Gradually develop the international footprint of the commercial drone business in Europe, the US and then Asia, drawing on its existing subsidiaries or creating new structures with dedicated capabilities.

Optimize and ensure strict control over its industrial and operational organization, primarily with:

- Supplies launched with a new leading industrial Electronic Manufacturing Services (EMS) partner during the first half of the year;
- A recruitment drive focusing on middle management and support positions, primarily to support the deployment of the commercial drone strategy on each segment and internationally, ensuring a strong ramp-up over the long term;

Secure further acquisitions in the commercial drone sector, continuing to focus on outstanding small tech firms serving high value-added markets and developing an industrial approach aligned with the Group's ambitions.

The reader can also refer to Chapter IV above "Risk factors" and Chapter XIII below "Financial outlook" of the present Reference Document.

XIII. Financial outlook

13.1. Outlook for 2016

The outlook presented hereafter was published with the presentation of the 2015 earnings on February 29, 2016. Parrot indicated:

To date, and in connection with the announcement of its full-year earnings for 2015, published on February 29, 2016, Parrot has indicated the following:

Parrot Drones is forecasting strong revenue growth over the year at constant exchange rates, with a consolidation phase expected for the first six months. Parrot will be deploying the maximum level of resources to reach a new phase of maturity and consolidate its leadership.

Parrot Automotive plans to move forward with its infotainment transition, with the contraction in sales to slow down further, benefiting from three new contracts being brought into production and the good level of profitability maintained while waiting for this business to start up again in 2017, supported by an acceleration of development projects for new customers.

This strategy is being rolled out with a focus on investment to drive growth in the Group's business and consolidate its position as a major player for civil drones, aiming by 2018 to reestablish an operating margin in line with the Group's development model, combining sustainable growth and profitability.

The forecasts indicated above are based on assumptions, data and estimates that are considered to be reasonable by the Group on the date of this Reference document. These assumptions, data and estimates are liable to change or be modified as a result of various uncertainties relating in particular to changes in the economic, financial, competitive or regulatory environments, or other factors that the Group is not aware of to date. Moreover, if some of the risks described in Chapter IV "Risk factors" of the Reference Document and Chapter IV above "Risk factors" were to materialize, this would be likely to impact the Group's ability to achieve its forecasts. The Group does not offer any commitments or any assurances that the forecasts indicated above will be achieved.

13.2. Additional information

The reader can also refer to the 2015 earning presentation including the 2016 outlook available on the Parrot website: http://www.parrotcorp.com/fr/publicationsfinancieres to listen to replay of the conference call held on that day or read the presentation given during roadshow.

XIV. Administrative, management, supervisory and executive bodies

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 **Erreur ! Source du renvoi introuvable.** "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 has nine members.

The Company is 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.

Composition 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

The terms of office of Mr Henri Seydoux, Mr Jean-Marie Painvin and Mr Stéphane Marie expired during the General Meeting held in 2015 to approve the financial statements for the year ended December 31, 2014. Their terms of office were renewed at the Ordinary General Meeting on June 30, 2015 for a six-year period expiring at the end of 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, Mrs Natalie Rastoin and Mrs Marie Ekeland are considered to be independent directors in view of the criteria defined by the MiddleNext governance code.

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 events.

In 2015, the Board met four times to review the quarterly, half-year and annual financial statements.

- It also held a further seven sessions, on June 30, 2015 (two sessions), September 15 and 25, 2015, November 12 and 13, 2015, and December 17, 2015, particularly to review various legal restructuring operations (two partial asset transfer operations in June and November, see 7.2 "Presentation of the Group's companies", and a capital increase in December, see 18.1.2 "Change in the Company's capital").
- 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 2015, with seven or eight directors out of nine present.

In addition to the directors, the following people attend Board meetings:

- The 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, is also invited to and attends the Board of Directors' sessions;
- Mr Ludovic Floret, Chief Legal Officer, in charge of legal secretary aspects, serves as the Board's secretary;
- Mrs Marie Calleux, 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. Mrs Marie Ekeland has been a director since being appointed at the General Meeting on June 11, 2014.

The Company intends to ensure its compliance with the Law of January 27, 2011 and the Appointments Committee has launched a review concerning compliance with the 40% ratio, which will apply to the Company following the first General Meeting held on or after January 1, 2017.

14.1.1. Offices held by directors and executives in 2015

Director's first name, surname, age and professional address	Office and term	Other offices	Company name
Henri Seydoux 55 174-178 quai de Jemmapes 75010 Paris, France	Chairman of Board of Directors and Chief Executive Officer Term of office: six years from June 2015 Date first appointed: Jan 31, 1994	Chairman and CEO Director Director Director Director Director Chairman and Director Chairman and Director Chairman and Director Chairman and Director Chairman and Director Chairman and Director Chairman Chairman Chairman Chairman Manager Manager Manager Manager Director Director Director Director	Horizon S.A.S. Trimaran Schlumberger NV Christian Louboutin Seychemanlou Sigfox Parrot, Inc Parrot UK Ltd Parrot Asia Pacific Ltd Parrot Iberia, S.L. Parrot Italia S.r.l. SenseFly S.A. Parrot Automotive S.A.S. Parrot Drones S.A.S. Parrot Shmates S.A.S. Parrot ANZ Ltd Parrot GmbH Chez Parrot S.A.R.L. Parrot Invest 3 S.A.R.L. Parrot Invest 4 S.A.R.L. Parrot Japan K.K. Pix4D Airinov S.A.S. Parrot Automotive Asia Pacific
Jean-Marie Painvin 64 1633 Broadway, Suite 1804 New York NY 10019, USA	Director Term of office: six years from June 2015 Date first appointed: Jan 31, 1994	Founder and CEO Director Director Director Director Director Director Director	JMC Investment Neuflize Monde Selection Golf du Médoc JTI Ode à la Rose Keosys SiO2 IH Hospitality

Director's first name, surname, age and professional address	Office and term	Other offices	Company name
Edward K. Planchon 81 38 rue de Berri 75008 Paris, France	Director Term of office: six years from June 2010 Date first appointed: May 4, 2004	Member of Supervisory Board Director Director Director, Vice-Chairm, Secr. Director Director Chairman & CEO Member of Supervisory Board	Electricfil S.A. Electricfil Corp (USA) Vignal Lighting Group S.A. Parrot, Inc., SenseFly Inc. Parrot UK Ltd Parrot Iberia, S.L. EKP Consult LLC SolSaCon AG
Jean-Yves Helmer 69 121 boulevard Haussmann 75008 Paris, France	Director Term of office: six years from June 2013 Date first appointed: Jun 4, 2007	NA	NA
Olivier Legrain 63 19, place de la Résistance 92200 Issy-les-Moulineaux, France	Director Term of office: six years from June 2012 Date first appointed: Sep 14, 2006	Chairman Board member Director Director Director Member of Supervisory Board Member of Strategy Board	Solaire SAS Financière K2 (Kiloutou) Mécénat Balas CPI ARP S.A. LBO France Qualium
Geoffroy Roux de Bézieux 53 Notus Technologies 2 bis, rue de Villiers 92300 Levallois-Perret, France	Director Term of office: six years from June 2012 Date first appointed: Sep 14, 2006	Chairman and founder Chairman Member of Supervisory Board Deputy Vice President, Treasurer	Notus Technologies Oliviers & Compagnie Peugeot SA MEDEF
Stéphane Marie 52 Corevise 3-5 rue Scheffer 75016 Paris, France	Director Term of office: six years from June 2015 Date first appointed: Jun 18, 2009	Chairman Chief Executive Officer Manager Manager Manager Member of Management Committee, Chairman and CEO	Corevise Fidinter Lakvest Expertise & Audit SCI Lakvest ACKM Experts Associés Adiunctae RSM Expertise et Audit S.A.
Natalie Rastoin 56 Ogilvy 32-34 rue Marbeuf 75008 Paris, France	Director Term of office: six years from June 2011 Date first appointed: May 31, 2011	Chairman Director Member of Supervisory Board	Ogilvy France Pégase HighCo
Marie Ekeland 40	Director Term of office: six years from June 2014 Date first appointed: Jun 11, 2014	Director Director	Criteo Showroomprivé

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 systems 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, Vignal Group and SolSaCon AG.

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.

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, this group listed in London and took control of The Phone House. He became its Chief Executive Officer to develop Phone House in Europe from 2000 to 2004. In 2004, he set up the company Omea Telecom, which launched Breizh Mobile, the first alternative mobile operator (MVNO). In 2006, he convinced the Virgin Group to invest in this project and launched Virgin Mobile. In December 2014, Numéricable bought out Omea Telecom for 325 M€. In January 2015, Geoffroy Roux de Bézieux set up Notus Technologies, an industrial group of innovative companies serving retail markets, including firms such as Inès de la Fressange and Crédit.fr. In January 2016, he bought out Oliviers et compagnie, a company that produces (in France) and sells olive oil and related products worldwide (60% export). From 2003 to 2008, he was Vice-Chairman then Chairman of Croissance Plus, the association for high-growth businesses. He has been a member of the Board at France Investissement and been part of the Attali and Levy-Jouyet Commissions. From 2008 to 2012, he was Vice-Chairman and Chairman of Unedic for MEDEF. Since July 2013, he has been Vice-Chairman and Treasurer of MEDEF, in charge of its "Economy" section. He has been Vice-Chairman of the French telecoms federation (FFT). Lastly, with his wife, he has set up a charity foundation - the ARAOK Foundation - under the auspices of Fondation de France, providing funding for humanitarian associations. He is the author of "Salauds de Patrons ! Pourquoi les Français n'aiment plus leurs chefs d'entreprise ?" (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 Senior Advisor at Banque Lazard. Until April 2013, he was a Managing Partner at Lazard Frères in Paris and Managing Director of Lazard LLC. He joined Lazard in April 2001. 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 advisor 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 chartered accountant and statutory auditor. He graduated from Dauphine and has an Executive MBA from HEC. He worked in international audit firms for nine years, including nearly three years in the US, before joining the Paris-based firm RSM in 1994. He is currently a partner and a member of the management committee, 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. Since 2015, Natalie Rastoin has been Chairwoman of Ogilvy France. 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). She is also a director of Pégase (Carel and Accessoire brands) and a member of HighCo's supervisory board.

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 of Daphni, a venture capital fund focused on European digital startups. Marie is also Vice-Chairman of France Digitale, an association that brings together digital investors and entrepreneurs, and a member of the national digital council (Conseil National du Numérique). She began her career in 1997 as an IT engineer with the investment bank JP Morgan in New York. In 2000, she joined the innovation investment team at CPR Private Equity, which later became Crédit Agricole Private Equity. In 2005, she joined Elaia Partners, where she was notably involved in the investments in Criteo and Sigfox. Marie Ekeland also sits on the boards of directors of Criteo and Showroomprivé. 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 for the General Meeting on June 16, 2016 to appoint the company Bpifrance Participations S.A. as a director

Mr Edward Planchon's term of office is due to end at the General Meeting held in 2016 to approve the financial statements for the year ended December 31, 2015. At the General Meeting on June 16, 2016, Parrot's shareholders will be invited to appoint Bpifrance Participations S.A.. This proposal follows the capital increase in December 2015 (see 18.1.2 "Change in the Company's capital"), in connection with Bpifrance's participation through the exercising of 1,076,035 preferential subscription rights acquired from Horizon, corresponding to the subscription of 1,506,449 equity warrants. It also placed an order on a reducible basis for 117,647 equity warrants, with 45,739 equity warrants awarded, corresponding to a total subscription of 1,552,188 equity warrants. As a result, following the capital increase, Bpifrance held 5.15% of the Company's capital and voting rights.

The transaction memorandum also indicated that Bpifrance Participations may, since it will hold 50% of the Parrot shares subscribed for, propose the appointment of a director for the Company's Board of Directors. In the fifth resolution for the General Meeting on June 16, 2016, a proposal is made to appoint Bpifrance Participations S.A., a French limited company (société anonyme) with capital of 15,520,406,597.81 euros, with its registered office located at 27-31 avenue du Général Leclerc, 94710 Maisons Alfort Cedex, France, registered in the Créteil trade and companies register under number 509 584 074, represented by Mr Paul-François Fournier. Since April 2013, Paul-François Fournier has been Executive Director of Bpifrance's Innovation Division. A Polytechnique and Telecom ParisTech graduate, Paul-François Fournier joined the France Telecom-Orange group in 1994 as a sales engineer and spent seven years developing business services. In 2001, Paul-François Fournier was appointed head of broadband business at Wanadoo, ensuring the successful growth of ADSL offers in France. He was also involved in the group's international operations as a member of the Wanadoo Group executive committee. He led a number of strategic projects, including the launch of the Livebox and voice over IP, in partnership with Inventel and Netcentrex, two French startups. Paul-François Fournier has been Executive Director of Orange's Technocentre since 2011, in charge of product innovation.

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 bodies 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 and not held on the date of this reference document

Director name	Other officers held in any company over the past five years and not held on the date of this reference document
Henri Seydoux, Chairman of the Board of Directors and Chief Executive Officer	Director of Mobinear (until 2014)
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 Director of Enricau Holding S.A. Director of Alpen'Tech S.A.S.
Olivier Legrain	Director of Terreal Director of Rhodia Director of Parex Lanko S.A. Director of Ecor Director of Kerneos S.A. Chairman of Materis (until February 2015)
Geoffroy Roux de Bézieux	Chief Operating Officer de Carphone Warehouse Director of Budget Telecom Director of Micromania Director of Sporever Director of Nocibé Director of IMS
Jean-Yves Helmer	Managing Partner at Lazard Frères (until April 2013)
Stéphane Marie	NA
Natalie Rastoin	NA
Marie Ekeland	Partner at Elaia Partners (until 2014)

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 on the date when their status as an independent director is assessed:

- 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 (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,
- May not have been an auditor of the Company during the five (5) years prior to their appointment.

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 30, 2015
- End of office: general meeting ruling on the year ending December 31, 2020
- 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, in euros	2014	2015
Compensation due for the year (detailed in Table 2)	550 000	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	**550 000**	**550 000**

Summary of the executive officer's compensation (Table 2 of the AMF recommendation)

Executive Officer, in euros	2014 Amounts due	2014 Amounts paid	2015 Amounts due	2015 Amounts paid
Fixed compensation	230 000	230 000	230 000	230 000
Variable compensation	320 000	* 233 715	320 000	192 640
Exceptional compensation	NONE	NONE	NONE	NONE
Attendance fees	25 000	25 000	25 000	25 000
Benefits in kind	NONE	NONE	NONE	NONE
Total	**575 000**	**488 715**	**575 000**	**447 640**

(**)Of which, 80 K€ paid during 2015 for advance on 2015 bonus.

For 2015, variable compensation was determined with a target of 100% based on a progressive scale combining a criteria for achieving revenues (25% weighting), an EBIT criteria (25% weighting) and a company performance criteria (50% weighting), including EBIT for the Automotive business and consolidated Drone revenues (Pro-consumer) for 2015 doubling versus 2014, and the successful launch of new "Internet of Things" products.

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 schemes for company founder equity warrants and equity warrants awarded to the executive officer all expired in 2011 and were not exercised. No new schemes have been set up since then. For information concerning the equity warrants held by Horizon (company controlled by Henri Seydoux) following its participation in the capital increase in December 2015, refer to 18.1.2.2 "Information concerning the warrants issued for the capital increase in December 2015".

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

Name	Office	Compensation and benefits in 2015
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: $ 3,289,61 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
	Vice-Chairman, Secretary, and Treasurer of SenseFly 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: 25,000 € Benefits in kind: NA Reimbursement of costs: NA

It is also important to note that during 2015 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 Feb 29, 2016	% of capital and voting rights	# of shares on a diluted basis	% of capital and voting rights
Number of Parrot SA shares taken into account for the calculation	*30 163 037*		*33 510 709*	
Henri Seydoux (1)	1	0.0%	1	0.0%
Jean Marie Painvin	100	0.0%	100	0.0%
Edward Planchon	1	0.0%	1	0.0%
Geoffroy Roux de Bézieux	1 754	0.0%	1 754	0.0%
Olivier Legrain	40	0.0%	40	0.0%
Jean-Yves Helmer	5 160	0.0%	6 120	0.0%
Stéphane Marie	1	0.0%	1	0.0%
Natalie Rastoin	5 352	0.0%	5 947	0.0%
Marie Ekeland	27	0.0%	27	0.0%

(1) In February 2014, all the shares held by Henri Seydoux were transferred to Horizon, the company which he controls. Horizon holds 35.1% of the capital (38.8% on a diluted basis). Refer to 18.1.1 "Breakdown of the share capital and voting rights".

15.4.1. Details of executive transactions to acquire, sell, subscribe for or exchange securities on the stock market

In 2015, none of the executives, officers or persons to whom they are closely connected carried out any operations to acquire, sell, subscribe for or exchange securities on the stock market.

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 30, 2015 for a six-year period. In addition, on June 30, 2015, 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, 2020.

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 2015, 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 3,289.61 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

During its session on June 16, 2014, the Board decided to set up a Strategic Committee, with the following members: Mr Henri Seydoux, Mrs Natalie Rastoin, Mrs Marie Ekeland and Mr Stéphane Marie. This Committee continued with its strategic reviews during 2015 in connection with the subsidiarization operations described in 7.2 "Presentation of the Group's companies"

16.4.1. 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**

(Summarized outline of the recommendation) 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**

(Summarized outline of the recommendation) 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**

Awards of stock options or bonus shares should not be excessively concentrated on executives. Stock options or bonus shares should not be awarded to executives in connection with their departure.

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**

(Summarized outline of the recommendation) Rules of Procedure should be introduced. The rules of procedure or substantial extracts should be made public.

The Company is compliant with this recommendation.

– **Recommendation 7: Directors ethics**

(Summarized outline of the recommendation) 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**

(Summarized outline of the recommendation) 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. It may be increased if the number of Board members is high.

The Company is compliant with this recommendation.

– **Recommendation 9: Choice of directors**

(Summarized outline of the recommendation) 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: Director's 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**

(Summarized outline of the recommendation) 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 is carried out informally on a regular basis.

16.5. Internal control procedures put in place by the Company

16.5.1. Internal control scope

The Group's internal control rules apply to all of the Company's subsidiaries.

In 2015, Parrot Drones SAS increased its interests in the capital of Airinov and Micasense Inc., whose accounts have been fully consolidated since the date when control was acquired. These two entities have not been included in the internal control scope for 2015.

16.5.2. 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.

16.5.3. 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.

16.5.4. Overview of the internal control procedures in place

16.5.4.1. Main internal control procedures

Internal control procedures are centralized by the managers of the departments in question.

■ Information system

The Parrot Group's information system is managed centrally by an in-house team whose responsibilities range from project management to systems operations. This system's architecture is based on software published by industry leaders (SAP, SalesForce, Lithium). Depending on the critical or technical nature of the skills required for its operations, each application may be operated in house on a fully redundant infrastructure, or with specialized hosting firms, or in SaaS mode.

The level of data availability and security defined in the Service Continuity Plan by Parrot is supervised by an in-house team, supported by the technologies and expertise of specialist partners (Simpana, VMWare, IronMountain).

Parrot's sites (Europe, USA, Asia, Pacific) are connected together via a secure redundant private network (Equant + IPsec VPN), managed centrally by network engineers. Intrusion tests are carried out on a regular basis.

■ 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.

16.5.5. 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

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, or by any other individual or legal entity of their choice; notice of the appointment and dismissal of representatives may be given electronically;
- 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 proposed resolutions put forward or approved by the Board of Directors, and will vote against adopting any other proposed 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 second 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.

In accordance with the provisions of Decree 2011-1473 from November 9, 2011, which came into force on March 1, 2012, Parrot is able to offer registered shareholders the option to receive electronic invitations to attend general meetings

16.5.6. 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.

16.6. Statutory auditors' report on the report prepared by the Chairman of the Board of Directors of Parrot S.A.

KPMG Audit IS
Tour Eqho
2, avenue Gambetta
92066 Paris-La Défense Cedex, France

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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

Statutory Auditors
Member of the Compagnie Régionale de Versailles

Dear Shareholders,

In our capacity as statutory auditors for Parrot, and in accordance with Article L.225-235 of the French commercial code, please find hereafter our report on the report prepared 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, 2015.

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 15, 2016

The statutory auditors

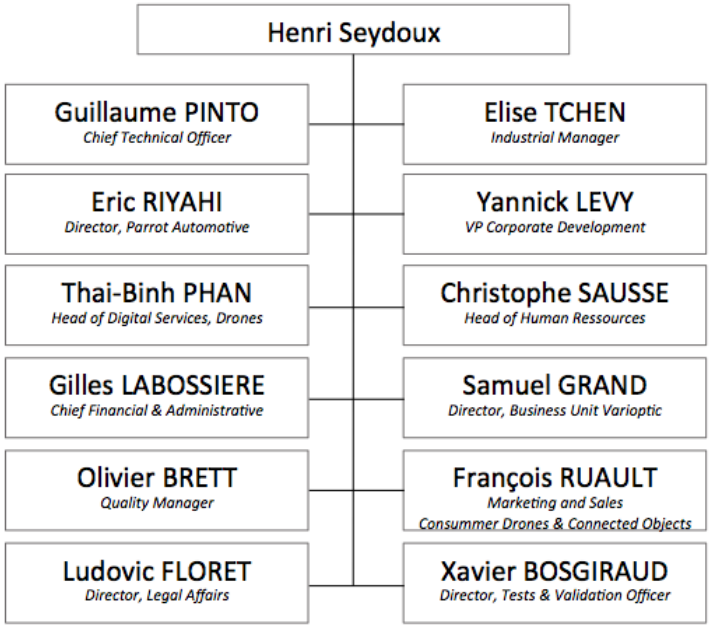
KPMG Audit IS	**ERNST & YOUNG et Autres**
Eric Lefebvre	Pierre Jouanne
Partner	Partner

XVII. Employees

17.1. Human resources

17.1.1. Structure of the group

At February 29, 2016, the main executives reporting to the Chairman and CEO are as follows:



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, 2015, the Group employed 956 people (permanent and fixed-term contracts), in addition to 60 external contractors, 28 temporary staff and 17 apprentices.

The majority of the Group’s employees (65%) are based in France. With the exception of the Commercial Drone subsidiaries in Switzerland (senseFly and Pix4D, with 119 employees) and the subsidiary monitoring production with suppliers in Asia (118 employees), the subsidiaries are primarily sales centers covering the regional distribution networks.

■ Additional information

Further information concerning the workforce is available in 6.5.4 “Human resources data: employment” and 20.4.3.7.5 “Headcount”.

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 **Erreur ! Source du renvoi introuvable.** “**Erreur ! Source du renvoi introuvable.**“.

Olivier Brett

Olivier Brett joined Parrot in 2008 as an engineer to monitor the quality of the various products sold. Since 2012, he has been head of quality for Drones. He initially took on responsibility for product quality (monitoring projects and products from manufacturing to final distribution), before adding software quality and, lastly, the QSE (quality, safety, environment) system. An INPG graduate, he previously worked for Airbus, Thales and Safran.

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.

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.

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. Since the start of 2016, he has been heading up Parrot Automotive. 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.

François Ruault

François Ruault joined Parrot in February 2016 as Sales and Marketing Director for Consumer Drones and Connected Devices. After starting out in advertising, he joined Apple, Inc, in 1992, where he went on to head up marketing then retail sales. In 2004, he was appointed by Microsoft as Country Manager for Xbox in France through to 2010, before moving to its headquarters in Redmond, Washington. While there, he served as Senior Director, Worldwide Sales & Marketing for Microsoft Hardware, before heading up planning and operations for HoloLens as COO of Microsoft Next Gen Experiences. In 2013, he joined Amazon at its Seattle headquarters as Worldwide Marketing Director for Digital Products, covering the US, Europe and Asia.

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.

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 XXVIII "Resolutions for the general meeting on June 16, 2016.

Status of stock warrants

In number of warrants	2014	2015
Number of warrants at January 1	**784 371**	**688 515**
Warrants awarded during the year	123 600	190 700
Warrants exercised during the year	-144 070	-154 911
Warrants maturing during the year	-75 386	-160 604
Post-capital increase adjustments		247 381
Number of warrants at year-end	**688 515**	**812 977**

In addition, in 2015:

- 121,111 stock options were exercised, and
- 55,304 options were not awarded and therefore lapsed.

■ Historical breakdown of stock options

Date of Board Meeting and type of scheme	Duration	Number of options in place at 31/12/14	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 31/12/15	Post-capital increase adjustment (1)	Adjusted number of options in place at 31/12/15
11/02/10: Stock options	4 years	14 768	-	-9 768	-5 000	-	-	-
12/05/10: Stock options	4 years	32 784	-	-21 730	-11 054	-	-	-
29/07/10: Stock options	4 years	62 500	-	-62 500	-	-	-	-
10/11/10: Stock options	4 years	6 000	-	-1 000	-5 000	-	-	-
10/02/11: Stock options	4 years	16 000	-	-7 500	-	8 500	3 733	12 233
12/05/11: Stock options	4 years	20 213	-	-13 913	-	6 300	2 767	9 067
12/05/11: Bonus shares	2 years	-	-		-	-	-	-
28/07/11: Stock options	7 years	8 000	-	-5 000	-	3 000	1 318	4 318
10/11/11: Stock options	7 years	67 000	-	-1 000	-	66 000	28 982	94 982
10/11/11: Bonus shares	2 years	-	-		-	-	-	-
15/02/12: Stock options	7 years	203 750	-	(0 200)	-17 750	185 800	81 599	267 399
15/02/12: Bonus shares	2 years	-	-	-		-	-	-
12/05/12: Stock options	7 years	20 800	-	-	-4 000	16 800	7 378	24 178
12/05/12: Bonus shares	2 years	-	-	-	-	-	-	-
28/07/12: Bonus shares	2 years	-	-	-	-	-	-	-
10/11/12: Stock options	7 years	21 600	-	-	-	21 600	9 486	31 086
20/02/13: Stock options	7 years	10 500	-	-	-4 500	6 000	2 635	8 635
20/02/13: Bonus shares	2 years	23 700	-	-21 500	-2 200	-	-	-
15/05/13: Stock options	7 years	24 000	-		-8 000	16 000	7 027	23 027
15/05/13: Bonus shares	2 years	13 300	-	-10 800	-2 500	-	-	-
01/08/13: Bonus shares	3 years	2 500	-	-	-	2 500	1 098	3 598
15/11/13: Bonus shares	3 years	17 500	-	-	-7000	10 000	4 611	15 111
14/11/13: Bonus shares	3 years	93 500	-	-	-18500	75 000	32 928	110 238
01/03/14: Bonus shares	3 years	25 700	-	-	-4 600	21 100	9 281	30 367
01/10/14: Bonus shares	3 years	4 400	-	-	-	4 400	1 757	5 757
01/03/2015: Bonus shares	3 years	-	96 000	-	-70500	25 500	11 202	36 702
01/07/2015: Bonus shares	3 years	-	1 600	-	-	1 600	703	2 303
10/11/2015: Bonus shares	3 years	-	93 100	-	-	93 100	40 876	133 976
TOTAL		**688 515**	**190 700**	**-154 911**	**-160 604**	**563 700**	**247 381**	**812 977**

■ Stock options awarded to the Group's 10 staff who received the highest number in 2015:

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 XXVIII "Resolutions for the general meeting on June 16, 2016 ".

■ Bonus shares awarded in 2015

In 2015, 93,100 bonus shares were awarded to the Group's employees, with 33,100 for Parrot S.A. employees, 57,000 for employees of French companies, and 3,000 for employees of companies outside of France. No bonus shares were awarded to corporate officers.

■ Bonus shares awarded to the Group's 10 staff who received the highest number in 2015

Beneficiaries	Date awarded	No. of shares awarded	Vesting period	Lock-in period
Head of Operations	Nov 10, 2015	10 000	Nov 10, 2018	3 years from vesting
Chief Administrative and Financial Officer	Nov 10, 2015	10 000	Nov 10, 2018	3 years from vesting
Head of Technical	Nov 10, 2015	10 000	Nov 10, 2018	3 years from vesting
Head of Technical	Nov 10, 2015	10 000	Nov 10, 2018	3 years from vesting
Head of Human Resources	Nov 10, 2015	10 000	Nov 10, 2018	3 years from vesting
Head of Validation	Nov 10, 2015	5 000	Nov 10, 2018	3 years from vesting
Head of Marketing	Nov 10, 2015	5 000	Nov 10, 2018	3 years from vesting
Head of BU	Nov 10, 2015	5 000	Nov 10, 2018	3 years from vesting
Head of Business Development	Nov 10, 2015	5 000	Nov 10, 2018	3 years from vesting
Country Manager	Nov 10, 2015	3 000	Nov 10, 2018	3 years from vesting

■ Breakdown of bonus shares awarded by category in 2015

Conditions for awarding bonus shares

Bonus shares are only definitively vested after the end of a two or three-year period for Parrot S.A. beneficiaries, provided that they 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 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.

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.

In 2015, the amount of the special profit-sharing reserve to be paid out represented nothing, as in 2014.

17.4. Voluntary performance-related bonus agreement

Since 2009, a voluntary performance-related bonus agreement is signed 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 22, 2015 between the Company and the sole staff representative office. The agreement was entered into for a three-year period, commencing January 1, 2015. 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 2015, no voluntary performance-related bonuses were awarded (compared with 0.26 M€ in 2014).

17.5. Employee shareholding

The Company's employees (and/or the employees of related companies as per Article 225-180 of the French commercial code) do not hold any shares in the Company's capital under the forms of collective shareholding defined in Article L. 225-102 of the French commercial code.

XVIII. Main shareholders

18.1. Shareholding structure

18.1.1. Breakdown of the share capital and voting rights

The table below provides the most recent information to date available to the Company. The total number of outstanding shares for reference is 30,163,037 as of April 30, 2016. On a diluted basis, including the Warrants (see 18.1.2.2 below "Information concerning the warrants issued for the capital increase in December 2015") and the Stock option (see 4.1.12. above "The company issues dilutive instruments which could have an impact on its capital") the total number potential shares comes to 33,985,634.

In addition the Company which has always followed the "1 share 1 voting right" rule and the application of the French law n° 2014-384 from March 29, 2014 to establish a regulatory double voting right has been rejected by the Shareholder meeting of June 30, 2015. The article 11 of the Bylaws have been modified accordingly (see 21.2 below "Bylaws" and 18.2. below "Voting right").

The following table presents the information available for the Company on the most recent dates. The number of shares taken into account for the calculation is taken from April 30, 2016: 30,163,037 shares; on a dilutive basis, incorporating the equity warrants (see 18.1.2.2 "Information concerning the warrants issued in December 2015 for the capital increase in December 2015") and stock options (see 4.1.12 "The company issues dilutive instruments which could have an impact on its capital"), the number of potential shares is raised to 33,985,634.

In addition, the Company has always followed the rule where 1 share = 1 voting right. At the general meeting on June 30, 2015, it therefore rejected the introduction of a legal double voting right as provided for under French Law 2014-384 of March 29, 2014 and amended Article 11 of its bylaws accordingly (see 21.2 "Bylaws" and 18.2 "Voting rights").

Holder	Shares held	% of capital and theoretical voting rights (1)	Source / Date	Diluted shares held	% of capital and theoretical voting rights on diluted basis (2)	Source / Date
Horizon (3) (company controlled by Henri Seydoux)	10 593 751	35.1%	Apr. 30, 2016	13 191 454	38.8%	Results of the Liquidity Period of the Warrants on Jan. 6, 2016 (4)
Bpifrance Participations	1 552 188	5.1%	Threshold crossing notification of Dec. 17, 2015	1 704 372	5.0%	Results of the Liquidity Period of the Warrants on Jan. 6, 2016 (4)
HG Vora	3 287 384	10.9%	Notification to the company on Dec. 15, 2015	Unknown	-	
CDC	803 749	2.7%	Threshold crossing notification of Dec. 17, 2015	Unknown	-	
Moneta AM	1 630 000	5.4%	Threshold crossing notification of Feb. 9, 2016	Unknown	-	
JP Morgan Clearing Corp. (5)	1 799 574	6.0%	Threshold crossing notification of March 18, 2016	Unknown	-	
Treasury shares	370 967	1.2%	April 30, 2016	-	-	

(1) The theoretical voting rights are equal to the number of shares. The actual voting rights can be calculated by subtracting the treasury shares, which are not entitled to voting rights.

(2) The dilution is linked to the warrants (see 18.1.2.2 "Information concerning the warrants issued for the capital increase in December 2015") and the stock options (see 4.1.12. "The company issues dilutive instruments which could have an impact on its capital").

(3) Horizon has made a commitment to sell the Managers up to 20% of the warrants that it holds. Since no such operations had been carried out by April 30, 2016, all the warrants held by Horizon have been taken into account.

(4) Detailed information regarding the liquidity periods for warrants is provided in 18.1.2.2. "Information concerning the warrants issued for the capital increase in December 2015"

(5) This position is assumed to be technical.

The Company estimates that the float represents 64.9% of the capital (as such, only Horizon is not considered part of the float).

Readers can also refer to 4.1.12. above “The company issues dilutive instruments which could have an impact on its capital”, 15.4. below “Corporate officer interests in the Company’s capital” and 21.1.4 below “Potential capital” in this Reference document.

Breakdown of share capital for previous years

	Number of shares held at Nov. 6, 2015 [1]	% of the capital	Number of shares held at Dec. 31, 2014	% of the capital	Number of shares held at Dec. 31, 2013	% of the capital	Number of shares held at Dec. 31, 2012	% of the capital
Total number of shares	**12 553 774**	**100.00%**	**12 709 068**	**100.00%**	**12 655 293**	**100.00%**	**12 809 243**	**100.00%**
Henri Seydoux (Horizon)[2]	4 546 204	36.21%	4 546 204	35.77%	4 546 204	35.92%	4 546 204	35.49%
Other declared investors								
Covea Finance [3]	365 107	2.91%	635 738	5.00%	914 305	7.22%	-	-
OJEJ [4]	561 906	4.48%	561 906	4.42%	561 906	4.44%	-	-
HG Vora Capital [5]	1 307 000	10.41%	-	-	-	-	288 512	2.25%
Treasury shares	**382 342**	**3.05%**	**575 870**	**4.53%**	**625 449**	**4.94%**	**614 941**	**4.80%**

[1] Date of the Update to the 2014 Reference document.

[2] Henri Seydoux controls the company Horizon and is Chairman and CEO of Parrot.

[3] On June 30, 2015, Covéa Finance has declared it held 365,107 Parrot shares representing as many voting rights (AMF n°215C0952 from July 2, 2015).

[4] Company fully owned by M. Jérôme Seydoux.

[5] On Sept. 25, 2015, HG Vora Capital Management has declared it held 1,255,000 Parrot shares representing as many voting rights (AMF n°215C1334 from Sept. 25, 2015).

18.1.2. Changes in the Company's capital

In connection with the capital increase with preferential subscription rights maintained launched on November 19, 2015, based on issuing new shares, each combined with one Tranche 1 equity warrant ("Class 1 Warrants") and one Tranche 2 equity warrant ("Class 2 Warrants", and collectively with the Class 1 Warrants, the "Warrants"), Parrot issued 17,575,278 shares with equity warrants (with 17,575,278 Class 1 Warrants and 17,575 278 Class 2 Warrants attached to them) at a unit price of 17 euros.

As a result, the changes in the capital over 2015 were as follows:

	Dec. 31, 2014	Issues	Reductions	Dec. 31, 2015
Number of shares	12 753 663	17 696 389	-320 000	30 130 052
Rounded off par value (€)	€0.15	-	-	€0.15
Share capital (€)	**1 944 301**	**-**	**-**	**4 592 458**

See 20.2.20 "Note 20 – Shareholders' equity".

18.1.2.1. Reasons for the capital increase

In a market that is experiencing strong and rapid growth, the Offering will principally enable Parrot to accelerate its development and consolidate its leadership position in the Consumer and Commercial Drone markets. With its strong brand, its renowned capacity for innovation and know-how, and its unique positioning throughout the value chain for civil drones (drones, sensors, software and related services), Parrot intends to obtain the financial means to:

- continue moving forward with its ambitious research and development strategy in order to sustain its rapid pace of innovation, while maintaining the specific features of Parrot's products: lightweight, reliable and easy-to-use;
- continue with its rapid development on the Commercial Drone market, capitalizing on opportunities for external growth in this market, accelerating the development of a commercial drone ecosystem (around the successful integration of companies such as senseFly, Pix4D, Airinov and Micasense), and launching centralized platforms with additional high value-added services for mapping, farming and inspection / surveillance, aiming to ensure that the Parrot Group's solutions can deliver productivity improvements for numerous professions (surveyors, photographers, architects, project managers, etc.); and
- maintain its position as a recognized leader on the consumer drone market, continuing with its strategy for rapid sales growth supported by a strengthening of its operational structure, particularly in terms of marketing, sales and distribution.

The funds raised by the Company in the Offering will be allocated as follows:

- a) 15-20% of the proceeds to maintain and advance the Group's level of innovation and technological development;
- b) 30% of the proceeds to reinforce the Group's capacities for marketing and sales;
- c) 10-15% of the proceeds to create an ecosystem for Commercial Drones;
- d) 30-35% of the proceeds to incubate and develop young innovative companies through targeted acquisitions; and
- e) 5% of the proceeds to reinforce support functions, such as human resources, finance, accounting and internal control, in line with the Company's growth.

18.1.2.2. Information concerning the warrants issued in December 2015

The structure of the offering, with warrants attached to the Offered Securities enables the Company's managers to participate in its future growth, namely through Horizon's commitment to sell to Managers (as defined below) up to 20% of the total warrants that it holds upon completion of the Offering. The non-transferability of the warrants is an important factor in building loyalty among the Company's shareholders that decide to keep their warrants upon completion of the Offering, as well as among the Managers who will hold warrants in the future. Furthermore, the proceeds from the exercise of the warrants will permit the Company to reinforce its financial structure and finance the development projects that will be ongoing at the time of exercise of the warrants (which will not be exercisable until December 16, 2020 subject to certain exceptions).

Indeed, the Warrants will be non-transferrable and therefore non-tradable until December 15, 2020 inclusive, subject to certain exceptions provided in the Prospectus for this offer available on www.parrot.com and www.amf-France.org) which include selling part or all of its Class 1 Warrants and/or Class 2 Warrants to employees, officers or directors of the Company and/or of its current or future subsidiaries (the "Managers") following the publication by the Company of a reference value of the Class 1 Warrants and Class 2 Warrants during the 10 calendar days that follow the publication by the Company of its press release relating to its annual or semi-annual financial results, as the case may be; such sales must occur, under certain conditions, within 60 calendar days following this publication, and in any event no later than December 15, 2020 (the Warrants become transferable and exercisable as from December 16, 2020).

As from December 16, 2020 and until December 15, 2022 (included):

- holders of the Warrants will be entitled to receive new Parrot shares upon the exercise of their Warrants; 24 Class 1 Warrants carry the right to subscribe for 2 New Shares, at a price of €32.66, and 28 Class 2 Warrants carry the right to subscribe for 3 New Shares at a price of €42.34; Warrants not exercised during this period will become void and lose all value.

– the Class 1 Warrants and the Class 2 Warrants will be listed separately from the Company's ordinary shares. The Class 1 Warrants will be listed under the ISIN code FR0013054269, and the Class 2 Warrants will be listed on a separate listing line under the ISIN code FR0013054335.

The Company's shares resulting from the exercise of the Warrants (which represent a total potential dilution of 11.1% of the existing capital) will be ordinary shares of the same class as the existing shares of the Company. They will carry the same rights, including, with effect from their issue, to all distributions decided by the Company as from that date. These shares will be subject to periodical requests for admission to trading on Euronext Paris on the same listing line as the existing shares of the Company and under the same ISIN code FR0004038263.

Breakdown of warrants at January 4, 2016

Following the first liquidity period for warrants, from December 16, 2015 to January 4, 2016 (inclusive), the breakdown of warrants is as follows:

	Number of Warrants 1	% of Warrants 1	Number of Warrants 2	% of Warrants 2	Total number	Total %
Horizon	13 637 943	77.60%	13 637 943	77.60%	27 275 886	77.60%
Bpifrance	798 964	4.54%	798 964	4.54%	1 597 928	4.54%
Public	3 138 371	17.86%	3 138 371	17.86%	6 276 742	17.86%
Total	**17 575 278**	**100%**	**17 575 278**	**100%**	**35 150 556**	**100%**

(1) For reference, during the capital increase subscription period, from December 23, 2015 to December 4, 2015 (inclusive), commitments were made to sell 5,865,266 Class 1 Warrants and 5,865,266 Class 2 Warrants to Horizon. These transactions were completed, at a price of 0.48 euros per warrant, on December 15, 2015, simultaneously with the settlement of the capital increase.

(2) For reference, Horizon has undertaken to sell the Managers up to 20% of the warrants that it holds (i.e. 5,455,177 warrants to be sold).

Additional information

The reader can refer to the documentation, and notably the Prospectus, issued during the offering and available on www.parrot.com (link "Investor relations", menu Documents, sub menu "2015 Right issue") and on www.amf-france.org. The reader can also follow the Warrants liquidity period on www.parrot.com: link "Investor relations", menu Documents, sub menu "Warrants (BSA)").

The other changes to the capital in connection with the Company's normal business management operations are presented in 20.4.3.1 "Note 1 - Main events over the year" and 21.1.7 "Changes to the share capital".

The contracts signed with investors are described in 19.1 "Information on regulated agreements and commitments".

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.

The General Shareholders' Meeting on June 30, 2015 (i) decided not to introduce double voting rights for shareholders under the third paragraph of Article L. 225-123 of the French commercial code, and (ii) therefore confirmed the rule under which each Company share is entitled to one vote at General Meetings.

Article L. 225-123, paragraph 3 of the French commercial code states: "In companies whose shares are admitted for trading on a regulated market, the double voting rights provided for in the first paragraph are applicable by law, unless there is a clause in the bylaws adopted after the French economic stimulus act 2014-384 of March 29, 2014 was passed, for all fully paid-up shares that have been registered in the name of the same shareholder for the past two years. The same conditions apply for double voting rights granted upon issue to registered shares freely awarded in accordance with the second paragraph".

The General Meeting therefore decided to amend Article 11 of the Company's bylaws "Rights and obligations associated with shares" concerning the voting rights associated with the Company's shares:

"Under the 15th resolution at the extraordinary general meeting on June 30, 2015, it was decided not to confer double voting rights as established by French Law 2015-384 of March 29, 2014 to holders of shares referred to in Article L. 225-123 paragraph 3 of the French commercial code".

The rest of Article 11 of the Company's bylaws will remain unchanged (refer to Section 21.2 of the Reference Document).

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.

In this way, Henri Seydoux controls Parrot, which he founded in February 1994 and has managed for 20 years (see 4.1.9 "The Company's principal shareholder has the power to influence the Company's corporate decisions"). As indicated in Section 16.5 “Corporate governance" and 16.6 "Internal control procedures put in place by the Company", 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 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

18.5.1. 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

18.5.2. Change in Parrot's share price from listing (June 27, 2006) to April 26, 2016

The data have been adjusted to reflect the capital increase (source: Euronext).



Change in Parrot's share price and volumes over the last two years

Closing share price in euros Volume in number of shares traded	2014	2014 adjusted	2015	2015 adjusted
Highest closing price	22.81	16.92	49.58	36.78
Highest daily volume	282,183	282,183	325,117	325,117
Lowest closing price	14.80	10.98	18.03	13.37
Lowest daily volume	1,864	1,864	6,023	6,023
Average closing price for the year	19.28	14.31	30.35	23.18
Average volume for the year	24,915	24,915	41,892	53,417

XIX. Operations with related parties

19.1. Information on regulated agreements and commitments

In 2015, 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 $3,289.61 by Parrot S.A. for the reimbursement of costs;

Furthermore, in connection with the Company's proposed capital increase for December 2015, several agreements governed by Article L. 225-38 of the French commercial code were entered into:

- **Contract between the Company, Horizon, Henri Seydoux and Bpifrance Participations ("Bpifrance Contract")**

Signed on November 19, 2015, under which Horizon transferred 1,076,035 preferential subscription rights to Bpifrance, allowing Bpifrance to subscribe for a number of new shares representing 5% of the Company's capital, based on a sales price of EUR 8,126,754.34; Bpifrance subscribed for Company's shares with equity warrants by exercising all the preferential subscription rights transferred to it by Horizon, based on a subscription price of EUR 25,609,633; Horizon exercised preferential subscription rights taking its interest in the Company's capital, on an undiluted basis, to at least 34.26% following the settlement-delivery of the shares with equity warrants.

- **IDG contract between the Company, Horizon and IDG ("IDG Contract")**

Signed on November 19, 2015, under which IDG acquired preferential subscription rights for EUR 3,095,971 from Horizon to subscribe for 430,423 shares with equity warrants issued by the Company, and transferred all the equity warrants linked to the new shares subscribed for by IDG to Horizon for EUR 413,206;

- **Contract between the Company and Horizon ("Horizon Contract")**

The contract between the Company and Horizon ("Horizon Contract"), signed on November 19, 2015, under which Horizon made a commitment to take part in the Company's capital increase operation for approximately EUR 88 million by exercising its 3,724,630 preferential subscription rights.

19.2. Statutory auditors' special report on regulated agreements and commitments

KPMG Audit IS
Tour Eqho
2, avenue Gambetta
92066 Paris-La Défense Cedex, France

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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 entering into 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 and commitments submitted for approval at the general meeting

In accordance with Article L. 225-40 of the French commercial code, we have been informed of the following agreements and commitments that have been approved beforehand by your Board of Directors.

1. With Mr Henri Seydoux and the companies Bpifrance Participations and Horizon

Director concerned

Mr Henri Seydoux, controlling the company Horizon.

Nature, purpose, terms and conditions

On November 19, 2015, your company signed an agreement with Mr Henri Seydoux and the companies Bpifrance Participations and Horizon, under which:

- Horizon transferred 1,076,035 preferential subscription rights to Bpifrance, allowing Bpifrance to subscribe for a number of new shares representing 5% of your company's capital after the capital increase has been carried out, based on a sales price of EUR 8,126,754.34;
- Bpifrance subscribed for shares with equity warrants for your company's shares by exercising all the preferential subscription rights transferred to it by Horizon, based on a subscription price of EUR 25,609,633;
- Horizon exercised preferential subscription rights taking its interest in your company's capital, on an undiluted basis, to at least 34.26% following the settlement-delivery of the shares with equity warrants for shares.

2. With the companies Horizon and IDG

Director concerned

Mr Henri Seydoux, controlling the company Horizon.

Nature, purpose, terms and conditions

On November 19, 2015, your company signed an agreement with the companies Horizon and IDG, under which IDG acquired preferential subscription rights for EUR 3,095,971 from Horizon to subscribe for 430,423 shares with equity warrants for shares issued by your company, and transferred all the equity warrants linked to the new shares subscribed for by IDG to Horizon for EUR 413,206.

3. With the company Horizon

Director concerned

Mr Henri Seydoux, controlling the company Horizon.

Nature, purpose, terms and conditions

On November 19, 2015, your company signed an agreement with the company Horizon, under which Horizon made a commitment to take part in your company's capital increase operation for approximately EUR 88 million by exercising its 3,724,630 preferential subscription rights.

Reasons justifying the interest of these agreements for the company

These three agreements have been set up in line with the Board of Directors' plans to ensure the participation of Bpifrance Participations, IDG and Horizon in the company's capital increase operation, with a view to further strengthening the operation's chances of success and sending out a strong message to the market.

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 2015: none.*

– *Amount of costs reimbursed by your company in 2015: 3,289.61 US dollars.*

Paris-La Défense, April 15, 2016

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	Note	Dec. 31, 2015	Dec. 31, 2014
Revenues		**326 273**	**243 871**
Cost of sales		(173 595)	(115 363)
Gross margin		**152 678**	**128 508**
in % of revenues		*46.8%*	*52.7%*
R&D costs		**(57 679)**	**(50 130)**
in % of revenues		*17.7%*	*20.6%*
Sales & Marketing costs		**(59 344)**	**(45 941)**
in % of revenues		*18.2%*	*18.8%*
General & Administrative costs		**(19 505)**	**(16 746)**
in % of revenues		*6.0%*	*6.9%*
Production & Quality costs		**(16 576)**	**(14 577)**
in % of revenues		*5.1%*	*6.0%*
Income from ordinary operations		**(426)**	**1 113**
in % of revenues		*-0.1%*	*0.5%*
Other operating income and expenses	6	2 494	(514)
EBIT		**2 068**	**599**
in % of revenues		*0.6%*	*0.2%*
Income from cash and cash equivalents	7	522	1 247
Cost of gross financial debt	7	(448)	(834)
Cost of net financial debt	**7**	**74**	**413**
Other financial income and expenses	7	879	220
Financial income		**953**	**634**
Share in income from associates	14	(1 158)	-
Tax	8	(307)	(4 088)
Earnings for the period		**1 557**	**(2 855)**
Group share		462	(2 592)
in % of revenues		*0.1%*	*-0.1%*
Non-controlling interest		1 095	(263)

	Note	Dec. 31. 2015	Dec. 31. 2014
Weighted average number of ordinary shares		13 638 129	12 709 068
Basic net income per share (in euros)	**22**	**0.03**	**-0.20**
Weighted average number of ordinary shares (diluted)		13 840 405	12 709 068
Diluted net income per share (in euros)	**22**	**0.03**	**-0.20**

20.1.2. Comprehensive income statement

€'000	Dec. 31, 2015	Dec. 31, 2014
Net income for the period	**1 557**	**(2 855)**
Exchange gains or losses	2 582	3 858
Group exchange gains or losses	2 185	3 864
Non-Group exchange gains or losses	397	(6)
Change in value of derivative hedging instruments	(459)	193
Change in actuarial gains or losses concerning employee benefits	636	(593)
Taxes	(61)	(166)
Other comprehensive income items	**2 698**	**3 293**
- Subsequently non-recyclable to net income	636	(593)
- Subsequently recyclable to net income	2 062	3 886
Comprehensive income for the period	**4 255**	**437**
Attributable to owners of the parent	2 763	706
Attributable to non-controlling interests	1 492	(269)

20.1.3. Consolidated balance sheet

€'000	Note n°	Dec. 31, 2015	Dec. 31, 2014
Non-current assets		**124 585**	**100 505**
Goodwill	9	58 149	39 952
Other intangible assets	10	40 976	43 181
Property, plant and equipment	12	9 792	8 965
Interests in associates	14	1 181	-
Financial assets	13	5 430	6 315
Deferred tax assets	15	9 057	2 093
Current assets		**529 020**	**210 157**
Inventories	16	68 373	31 788
Trade receivables	17	85 038	62 629
Other receivables	18	24 467	26 023
Other current financial assets	13	158 000	19 380
Cash and cash equivalents	19	193 143	70 338
Total assets		**653 606**	**310 663**

€'000	Note n°	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity			
Share capital		4 592	1 944
Issue and contribution premiums	20	331 134	50 750
Reserves excluding earnings for the period		83 834	130 940
Earnings for the period		462	(2 592)
Exchange gains or losses		4 956	2 771
Equity attributable to Parrot S.A. shareholders		**424 978**	**183 813**
Minority interests		613	(880)
Non-current liabilities		**75 447**	**28 809**
Non-current financial liabilities	21	17 039	5 189
Pension provisions and related commitments	24	2 342	2 587
Deferred tax liabilities	15	1 049	60
Other non-current provisions		0	0
Other non-current liabilities	27	55 018	20 974
Current liabilities		**152 568**	**98 920**
Current financial liabilities	21	2 345	7 308
Current provisions	26	11 823	8 500
Trade payables	27	84 526	61 209
Current tax liability	27	5 106	2 126
Other current liabilities	27	48 768	19 777
Total shareholders' equity and liabilities		**653 606**	**310 663**

20.1.4. Consolidated Cash-flow statement

€'000	Dec. 31, 2015	Dec. 31, 2014
Operating cash flow		
Earnings for the period	1 557	(2 855)
Share in income from associates	1 158	-
Depreciation and amortization	19 154	11 677
Capital gains and losses on disposals	72	(25)
Capital gains linked to remeasurement of securities of companies previously recognized as long-term financial investments	(7 177)	(902)
Tax charges	307	4 088
Cost of share-based payments	4 058	2 641
Cost of net financial debt	(74)	(413)
Cash flow from operations before cost of net financial debt and tax	**19 053**	**14 210**
Change in working capital	(32 173)	5 464
Tax paid	(4 500)	(3 808)
CASH FROM OPERATING ACTIVITIES (A)	**(17 619)**	**15 866**
Investing cash flow		
Acquisition of tangible and intangible assets	(13 348)	(19 364)
Acquisition of subsidiaries, net of cash acquired (2)	(4 688)	395
Acquisition of financial assets	(3 253)	(4 438)
Disposal of tangible and intangible assets	34	-
Disposal of subsidiaries, net of cash divested	-	-
Disposal of long-term financial investments	109	163
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(21 146)**	**(23 243)**
Financing cash flow		
Equity contributions (1)	290 279	964
Dividends paid	-	-
Receipts linked to new loans	17 808	1 164
Other financing	-	-
Cash invested for over 3 months *	(138 620)	23 299
Cost of net financial debt	74	413
Exchange hedging instruments	-	-
Repayment of short-term financial debt (net)	(10 984)	(6 818)
Repayment of other debt	-	-
Acquisition / Disposal of treasury stock (2)	(274)	37
CASH FLOW FROM FINANCING ACTIVITIES (C)	**158 283**	**19 059**
NET CHANGE IN CASH POSITION (D = A+B+C)	**119 519**	**11 682**
Impact of change in exchange rates	3 286	4 393
CASH AND CASH EQUIVALENTS AT YEAR-START	**70 338**	**54 263**
CASH AND CASH EQUIVALENTS AT YEAR-END	**193 143**	**70 338**

(1) The equity contributions in 2015 primarily reflect:

- A 289 M€ capital increase, after deducting fees relating to the operation (10.4 M€);
- Options exercised for 2 M€.

See Note 20.1 - Share capital and issue premiums.

(2) Of which:

€'000	
Cost of securities paid out over the period for Airinov	(1 411)
Cash acquired Airinov	318
Cost of securities paid out over the period for Micasense	(2 036)
Cash acquired Micasense	616
Varioptic earnout paid in 2015	(627)
Cost of securities paid out over the period for EOS and Iconem	(1 559)
Other	10
Acquisition of subsidiaries, net of cash acquired	**(4 688)**

(3) See Note 20.3.

20.1.5. Change in consolidated shareholders' equity

€'000	Capital	Issue and contri-bution premiums	Exchange gains or losses	Treasury stock	Group consolida ted reserves	Total sharehold ers' equity	Equity interest	Total
Position at end Dec. 2013	**1 929**	**49 800**	**(1 092)**	**(12 263)**	**145 139**	**183 514**	**(611)**	**182 902**
Net income for the period					(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					(3 684)	(3 684)	(2 348)	-6 032
Acquisit. of non-controlling interests							2 348	2 348
Position at end Dec. 2014	**1 944**	**50 750**	**2 772**	**(12 424)**	**140 770**	**183 812**	**(880)**	**182 932**
Net income for the period					462	462	1 095	1 557
Other comprehensive income			2 185		116	2 301	397	2 698
Comprehensive income	**-**	**-**	**2 185**	**-**	**578**	**2 763**	**1 492**	**4 255**
Changes in capital (1)	2 648	280 384		6 171		289 203		289 203
Share-based payments					1 521	1 521		1 521
Securities buyback option (2)					(52 319)	(52 319)	(5 250)	(57 569)
Acquisit. of non-controlling interests (3)						-	5 250	5 250
Position at end Dec. 2015	**4 593**	**331 134**	**4 956**	**(6 253)**	**90 549**	**424 978**	**613**	**425 591**

(1) The changes in the capital during 2015 primarily reflect:

- A capital increase of 2,678 K€ with an issue premium of 296,101 K€, and issue costs of 10,463 K€;
- A capital increase through the exercising of options for 18 K€ with an issue premium of 1,946 K€;
- A capital reduction based on the cancellation of treasury stock for 49 K€, with an issue premium of 7,200 K€. See Note 20.1 "Share capital and issue premium" and Note 20.3 "Treasury stock"

(2) The change in call options in 2015 factors in the revaluation of the buyout commitments granted to the minority shareholders in senseFly and Pix4D, and the recognition of the buyout commitments granted in 2015 to the minority shareholders in Airinov and Micasense Inc. See Note 26.2 "Other non-current liabilities".

(3) Acquisitions of non-controlling interests have been recorded following the first year of consolidation for Airinov et Micasense Inc. See Note 11 "Business combinations".

20.2. Notes to the 2015 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 located at 174 quai de Jemmapes, 75010 Paris.

The financial statements for the year ended December 31, 2015 were approved by the Board of Directors on February 26, 2016. They will be submitted for approval at the General Meeting on June 16, 2016.

The financial statements are presented in thousands of euros (€'000). All the financial data are rounded off to the nearest K€.

20.2.2. Note 2 – Accounting methods and rules

The annual consolidated financial statements at December 31, 2015 have been drawn up in accordance with the valuation and recognition principles from the international accounting standards defined by the International Accounting Standards Board (IASB). These international accounting standards comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as their interpretations, adopted by the European Union at December 31, 2015.

The accounting principles applied for the preparation of the consolidated financial statements for the period from January 1, 2015 to December 31, 2015 are identical to those used for the presentation of the consolidated financial statements for the year ended December 31, 2014, with the exception of the first-time application of the following new standards, amendments to standards and interpretations adopted by the European Union:

– IFRIC 21: Levies. With this interpretation, these expenses are to be recognized when the obligation arises to pay them. The recognition of these expenses can no longer be deferred in the interim accounts, unless the obligating event occurs over a period of time. The impact of this interpretation primarily concerns the contribution to the Contribution Sociale de Solidarité sur les Sociétés (C3S), with an amount that is not material.

The application of these standards and interpretations has not had any material impact on the presentation of the consolidated financial statements. The standards, amendments to standards and interpretations adopted by the IASB or IFRIC, but not yet adopted by the European Union at December 31, 2015, have not been applied early. This concerns:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual improvements, 2010–2012 and 2012–2014.

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, 2014 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, liabilities on acquisitions of fixed assets 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 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 2015 and 2014 were as follows:

Closing rate	Dec. 31, 2015	Dec. 31, 2014	Average rate	Dec. 31, 2015	Dec. 31 2014
Australian Dollar	0.671	0.674	Australian Dollar	0.677	0.679
Swiss Franc	0.923	0.832	Swiss Franc	0.937	0.823
Yuan	0.142	0.133	Yuan	0.143	0.122
Euro	1.000	1.000	Euro	1.000	1.000
Pound sterling	1.362	1.284	Pound sterling	1.377	1.241
HK Dollar	0,119	0.106	HK Dollar	0.116	0.097
Yen	0.008	0.007	Yen	0.007	0.007
US Dollar	0,919	0.824	US Dollar	0.901	0.753

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.

Our general sales conditions do not include arrangements for returns outside of guarantee periods. However, some of our contracts with American distributors include specific contractual conditions with provisions for commercial returns (stock rotation). Provisions are estimated and booked against revenues and the cost of sales. The return rates taken into account are calculated for each product category.

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.

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 devices, Drones and Other, which 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,
- Drones,
- Connected devices,
- 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 Retail products (Car kit, Consumer drones, Connected devices) sold by Parrot. It is calculated statistically based on real company information provided by its various dedicated departments. In this way, the following elements are calculated for each product category:

– Return rate
– Exchange rate
– Repair rate
– Repair or replacement 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 22 companies, with 20 fully consolidated and two consolidated on an equity basis.

The changes to the basis for consolidation in 2015 were as follows:

– Parrot Automotive S.A.S., fully-owned subsidiary of Parrot S.A. and fully consolidated, created in connection with the subsidiarization of the OEM Automotive branch;
– Parrot Automotive Asia Pacific Ltd, fully-owned subsidiary of Parrot Automotive S.A.S. and fully consolidated, created in connection with the subsidiarization of the OEM Automotive branch;
– Parrot Automotive Shenzhen, fully-owned subsidiary of Parrot Automotive Asia Pacific Ltd and fully consolidated, created in connection with the subsidiarization of the OEM Automotive branch;
– Parrot Drones S.A.S., fully-owned subsidiary of Parrot S.A. and fully consolidated, created in connection with the subsidiarization of the Drones and Connected Devices branch;
– Pix4D Inc., fully-owned subsidiary of Pix4D S.A. and fully consolidated, created in February 2015;
– Parrot Shmates S.A.S., subsidiary created in July 2015 and 80%-owned by Parrot S.A., fully consolidated;
– Airinov S.A.S., subsidiary 59%-owned by Parrot Drones S.A.S. and fully consolidated since August 1, 2015, see Note 11 - Business combination;
– MicaSense Inc., subsidiary 56%-owned by Parrot Drones S.A.S. and fully consolidated since October 1, 2015, see Note 11 - Business combination;
– EOS Innovation, 49% interest held by Parrot Drones S.A.S., consolidated on an equity basis since August 1, 2015, see Note 14 – Associates;
– Iconem, 45% interest held by Parrot Drones S.A.S., consolidated on an equity basis since October 1, 2015, see Note 14 – Associates.

These companies, the parent company's interest in them and their consolidation methods are presented below:

Name	Address	Country	Dec. 31, 2015 %	Dec. 31, 2015 Consolidation method	Dec. 31, 2014 %	Dec. 31, 2014 Consolidation method
Parent company						
Parrot S.A.	174, Quai de Jemmapes 75010 Paris	France				
Consolidated subsidiaries						
Airinov S.A.S.	48, rue René Clair 75899 Paris 18	France	59%	FC	n.a.	n.a.
Chez Parrot S.A.RL	30-34 rue du Quatre Septembre, 75002 Paris	France	100%	FC	100%	FC
Parrot Automotive S.A.S.	174, Quai de Jemmapes 75010 Paris	France	100%	FC	n.a.	n.a.
Parrot Drones S.A.S.	174, Quai de Jemmapes 75010 Paris	France	100%	FC	n.a.	n.a.
Parrot Shmates S.A.S.	174, Quai de Jemmapes 75010 Paris	France	80%	FC	n.a.	n.a.
Parrot Iberia SL.	Calle Ulises, 108, 28043 Madrid	Spain	100%	FC	100%	FC
Parrot Inc.	3000 Town Center Ste 2340 Southfield, MI 48075	USA	100%	FC	100%	FC
Micasense Inc.	1300 N Northlake Way #100, Seattle, WA 98103, USA	USA	56%	FC	n.a.	n.a.
Pix4D Inc.	150 Post street, Suite 650 San Francisco, CA 94108	USA	56%	FC	n.a.	n.a.
Parrot Italia Srl.	Via Lattanzio 23 20123 Milan	Italy	100%	FC	100%	FC
Parrot Gmbh.	Leopoldstrasse 254 80807 München	Germany	100%	FC	100%	FC
Parrot UK Ltd (1)	Unit 1, 20 Avenue Road, Aston, Birmingham B6 4DY	UK	100%	FC	100%	FC
Parrot Asia Pacific Ltd.	Suite 930, 9/F Ocean Drive 5 Canton Road, Tsimshatsui, Kowloon Hong Kong	Hong Kong	100%	FC	100%	FC
Parrot Automotive Asia Pacific Ltd. (subsidiary of Parrot Automotive S.A.S.)	Suite 930, 9/F Ocean Drive 5 Canton Road, Tsimshatsui, Kowloon Hong Kong	Hong Kong	100%	FC	n.a.	n.a.
Parrot Automotive Shenzhen (Sub. of Parrot Automotive Asia Pacific Ltd.)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100%	FC	n.a.	n.a.
Parrot Japan KK	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100%	FC	100%	FC
Parrot Anz Ltd Limited	68 72 York street South Melbourne Victoria 3205	Australia	100%	FC	100%	FC
SenseFly	Route de Genève 38 1033 Cheseaux-sur-Lausanne	Switzerland	62%	FC	62%	FC
Pix4D	EPFL Innovation Park Building D, 1015 Lausanne	Switzerland	56%	FC	56%	FC
EOS Innovation	7, rue Montespan 91000 Evry	France	49%	EM	n.a.	n.a.
Iconem	16, rue Lacordaire 75015 Paris	France	45%	EM	n.a.	n.a.

(1) 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

Parrot's activities are organized around four business segments (Automotive, Drones, Connected Devices and Other) built around key technologies:

- The **Automotive** segment groups together the OEM Automotive business (Infotainment solutions sold to manufacturers and their OEM suppliers), and the CarKits and Plug & Play activities;
- The **Drones** segment groups together the Consumer Drones, Varioptic and Commercial Drones business;
- The **Connected Devices** segment groups together the Audio product lines and the other connected devices, developed within the Group;
- The **Other** segment, which comprises Varioptic's business.

The Plug & Play business has been reclassified from the Connected Devices segment to the Automotive segment since January 1, 2015.

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	Automotive (1)	Drones	Connected devices	Other	Dec. 31, 2015
Revenues	125 390	183 425	15 381	2 078	326 273
% of Group revenues	*38%*	*56%*	*5%*	*1%*	*100%*
Income from ordinary operations	11 253	(2 207)	(6 726)	(2 745)	(426)

(1) Plug & Play business allocated to the Automotive segment since January 1, 2015, as well as in the data for 2014 below. The reclassification of revenues represents 9.4 M€, while the impact on income from ordinary operations is not significant.

€'000	Automotive (1)	Drones	Connected devices	Other	Dec. 31, 2014
Revenues	144 419	82 964	14 537	1 951	243 871
% of Group revenues	*59%*	*34%*	*6%*	*1%*	*100%*
Income from ordinary operations	10 255	107	(7 198)	(2 051)	1 113

- **Statement of financial position**

€'000	Automotive	Drones	Connected devices	Other	Not allocated	Dec. 31, 2015
Non-current assets	**66 553**	**47 488**	**716**	**62**	**9 766**	**124 585**
Goodwill	36 648	21 501				58 149
Other intangible assets	26 046	14 930	-		-	40 976
Property, plant and equipment	3 763	5 505	462	62	-	9 792
Investments in associates	-	1 181	-	-	-	1 181
Financial assets	96	4 370	255	0	709	5 430
Deferred tax assets	-	-	-	-	9 057	9 057
Current assets	**40 826**	**126 698**	**9 288**	**1 066**	**351 143**	**529 020**
Inventories	10 890	52 433	4 656	395	-	68 373
Trade receivables	20 533	60 511	3 479	515	-	85 038
Other receivables	9 403	13 755	1 153	156	-	24 467
Other current financial assets	-	-	-		158 000	158 000
Cash and cash equivalents	-	-	-		193 143	193 143
Non-current liabilities	**554**	**56 451**	**155**	**133**	**18 154**	**75 447**
Non-current financial liabilities	-	-	-		17 039	17 039
Prov. for pensions and related commitments	554	1 433	155	133	66	2 342
Deferred tax liabilities					1 049	1 049
Other non-current provisions	-	-	-	-	-	(0)
Other non-current liabilities	-	55 018	-		-	55 018
Current liabilities	**23 191**	**117 482**	**5 465**	**1 416**	**5 015**	**152 568**
Current financial liabilities	-	-	-		2 345	2 345
Current provisions	2 129	8 731	520	104	340	11 823
Trade payables	15 669	64 537	3 763	558	-	84 526
Current tax liabilities	1 846	1 216	102	14	1 928	5 106
Other current liabilities	3 548	42 998	1 080	740	402	48 768

(1) Plug & Play business allocated to the Automotive segment since January 1, 2015, as well as in the data for 2014 below.

€'000	Automotive	Drones	Connected devices	Other	Not allocated	Dec. 31, 2014
Non-current assets	**72 756**	**23 326**	**1 133**	**72**	**3 216**	**100 505**
Goodwill	36 327	3 624	-	-	-	39 952
Other intangible assets	31 464	11 717	-	-	-	43 181
Property, plant and equipment	4 964	3 050	879	72	-	8 965
Investments in associates	-	-	-	-	-	-
Financial assets	-	4 935	254	-	1 123	6 312
Deferred tax assets	-	-	-	-	2 093	2 093
Current assets	**66 693**	**40 973**	**11 810**	**964**	**89 717**	**210 157**
Inventories	17 603	10 814	3 117	254	-	31 788
Trade receivables	34 681	21 306	6 141	501	-	62 629
Other receivables	14 410	8 853	2 552	208	-	26 023
Other current financial assets	-	-	-	-	19 380	19 380
Cash and cash equivalents	-	-	-	-	70 338	70 338
Non-current liabilities	**1 360**	**21 845**	**274**	**82**	**5 248**	**28 809**
Non-current financial liabilities	-	-	-	-	5 189	5 189
Prov. for pensions and related commitments	1 360	872	274	82	-	2 587
Deferred tax liabilities	-	-	-	-	59	59
Other non-current provisions	-	-	-	-	-	-
Other non-current liabilities	-	20 974	-	-	-	20 974
Current liabilities	**48 030**	**30 356**	**8 393**	**1 590**	**10 552**	**98 921**
Current financial liabilities	-	-	-	-	7 308	7 308
Current provisions	3 034	4 198	738	17	513	8 500
Trade payables	33 895	20 823	6 002	490	-	61 209
Current tax liabilities	-	-	-	-	2 126	2 126
Other current liabilities	11 101	5 335	1 653	1 083	605	19 777

The top 10 customers represented around 29.9% of the Group's consolidated revenues in 2015, compared with 30.7% in 2014.

– **Breakdown of Group sales by region**

€'000	Dec. 31, 2015	Dec. 31, 2014
EMEA	124 779	87 556
Americas	71 745	34 808
Asia	26 811	16 534
Retail products	**223 335**	**138 898**
Key Account products (1)	**102 939**	**104 973**
Total Revenues	**326 273**	**243 871**

(1) Key Account products include the Automotive OEM products, Varioptic and Commercial Drones products.

– **Work force at year-end**

Employees	Automotive	Drones	Connected devices	Other	Total
2015 Group workforce	225	606	66	54	951
2014 Group workforce	496	318	100	30	944

The workforce includes apprenticeship contracts.

20.2.5. Note 5 – Operating expenses breakdown

– **Expenses by kind**

€'000	Dec. 31, 2015	Dec. 31, 2014
Consumption of raw materials and goods, and outsourcing purchases	(167 731)	(118 800)
Other external expenses	(82 155)	(64 076)
Staff costs	(67 400)	(58 395)
Tax	(4 350)	(2 926)
Depreciation and amortization	(19 607)	(10 438)
Stored production	14 544	4 989
Other operating income and expenses	-	(1 089)
Total operating expenses	**(326 699)**	**(242 758)**

The non-capitalized portion of the Research Tax Credit (CIR) of 6.5 M€ (2.6 M€ in 2014) and the 0.5 M€ French tax credit to promote competitiveness and employment (CICE) are deducted from operating expenses.

– **Staff costs**

€'000	Dec. 31, 2015	Dec. 31, 2014
Salaries and wages	(44 686)	(38 237)
Payroll taxes	(18 509)	(17 311)
Employee profit sharing	(135)	(207)
Share warrant expenses	(4 070)	(2 640)
Total staff costs	**(67 400)**	**(58 395)**

20.2.6. Note 6 – Other operating income and expenses

€'000	Dec. 31, 2015	Dec. 31, 2014
Remeasurement of Micasense securities	6 286	
Remeasurement of Airinov securities	994	-
Remeasurement of EOS securities	(102)	-
Remeasurement of Pix4D securities	-	902
Other	(4 684)	(1 415)
Total other operating income and expenses	**2 494**	**(513)**

The "Other" line at Dec. 31, 2015 mainly includes:

– Costs for legal advisor fees relating to disputes for (3,430) K€;
– Costs linked to the reorganization of the Group for (1,385) K€.

The costs relating to the reorganization exclusively concern external fees.

At December 31, 2014, the "Other" line mainly included:

– Costs for legal advisor fees relating to disputes for (2,507) K€;
– Impairment of Varioptic for (634) K€;
– Reversal of provisions for individual training entitlements (DIF) for 1,642 K€.

20.2.7. Note 7 – Financial income

€'000	Dec. 31, 2015	Dec. 31, 2014
Cost of gross financial debt	(448)	(834)
Income from cash and cash equivalents	522	1 247
Cost of net financial debt	**74**	**413**
Exchange gains	6 270	3 837
Exchange losses	(5 334)	(3 233)
Other financial income and expenses	(57)	(384)
Total other financial income / expenses	**879**	**220**
Total	**953**	**633**

20.2.8. Note 8 – Tax

– **Tax expense**

€'000	Dec. 31, 2015	Dec. 31, 2014
Current tax	(6 397)	(3 958)
Deferred tax	6 090	(129)
Total	**(307)**	**(4 088)**

The current tax expense for 2015 primarily includes the 15% royalties tax, the Hong Kong withholding tax and the French CVAE tax on business value added.

Deferred tax assets are recorded based on the assumption for the transfer of Parrot S.A.'s tax losses to Parrot Automotive S.A.S. (request for approval underway), as well as the capitalization of the losses carried forward for Parrot Inc.

The reconciliation between the theoretical tax expense and the effective tax expense is as follows:

€'000	Dec. 31, 2015	Dec. 31, 2014
Earnings for the period	1 557	(2 855)
Net income from associates	1 158	
Tax charges	307	4 088
- of which CVAE	1 144	797
Pre-tax earnings	**3 021**	**1 233**
Actual tax rate	10.15%	331.58%
Theoretical tax rate of 34.40%	**1 040**	**424**
Reconciliation:		
Permanent differences	186	209
Reduced tax operations	(4 624)	(791)
Tax rate difference	(3 189)	(602)
Capitalized /Non-capitalized tax losses	9 327	3 233
Research tax credit	(5 769)	(1 400)
Withholding tax that cannot be allocated	2 316	1 595
Other	1 020	1 420
Actual tax expense	**306**	**4 088**

20.2.9. Note 9 – Goodwill

€'000	Dec. 31, 2014	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2015
Gross value						
Automotive CGU	36 327	-	-	-	321	36 648
Connected devices CGU	-	-	-	-	-	-
Drones CGU	3 624	-	-	17 649	3 662	24 935
Other CGU	3 434	-	-	-	(3 434)	-
Total	**43 386**	-	-	**17 649**	**549**	**61 583**
Impairments						
Automotive CGU	-	-	-	-	-	-
Connected devices CGU	-	-	-	-	-	-
Drones CGU	-	-	-	-	(3 434)	(3 434)
Other CGU	(3 434)	-	-	-	3 434	-
Total	**(3 434)**	**-**	**-**	**-**	**-**	**(3 434)**
Net book values						
Automotive CGU	36 327	-	-	-	321	36 648
Connected devices CGU	-	-	-	-	-	-
Drones CGU	3 624	-	-	17 649	228	21 501
Other CGU	-	-	-	-	-	-
Total	**39 952**	**-**	**-**	**17 649**	**549**	**58 149**

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;
- Drones;
- Connected devices;
- Other.

On July 24, 2015, Parrot S.A. acquired further Airinov securities, giving it control over this company. It has been fully consolidated since August 1, 2015. The acquisition of Airinov generated 5.8 M€ in goodwill, allocated to the Drones CGU.

On October 8, 2015, Parrot Drones S.A.S. acquired further Micasense Inc. securities, giving it control over this company. It has been fully consolidated since October 1, 2015. The acquisition of Micasense Inc. generated 13 M$ in goodwill, with 11.8 M€ for the change in scope, allocated to the Drones CGU.

In accordance with IFRS3R, the Group has one year to complete the definitive allocation of this goodwill (see Note 11 – Business combination).

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 11% after tax, versus 13% in 2014. The tax rate used is 20%. The assumptions retained in 2015 for the perpetuity growth rate and the tax rate are identical to those used in 2014.

If the rate of income from ordinary operations after 2018 had been 1% lower than the cash flow estimates retained or if the revenues retained after 2018 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 Drones CGUs.

In 2014, the acquisition of Pix4D generated 1,593 K€ of additional goodwill, allocated to the Drones CGU. The goodwill on the Other CGU (Varioptic) was impaired for (634) K€, bringing its value down to zero, in line with impairment indicators.

At December 31, 2014, the breakdown of goodwill was as follows:

€'000	Dec. 31, 2013	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2014
Gross value						
Automotive CGU	35 994	-	-	-	333	36 327
Connected devices CGU	-	-	-	-	-	-
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	-	-	-	-	-	-
Connected devices 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
Connected devices CGU	-	-	-	-	-	-
Drones CGU	2 031	1 593	-	-	-	3 624
Other CGU	634	(634)	-	-	-	-
Total	**38 659**	**959**	**-**	**-**	**333**	**39 952**

20.2.10. Note 10 – Intangible assets

€'000	Dec. 31, 2014	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2015
Gross value						
R&D costs	57 274	6 428	-	-	149	63 851
Patents and brands	21 145	161	(57)	109	671	22 028
Software	3 479	185	(3)	5	1	3 667
Fixed assets under construction	94	168	-	-	(94)	168
Other intangible assets	8	-	-	-	-	8
Total	**81 999**	**6 942**	**(60)**	**114**	**727**	**89 722**
Amortization and depreciation						
R&D costs	(23 418)	(6 556)	-	-	4	(29 970)
Patents and brands	(12 396)	(2 566)	2	-	(317)	(15 312)
Software	(3 005)	(371)	3	-	(0)	(3 374)
Fixed assets under construction	-	(196)	106	-	-	(90)
Other intangible assets	-	-	-	-	-	-
Total	**(38 818)**	**(9 689)**	**111**	**-**	**(313)**	**(48 746)**
Net book values						
R&D costs	33 856	(128)	-	-	153	33 881
Patents and brands	8 749	(2 406)	(55)	109	354	6 716
Software	474	(186)	-	5	1	293
Fixed assets under construction	94	(28)	106	-	(94)	79
Other intangible assets	8	-	-	-	-	8
Total	**43 181**	**(2 747)**	**52**	**114**	**414**	**40 976**

Depreciation charges are recorded under operating expenses.

€'000	Dec. 31, 2013	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2014
Gross value						
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**
Amortization and depreciation						
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**

20.2.11. Note 11 – Business combination

– **Acquisition of Airinov**

On February 18, 2014, Parrot acquired a 23.26% interest in Airinov, a rapidly developing company with dedicated drones for precision farming, one of the three target markets for Parrot's commercial drone branch. On July 24, 2015, Parrot acquired a further 35.77%, increasing its interest to 59.03%. The acquisition price for the 23.26% corresponding to the first tranche was 1,570 K€ (subscribing for a capital increase for 1,500 K€ and acquiring securities from minority shareholders for 70 K€), remeasured at fair value at 2,564 K€. The acquisition price for the 35.77% corresponding to the second tranche was 7,507 K€ (subscribing for a capital increase for 6,096 K€ and acquiring securities from minority shareholders for 1,411 K€).

€'000	
Intangible assets	73
Tangible assets	283
Current assets	1 231
Cash	6 414
Financial liabilities	-11
Current liabilities	-763
Other	-100
Net position acquired	**7 128**
Minority interest	2 920
Share of net asset acquired	4 207
Goodwill	5 765
Acquisition price at fair value	**9 973**

In addition, the 36.9% interest held by the minority shareholders in Airinov is subject to cross put and call options that may be exercised in 2019. Parrot's commitment to buy out the minority interests, valued based on future earnings, has been recorded under other non-current liabilities, against a reduction in non-controlling interests for (2.9) M€ and shareholders' equity for (12.8) M€

Airinov has been fully consolidated since August 1, 2015, contributing 0.3 M€ to the Group's revenues and (0.2) M€ to its EBIT at December 31, 2015. If Airinov had been acquired on January 1 of the year, the Group's revenues and the Parrot Group's EBIT would not have been materially affected.

– **Acquisition of MicaSense**

On October 30, 2014, Parrot acquired a 38.89% interest in MicaSense, an American company that designs data gathering and processing tools for precision farming, one of the three target markets for Parrot's commercial drone branch. On October 8, 2015, Parrot acquired a further 19.01%, increasing its interest to 56.33%.

The acquisition price for the 38.89% corresponding to the first tranche was 2,000 K$, i.e. 1,578 K€ (subscribing for a capital increase), remeasured at fair value at 6,285 K€. The acquisition price for the 19.10% corresponding to the second tranche was 7,400 K$ (subscribing for a capital increase).

$'000	
Intangible assets	5
Tangible assets	57
Current assets	348
Cash	5 748
Financial liabilities	0
Current liabilities	-203
Net position acquired	**5 956**
Minority interests	2 601
Share of net assets acquired	3 355
Goodwill	13 187
Acquisition price at fair value	**16 542**

In addition, the 43.67% interest held by the minority shareholders in MicaSense is subject to cross put and call options that may be exercised in 2019. Parrot's commitment to buy out the minority interests, valued based on future earnings, has been recorded under other non-current liabilities, against a reduction in non-controlling interests for (2.4) M€ and shareholders' equity for (16.9) M€.

MicaSense has been fully consolidated since October 1, 2015, contributing 0.5 M€ to the Group's revenues and (0.2) M€ to its EBIT at December 31, 2015. If MicaSense had been acquired on January 1 of the year, the Group's revenues and the Parrot Group's EBIT would not have been materially affected.

20.2.12. Note 12 – Tangible assets (Property, plant and equipment)

€'000	Dec. 31, 2014	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2015
Gross values						
Buildings	2	0	(2)	0	0	0
Plant and equipment	19 442	5 515	(69)	345	984	26 216
Other tangible assets	10 796	892	(182)	99	109	11 713
Total	**30 239**	**6 406**	**(253)**	**444**	**1 093**	**37 930**
Amortization and depreciation						
Buildings	(1)	(0)	1	0	(0)	0
Plant and equipment	(14 869)	(5 089)	35	(80)	(600)	(20 602)
Other tangible assets	(6 405)	(1 207)	177	(34)	(66)	(7 535)
Total	**(21 274)**	**(6 296)**	**213**	**(114)**	**(666)**	**(28 137)**
Net book values						
Buildings	1	(0)	(1)	0	0	0
Plant and equipment	4 573	426	(34)	265	384	5 614
Other tangible assets	4 391	(315)	(5)	65	43	4 178
Total	**8 965**	**110**	**(40)**	**330**	**427**	**9 792**

€'000	Dec. 31, 2013	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2014
Gross values						
Buildings	2	-	-	-	0	2
Plant and equipment	16 045	4 811	-2 240	-	826	19 442
Other tangible assets	10 708	1 196	-1 180	25	45	10 794
Total	**26 755**	**6 007**	**-3 420**	**25**	**871**	**30 237**
Amortization and depreciation						
Buildings	-	-	-	-	-	-1
Plant and equipment	-13 053	-3 558	2 233	-	-497	-14 869
Other tangible assets	-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	-	-	-	-	1
Plant and equipment	2 992	1 253	-7	-	329	4 573
Other tangible assets	4 535	-137	-1	8	-15	4 390
Total	**7 528**	**1 115**	**-8**	**8**	**314**	**8 963**

20.2.13. Note 13 – Financial assets

Receivables relating to equity interests, loans and other financial assets can be broken down as follows:

€'000	Dec. 31, 2014	Increase	Decrease	Change in scope	Exchange losses and reclass.	Dec. 31, 2015
Gross values						
Security deposits	1 121	114	(48)	(83)	40	1 145
Other financial assets	5 553	3 051	-	(4 294)	-	4 308
Treasury shares	-	-	-	-	-	-
Total	**6 674**	**3 165**	**(48)**	**(4 376)**	**40**	**5 453**
Depreciations						
Security deposits	-	-	-	-	-	-
Depreciation of other financial assets	(360)	-	-	-	338	(22)
Treasury shares	-	-	-	-	-	-
Total	**(360)**	**-**	**-**	**-**	**338**	**(22)**
Net book value						
Security deposits	1 121	114	(48)	(83)	40	1 145
Other financial assets	5 193	3 051	-	(4 294)	338	4 286
Treasury shares	-	-	-	-	-	-
Total	**6 315**	**3 165**	**(48)**	**(4 376)**	**378**	**5 430**

In 2015, Parrot Drones S.A.S.:

- On December 22, 2015: acquired 13.57% (735 K£) of BioCarbon Engineering Ltd., a UK company that is developing a drone-based reforestation solution.
- On July 17, 2015: subscribed for the EOS Innovation bond issue for 2.0 M€ at the same time as it acquired its interest in this firm.

The change in scope for other long-term financial investments primarily corresponds to the first consolidation of/first-time consolidation of Airinov, Micasense and EOS Innovation.

in 2014, Parrot S.A. had acquired:

- On January 27, 2014: 37.06 % (1.0 M€) of EOS Innovation;
- On February 18, 2014: 23.26 % (1.6 M€) of Airinov;
- On October 29, 2014: 38.89 % (1.6 M€) of Micasense Inc.

20.2.14. Note 14 – Associates

- **EOS Innovation**

On January 27, 2014, Parrot acquired a 37.06% interest in EOS Innovation, an innovative young company that has developed a mobile surveillance robot designed to carry out automated patrol rounds in warehouses and sensitive sites with a view to reducing security costs and risks, while optimizing surveillance. On July 17, 2015, Parrot acquired a further 11.99%, increasing its interest to 49.05%. EOS Innovation has been consolidated on an equity basis since August 1, 2015.

The acquisition price for the 37.06% corresponding to the first tranche was 1,045 K€ (subscribing for a capital increase). The acquisition price for the 11.99% corresponding to the second tranche was 290 K€ (acquiring securities from minority shareholders).

EOS Innovation has been consolidated on an equity basis since August 1, 2015.

The goodwill generated represents 970 K€. It is recorded under investments in associates. Following the impairment test on the date when the accounts were drawn up, the goodwill was written down in full. The expense is recognized in profit or loss under share in income from associates.

– **Iconem**

On July 24, 2015, Parrot acquired a 45% interest in Iconem, an innovative young company based in Paris and created in spring 2013. This company develops 3D scanning technological solutions for architectural heritage. Iconem has been consolidated on an equity basis since August 1, 2015. The goodwill, recorded under investments in associates, is presented below:

€'000	
Fixed assets	6
Current assets	66
Cash	1 484
Current liabilities	-47
Net position acquired	**1 509**
Minority interests	830
Share of net position acquired	679
Goodwill	710
Acquisition cost	**1 389**

In 2015, Iconem recorded revenues of 173 K€, with earnings of (120) K€ (Group share: (54) K€).

20.2.15. Note 15 – Deferred tax

– **Change in deferred tax assets**

€'000	Dec. 31, 2015	Dec. 31, 2014
At January 1st	2 093	2 042
Income (expense) for the year	6 501	(83)
Impact on reserves	479	372
Other changes (1)	(17)	(238)
At December 31	**9 057**	**2 093**

(1) Corresponds to the offsetting of deferred tax assets and liabilities by tax entity.

– **Change in deferred tax liabilities**

€'000	Dec. 31, 2015	Dec. 31, 2014
At January 1st	60	240
Income (expense) for the year	411	47
Impact on reserves	595	10
Other changes (1)	(17)	(238)
At December 31	1 049	60

(1) Corresponds to the offsetting of deferred tax assets and liabilities by tax entity.

Deferred tax assets are mainly attributable to Parrot Inc.

– **Detailed breakdown of deferred tax assets and liabilities by kind**

€'000	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Intangible assets	-	-	1 463	1 676	(1 463)	(1 676)
Tangible assets	-	-	-	-	-	-
Treasury stock depreciation	-	-	-	-	-	-
Inventories	8 882	2 781	-	-	8 882	2 781
Capitalization of development costs	-	-	10 599	10 772	(10 599)	(10 772)
Capitalization of loss carryforwards	11 938	11 966	-	-	11 938	11 966
Short-term financial debt	-	-	-	-	-	-
Investment subventions	-	-	1 074	1 074	(1 074)	(1 074)
Other assets	573	(37)	-	-	573	(37)
Provisions:	753	840	-	-	753	840
Of which pensions	753	840	-	-	753	840
Of which other social provisions	-	-	-	-	-	-
Of which depreciation of subsidiary receivables	-	-	-	-	-	-
Of which other provisions	-	-	-	-	-	-
Other liabilities	-	-	1 002	(3)	(1 002)	3
Tax loss carryforwards	-	-	-	-	-	-
Net assets (liabilities) on deferred tax	**22 146**	**15 549**	**14 137**	**13 519**	**8 009**	**2 030**

For the tax consolidation group, with Parrot S.A. as the parent company, the outstanding balance for non-capitalized losses represents 72 M€. Requests for approval are underway with the French tax authorities concerning the loss carryforwards transferred from Parrot S.A. to its subsidiaries Parrot Automotive and Parrot Drones, for 51.7 M€ and 35.7 M€ respectively, following the spin-off operations carried out in 2015.

20.2.16. Note 16 – Inventories

€'000	Dec. 31, 2014	Change	Change in scope	Exchange gains or losses	Dec. 31, 2015
Gross value	**37 756**	**36 572**	**274**	**2 322**	**76 923**
Depreciation	(5 967)	(2 270)	-	(323)	(8 560)
Net book value	**31 788**	**34 302**	**274**	**1 999**	**68 363**

20.2.17. Note 17 – Trade receivables

€'000	Dec. 31, 2015	Dec. 31, 2014
Trade receivables	88 301	66 972
Depreciation	(3 263)	(4 343)
Total	**85 038**	**62 629**

The higher level of trade receivables at December 31, 2015 compared with the previous year reflects the increase in the Group's revenues for the fourth quarter (108.2 M€ in 2015 versus 80.4 M€ in 2014). 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	Dec. 31, 2015	Dec. 31, 2014
VAT receivables	7 841	5 650
Tax receivables	10 875	14 424
Prepaid expenses	2 150	3 701
Sundry debtors	2 246	1 545
Advances and deposits paid	1 161	592
Social security receivables	196	112
Total	**24 467**	**26 023**

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 2014 for a total of 6.4 M€. The cash received represents 6.1 M€.

The cost of these transfers, recognized in the cost of net financial debt, represents 0.3 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, 2015, cash, cash equivalents and other current financial assets came to 351,143 K€, with 158,000 K€ of other current financial assets, increasing by 261,425 K€ compared with the previous year's closing position.

Cash equivalents primarily comprise risk-free investments, such as interest-bearing current accounts and guaranteed term deposits / accounts maturing within a maximum of one months.

Other current financial assets (with guaranteed capital) consist of progressive term accounts maturing in:

- September 2016 for 30.0 M€
- December 2016 for 100.0 M€
- December 2017 for 15.0 M€
- March 2018 for 3.0 M€
- December 2018 for 10.0 M€

20.2.20. Note 20 – Shareholders' equity

20.2.20.1. Share capital and issue premium

At December 31, 2015, the capital comprised 30,130,052 fully paid-up ordinary shares, representing 4,592 K€, with an issue and contribution premium of 331,134 K€. Changes in the number of shares outstanding can be broken down as follows:

In euros	Dec. 31, 2014	Issues	Reductions	Dec. 31, 2015
Number of securities	12 753 663	17 696 389	-320 000	30 130 052
Rounded off par value (€)	€0.15	-	-	€0.15
Share capital (€)	**1 944 301**	**-**	**-**	**4 592 458**

The changes in the capital and issue premiums reflect the following events:

- Capital increase on December 12, 2015 with 17,575,278 new shares issued, representing a total issue of 298,780 K€, with a capital increase for 2,678 K€ and 296,101 K€ of issue premiums, deducting fees relating to the capital increase for 10,462 K€.
- Capital increase based on the exercising of rights by holders of marketable securities (giving access to the capital with the characteristics of stock options) for the value of 121,111 new shares to be issued in connection with a capital increase, representing a total issue of 1,964 K€; 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 18 K€. The issue premium totaled 1,946 K€.
- Cancellation of 320,000 securities through a cancellation of treasury stock, corresponding to a capital reduction of 49 K€ and an issue premium of 7,200 K€.

20.2.20.2. Stock option warrant and bonus share scheme

- **Characteristics of bonus share schemes in 2015:**

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 96,000 units on March 1, 2015, subject to presence conditions.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 1,600 units on July 1, 2015, subject to presence conditions.

The Appointments and Compensation Committee delegated the authority to Parrot S.A.'s management to award a plan for 93,100 units on November 13, 2015, subject to presence conditions.

- **Change in bonus share and stock option scheme in 2015:**

Quantity	2015	2014
Number of options at Jan 1	688 515	784 371
Options awarded during the year	190 700	123 600
Options exercised during the year	(154 911)	(144 070)
Options cancelled or maturing during the year	(160 604)	(75 386)
Post-capital increase adjustments	247 381	-
Number of options at year-end	**812 977**	**688 515**

- **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).

- **Condition for exercising Stock option**

All the stock options schemes 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 three-year period

- **Conditions for awarding bonus shares**

Bonus shares are only definitively vested after the end of a two or three-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 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.

The assumptions used during 2015 to determine the fair value are:

- **Units entitling beneficiaries to bonus shares with awards decided by the Appointments and Compensation Committee during 2015**

Board date	Award date	Initial quantity	Adjusted quantity	Start of vesting	Vesting period	Vesting date
01/03/2015	01/03/2015	25 500	36 702	01/03/2015	3.00	01/03/2018
01/07/2015	01/07/2015	1 600	2 303	01/07/2015	3.00	01/07/2018
13/11/2015	13/11/2015	93 100	133 976	20/11/2015	3.00	20/11/2018

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.

Date and type of scheme*	Duration (years)	Exercise price	Quantity existing at Dec. 31, 14	Quantity awarded during the period	Quantity exercised during the period	Quantity cancelled, expired or lapsed	Quantity existing at Dec. 31, 15	Adjustments following capital increase (1)	Adjusted existing quantity at au Dec. 31, 15
BM 11/02/10: SO	4	11.745	14 768		-9 768	-5 000	0		-
BM 12/05/10: SO	4	12.481	32 784		-21 730	-11 054	0		-
BM 29/07/10: SO	4	14.29	62 500		-62 500		0		-
BM 10/11/10: SO	4	18.894	6 000		-1 000	-5 000	0		-
BM 10/02/11: SO	4	25.94	16 000		-7 500		8 500	3 733	12 233
BM 12/05/11: SO	4	26.217	20 213		-13 913		6 300	2 767	9 067
BM 12/05/11: BS	2	26	-				0	-	-
BM 28/07/11: SO	7	22.136	8 000		-5 000		3 000	1 318	4 318
BM 10/11/11: SO	7	15.482	67 000		-1 000		66 000	28 982	94 982
BM 10/11/11: BS	2	15.2	-				0	-	-
BM 15/02/12: SO	7		203 750		-200	-17 750	185 800	81 599	267 399
BM 15/02/12: BS	2		-				0	-	-
BM 12/05/12: SO	7		20 800			-4 000	16 800	7 378	24 178
BM 12/05/12: BS	2		-				0	-	-
BM 28/07/12: BS	2		-				0	-	-
BM 10/11/12: SO	7		21 600				21 600	9 486	31 086
BM 20/02/13: SO	7		10 500			-4 500	6 000	2 635	8 635
BM 20/02/13: BS	2		23 700		-21 500	-2 200	0	-	-
BM 15/05/13: SO	7		24 000			-8 000	16 000	7 027	23 027
BM 15/05/13: BS	2		13 300		-10 800	-2 500	0	-	-
BM 01/08/13: BS	3		2 500				2 500	1 098	3 598
BM 15/11/13: BS	3		17 500			-7 000	10 500	4 611	15 111
BM 14/11/13: BS	3		93 500			-18 500	75 000	32 928	110 238
BM 01/03/14: BS	3		25 700			-4 600	21 100	9 281	30 367
BM 01/10/14: BS	3		4 400				4 400	1 757	5 757
BM 01/03/2015: BS	3			96 000		-70 500	25 500	11 202	36 702
BM 01/07/2015: BS	3			1 600			1 600	703	2 303
BM 20/11/2015: BS	3			93 100			93 100	40 876	133 976
Total			**688 515**	**190 700**	**-154 911**	**-160 604**	**563 700**	**247 381**	**812 977**

* BM: Board meeting - SO: Stock Option - BS: Bonus Share

– **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 and bonus shares totaled 1,511 K€ for 2015, compared with 2,641 K€ in 2014.

20.2.20.3. Treasury shares

	Dec. 31, 2014	Acquisition	Disposal	Reclassi-fication	Cancellation	Awarded on registered basis	Dec. 31, 2015
Number of securities (1)	582 819	364 400	(217 046)	-	(320 000)	(32 300)	377 673
Value (€)	**13 316 055**	**-**	**-**	**-**	**-**	**-**	**6 335 608**

(1) Number of securities at Dec 31, 2015 comprises:

Breakdown of number of shares	Dec. 31, 2014	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec. 31, 2015
Unallocated treasury stock	343 170	150 000		(375 202)	(300)	-	117 668
Bonus shares awarded and not delivered to staff	180 600	-	-	60 702	-	(32 300)	209 002
Shares to be cancelled	52 100	-	-	314 500	(320 000)		46 600
Subtotal	**575 870**	**150 000**	**-**	**-**	**(320 300)**	**(32 300)**	**373 270**
Liquidity agreement	6 949	214 400	(217 046)	-	-	-	4 403
Total	**582 819**	**364 400**	**(217 046)**	**-**	**(320 300)**	**(32 300)**	**377 673**

The general shareholders' meeting on June 30, 2015 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**

	Quantity (shares)	Acquisition/sale price (€)
Number of securities at Jan. 1, 2015	**6 949**	**139 411**
Purchases in 2015	214 400	9 053 232
Sales in 2015	(217 046)	(9 085 668)
Number of securities at Dec. 31, 2015	**4 403**	**106 975**

– **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, 2015.

Share buyback program	Remaining shares at Dec. 31, 14	Cancelled in 2015	Awarded and served in 2015	Buybacks	Awarded and not served	Remaining shares at Dec. 31, 2015
n° 4		4 900				
n° 5		47 200				
n° 10	143 170	143 170	-		-	-
n° 11	200 000	124 730			75 270	-
n° 12				150 000	123 587	26 413
Total	**343 170**	**320 000**	**-**	**150 000**	**198 857**	**26 413**

20.2.20.4. Dividends

There are no plans to pay out any dividends relative to 2015.

20.2.21. Note 21 – Financial liabilities

€'000	Dec. 31, 2015	Dec. 31, 2014
Bank loans and debts	15 645	3 692
Sundry borrowings and financial debt	1 393	1 497
Non-current financial liabilities (long term)	**17 039**	**5 189**
Bank loans and debts	2 205	7 000
Sundry borrowings and financial debt	134	284
Accrued interest on borrowings	6	24
Current financial liabilities (short term)	**2 345**	**7 308**

– **Sundry borrowings and financial debt**

They are comprise of the 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, 2015, the OSEO advance represented 134 K€ (under one year). The fair value is estimated at 134 K€ in order to take into account the probability of repayment of the advances, resulting from the probability of success of the projects financed, and the updating of cash flows based on a representative rate for the cost of the debt (Euro Industrial BBB-, average maturity of 5 years, with 4.5%).

At December 31, 2015, they are five conditional long-term loans (government loans to support young businesses):

– Two with senseFly for a total of 120 thousand Swiss Francs (111 K€); and
– Three with Pix4D for a total of 130 thousand Swiss Francs (120 K€).

At December 31, 2015, Parrot Automotive accounts for 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**

In March 2015, the Company terminated a 10 M€ loan agreement (which had not been drawn down). In June and July 2015, the Company also repaid, ahead of schedule, and terminated two loan agreements (which, by the repayment date, had been drawn down for a total of 8.7 M€). The Company also terminated the rate risk hedging contracts connected to the aforementioned loan agreements.

On July 24, 2015, the Company set up a new syndicated credit facility for a total of 50 M€, with drawdowns available to finance its external growth operations. This contract is due to mature on June 20, 2022 and the interest rate is indexed against the three-month Euribor.

On August 4, 2015, the Company made an initial drawdown from this credit line for 11.2 M€. Alongside this, the Company set up a new rate risk hedging contract linked to fluctuations in the three-month Euribor. The first drawdown mentioned above was fully hedged at a fixed rate of 0.64% through to its maturity in June 2022; this will also be the case for future drawdowns (25 M€ in the second quarter of 2016 and 10 M€ in the second quarter of 2017) linked to the completion of the acquisitions of senseFly and Pix4D.

The Company decided to apply hedge accounting for this instrument at December 31.

On October 27, 2015, the Company made a second drawdown on the credit line for 6.5 M€.

In connection with this syndicated credit facility, the following covenants apply:

– Leverage ratio (net financial debt / consolidated EBITDA) of less than or equal to 1.00 at each year-end date;
– Gross cash, as presented in the quarterly financial statements, of at least 20 M€; and
– Consolidated EBITDA at December 31, 2015 of over 12 M€.

These ratios defined with the banks were respected at December 31, 2015.

At December 31, 2015, the breakdown of bank loans and debts was as follows:

– Borrowings: 17,687 K€, with 15,156 K€ for over one year and 2,211 K€ under one year;
– Swap fair value: -489 K€; and
– Use of short-term credit lines: 6 K€.

– **Fair value of derivative instruments at year-end**

€'000	Dec. 31, 2015	Dec. 31, 2014
Current liabilities	(12)	-
Non-current liabilities	489	192

20.2.22. Note 22 – 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.

– **Basic earnings per share**

	Dec. 31, 2015	Dec. 31, 2014
Net income (Group share, €)	461 815	(262 685)
Weighted average number of shares outstanding	13 600 004	12 709 068
Basic net earnings per share (€)	€0.03	-€0.02

– **Diluted earnings per share**

Diluted earnings per share factor in any diluting instruments outstanding at the end of the period.

	Dec. 31, 2015	Dec. 31, 2014
Net income (Group share, €)	461 815	(262 685)
Diluted weighted average number of shares	13 846 128	12 709 068
Diluted net earnings per share (€)	€0.03	-€0.02

20.2.23. Note 23 – Non controlling interest

Parrot has awarded:

- senseFly's minority shareholders put options to sell their 38.13% minority interests in senseFly,
- Pix4D minority shareholders put options to sell their 44.33% minority interests in Pix4D,
- Airinov minority shareholders put options to sell their 40.97% minority interests in Airinov,
- Micasense Inc. minority shareholders put options to sell their 43.67% minority interests in MicaSense Inc.

(see 20.2.26.2 "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 Drones, Parrot Automotive et 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 (PRB).

At December 31, 2015, the provision comprise:

- 1,253 K€ PRB at Parrot Drones;
- 678 K€ PRB at Parrot Automotive;
- 295 K€ PRB at Parrot S.A.

At December 31, 2014 they were 2,503 K€ at Parrot S.A.

(Expenses) / income for the year - €'000	Total 2015	Total 2014
Net cost of services	(338)	(239)
Net interest on the liability / asset	(43)	(57)
Plan change during the year	-	-
Reduction / liquidation effects	-	-
(Expenses) / Income for the year	**(380)**	**(296)**

Actuarial gains / (losses) recognized in OCI for the year - €'000	Total 2015	Total 2014
Experience gains and losses generated during the year	413	167
Gains / (losses) linked to change in demographic assumptions	(62)	(6)
Gains / (losses) linked to change in financial assumptions	286	(754)
Total amount recognized in OCI	**637**	**(593)**

Change in provisions - €'000	Total 2015	Total 2014
(Provision) / amount paid in advance at year-start	(2 503)	(1 633)
Expense/Income during the year	(380)	(296)
Amount recognized in OCI for the year	637	(573)
Contributions paid by the employer	-	-
Benefits paid by the employer	15	-
(Acquisition) / sale	(19)	-
(Provision)/Amount paid in advance at year-end	**(2 251)**	**(2 503)**

Change in actuarial liability - €'000	Total 2015	Total 2014
Actuarial liability (DBO) at year-start	(2 503)	(1 633)
Cost of services	(338)	(239)
Net interest on the liability / asset	(43)	(57)
Employee contributions	-	-
Plan change	-	-
Reduction / liquidation effects	-	-
Other experience gains and losses generated over the period	413	167
Gains / losses relating to changes in demographic assumptions	(62)	(6)
Gains and losses linked to changes in assumptions	286	(734)
Benefits paid	15	-
(Acquisition)/Cession	(19)	-
Transfers	-	-
Actuarial liability (DBO) at year-end	**(2 251)**	**(2 503)**

Reconciliation of the financial position - €'000	Total 2015	Total 2014
Actuarial liability (DBO) at Dec. 31, 2015	(2 251)	(2 503)
Fair value of insurance fund assets at Dec 31, 2015	-	-
Plan's financial position	(2 251)	(2 503)
Impact of asset ceiling	-	-
(Provision) / amount paid in advance at Dec. 31, 2015	**(2 251)**	**(2 503)**

Main assumptions - in %	2015	2014
Discount rate	2.50%	2.00%
Expected rate of inflation	2.00%	2.00%
Average / equivalent rate for increase in pay	**3.00%**	**3.00%**

20.2.25. Note 25 – Current provisions

The change in current provisions over the year can be broken down as follows:

€'000	Dec. 31, 2014	Allowance	Reversals	Changes in scope	Translation difference	Dec. 31, 2015
Provisions for customer warranties	3 952	1 948	(9)	-	159	6 050
Other prov. for contingencies and liabilities	4 548	3 398	(2 329)	-	157	5 773
Total current provisions	**8 500**	**5 346**	**(2 339)**	**-**	**316**	**11 823**

Other provisions for contingencies and liabilities primarily concern:

- Provisions for disputes: the main dispute involving Parrot concerns the patent infringement litigation proceedings with the company Drones Technologies, for which a preliminary ruling was issued against Parrot S.A. and its American subsidiary Parrot Inc. in June 2015 for an estimated total of $11 million, which has not been paid, but is covered by a guarantee (see Note 24 - Off-balance sheet commitments). The Company, supported by its advisors, believes that it has serious grounds for challenging this ruling in terms of both substantive and procedural aspects. The dispute is now being reexamined by the Court of Appeals as requested by the Company. The next hearing is scheduled for April 5, 2016, with the Court of Appeals' decision expected during the course of 2016. Alongside this, the Company opened proceedings in 2014 with the United States Patent and Trademark Office (USPTO) to revoke the two patents in question. On October 20, 2015, the USPTO confirmed the validity of one patent and partially invalidated the other patent. The Company appealed this decision on March 8, 2016. There are no dates scheduled yet concerning these proceedings. Lastly, Parrot S.A. has opened proceedings in Taiwan in connection with this same dispute. There are no dates scheduled yet concerning these proceedings.
- Based on an analysis of this risk and the criteria set out in IAS 37, no provisions have been recorded in the accounts at December 31, 2015, with the exception of the legal fees and guarantee still to be covered through to the end of the litigation proceedings for 2.1 M€.
- Provision for supplier commitments for 1.7 M€;
- Provisions for various commercial and employee disputes for 2.0 M€.

20.2.26. Note 26 – Trade payables, current tax liabilities and other current and non-current liabilities

20.2.26.1. Trade payables, current tax liabilities and other current liabilities

Trade payables represented 84.5 M€ at December 31, 2015, compared with 61.2 M€ the previous year, with this increase factoring in the Group's higher level of fourth-quarter revenues and primarily attributable to purchases in November and December 2015.

The change in other liabilities is mainly due to the reclassification of non-current liabilities as current liabilities for the call option on securities for the subsidiary senseFly.

The 2015 tax on business value added (CVAE) totaling 1,020 K€ (versus 797 K€ in 2014), is recorded under current tax liabilities.

€'000	Dec. 31, 2015	Dec. 31, 2014
Trade payables	84 526	61 209
Current tax liability	5 106	2 126
Advances and deposits paid on orders	1 416	500
Tax and social security liabilities	14 710	13 080
Liabilities relating to acquisitions of fixed assets	29 452	-
Other liabilities	3 729	6 197
Other current liabilities	**48 768**	**19 777**

20.2.26.2. Other non-current liabilities

€'000	Dec. 31, 2015	Dec. 31, 2014
Liabilities relating to acquisitions of fixed assets	55 018	20 974
Other non-current liabilities	**55 018**	**20 974**

– **Detailed breakdown of liabilities on acquisitions of fixed assets**

€'000	Dec. 31, 2014	Change through equity	Change through P&L	Exchange gains or losses	Reclassification as current liabilities	Dec. 31, 2015
Pix4D, Micasense, Airinov put options	20 158	58 633	-	2 193	(26 420)	54 564
senseFly share warrant costs	815	-	2 159	58	(3 031)	-
Other	-	81	377	(5)	-	453
Total	**20 974**	**58 714**	**2 536**	**2 245**	**(29 452)**	**55 018**

* Including 5.2 M€ of cancelled minority interest

Parrot's obligations to buy back senseFly, Pix4D, Airinov and MicaSense securities are recognized under liabilities relating to acquisitions of fixed assets, classed as current and non-current liabilities depending on the exercise date. These call options are measured at fair value based on operational performance.

Current and non-current liabilities include 84.5 M€ relating to these put options, measured at fair value based on operational performance. The increase in these two items is linked to the revaluation of the call options for senseFly and Pix4D for 23.5 M€, considering the performance improvements expected, as well as the foreign exchange effect for 0.4 M€, and the recognition of the Airinov and MicaSense Inc call options for 35 M€.

The call options for senseFly have been reclassified from non-current liabilities to current liabilities.

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.

20.2.27. Note 27 – Financial instruments

20.2.27.1. Category and fair value of financial assets and liabilities

At Dec 31, 2015 €'000	Fair value through P&L (1)	Fair value through equity	Assets available for sale	Loans & receivables	Debt at amortized cost	Derivatives	Balance sheet value	Fair value
Financial assets	-	-	5 430		-	-	-	-
Trade receivables	-	-	-	85 038	-	-	85 038	85 038
Other current receivables	-	-	-	24 467	-	-	26 467	26 467
Other current fin. assets	158 000	-	-	-	-	-	158 000	158 000
Cash and cash equivalents	193 143	-	-	-	-	-	193 143	193 143
Total financial assets	**351 143**	**-**	**5 430**	**109 505**	**-**	**-**	**460 648**	**460 648**
Other financial liabilities	-	-	-	-	18 906	477	19 383	19 383
Other non-current liabilities	-	54 564	-	-	454	-	55 018	55 018
Trade payables	-	-	-	-	84 526	-	84 526	84 526
Other current liabilities	-	26 418	-	-	22 350	-	48 768	48 768
Total financial liabilities	**-**	**80 983**	**-**	**-**	**126 235**	**477**	**207 695**	**207 695**

(1) Financial assets at fair value through profit and loss

At Dec 31, 2014 €'000	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 liabilities	-	-	-	-	12 305	192	12 496	12 496
Other non-current liabilities	-	20 974	-	-	645	-	21 619	21 619
Trade payables	-	-	-	-	61 209	-	61 209	61 209
Other current liabilities	-	-	-	-	19 132	-	19 132	19 132
Total financial liabilities	**-**	**20 974**	**-**	**-**	**93 291**	**192**	**114 456**	**114 456**

(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 2014 and 2015.

At Dec. 31, 2015 - €'000	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:				
Other current financial assets	158 000	158 000	-	-
Cash and cash equivalents	193 143	193 143	-	-
Total assets	**351 143**	**351 143**	**-**	**-**
Financial liabilities measured at fair value, of which:				
Other financial liabilities	19 383	-	477	-
Other current liabilities	52 715	-	-	26 418
Other non-current liabilities	55 018	-	-	54 564
Total liabilities	**127 116**	**-**	**477**	**80 983**

For the financial liabilities measured at fair value under Level 2 (variable-fixed rate swap agreement and forward exchange hedging agreement mentioned in Note 21), valuations are based on the forward rates on all the maturities by an independent cash organization.

Other current and non-current liabilities include the fair value of puts calculated based on operational results in relation to the minority shareholders in Pix4D, senseFly, Airinov and Micasense.

At December 31, 2014 - €'000	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:				
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, of which:				
Other financial liabilities	192	-	192	-
Other current liabilities	645	645	-	-
Other non-current liabilities	20 974	-	-	20 974
Total liabilities	**54 092**	**645**	**192**	**20 974**

20.2.27.2. Schedule for financial liabilities

Financial liabilities are detailed in Note 21 “Financial liabilities”.

20.2.27.3. Analysis of trade receivables and their seniority

Dec. 31, 2015 €’000	Trade receivables for which the payment due date has passed					
	Current	0-3 mo.	3-6 mo.	6-12 mo.	>1 y.	Total
Trade receivables	**62 169**	**20 616**	**964**	**430**	**4 122**	**88 301**
Total financial assets	**62 169**	**20 616**	**964**	**430**	**4 122**	**88 301**
Of which COFACE cover	19 456	4 900	755	-	-	25 866
Trade receivables not covered	42 712	15 716	210	430	4 122	62 435
Provisions for trade receivables and related	-	-	-	-	3 263	3 263
Total trade receivables	**62 169**	**20 616**	**964**	**430**	**859**	**85 038**

Dec. 31, 2014 €’000	Trade receivables for which the payment due date has passed					
	Current	0-3 mo.	3-6 mo.	Current	0-3 mo.	3-6 mo.
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**

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 3,263 K€, including an decrease of 1,080 K€ for 2014. Trade receivables represent a net total 85,038 K€.

The Group's policy for trade receivables is based on managing cover under the existing COFACE policy and regularly monitoring trade receivables.

20.2.27.4. Hedging instruments

Under the new syndicated loan agreements, taken out on July 24, 2015, 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 for external growth operation are indexed.

To hedge out this exposure the Parrot Group decided to take out swap agreements to protect itself against interest rate fluctuations. The first drawdown for 11.2 M€ was fully hedged at a fixed rate of 0.64% through to its maturity in June 2022; this will also be the case for future drawdowns (25 M€ in the second quarter of 2016 and 10 M€ in the second quarter of 2017) linked to the completion of the acquisitions of senseFly and Pix4D.

The Company also decided to apply hedge accounting at December 31, 2015 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.

20.2.28. Note 28 – Market risks

20.2.28.1. Foreign exchange risks

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 2015, 58% of the Group's revenues, 96% of its cost of sales and 12% 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 2015, 5.3% of the Group's cash and other financial asset position was in US dollars or related currencies.

– **Foreign exchange risk exposure:**

'000	Dec. 31, 2015			
	USD	HKD	GBP	CNY
Trade receivables	42 013	22 002	-	556
Trade payables	(23 362)	(3 391)	(961)	(4 749)
Other equity interest-related receivables	7 400	-	-	-
Financial derivatives	-	-	-	-

'000	Dec. 31, 2014			
	USD	HKD	GBP	CNY
Trade receivables	30 782	13 867	-	1 622
Trade payables	(23 362)	(3 391)	(961)	(4749)
Other equity interest-related receivables	7 400	-	-	-
Financial derivatives	-	-	-	-

Dec. 31, 2015 €'000	P&L impact 10% appreciation for currencies against euro	Impact of FV adjustment on reserves 10% appreciation for currencies against euro	P&L impact 10% appreciation for euro against the currencies	Impact of FV adjustment on reserves 10% appreciation for euro against the currencies
Trade receivables	4 586	-	(3 752)	-
Other equity interest-related receivables	-	755		(618)
Trade payables	(2 649)	-	2 167	-
Financial derivatives	-	-	-	-

Dec. 31, 2014 €'000	P&L impact 10% appreciation for currencies against euro	Impact of FV adjustment on reserves 10% appreciation for currencies against euro	P&L impact 10% appreciation for euro against the currencies	Impact of FV adjustment on reserves 10% appreciation for euro against the currencies
Trade receivables	3 005	-	(2 458)	-
Other equity interest-related receivables	-	782	-	(640)
Trade payables	(1 923)	-	1 574	-
Financial derivatives	-	-	-	-

The exchange risk sensitivity table above 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.

20.2.28.2. 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 362 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 external growth syndicated credit line. 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 an interest-rate swap and classes it as hedging for drawdowns on the variable-rate credit line.

20.2.28.3. Risk relating to treasury stock

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 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 6,253 K€ for 6,253,746 shares.

20.2.28.4. 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 Dec. 31, 2015**

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, 2015, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: €85.0 m
- Other receivables: €24.5 m
- Other financial assets: €158.0 m
- Cash and cash equivalents: €193.1 m

During 2015, 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 Automotive, Parrot Drones, Parrot Inc. and Parrot Asia Pacific Ltd at Parrot Automotive Asia Pacific Ltd. The amount of the cover represents 90% of the net debt covered excluding VAT.

– **Financial liabilities at Dec. 31, 2015**

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:

Dec. 31, 2015 €’000	Book value	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Non-convertible bonds						
Debt with credit institutions	17 850		2 205	2 948	8 844	3 854
Sundry borrowings and financial debt	1 533		140	1 393		
Bank borrowings						
Trade payables	84 526		84 526			
Other liabilities	103 786		49 222	19 119	34 446	
Current tax liability	5 106		5 106			
Total	**212 801**		**118 395**	**23 460**	**44 289**	**3 854**
Derivative financial liabilities						
Rate instruments	489					
Currency instruments	(12)					
Total	**477**					

Dec. 31, 2014 €'000	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**					

20.2.29. Note 29 – Executive compensation

The total amount of compensation paid to members of the management committee can be broken down as follows:

€'000	Dec. 31, 2015	Dec. 31, 2014
Fixed pay	1 869	2 201
Variable pay	961	663
Short-term benefits	2 830	2 864
Post-employment benefits	-	-
Payments in shares	745	1 112
Total	**3 576**	**3 976**

The management committee is made up of 9 people who perform the following functions: Chairman and Chief Executive Officer, Chief Technical Officer, VP Business Development, VP Business Units (2), Chief Production Officer, Chief administrative and Financial Officer, Chief human resources officer and Chief marketing and communications officer.

20.2.30. Note 30 – Related parties

No significant operations were carried out over 2015 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 2015, 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 3,290 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.

20.2.31. Note 31 – Commitments given or received

- **Commitments given**

At December 31, 2015, the Company had commitments for future payments relating to operating leases that may not be terminated:

€'000	2015 Gross value
2015	397
2016	1 620
2017	1 046
2018 and later	694
Total	**3 756**

At December 31, 2015, the amount of firm orders placed with our main suppliers came to a total of 9.2 M€.

An American-law guarantee (supersedeas bond) was registered on July 1, 2015 with the Clerk's Office for the Federal Court of the Western District of Pennsylvania under number 82156102 for a principal total of 11 M$, dated June 29, 2015, guaranteeing the appeal lodged by the Borrower in the Drone Technologies litigation proceedings.

A joint and several guarantee was set up for 160 K€ on May 18, 2015 by Parrot S.A. with the company THISO, guaranteeing rental commitments for EOS Innovation.

An agreement was signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth to pledge financial securities as collateral for 35.5 M€.

A parent company guarantee for a maximum of 27 M$ was signed on September 3, 2010 for the companies Jabil Circuit Inc. and Jabil Circuit Ltd.

On July 20, 2012, the company Parrot S.A. granted a joint and several guarantee to the company Jade SAS for a maximum of 500 K€ 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).

20.2.32. Note 32 – Post-balance sheet events

A parent company guarantee for a maximum of $3,792,040 was signed on January 29, 2016 with the company Matrix Partners Management Services LP, guaranteeing rental commitments for the American subsidiary Parrot Inc.

On March 16, 2016, Parrot Inc. acquired a 25.5% (1 M$) interest in the American company Planck Aerosystems Inc, which develops UAV solutions for the marine industry.

On March 24, 2016, Parrot Drones S.A.S. acquired a 20% (1 M€) interest in the French company Nano Racing S.A.S., which is developing a small racing UAV.

20.3. Statutory auditors' report on the consolidated financial statements for 2015

KPMG Audit IS
Tour Eqho
2, avenue Gambetta
92066 Paris-La Défense Cedex, France

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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, 2015 relative to:

Our audit of Parrot'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 points:

Note 2F “Revenues” to the consolidated financial statements presents the rules for recognizing revenues and recording provisions for commercial returns. In connection with our assessment of the accounting principles applied by your group, we verified the appropriate nature of the accounting methods and their effective application.

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 conducting 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 group, 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 to the consolidated financial statements provide appropriate information.

The group records impairments on inventories under the conditions set out in Note 2O. We have assessed the approach adopted by the company, as described in Note 2O, and conducted tests based on samples to check the application of this approach. In connection with our assessments, we checked that these estimates are reasonable.

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 consolidated 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 industry standards in France, we also performed the specific procedures required under French law concerning the information given in the report relating to the group's management.

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 15, 2016

The statutory auditors

KPMG Audit IS
Eric Lefebvre

ERNST & YOUNG et Autres
Pierre Jouanne

20.4. Parrot S.A. financial statements

20.4.1. Balance sheet

Assets, in euros	Gross	Depreciation and provisions	Net Dec. 31, 2015	Net Dec. 31, 2014
Intangible assets				
R&D Costs	-	-	-	-
Concession, patents and related	2 721 022	2 694 337	26 685	1 091 114
Goodwill	7 622	-	7 622	19 420 041
Other intangible assets	1 231 222	1 108 271	122 951	572 687
Total Intangible assets	**3 959 866**	**3 802 608**	**157 258**	**21 083 841**
Property, plant and equipment				
Technical facilities, plant and equipment	-	-	-	3 044 856
Other property, plant and equipment	7 404 190	5 459 092	1 945 098	3 309 399
Fixed assets under construction	-	-	-	58 823
Total Property, plant and equipment	**7 404 190**	**5 459 092**	**1 945 098**	**6 413 079**
Long-term financial				
Other equity interest	118 429 026	20 510 000	97 919 026	17 997 139
Receivables from equity interests	-	-	-	7 042 254
Other long-term financial investments	1 213 575	-	1 213 575	1 823 246
Total Long-term financial investments	**119 642 601**	**20 510 000**	**99 132 601**	**26 862 638**
Fixed assets	**131 006 658**	**29 771 700**	**101 234 958**	**54 359 558**
Inventories and work-in progress				
Inventories of raw materials	-	-	-	9 659 125
Inventories of intermediate and finished products	-	-	-	8 316 511
Total Inventories and work-in-progress	**-**	**-**	**-**	**17 975 636**
Receivables				
Advances and deposits paid on orders	46 092	-	46 092	244 210
Trade receivables and related	11 325 935	-	11 325 935	55 988 664
Other receivables	50 373 798	345 000	50 028 798	18 158 937
Total Receivables	**61 745 825**	**345 000**	**61 400 825**	**74 391 812**
Cash and cash equivalents and other				
Marketable securities	283 081 530	-	283 081 530	60 643 323
Cash at bank and in hand	12 436 240	-	12 436 240	6 137 235
Prepaid expenses	739 023	-	739 023	2 321 419
Total Cash, cash equivalents and other	**296 256 793**	**-**	**296 256 793**	**69 101 977**
Current assets	**358 002 618**	**345 000**	**357 657 618**	**161 469 425**
Deferred expenses over several years	-	-	-	-
Bond redemption premiums	-	-	-	-
Translation gains	935	-	935	419 798
TOTAL ASSETS	**489 010 211**	**30 116 700**	**458 893 510**	**216 248 781**

Liabilities, in euros	Net Dec. 31, 2015	Net Dec. 31, 2014
Net position		
Share or individual capital, of which 4 592 458 paid	4 592 458	1 944 296
Issue, merger, contribution premiums	331 133 522	50 749 756
Revaluation differences	-	-
Legal reserve	203 512	203 512
Statutory or contractual reserves	-	-
Regulated reserves	-	-
Other reserves	-	-
Retained earnings	83 516 102	80 089 299
Earnings for the year	**-1 954 319**	**3 426 803**
Investments subsidies	-	-
Shareholders' equity	**417 491 276**	**136 413 666**
Income from issues of equity securities	-	-
Conditional advances	-	3 536 131
Other equity	**-**	**3 536 131**
Provisions for contingencies	2 451 721	7 818 294
Provisions for liabilities	564 000	2 883 866
Provisions for contingencies and liabilities	**3 015 721**	**10 702 160**
Financial liabilities		
Convertible bonds	-	-
Other bonds	-	-
Bank loans and debts	17 701 351	11 691 511
Sundry borrowings and financial debt	10 477 877	2 884 675
Total Financial liabilities	**28 179 229**	**14 576 186**
Advances and deposits received on current orders	-	-
Sundry liabilities		
Trade payables and related	6 692 979	35 391 363
Tax and social security liabilities	3 252 312	11 162 605
Fixed asset payables and related	-	-
Other liabilities	31 412	2 819 792
Total Sundry liabilities	**9 976 703**	**49 373 760**
Prepaid income	-	-
Liabilities	**38 155 931**	**63 949 946**
Translation losses	230 582	1 646 878
TOTAL LIABILITIES	**458 893 510**	**216 248 781**

20.4.2. Income statement

€	France	Export	Dec. 31, 2015	Dec. 31, 2014
Sales of goods				
Production sold: goods	-	-	-	113 133 751
Production sold: services	9 543 752	3 349 975	12 893 727	11 569 318
Net revenues	**9 543 752**	**3 349 975**	**12 893 727**	**124 703 069**
Stored production			-	4 503 294
Capitalized production			-	-
Operating subsidies			-	212 279
Reversal of depreciation and provisions, transferred expenses			10 534 363	10 111 943
Other income			2 561 177	47 757 557
Operating income			**25 989 267**	**187 288 142**
External expenses				
Purchases of goods			-	-
Change in inventories of goods			-	-
Purchases of raw materials and other supplies			-	53 294 565
Change in inventories (raw materials and supplies)			-	3 821 065
Other purchases and external expenses			22 135 490	70 313 886
Total External expenses			**22 135 490**	**127 429 516**
Taxes and related			**1 225 759**	**3 418 400**
Staff costs				
Salaries and wages			5 134 389	37 300 486
Social security costs			2 202 417	15 276 506
Total Staff costs			**7 336 806**	**52 576 992**
Operating provisions				
Provisions for depreciation on fixed assets			1 408 033	5 839 340
Provisions on fixed assets			-	196 223
Provisions on current assets			-	1 234 616
Provisions for contingencies and liabilities			58 000	4 631 419
Total Operating provisions			**1 466 033**	**11 901 598**
Other operating expenses			**265 825**	**2 884 521**
Total Operating expenses			**32 429 912**	**198 211 026**
EBIT			**-6 440 645**	**-10 922 884**
Financial income from equity interests			-	6 601 338
Other interest and related income			1 120 056	669 451
Reversal of provisions and transferred expenses			2 758 985	8 918 770
Foreign exchange gains			850 775	2 425 112
Net income from disposal of marketable securities			552 300	855 701
Total Financial income			**5 282 117**	**19 470 372**
Financial depreciation and provisions			1 324 018	2 213 832
Interest and related expenses			307 203	845 474
Foreign exchange losses			141 579	1 762 018
Net expenses on sale of marketable securities			285 943	150 233
Total Financial expenses			**2 058 742**	**4 971 557**
Financial Result			**3 223 374**	**14 498 815**
Income from ordinary operations before tax			**-3 217 270**	**3 575 931**
Non-recurring income on management transactions			-	84 001
Non-recurring income on capital transactions			1 733 384	-
Reversal of provisions and transferred expenses			753 203	1 161 268
Total non-recurring income			**2 486 587**	**1 245 269**
Non-recurring expenses on management transactions			38 888	1 679 951
Non-recurring expenses on capital transaction			2 328 782	1 042 164
Non-recurring depreciation and provisions			-	2 830 866
Total non-recurring expenses			**2 367 670**	**5 552 981**
Non recurring income (loss)			**118 917**	**-4 307 712**
Employee profit-sharing			-	-
Corporate income tax			-1 144 034	-4 158 584
Total Income			**33 757 971**	**208 003 783**
Total Expenses			**35 712 290**	**204 576 980**
Profit or Loss			**-1 954 319**	**3 426 803**

20.4.3. Notes to Parrot S.A. 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, 2015 were approved by the Board of Directors on February 26, 2016. The financial statements are presented in euros.

20.4.3.1. Note 1 – Main events over the year

On June 30, 2015, Parrot S.A.'s general meeting approved the operation for a partial transfer of assets for the dedicated automotive business, with the most extensive range of handsfree communication and infotainment systems for vehicles on the market, for sale to auto manufacturers and OEM suppliers, through Parrot Automotive S.A.S., which it fully owns. The net assets transferred represented 35,507 K€.

On November 6, 2015, Parrot S.A.'s general meeting approved the operation for a partial transfer of assets for the Drones and Connected Devices business, through Parrot Drones S.A.S., which it fully owns. The net assets transferred represented 59,537 K€.

These two operations were carried out in connection with the Parrot Group's internal reorganization, with the subsidiarization of its independent Automotive business branch on the one hand, and its independent business branch for Drones and Connected Devices on the other. Parrot S.A. has retained its holding and support activity in relation to the subsidiaries.

The transfers were valued based on the book values, backdated to January 1, 2015; as a result, the 2014 and 2015 financial years are not comparable.

On February 26, 2015, Parrot S.A. carried out a capital reduction based on 320,000 shares for a nominal total of 49 K€ and an issue premium of 7,200 K€.

On December 12, 2015, the company carried out a capital increase for 298,779,726 euros (representing a nominal total of 2,678,472 euros and an issue premium of 296,101,253 euros), from which the fees relating to the capital increase were deducted for 10,462 K€

On December 15, 2015, this capital increase led to the issue of 17,575,278 new shares combined with a Tranche 1 equity warrant and 17,575,278 new shares combined with a Tranche 2 equity warrant.

On December 15, 2015, Parrot S.A. carried out a capital increase based on 121,111 new shares, following the exercising of options for a nominal of 18 K€ and an issue premium of 1,946 K€.

20.4.3.2. Note 2 – Post balance-sheet events

A parent company guarantee for a maximum of $3,792,040 was signed on January 29, 2016 with the company Matrix Partners Management Services LP, guaranteeing rental commitments for the American subsidiary Parrot Inc.

20.4.3.3. Note 3 - Accounting methods and rules

The financial statements for the year ended December 31, 2015 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:

20.4.3.3.1. 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

20.4.3.3.2. 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

20.4.3.3.3. Long-term financial investments

Equity securities are valued based on the following approach:

- For Parrot Drones S.A.S. and Parrot Automotive S.A.S based on the value of the net assets transferred through the partial transfers.
- For the other subsidiaries 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.

20.4.3.3.4. Inventories

NA.

20.4.3.3.5. 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.

20.4.3.3.6. 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.

20.4.3.3.7. 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.

20.4.3.3.8. 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%
– Social security cost rate:	45%

The provision at December 31, 2015 come to 295 K€, compared with 2,503 K€ in 2014.

20.4.3.3.9. Revenues

Management fee income comes from billing for the Group's shared expenses covered by Parrot S.A.. The transfer pricing agreement is based on a "cost plus 5%" approach.

20.4.3.3.10. 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,
- Tax consolidation income and expense.

20.4.3.3.11. 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.

20.4.3.3.12. Taxation

The Company has opted for the tax consolidation system within the Parrot Group, based on the agreement signed on April 21, 2015.

20.4.3.4. Note 4 – Balance sheet information

20.4.3.4.1. Assets

- **Fixed assets**

In euros	Gross value at year-start	Acqui., contrib.., creations, transfers	Parrot Drones spin-off	Parrot Automotive spin-off	Reduction through disposals, retirements	Gross value at year-end
Intangible assets						
Patents and related rights	13 601 198	68 516	-9 759 328	-1 056 867	-132 497	2 721 022
Goodwill	23 949 257	-	-4 529 216	-19 412 419	-	7 622
Other intangible assets	3 574 117	132 552	-1 631 955	-554 458	-289 034	1 231 222
Total intangible assets	**41 124 572**	**201 068**	**-15 920 499**	**-21 023 743**	**-421 531**	**3 959 866**
Property, plant & equipment						
Technical facilities, plant and equipment	13 634 438	10 393	-9 697 303	-1 198 969	-2 748 558	-
Other property, plant and equipment	5 850 288	59 113	-344 181	-	-	5 565 220
Transport equipment	30 563	-	-30 563	-	-	-
Office equipment and furniture	3 051 906	418 057	-1 630 992	-	-	1 838 971
Ongoing property, plant and equipment	354 223	-	-354 223	-	-	-
Total property, plant and equipment	**22 921 418**	**487 563**	**-12 057 263**	**-1 198 969**	**-2 748 558**	**7 404 190**
Long-term financial inv.						
Other equity interests	39 412 897	101 586 550	-16 028 607	-	-6 541 814	118 429 026
Equity interest-related receivables	8 865 500	2 744	-7 160 187	-156 999	-337 483	1 213 575
Loans and other LT financial inv.	**48 278 397**	**101 589 294**	**-23 188 794**	**-156 999**	**-6 879 297**	**119 642 601**
Total	**112 324 387**	**102 277 925**	**-51 166 556**	**-22 379 712**	**-10 049 386**	**131 006 658**

The main acquisitions in 2015 were based on the subsidiarization of Parrot Drones SAS and Parrot Automotive SAS securities, for 59,537 K€ and 35,507 K€ respectively.

– **Depreciation and amortization**

in euros	Total at year-start	Provisions	Parrot Drones spin-off	Parrot Automotive spin-off	Reversals	Total at year-end	Straight-line
Intangible assets							
Patents and related rights	12 510 085	59 213	8 974 186	845 699	55 076	2 694 337	59 213
Goodwill	4 529 216	-	4 529 216	-	-	-	-
Other intangible assets	3 001 430	20 311	1 560 847	163 505	189 117	1 108 271	20 311
Total intangible assets	**20 040 730**	**79 524**	**15 064 249**	**1 009 204**	**244 193**	**3 802 608**	**79 524**
Property, plant & equipment							
Technical facilities, plant and equipment	10 589 581	923	8 286 421	954 415	1 349 668	-	923
Other property, plant and equipment	3 321 468	1 091 075	231 169	-	400	4 180 974	1 091 075
Transport equipment	23 309	-	23 309	-	-	-	-
Office equipment and furniture	2 278 580	237 435	1 237 373	-	524	1 278 118	237 435
Current property, plant and equipment	295 400	-	295 400	-	-	-	-
Total property, plant and equipment	**16 508 338**	**1 329 433**	**10 073 672**	**954 415**	**1 350 592**	**5 459 092**	**1 329 433**
Total	**36 549 069**	**1 408 957**	**25 137 921**	**1 963 619**	**1 594 786**	**9 261 700**	**1 408 957**

20.4.3.4.2. Subsidiaries and equity interests

Subsidiaries	Capital	Shareholders' equity excluding earnings	Capital stake	Net book value of securities €			Loans and advances €			Revenues	Earnings
	€	€	%	Gross	Provisions	Net	Gross	Provisions	Net	€	€
Chez Parrot	10 000	-426 059	100	10 000	-	10 000	600 984	345 000	255 984	1 053 955	18 301
PARROT GmbH (Germany)	25 000	239 369	100	25 000	-	25 000	-	-	-	3 776 976	634 929
PARROT SRL (Italy)	10 000	200 589	100	10 000	-	10 000	-	-	-	1 916 774	193 897
PARROT UK Ltd	128	838 966	100	145	-	145	-	-	-	3 101 640	491 758
PARROT IBERIA SL (Spain)	63 063	2 040 845	100	22 996 160	20 510 000	2 486 160	-	-	-	2 424 571	439 715
PARROT JAPAN KK	68 860	332 369	100	77 950	-	77 950	-	-	-	871 030	45 966
PARROT AUSTRALIA	6 743	91 074	100	8 236	-	8 236	-	-	-	1 835 298	280 707
PARROT AUTOMOTIVE SAS	35 507 913	35 507 913	100	35 507 913	-	35 507 913	-1 490 256	-	-1 490 256	27 982 142	9 227 393
PARROT DRONE SAS	59 537 824	59 537 824	100	59 537 824	-	59 537 824	16 704 617	-	16 704 617	129 596 086	-11 734 769
PARROT INVEST 4	1 000		100	1 000	-	1 000	-	-	-	-	-
NETATMO	3 925 391	NC	1	254 800	-	254 800	-	-	-	NC	NC
Total				**118 429 028**	**20 510 000**	**97 919 028**	**15 815 345**	**345 000**	**15 470 345**	**172 558 472**	**-402 103**

During 2015, Parrot S.A. did not receive any dividends from its subsidiaries. The provision for impairment of Parrot Iberia securities of 21,056 K€ at December 31, 2014 represented 20,510 K€ at December 31, 2015, with a reversal of 546 K€ for the year.

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.

20.4.3.4.3. Inventories

	At year-end	At year-start	Parrot Drones spin-off	Parrot Automotive spin-off
Gross values				
Raw materials and other supplies	-	12 048 073	6 189 657	5 896 192
Finished products	-	9 045 285	8 876 423	131 086
Total	**-**	**21 093 358**	**15 066 080**	**6 027 278**
Impairments				
Raw materials and other supplies	-	2 388 948	1 834 019	771 148
Finished products	-	728 774	512 555	
Total	**-**	**3 117 722**	**2 346 574**	**771 148**

20.4.3.4.4. Change in marketable securities

Investments, in euros	Number	Unit price	Unrealized gain/loss	Total
SG Monétaires	7	5 310	-	37 168
HSBC CAT à taux fixe 9 mois 19/09/2016	1	30 000 000	4 565	30 000 000
HSBC CAT à taux fixe 1 an 19/12/2016	1	50 000 000	8 607	50 000 000
CIC Tempo 12 mois à préavis	2	25 000 000	14 344	50 000 000
LCL CAT Trésorerie Libre	1	20 000 000	4 167	20 000 000
LCL CAT progressif 24 mois 17/12/2017	1	5 000 000	825	5 000 000
BNP Potentiels 1.2.3. 04/12/2017	2	5 000 000	10 710	10 000 000
BNP Potentiels 1.2.3. 17/12/2018	1	10 000 000	1 025	10 000 000
Crédit Agricole DAT Prof Revenus 5 ans 18/03/2018	1	3 000 000	1 916	3 000 000
LCL Ressources Plus Privilèges 18/12/2016	1	50 000 000	5 525	50 000 000
Natixis Compte Courant Rémunéré à taux progressif	1	49 600 000	-	49 600 000
Sub-total: Investments			**51 683**	**277 637 168**

Treasury shares, in euros	Number	Buyback value	Depreciation	Net value
Treasury shares allocated	198 857	4 937 315	-	4 937 315
Treasury shares to be allocated	31 115	400 074	-	400 074
Sub-total: Treasury shares	**229 972**	**5 337 389**	**-**	**5 337 389**

Liquidity agreement	Quantity	Capital gains	Acquisition / sale price
Number of securities at Dec. 31, 2014	6 949	-	139 411
Purchased during the year	306 478	-	9 053 232
Sold during the year	309 024	-	9 085 668
Sub-total: Liquidity agreement	**4 403**	**11 863**	**106 975**

Total marketable securities	**-**	**-**	**283 081 531**

20.4.3.4.5. Share buyback programs

Denomination	Remaining shares at Dec. 31, 14		Shares cancelled in 2015		Shares bought back in 2015		Shares awarded unserved	Shares remaining	Shares to be cancelled in 2016	
	Quantity	€	Quantity	€	Quantity	€	Quantity	€	Quantity	€
N° 4	-	-	4 900	70 495	-	-	-	-	-	-
N° 5	-	-	47 200	1 076 31	-	-	-	-	-	-
N° 6	-	-	-	-	-	-	-	-	2 200	40 098
N° 10	143 170	3 449 526	143 170	3 449 526	-	-	-	-	31 400	567 192
N° 11	200 000	4 253 433	124 730	2 653 007	-	-	75 270	-	6 500	103 637
N° 12	-	-	-	-	150 000	3 030 542	123 587	26 413	6 500	98 455
Total	**343 170**	**7 702 959**	**320 000**	**7 249 399**	**150 000**	**3 030 542**	**198 857**	**26 413**	**46 600**	**809 382**

20.4.3.4.6. Liquidity agreement

Liquidity agreement	Quantity	Acquisition / sale price
Number of securities at Dec. 31, 2014	6 949	139 411
Purchased during the year	306 478	9 053 232
Sold during the year	309 024	9 085 668
Sub-total: Liquidity agreement	**4 403**	**106 975**

20.4.3.4.7. Accounts receivable

Breakdown of accounts receivable on the balance sheet, in euros	2015
Long-term financial investments	**-**
Equity interest-related receivables	-
Other long-term financial investments	-
Receivables	**1 708 873**
Trade receivables and related	-
Staff & social organizations	-
State	1 708 873
Sundry receivables & other receivables	-
Marketable securities	**-**
Cash and cash equivalents	**-**
Accrued interest receivable	-
Total	**1 708 873**

20.4.3.4.8. Prepaid expenses and income

in euros	Expenses	Income
Operating income or expenses	739 023	-
Financial income or expenses	-	-
Non-recurring income or expenses	-	-
Total	**739 023**	**-**

20.4.3.5. Liabilities

20.4.3.5.1. Change in shareholders' equity

	2014	Change	2015
Capital	1 944 296	2 648 162	4 592 458
Issue premium	50 749 756	280 383 766	331 133 522
Legal reserves	203 512		203 512
Unavailable reserves	-	-	-
Retained earnings	80 089 299	3 426 803	83 516 102
2014 earnings	3 426 803	-3 426 803	
2015 earnings	-	-	-1 954 319
Total	**136 413 666**	**283 031 928**	**417 491 276**

The changes in the capital and issue premium over 2015 primarily reflect:

- The gain for the year ended December 31, 2014, allocated in full to retained earnings.
- On February 26, 2015, Parrot S.A. carried out a capital reduction for 320,000 shares for a nominal total of 49 K€ and an issue premium of 7,200 K€.
- Capital increase on December 12, 2015 for the value of 17,575,278 new shares issued, representing a total issue of 298,780 K€, with a capital increase for 2,678 K€ and 296,101 K€ of issue premiums, deducting fees relating to the capital increase for 10,462 K€.
- Capital increase on December 15 through the creation of 121,111 new shares, following the exercising of options for a nominal of 18 K€ and an issue premium of 1,946 K€.

20.4.3.5.2. Share capital

	Number of shares	Per value in euros
1-Shares or rights comprising the capital at year-start	12 753 663	0.1524
2-Shares or rights issued during the year	17 696 389	0.1524
3-Shares or rights cancelled during the year	-320 000	0.1524
4-Shares or rights comprising the capital at year-end	**30 130 052**	**0.1524**

20.4.3.5.3. Stock options and bonus shares

– **Stock options**

Decision date	Situation at end 2014	Quantity exercised in 2015	Quantity expired in 2015	New scheme in 2015	Situation at end 2015	Exercise limit date
11 Feb. 10	14 768	-9 768	-5 000	-	-	10 Feb. 15
12 May 10	32 784	-20 230	-12 554	-	-	11 May 15
29 July 10	62 500	-62 500	-	-	-	28 July 15
10 Nov. 10	6 000	-1 000	-5 000	-	-	9 Nov. 15
10 Feb. 11	16 000	-7 500	-	-	8 500	9 Feb. 16
12 May 11	20 213	-13 913	-	-	6 300	11 May 16
28 July 11	8 000	-5 000	-	-	3 000	27 July 18
10 Nov. 11	67 000	-1 000	-	-	66 000	9 Nov. 18
15 Feb. 12	203 750	-200	-	-	203 550	14 Feb. 17
10 May 12	20 800	-	-	-	20 800	9 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	**509 315**	**-121 111**	**-22 554**	**-**	**365 650**	**-**

– **Bonus shares**

Decision date	Situation at end 2014	Quantity exercised in 2015	Quantity expired in 2015	New scheme in 2015	Situation at end 2015	Exercise limit date
20 Feb. 13	23 700	-21 500	-2 200	-	-	19 Feb. 18
15 May 13	13 300	-10 800	-2 500	-	-	14 May 18
1 Aug. 13	2 500	-	-	-	2 500	31 July 18
15 Nov. 13	17 500	-	-	-	17 500	14 Nov. 18
15 Jan. 14	93 500	-	-	-	93 500	14 Jan. 19
1 March 14	25 700	-	-	-	25 700	28 Feb. 19
1 Oct. 14	4 400	-	-	-	4 400	30 Sept. 19
1 March 15	-	-	-	32 500	32 500	28 Feb. 19
20 Nov. 15	-	-	-	93 100	93 100	19 Nov. 19
Total	**180 600**	**-32 300**	**-4 700**	**125 600**	**269 210**	**-**

20.4.3.5.4. Provisions

Provisions	At year-start	Parrot Drones spin-off	Parrot Auto. spin-off	Reclassification	Increase	Decrease	At year-end
For supplier commitments	248 222	248 222	-	-	-	-	-
For customer warranties	2 831 822	2 675 822	-	-156 000	-	-	-
For commercial disputes	1 974 051	1 471 926	430 709	-	-	71 416	-
For exchange rate loss	419 798	419 798	-	-	935	-	935
For depreciation schedule on shares distributed	743 196	-	-	-	-	743 196	-
For depreciation schedule on shares distributed (unqualified)	1 056 704	-	-	-	1 643 004	423 643	2 276 065
For depreciation schedule on Macron Act shares	-	-	-	-	103 721	-	103 721
For employment disputes	544 500	185 000	453 500	156 000	9 000	-	71 000
For retirement benefits	2 503 000	1 372 382	914 618	-	79 000	-	295 000
For tax	380 866	-	-	-	-	111 866	269 000
For contingencies and liabilities	**10 702 159**	**6 373 150**	**1 798 827**	**-**	**1 835 661**	**1 350 122**	**3 015 721**
For intangible assets	-	-	-	-	-	-	-
For property, plant and equipment	295 400	295 400	-	-	-	-	-
For fixed assets: equity-consolidated securities	-	-	-	-	-	-	-
For other long-term financial investments	21 415 759	359 759	-	-	-	546 000	20 510 000
For current accounts	345 000	-	-	-	-	-	345 000
For inventories and work-in-progress	3 117 722	3 117 722	-	-	-	-	-
For accounts receivable	1 162 546	1 162 546	-	-	-	-	-
For impairment of marketable securities	889 902		-	-	-	889 902	-
For impairment of Varioptic goodwill	4 529 216	4 529 216	-	-	-	-	-
For depreciation	**31 755 545**	**9 464 643**	**-**	**-**	**-**	**1 435 902**	**20 855 000**
Total	**42 457 704**	**15 837 793**	**1 798 827**	**-**	**1 835 661**	**2 786 024**	**23 870 721**

20.4.3.5.5. Financial liabilities

in euros	2015	2014
Non-convertible bonds	-	-
Borrowings and debt with credit institutions	17 687 128	10 500 000
Repayable advance for Félin project	-	1 162 000
Other borrowings and related liabilities	-	23 687
Accrued interest payable	14 224	5 824
Cash pooling: Group advance / borrowings	10 477 877	2 884 675
Total	**28 179 229**	**14 576 186**

On July 24, 2015, the Company set up a new syndicated credit facility for a total of 50 M€, with drawdowns available to finance its external growth operations. This contract is due to mature on June 20, 2022 and the interest rate is indexed against the three-month Euribor.

On August 4, 2015, the Company made an initial drawdown from this credit line for 11.2 M€. Alongside this, the Company set up a new rate risk hedging contract linked to fluctuations in the three-month Euribor.

On October 27, 2015, the Company made a second drawdown on the credit line for 6.5 M€

In connection with this syndicated credit facility, the following covenants apply:

– Leverage ratio (net financial debt / consolidated EBITDA) of less than or equal to 1.00 at each year-end date;

- Gross cash, as presented in the quarterly financial statements, of at least 20 M€;
- Consolidated EBITDA at December 31, 2015 of over 12 M€.

These ratios defined with the banks were respected at December 31, 2015.

- **Cash pooling: Group advanced 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.

20.4.3.5.6. Accrued expenses

Accrued expenses included in balance sheet items, in euros	2015
Convertible bonds	-
Other bonds	-
Borrowings and debt with credit institutions	-
Sundry borrowings and financial debt	-
Trade payables and related	2 968 693
Tax and social security liabilities	1 087 027
Liabilities on fixed assets and related	-
Cash, cash equivalents and accrued expenses	14 224
Other liabilities	-
Total	**4 069 945**

20.4.3.5.7. Translation gains or losses

Type	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	-	-	-	229 782
On financial debt	-	-	-	-
On operating debt	935	-	-	800
On fixed asset-related debt	-	-	-	-
Total	**935**	**-**	**-**	**230 582**

20.4.3.6. Information on the income statement

20.4.3.6.1. Revenues

Breakdown by region	in euros
Europe excluding France	985 960
France	9 543 752
Other countries	2 364 015
Total	**12 893 727**

20.4.3.6.2. Other income

	in euros
Royalties billed to Parrot Asia Pacific	2 092 628
Royalties billed to Parrot Drones	347 901
Royalties billed to other customers	-
Brand license for Parrot Automotive	4 167
Other	116 481
Total	**2 561 177**

20.4.3.6.3. Financial income and expenses

Income	in euros
Income from marketable securities	552 300
Reversal of provisions	2 179 098
Transferred non-recurring expenses	579 887
Foreign exchange gain	850 775
Other interest and related income	1 120 056
Financial income from equity interests	-
Total	**5 282 117**

Expenses	€
Provisions for exchange gains or losses	935
Depreciation of shares distributed	-
Depreciation of shares distributed (unqualified)	1 219 362
Depreciation of shares distributed under Macron Act	103 721
Depreciation of long-term financial investments	-
Interest	307 203
Foreign exchange loss	141 579
Capital loss on treasury stock	285 943
Total	**2 058 742**

The financial income of 3,223 K€ reflects:

- Reversal of treasury stock impairment for 890 K€,
- Reversal of provisions for bonus shares for 743 K€,
- Reversal of the impairment of Parrot Iberia securities for 546 K€,
- Capital gain on preferential subscription rights for 692 K€, classed as other interest and related income,
- Foreign exchange gain on currency accounts for 853 K€,
- Transfer of financial expenses on unqualified bonus shares and French Macron Act for 580 K€,
- Capital gain on the liquidity agreement for 304 K€,
- Capital gain on marketable securities for 248 K€,
- Provision for impairment on unqualified bonus shares for 1,219 K€,
- Interest expenses on credit lines for 293 K€,
- Capital loss on the liquidity agreement for 286 K€.

20.4.3.6.4. Non recurring income and expenses

Income	in euros
Income from disposal of asset items	1 733 384
Non-recurring income from previous years	-
Misc. non-recurring income	-
Reversal of provisions for non-recurring expenses	-
Transferred non-recurring expenses	753 203
Total	**2 486 587**

Expenses	in euros
Penalties	5 195
Non-recurring expenses	33 692
Book values of assets divested	1 575 579
Merger loss from the acquisition of shares issued by the Company	753 203
Non-recurring depreciation and provisions	-
Total	**2 367 670**

20.4.3.6.5. Corporate income tax

in euros	Pre-tax earnings	Tax
Income from ordinary operations	**-3 217 270**	-
Common law tax	-	-
Discount rate tax	-	1 032 168
Withholding tax	-	-
Tax credit	-	-
Provisions for tax	-	111 866
Non-recurring income / loss (excluding profit-sharing)	118 917	-
Pre-tax earnings	**-3 098 353**	**-**
Tax	-	1 144 034
Net income	**-**	**-1 954 319**

20.4.3.6.6. Unrealized taxes

Temporarily taxable transactions, in euros	Base	Tax
Losses carried forward	-	-
Loss for the year	-12 650 280	-
ORGANIC*	77 240	-
Unrealized capital gains on UCITS	-51 683	-
Forex gain	850 775	-
Retirement benefits	49 000	-
Total	**-11 724 948**	-
Future tax savings	**-**	**-3 907 925**
Total	**-11 724 948**	**-3 907 925**

* Organic: national fund for the independent organization of old-age insurance for non-salaried industrial and commercial workers

20.4.3.7. Other information

20.4.3.7.1. Payables and receivables

Receivables in euros	Gross amount	Under 1 year	Over 1 year
Fixed assets			
Equity interest-related receivables	-	-	-
Loans	-	-	-
Other long-term financial investments	1 213 575	809 382	404 193
Total	**1 213 575**	**809 382**	**404 193**
Current assets			
Bad or disputed receivables	-	-	-
Other trade receivables	11 325 935	11 325 935	-
Advances and deposits paid	46 092	46 092	-
Receivables representative of loaned securities	-	-	-
Staff and related	242	242	-
Social security and related	-	-	-
State - corporate income tax	8 692 035	8 692 035	-
State - value-added tax	2 055 848	2 055 848	-
State - other tax and payments	-	-	-
State - other	1 708 873	1 708 873	-
Group and related	37 894 403	37 894 403	-
Sundry receivables	22 398	22 398	-
Total	**61 745 825**	**61 745 825**	**-**
Prepaid expenses	**739 023**	**739 023**	-
Total	**63 698 423**	**63 294 230**	**404 193**

The 8,642 K€ tax receivable corresponds primarily to the research tax credit receivable for 7,896 K€, which will be covered by a transfer agreement with a bank in 2016, and 50 K€ of receivables for withholding taxes.

Payables in euros	Gross value	Under a year	1 to 5 years	Over 5 years
Non-convertible bonds				
Borrowings from credit institutions	17 701 351	2 225 114,91	11 791 418	3 684 818
Sundry borrowings and financial debt	10 477 877	10 477 877,14	-	-
Trade payables and related	6 692 979	6 692 979	-	-
Staff and related	794 550	794 550	-	-
Social security and related	2 216 498	2 216 498	-	-
Corporate income tax	-	-	-	-
Surety bonds	241 264	241 264	-	-
Other taxes and related	-	-	-	-
Fixed asset payables and related	-	-	-	-
Group and related	-	-	-	-
Other payables	-	-	-	-
Debt representative of borrowed securities	31 412	31 412	-	-
Prepaid income	-	-	-	-
Surety bonds	-	-	-	-
Total	**38 155 931**	**22 679 695**	**11 791 418**	**3 684 818**

20.4.3.7.2. Transactions between related parties

	Assets	Liabilities	Financial expenses	Financial income
Current accounts	32 945 901	5 523 401	-	-
Group trade receivables	9 981 187	-	-	-
Group trade payables	-	1 320 108	-	-
Loan interest	-	-	8 477	1 427
Accrued interest	-	-	-	-
Total	**42 927 088**	**6 843 509**	**8 477**	**1 427**

20.4.3.7.3. Off-balance sheet commitments

Office leasing:

- 2016: 1,620 K€
- 2017: 1,046 K€
- 2018: 694 K€

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).

An American-law guarantee (supersedeas bond) was registered on July 1, 2015 with the Clerk's Office for the Federal Court of the Western District of Pennsylvania under number 82156102 for a principal total of $11 million, dated June 29, 2015, guaranteeing the appeal lodged by the Borrower in the Drone Technologies litigation proceedings.

A joint and several guarantee was set up for 160 K€ on May 18, 2015 with the company THISO, guaranteeing rental commitments for EOS Innovation.

An agreement was signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth to pledge financial securities as collateral for 35.5 M€.

Parrot S.A. has granted a parent company guarantee of a maximum of 27 M$ to the supplying companies Jabil Circuit Inc and Jabil Circuit Ltd.

20.4.3.7.4. Retirement benefits

Main assumptions	2015	2014
Discount rate	*2.50%*	*2.00%*
Inflation rate	*2.00%*	*2.00%*
Rate of wage growth	*3.00%*	*3.00%*
Mortality tables	*INSEE TV/TD 09-11*	*INSEE TV/TD 06-08*
Retirement approach	*Voluntary*	*Voluntary*
Retirement age		
- Executive grade staff	*65*	*64*
- Non-executives	*63*	*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	Projected unit credits with prorated entitlements at term

(Expenses) / Income	**125**	**870**

Change in provisions in euros	2015	2014
(Provision) / amount paid in advance year-start	2 503	1 633
Parrot Automotive spin-off	960	
Parrot Drones spin-off	1 372	
Income / expenses for 2015	125	870
Benefits paid by employer		
(Provision)/amount paid in advance at year-end	**295**	**2 503**

20.4.3.7.5. Headcount

At year end in people	2015	2014
Actual headcount	57	609
Average headcount	481	598

The change in headcount over 2015 can be broken down as follows:

Company recruitments during the year: 61 including 16 with fixed-term contracts.

20.4.3.7.6. Executive compensation

The global compensation for administrative and management bodies totaled 488,715 euros, including 25,000 euros in attendance allowance.

20.5. Statutory auditors' report on the annual financial statements for 2015

KPMG Audit IS
Tour Eqho
2, avenue Gambetta
92066 Paris-La Défense Cedex, France

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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

Statutory Auditors
Member of the Compagnie Régionale de Versailles

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, 2015 relative to:

- Our audit of Parrot S.A.'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 point:

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.

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 15, 2016

The statutory auditors

KPMG Audit IS
Eric Lefebvre
Partner

ERNST & YOUNG et Autres
Pierre Jouanne
Partner

20.6. Interim financial information

Not applicable

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, with the company Drones Technologies, for which a preliminary ruling was issued against Parrot S.A. and its American subsidiary Parrot Inc. in June 2015 for an estimated total of $11 million, which has not been paid, but is covered by a guarantee (see Note 24 –Off-balance sheet commitments).

The Company, supported by its advisors, believes that it has serious grounds for challenging this ruling in terms of both substantive and procedural aspects. The dispute is now being reexamined by the Court of Appeals as requested by the Company. The next hearing is scheduled for April 5, 2016, with the Court of Appeals' decision expected during the course of 2016. Alongside this, the Company opened proceedings in 2014 with the United States Patent and Trademark Office (USPTO) to revoke the two patents in question. On October 20, 2015, the USPTO confirmed the validity of one patent and partially invalidated the other patent. The Company appealed this decision on March 8, 2016. There are no dates scheduled yet concerning these proceedings. Lastly, Parrot S.A. has opened proceedings in Taiwan in connection with this same dispute. There are no dates scheduled yet concerning these proceedings.

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 changes in the commercial or financial position

Significant changes in the financial position in 2015 reflect the acquisitions and the capital increase in December 2015. They are covered in:

- 20.2.9. “Note 9 – Goodwill”
- 20.2.11. “Note 11 – Business combination”
- 20.2.20. “Note 20 – Shareholders equity”
- 20.4.3.1. “Note 1 – Main events of the year”
- And their impact on the Company’s capital in 18.1.2 au-dessus“Change in the Company’s capital”
- As well as in the Prospectus for the Capital Increase, available on Parrot’s website www.parrot.com and the AMF site www.amf-france.org.

XXI. Additional information

21.1. Share capital

On the 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.

The extraordinary general meeting on November 6, 2015 authorized the capital increase for 298,779,726 euros (representing a nominal amount of 2,678,472.37 euros and an issue premium of 296,101,253.63 euros).

On December 15, 2015, this capital increase led to the issue of 17,575,278 new shares combined with a Tranche 1 equity warrant and 17,575,278 new shares combined with a Tranche 2 equity warrant.

21.1.1. Amount of the share capital

At December 31, 2015, the share capital was split into 30,130,052 fully paid-up ordinary shares, all of the same category, with a par value of 0.1524 euros, representing a total of 4,592,458 euros (see 20.2.20.1 "Share capital and issue premiums").

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

The general meeting on June 30, 2015 renewed the authorization to implement a share buyback program, for an 18-month period ending December 30, 2016. 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 30, 2015 renewed the authorization for the Board of Directors to implement a share purchase program, the Board acknowledged during its meeting on June 30, 2015 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 2015.

As authorized by the general meeting on June 30, 2015, the maximum purchase price for shares has been set at 82 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.

21.1.3.1. Share buybacks

See **Erreur ! Source du renvoi introuvable.**"Treasury stock".

21.1.3.2. Liquidity agreement

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 30, 2015, the Company acknowledged the automatic renewal of the liquidity agreement set up with Natixis for a one-year period from July 31, 2015 to July 31, 2016.

Information concerning the liquidity agreement is given in 20.2.20.3 "Treasury stock" in the "Liquidity agreement" section.

21.1.4. Potential capital

The breakdown of the Company's capital and voting rights on the date of the reference document following the exercising of securities entitling holders to access the Company's capital is indicated in Section 18.1.1. "Breakdown of the share capital and voting rights" and 4.1.12 "The Company issues dilutive instruments which could have an impact on its capital" 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 tables summarize 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 11, 2014

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use in 2015
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	Capital reduction decided on by the Board on Feb 26, 2015, with effect from Mar 11, 2015, cancellation of 320,000 of the 582,619 treasury shares held
2 – Authorization for the Board to award Company stock options and/or warrants	From Jun 11, 2014 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	From Jun 11, 2014 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 the awarding of debt securities, with preferential subscription rights maintained for shareholders	26 months from Jun 11, 2014, i.e. through to Aug 10, 2016	750 K€	NA
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 K€	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 issue	NA
8 – Delegation of authority for the Board to issue ordinary Company shares and	26 months from Jun 11, 2014, i.e.	750 K€	NA

marketable securities entitling holders to access ordinary Company shares in the event of a public exchange offer initiated by the Company	through to Aug 10, 2016		
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 K€	NA

Overall cap on authorizations: 750 K€.

Extraordinary General Meeting on June 30, 2015

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use in 2015
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 30, 2015, i.e. through to Dec 30, 2016	10% per 24-month period (capital reduction)	NA
2 – Authorization for the Board to award stock options and/or warrants to employees and/or certain corporate officers of the Company or related companies	From Jun 30, 2015 to the General Meeting to approve the financial statements for the year ended Dec 31, 2015	1% of the capital	NA
3 - Authorization for the Board to freely award existing shares and/or shares to be issued to employees and/or certain corporate officers of the Company or related companies	From Jun 30, 2015 to the General Meeting to approve the financial statements for the year ended Dec 31, 2015	1% of the capital	NA

Extraordinary General Meeting on November 6, 2015

Delegation given to Board of Directors	Term of the delegation	Maximum nominal amount of capital increase	Use in 2015
1 – Authorization for the Board to award stock options and/or warrants to employees and/or certain corporate officers of the Company or related companies.	From Nov 6, 2015 to the General Meeting to approve the financial statements for the year ending Dec 31, 2016	1% of the capital	NA
2 – Authorization for the Board to freely award shares to employees and/or certain corporate officers of the Company or related companies	From Nov 6, 2015 to the General Meeting to approve the financial statements for the year ending Dec 31, 2016	2% of the capital	Awarding of 93,100 Company shares decided by the Board on Nov 10, 2015
3 – Delegation of authority for the Board to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights maintained for shareholders	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	3,810 K€	Capital increase decided by the Board on Dec 17, 2015
4 – Delegation of authority for the Board to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived for shareholders in connection with a public offering	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	750 K€	NA
5 – Delegation of authority for the Board to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived, in connection with an offer covered by Section II of Article L.411-2 of the French monetary and financial code	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	20% of the capital/year	NA
6 - In the event of a capital increase with or without preferential subscription rights for shareholders, authorization for the Board to increase the number of securities to be issued	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	15% of the amount of the initial issue	NA
7 – Delegation of authority for the Board to issue ordinary Company shares and/or capital securities entitling holders to access other capital securities or the awarding of debt securities and/or marketable securities entitling holders to access capital securities to be issued, with preferential subscription rights waived, in the event of a public exchange offer initiated by the Company	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	750 K€	NA

8 – 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 Nov 6, 2015, i.e. through to Jan 5, 2018	10% of the capital on Nov 6, 2015	NA
9 – Delegation of authority for the Board to increase the Company's capital through the incorporation of reserves, profits or premiums	26 months from Nov 6, 2015, i.e. through to Jan 5, 2018	750 K€	NA

Overall cap on authorizations: 3,810 K€.

21.1.6. Information on conditions governing the capital

N/A.

21.1.7. Change to the share capital

At December 31, 2014, the Company's share capital comprised 30,130,052 shares, following:

- The capital increase with 17,575,278 new shares;
- The 121,111 stock options exercised by the Group's staff; and
- The cancellation of 320,000 securities through a cancellation of treasury stock.

■ **Details of changes to the shares 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
15/02/2012	Capital reduction	200,000	0.1524	-30,480	,-4,513,520,	1,934,920	,12,692,145,
15/11/2012	Exercising of stock options	46,457	0.1524	7,080	,678,363	1,942,001	,12,738,602
15/05/2013	Capital reduction	200,000	0.1524	-30,480	-	1,911,521	12,538,602
15/05/2013	Exercising of stock options	86,958	0.1524	13,252	,655,528	1,924,773	12,625,560
14/11/2013	Exercising of stock options	23,289	0.1524	3,549	162,688,	1,928,322	12,648,849
26/02/2014	Exercising of stock options	6,444	0.1524	982	,37,677	1,929,304	12,655,293
26/02/2015	Capital reduction	320,000	0.1524	48,768	-7,200,276	1,880,536	12,335,293
26/02/2015	Exercising of stock options	98,370	0.1524	14,992	929,274	1,895,528	12,443,663
29/07/2015	Exercising of stock options	91,998	0.1524	14,020	1,331,119	1,909,548	12,525,661
17/12/2015	Issue of new shares	17,575,278	0.1524	2,678,472	296,101,254	4,588,020	30,100,939
17/12/2015	Exercising of stock options	28,113	0.1524	4,284	604,012	,4,592,304	30,129,052

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 amendments to the bylaws in 2015 were approved at the general meeting on June 30, 2015 and concerned:

- Under Law 2014-384 of March 29, 2014, the introduction 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 Company shares.

- Amendment of Article 20 of 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 registration of holders' securities was changed from the third working day to the second working day.

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 in the full bylaws presented below, updated at February 26, 2016.

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

The share capital is set at 4,592,305.20 euros, split into 30,129,052 fully paid-up shares.

Article 7 – Change 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.

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.

Under the 15th resolution at the extraordinary general meeting on June 30, 2015, it was decided not to confer double voting rights as established by French Law 2015-384 of March 29, 2014 to holders of shares referred to in Article L. 225-123 paragraph 3 of the French commercial code.

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 Director's 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 second 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 year

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 - Contestations

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 **Erreur ! Source du renvoi introuvable.** "Bylaws".

21.2.2. Administrative, management and supervisory bodies

See **Articles 14, 15, 16, 17 et 18** presented in Section **Erreur ! Source du renvoi introuvable.** "Bylaws".

21.2.3. Rights and obligations associated with the shares

See **Articles 11 et 12** of the Company's bylaws, presented in Section **Erreur ! Source du renvoi introuvable.** "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 (see 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 stipulation governing changes to the capital

See **Article 7** of the Company's bylaws, presented in Section 21.2 "Bylaws".

XXII. Significant contracts

In the last three years, the Group has entered into the significant contracts detailed below:

22.1. Contract to acquire the company senseFly

Since 2012 Parrot granted to the minority shareholders of senseFly, a put option on the 41.81% stake they hold in senseFly. Following the partial transfer of assets for the Drones Connected Devices branch, Parrot's rights and obligations were transferred to Parrot Drones, including the put options. 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 awarded Pix4D's minority shareholders put options for the 44.33% interest they hold in Pix4d. Following the partial transfer of assets for the Drones Connected Devices branch, Parrot's rights and obligations were transferred to Parrot Drones, including the put options. 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 EBITDA 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.

22.3. Contract to acquire the company Airinov

In 2015, Parrot Drones (holding Parrot's rights following the partial transfer of assets for the Drones Connected Devices branch) granted Airinov's minority shareholders put options for the 40.97% interest they hold in Airinov. These options will be able to be exercised in 2019, with a price based on the revenues achieved by Airinov in 2017 and 2018. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of Airinov's senior management team.

22.4. Contract to acquire the company MicaSense

In 2015, Parrot Drones (holding Parrot's rights following the partial transfer of assets for the Drones Connected Devices branch) granted MicaSense's minority shareholders put options for the 43.67% interest they hold in MicaSense. These options will be able to be exercised in 2019 and will be payable in US dollars, with a price based on the revenues and earnings achieved by MicaSense in 2017 and 2018. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of MicaSense's senior management team.

22.5. Contract to acquire the company EOS innovation

In 2015, Parrot Drones (holding Parrot's rights following the partial transfer of assets for the Drones Connected Devices branch) granted EOS innovation's minority shareholders put options for the 32.06% interest they hold in EOS innovation, based on Parrot's total interest of 67.94% factoring in the conversion in 2019 of the convertible bonds subscribed for by Parrot in July 2015. These options will be able to be exercised in 2019, with a variable price based on the revenues achieved in 2017 and 2018. Early exercising is permitted in certain cases following the departure of minority shareholders who are members of EOS innovation'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

Equity interests are presented in detail in Section VII “Structure.

In addition, readers can refer to:

- 4.1.4 “The Group may encounter difficulties in integrating the acquired companies and in implementing its external growth strategy in the Commercial Drones market”
- 6.1.2.2 “Group's specialized commercial drone entities and products”
- 6.1.2.4 “Group's minority interests in specialized commercial drone companies”
- 20.2.3 “Note 3 - Basis for consolidation”
- 20.4.3.4.2 “Subsidiaries and equity interests”

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. 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 with 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)
May 4, 2015	Legal proceedings in the United States
May 13, 2015	Q1 2015 Earnings
May 18, 2015	Parrot's Bebop Drone achieves French civil aviation authority approval for professional use
June 12, 2015	A new generation of connected robots coming late July!
June 15, 2015	Parrot further expands its civil drone business
July 30, 2015	Q2 2015 Earnings
Aug. 6, 2015	HY 2015 financial report
September 4, 2015	Parrot Zik 3: Everything a headset should offer
Oct. 2, 2015	Drone developments ramping up
Oct. 23, 2015	'Flight Plan' app for Bebop Drone
Nov. 16, 2015	Q3 2015 Earnings
Nov. 19, 2015	Terms of the rights offering for an amount of approximately €300 million
Nov. 20, 2015	Parrot Bebop 2, the all-in-one drone!
Dec. 11, 2015	Success of the rights offering
Dec. 12, 2015	Parrot reminds the terms of the Liquidity Period of the Warrants
Jan. 4, 2016	CES 2016
Jan. 21, 2016	Parrot receives the Enternext award for 2015 financial operations from Euronext (in French)
Feb. 9, 2016	Parrot introduces Sequoia a high precision sensor for agriculture drones
Feb. 11, 2016	New head of Sales & Marketing
Feb. 20, 2016	Q4 2015 Earnings
March 10, 2016	Opening of the first window of transferability for the warrants
April 20, 2016	Parrot confirms its PEA PME eligibility

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

For its product communications, Parrot primarily uses new media. All the information distributed to the press is available at:

- http://blog.parrot.com/category/france/
- https://www.facebook.com/Parrot
- https://twitter.com/Parrot
- https://www.youtube.com/user/parrot

26.3. Financial advertising

None.

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

Date	Title	BALO notice number
Dec. 16, 2015	Notice to holders of Parrot stock options (end of the suspension of rights to exercise options)	1505355
Nov. 20, 2015	Notice to holders of Parrot stock options and bonus share beneficiaries	1505201
Nov. 11, 2015	Notice to holders of Parrot stock options (suspension of rights to exercise options)	1505120
Oct. 16, 2015	Meeting notice to attend the extraordinary general meeting for shareholders and unit holders	1504734
Oct. 2, 2015	Meeting notice serving as an invitation to attend the extraordinary general meeting for shareholders and unit holders	1504668
July 30, 2015	Approval of the corporate and consolidated financial statements for the year ended December 31, 2014	1504105
June 12, 2015	Meeting notice to attend the general meeting for shareholders and unit holders	1503033
May 22, 2015	Meeting notice serving as an invitation to attend the general meeting for shareholders and unit holders	1502303

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 16, 2016

27.1. For the Ordinary General Meeting

FIRST RESOLUTION

Approval of the corporate financial statements for the year ended December 31, 2015

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 Chairman of the Board'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, 2015, as presented, with the accounts for the year showing a (1,954,319) euro loss.

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, 2015.

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, 2015

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 Chairman of the Board's report and the statutory auditors' report on the consolidated financial statements for the year ended December 31, 2015, 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 profit of 461,815 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 loss for the year ended December 31, 2015, totaling (1,954,319) 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, and declares that it approves the agreements and commitments presented in this report.

FIFTH RESOLUTION

Appointment of the company Bpifrance Participations S.A. as a new director

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Board of Directors’ report:

Decides to appoint Bpifrance Participations S.A., a French limited company (société anonyme) with capital of 15,520,406,597.81 euros, with its registered office located at 27-31 avenue du Général Leclerc, 94710 Maisons Alfort Cedex, France, registered in the Créteil trade and companies register under number 509 584 074, represented by Mr Paul-François Fournier, French national, born on March 15, 1968 in Aix-en-Provence, France, domiciled at 6 rue Pierre Curie, 92130 Issy-les-Moulineaux, France, as a director for

a six-year period through to the end of the General Meeting convened in 2022 to approve the financial statements for the year ending December 31, 2021,

Acknowledges that Mr Paul-François Fournier, in his capacity as the permanent representative of Bpifrance Participations S.A., declares that he accepts the directorship entrusted to Bpifrance Participations S.A., and is not concerned by any restrictions that might prevent him from taking on this position.

SIXTH RESOLUTION

Setting the amount 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 for 2016.

SEVENTH 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 from the date of this General 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 out in this resolution.

The maximum unit price for purchases may not exceed 80 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 48,000,000 euros, or a maximum of 600,000 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 financial markets authority (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 plans), 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 eighth resolution for this 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 defined, and making any filings with the French financial markets authority (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 ninth resolution at the Ordinary and Extraordinary General Meeting on June 30, 2015.

27.2. For the Extraordinary General Meeting

EIGHTH 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 date of this General Meeting, i.e. through to December 15, 2017, 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, by cancelling all or part of the Company shares acquired in connection with the share purchase program authorized under the seventh resolution as presented above or even share purchase programs authorized prior to or following the date of this 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 tenth resolution from the Ordinary and Extraordinary General Meeting on June 30, 2015.

NINTH 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 rights 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,

Authorizes the Board of Directors, with an option to subdelegate under the legal conditions in force, 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, 2016, to award, on one or more occasions, Company stock options or warrants, under the conditions set out 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 1% of the Company's capital on the date of the present 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) 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 seven years of the date when they were awarded by the Board of Directors.

6. The General Meeting acknowledges and decides, as required, that under the present delegation, the shareholder beneficiaries of stock warrants expressly waive their preferential subscription rights for shares that would be issued as such warrants are exercised.

7. The General Meeting grants full powers to the Board of Directors to implement the present resolution, with an option to subdelegate under the legal conditions in force, and more specifically to:

- 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 seven 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;
- Set 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.

8. 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.

The present resolution cancels, as of today, for the unused portion, if any, the second resolution from the Extraordinary General Meeting on November 6, 2015.

■ TENTH RESOLUTION

Authorization for the Board of Directors to freely award shares to employees and/or certain corporate officers of the Company or related companies, waiving of their preferential subscription rights by shareholders, term of authorization, maximum limits, vesting and lock-in 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,

Authorizes the Board of Directors, with an option to subdelegate under the legal conditions in force, 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, 2016, to freely allocate existing Company shares or Company shares to be issued, on one or more occasions, under the conditions set out 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 2% 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) 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 vesting period must be at least one year from the date when the shares are awarded.

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 lock-in period must be at least one year. However, if the vesting period is two years or longer, the lock-in period may be waived by the Board of Directors.

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 seventh 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 shares waive (i) their preferential subscription rights for 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 grants full powers to the Board of Directors to implement the present authorization, with an option to subdelegate under the legal conditions in force within the limits set out above, and more specifically to:

- 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.

8. 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.

The present resolution cancels, as of today, for the unused portion, if any, the third resolution from the Extraordinary General Meeting on November 6, 2015.

■ ELEVENTH RESOLUTION

Delegation of authority for the Board of Directors to carry out capital increases through the issuing of shares or other securities entitling holders to access the 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 employment code, term of the delegation, maximum nominal amount of the capital increase, issue price, possibility for awarding bonus shares under Article L.3332-21 of the French employment 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 employment code, having reviewed the Board of Directors' report and the statutory auditors' special reports,

Delegates to the Board of Directors, for a 26-month period from the date of this 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 existing shares or shares to be issued by the Company, 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 existing shares or shares to be issued by the Company, 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 50,000 euros, 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 rights to the shares 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;
- At its sole discretion, 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 twelfth resolution from the Extraordinary General Meeting on November 6, 2015.

TWELFTH 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 legal filing or disclosure formalities.

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	Chapter 3, 9
Presentation of the Parrot Group	Chapter 7, section 1 et 2
Consolidated financial statements at December 31, 2014	Chapter 20, section 1 et 2
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 et 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
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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 6.5.6