



Parrot®

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

2016

Reference Document



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, 2017 under number D.17-0511, 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 Parrot Drones S.A.S., (and its subsidiaries Parrot Asia Pacific Ltd, Parrot Shenzhen, Parrot Air Support, Parrot Inc, MicaSense Inc, Airinov SAS, senseFly SA, Pix4D SA) and Parrot Automotive SAS (and its subsidiaries Parrot Automotive Asia Pacific Ltd. and Parrot Automotive Shenzhen); and its other subsidiaries Parrot GmbH, Parrot UK Ltd, Parrot Iberia SL, Parrot Italia Srl, Parrot Anz Ltd Limited, Parrot Japan KK, Chez Parrot Sarl, Parrot Shmates SAS.

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, 2016, prepared in accordance with French generally accepted accounting principles;
- The Group's consolidated financial statements for the 12-month period ended December 31, 2016, 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, 2016.

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, 2015: consolidated and corporate financial statements and the corresponding statutory auditors' reports presented on pages 124 to 179 of Parrot's reference document filed with the AMF on May 10, 2016 under number D.16-0472.
- 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 10, 2017



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.

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 20.2.3 under "Note 3 - Accounting rules and methods". This note details the methods retained for the preparation of these consolidated accounts.

Furthermore, as presented in section 20.2.2 "Note 2 – Significant events for the period": on December 6, 2016, Parrot entered into exclusive talks for a partnership between its subsidiary Parrot Automotive SAS and Faurecia SA. The business concerned, which covers the OEM Automotive products and particularly Infotainment solutions, generated 66.8 M€ of revenues in 2016 and employed almost 200 people at December 31, 2016. This initiative has been subject to the necessary procedures to inform and consult with the employee representatives. It has also been submitted to the relevant competition authorities.

All the conditions have been met for the business to be classed as discontinued under IFRS, including the creation of a partnership, with Parrot losing exclusive control over the business, the material nature of the business concerned and the highly probable nature of the operation (see 20.2.33 "Note 33 - Assets and liabilities held for sale and discontinued operations"). In accordance with IFRS 5, the corresponding assets and liabilities have been isolated on dedicated lines, in the same way as income from the corresponding activities. These assets are presented separately from the other assets or groups of assets under "assets held for sale" on the consolidated balance sheet and are measured at the lower of their book value or their estimated sales price, net of costs relating to their sale.

3.1. Historical financial information

This financial information must be read alongside the information presented in Section 6.3 "Exceptional events in 2016" and financial statements detailed 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	2014	2015	2016 proforma	2016 IFRS 5
Revenues	243 871	326 273	233 197	166 446
Gross margin	128 508	152 678	64 035	26 837
<i>% of revenues</i>	52.7%	46.8%	27.5%	16.1%
Income from ordinary operations	1 113	-426	-124 922	-131 191
<i>% of revenues</i>	0.5%	-0.13%	-53.6%	-78.8%
Other operating revenue and expenses	-514	2 494	-5 423	-5 359
EBIT	599	2 068	-130 344	-136 550
<i>% of revenues</i>	0.2%	0.6%	-55.9%	-82.0%
Net income from discontinued operations	-	-	-	5 245
Net income (Group share)	-2 592	462	-137 907	-137 907
<i>% of revenues</i>	-1.1%	0.1%	-59.1%	-82.9%
Non-controlling interests	-263	1 095	-3 465	-3 466

3.1.2. Quarterly revenues

N.B. The 2016 data are proforma (2016 standards excluding impact of IFRS 5).

€'000,000	1st quarter	2nd quarter	3rd quarter	4th quarter
Proforma 2016 revenues	33.1	56.6	58.4	85.1
<i>% of Group revenues</i>	14%	24%	25%	36%
2015 revenues	71.0	69.2	77.8	108.2
<i>% of Group revenues</i>	22%	21%	24%	33%
2014 revenues	47.9	51.9	63.6	80.4
<i>% of Group revenues</i>	20%	21%	26%	33%

Also see 4.1.6 "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

N.B. The 2016 data are proforma (2016 standards excluding impact of IFRS 5); the proforma quarterly data have not been audited.

€'000	Drones	Automotive ⁽¹⁾	Connected devices	Other	Total
Proforma 2016 revenues	114 191	103 422	12 526	3 058	233 197
% of Group revenues	49%	44%	5%	1%	100%
Income from ordinary operations	-122 436	10 130	-11 801	-813	-124 922
% of Group revenues	-107%	10%	-94%	-27%	-54%
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	-426
% 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 above. The reclassification of revenues represents 9.4 M€ for 2014, 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.

3.1.4. Condensed balance sheet

€'000	2014	2015	2016 IFRS 5	2016 proforma
Goodwill	39 952	58 149	43 652	58 649
Non-current assets (excluding goodwill)	60 553	66 436	17 554	43 029
Current assets	210 157	529 020	362 587	404 964
Assets held for sale	-	-	82 848	-
Total assets	310 663	653 606	506 642	506 642
Shareholders' equity	183 813	424 978	290 303	290 303
Non-controlling interests	-880	613	-2 166	-2 166
Non-current liabilities	28 809	75 447	31 311	32 392
Of which long-term financial debt	5 189	17 039	1 161	1 161
Current liabilities	98 920	152 568	173 432	186 113
Of which short-term financial debt	7 308	2 345	42 032	42 032
Liabilities held for sale	-	-	13 761	-
Total liabilities	310 663	653 606	506 642	506 642

3.1.5. Condensed cash flow statement

N.B. The comparative data for 2014 and 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

€'000	2014	2015	2016
Cash and equivalents - year-start⁽¹⁾	54 263	70 338	174 874
Cash flow from operations	14 209	19 053	(115 695)
Working capital	5 464	(32 173)	18 823
Net cash flow from operating activities	15 865	(17 619)	(98 276)
Cash flow from investment activities	-23 244	(21 146)	(32 244)
Cash flow from financing activities	19 059	158 283	154 977
Cash and equivalents - year-end	55 652	193 143	200 043
Other current financial assets	25 740	158 000	28 000
Net cash	81 392	351 143	228 043

(1) The difference between cash and cash equivalents at year-end 2015 and year-start 2016 corresponds to the cash position on this date concerning the scope for discontinued operations, i.e. 18.3 M€.

€'000	Dec 31, 2016
Opening cash position - Business held for sale	18 269
Change in cash position - Business held for sale*	(1 964)
Closing cash position - Business held for sale	16 305

*Details of the flows are presented in 20.2.33 below "Note 33 – Assets and liabilities held for sale and discontinued operations".

IV. Risk factors

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

4.1. Specific risks for the Group and its organization

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

The Group is organized around a “fables” 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 56% (excluding IFRS 5) in 2016, compared with 65% in 2015.

Partnerships between the Group and its manufacturing, assembly and logistics subcontractors are based on market-leading firms and/or have been developed 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.

4.1.2. 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. 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.

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

80% 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.

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

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.

In 2016, revenues for this business contracted 16% compared with the previous year. This is the fifth transition year for this business. 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 notably led to the conversion of the OEM Automotive business into a subsidiary within Parrot Automotive in 2015.

On December 6, 2016, Parrot presented plans for a strategic and capital partnership between Faurecia and Parrot Automotive, which would enable the Group to effectively meet its development and return on investment goals for these OEM Automotive activities. The partnership agreement was signed on March 24, 2017 and is presented in 6.3.3 below "Conclusion of the strategic and capital partnership between Faurecia and Parrot Automotive".

4.1.5. 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 2012, the Group has acquired the following interests in particular:

(i) 100% of the capital of senseFly, (ii) 55.67% of the capital of Pix4D, (iii) 73.5% of the capital of Airinov, (iv) 56.33% of the capital of MicaSense, and (v) 45% of the capital of Iconem, which are all specialized in the Commercial Drone sector (see 20.2.12 below "Note 12 – Business combinations" and 20.2.15 below "Note 15 – Associates"). The Group also holds 49.05% of the capital of the startup EOS Innovation, which is specialized in terrestrial surveillance robots and has been subject to judicial liquidation proceedings since March 6, 2017.

The Group plans to continue with its external growth strategy on the Commercial Drone market and could also be required to define priorities for its investments depending on how the different companies acquired develop.

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.

4.1.6. 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 consumer products during the end-of-year holiday period. Therefore, the Group's revenues for the fourth quarter of 2016 represented 36.5% of the Group's total revenues for this same year (before the reclassification of the OEM Automotive business as held for sale). 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.

4.1.7. 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 filing date for this reference document. The Company's management team has vast experience of the market in which the Group operates and the majority of the management team have been with Parrot for several years. 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.

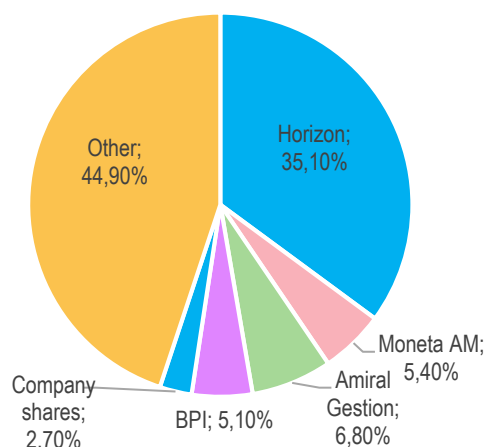
The departure of one or more key members of staff or executives or the Group's inability to attract highly qualified people could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

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 Changes to shareholder rights 21.2.4).

■ Shareholding structure



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 2016 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, 2016 represents:

- BSA1 and BSA2 equity warrants issued for the capital increase in December 2015: 3,347,672 shares, representing a maximum potential dilution of 11.1% 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;
- Stock options: 409,006 shares, representing a potential dilution of approximately 1.4% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury shares;
- Bonus shares: 301,744 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 43.7 M€ in its consolidated accounts further to the acquisitions of:

- A 100% stake in Inpro Tecnologia S.L. in 2006;
- A 100% stake in Waveblue LLC in 2007;
- 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 12.1 M€ for MicaSense Inc.

The goodwill recorded following the acquisition of DiBcom's business in 2011 (15 M€) is linked to the OEM Automotive business, which is presented as held for sale.

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, 2016, two cash generating units are defined based on the Group's organization: Drones and OEM Automotive. As a result of these tests, the Group did not recognize any impairments in 2016 on its cash generating units (no impairments recorded in 2015). 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 (36% of Group revenues before IFRS 5 restatement in 2016), Commercial Drones (13%), Consumer Automotive products and solutions (15%), OEM Automotive products (29%), or Connected Devices (5%), 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 offer significant opportunities for development. 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 and potential for development of the Consumer Drone and Commercial Drone markets, the competitive environment within these markets is increasingly important, 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), a market-leading Chinese company, or Yuneec, eHang and Go Pro, which positioned itself on the Consumer Drone market in 2016.

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) are generally 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 and characterized by still frequent revisions. 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.

French Law 2016-1428 "relating to reinforced security for civil drone use" was adopted on October 24, 2016. Clarifications are expected in 2017 when new decrees are published. These will introduce new requirements for registering, identifying and limiting capacity. These requirements are expected to apply from 800g up, but this limit could be lowered. These decrees and orders are being prepared by the government bodies in charge of this sector: on the one hand, the French civil aviation authority (DGAC), which is attached to the Ministry for Sustainable Development, and on the other hand, the General Secretariat of Defense and National Security (SGDSN), which is attached to the Prime Minister. These preparations are being carried out jointly with the French Civil Drone Council, which Parrot is an active member of.

At European level, as with any European legislative process, the regulations will be voted on by the European Commission (DG Grow and DG Move), the European Parliament (particularly the TRAN Committee and the Romanian MEP Marian Jean Marinescu) and the Council of the European Union (which groups together the 28 Member States). Currently, 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.

The proposed European aviation regulation, which includes three articles relating to drones, is in its final adoption phase (trilogue): it is expected to be adopted during the second half of 2017. It plans to assign responsibility for regulating drones to the EASA (European Aviation Safety Agency). Alongside the vote on this legislation, the EASA is working on its application with prototypes rules, which Parrot is being consulted on through its European Alliance (Drone Manufacturers Alliance Europe, DMAE). The prototype rules cover a vast scope, including: rules for integration within airspace, categorization of drones by weight, identification of drones, registration of drones and flight scenarios for leisure use (depending on the drone's weight) and commercial use.

In the United States, regulations governing the flying of drones ("*Unmanned Aircraft Systems*") have applied a regulatory framework since summer 2016 set out by the Federal Aviation Administration (FAA) in Title 14 of the Code of Federal Regulation (14 CFR) Part 107. With regard to drones for commercial use, the legislative framework includes provisions requiring pilots, with a minimum age of 16, to be qualified with a drone operator certificate and verified by the TSA (Transportation Security Administration). Within this framework, flights of commercial drones weighing less than 55 lbs (24.9 kg) must be carried out in the G Class airspace (uncontrolled space), within the pilot's visual line of sight, during daytime, up to a maximum altitude of 400 feet (121.9 m.) and a maximum speed of 100 mph (160.9 km/h). Drones that must be registered with the FAA (or online if less than 0.55 lbs) must always give priority to piloted aircraft and are not permitted to fly above people or close to moving vehicles. Flights of drones that are heavier or do not fulfil some of these conditions may be subject to exemptions, reviewed on a case-by-case basis. With regard to the use of consumer drones, the regulations concern drones weighing more than 0.55 lbs (250 gr) and less than 55 lbs: they must be registered on a dedicated website (<https://registermyuas.faa.gov/>) at a price of \$5, registration is valid for three years and drones must be labelled with the number provided during the registration process. Pilots must be aged at least 13 and fly below 400 feet and within their visual line of sight. They are not authorized to fly near to airports, above people, stadiums or sports events, or close to emergency intervention areas (fires, etc.).

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 the Group endeavours to respond to the consultation processes and participate in the main working groups relating to civil drone 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. The Group may face faults in its products that are difficult to forecast

Despite the tests that they are subject to, the Group's products could not work correctly or involve errors or faults, particularly when launching a new range of products or improved products. Such errors and defects could cause physical injuries and/or material damages. Such accidents could result in liability proceedings due to the products, loss of income, warranty actions, market withdrawal costs, disputes, delays with products being accepted on the market or even damage to the Group's reputation for safety and quality.

Moreover, Parrot cannot guarantee that it will not in the future be exposed to significant liability proceedings relating to its products or obligations to withdraw products from the market, or that it will be able to successfully resolve such proceedings, or complete such withdrawals of products from the market for acceptable costs. Furthermore, any liability proceedings relating to products or any withdrawal of products from the market, even in the event of a favorable outcome for a symbolic cost, could adversely affect the Group's reputation, business, situation, results or ability to achieve its aims.

4.2.10. 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.

4.2.11. The Group is dependent on the market environment and the general economic environment

The market for electronic products is closely linked to the economic environment. A deterioration in the global economic environment would increase the Group's uncertainty in terms of assessing its potential for growth.

The Group is positioned on a series of markets - consumer, commercial and business (agriculture, real estate, construction, etc.) - and offers them innovative products which may not be considered a priority faced with an economic slowdown.

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.

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

Considering the specific features of the market for Consumer 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.

4.2.13. 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").

4.2.14. 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.

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.

For 2016, around one third of the Group's revenues, almost all of its sales costs and around 20% 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. The Group has not hedged its net exposure to changes in the US dollar.

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 since 2006.

At end-December 2016, 19.1% 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:

€'000	December 31, 2016			
	<i>P&L impact</i> 10% appreciation of currencies against the euro	<i>Equity impact</i>	<i>P&L impact</i> 10% appreciation of the euro against other currencies	<i>Equity impact</i>
Trade receivables	117	-	(96)	-
Other receivables attached to equity interests	-	4 554	-	(3 726)
Current account	-	2 635	-	(2 156)
Trade payables	(1 507)	-	1 233	-
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

Cash is invested during the year in risk-free vehicles with underlying rates of mostly up to three months.

The impact of a 1% change in the average rate of return would represent a 2,162 K€ loss on the level of consolidated financial income.

The cash pooling system set up to optimize the management of cash flows within the group, lending funds to or borrowing funds from subsidiaries as required, has made it possible to reduce interest rate risks, repatriate surplus cash to certain subsidiaries and optimize the investment of available cash.

Lastly, 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.

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, 2016, the value of treasury stock reclassified as equity capital represented 11,799 K€, for 800,632 shares, with an average price of 11.51 euros. Shareholders' equity would be impacted by fluctuations in the share price.

The Group also holds the following equity interests:

- 45.00% of Iconem;
- 25.50% of Planck Aerosystems Inc (through Parrot Inc.);
- 20.00% of Nano Racing;
- 13.57% of BioCarbon Engineering Ltd.

The Group also holds 49.05% of the capital of EOS Innovation, which is subject to judicial liquidation proceedings/ subject to judicial liquidation proceedings/en cours de liquidation judiciaire since March 6, 2017.

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 at December 31, 2016

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, 2016, the maximum credit risk exposure can therefore be broken down as follows:

- Trade receivables: 52.5 M€;
- Other receivables: 28.4 M€;
- Other current financial assets: 28.0 M€;
- Cash and cash equivalents: 200.0 M€.

In 2016, the Group's policy was to diversify the management of its 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 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 the Company's product sales, as well as sales by the subsidiaries Parrot Automotive, Parrot Drones, Parrot Inc., Parrot Asia Pacific Ltd. and Parrot Automotive Asia Pacific Ltd. The amount of the cover represents 90% of the net debt covered excluding VAT.

■ Financial liabilities at December 31, 2016

At December 31, 2016, financial liabilities primarily comprised:

- 1.2 M€ in non-current financial liabilities (sundry borrowings and financial debt for 1.2 M€);
- 42.0 M€ in current financial liabilities (borrowings and debt with credit institutions for 42.0 M€, accrued interest on borrowings for less than 0.1 M€).

■ Borrowings and debt with credit institutions

On July 24, 2015, the Company set up a 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€.

On June 24, 2016, the Company made a third drawdown for 25.0 M€, partially covering the increase in the capital interest in senseFly to 100%: this drawdown is fully covered with the abovementioned swap.

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€.

The above ratios defined with the banks were not respected at December 31, 2016. As a result, the debt has been fully reclassified as short-term.

At December 31, 2016, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 41,202 K€ under one year;
- Swap fair value: -814 K€;
- Use of short-term credit lines: NA (debt repaid in Q1 2017).

■ Sundry borrowings and financial debt

At December 31, 2016, an interest-free repayable advance from BPIfrance was also recorded for Parrot Drones 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, 2016, the Group recorded a liability relating to its reciprocal put and call agreements for securities of Pix4D, Airinov and MicaSense in its consolidated accounts against its equity capital. The reciprocal put and call agreements for senseFly securities matured and were subject to a payment during the first half of 2016. 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, 2016 are as follows:

- At December 31, the amount of firm orders placed with our main suppliers represented 51.9 M€;
- Future payment commitments relating to operating lease agreements (staggered between 2015 and 2021) for 3.1 M€;
- 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€, lifted on the date of the reference document;
- A parent company guarantee for a maximum of 27 M\$ (USD 27,000,000) 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;
- A parent company guarantee for a maximum of USD 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.

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 as 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 subsidiaries Parrot Drones S.A.S. and Parrot Inc. are currently subject to several patent infringement proceedings in the United States.

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, a product recall ordered by a consumer protection or supervisory authority, and more generally 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.

4.4.2.3. Fraudulent use of Group data

Malicious people could gain access to the Group's information systems and fraudulently extract or destroy data. Technical, financial, legal or commercial information could be copied or destroyed, which would be likely to have a negative impact 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 fables 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 2016

The Company has not had to make any major claims and only used its policies on an isolated and insignificant basis in 2016. 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 insurance policy for all the premises and assets located in the building in which the Company has its headquarters, covering more specifically fire, water damage, theft and glass breakage risks.

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 the main flows for transporting components and products for customers or distribution subsidiaries.

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 Tecnología, 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

	<p>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</p>
2008	<p>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)</p>
2009	<p>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)</p>
2010	<p>First Parrot AR.Drone prototype unveiled at the CES: wifi-controlled quadcopter 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</p>
2011	<p>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)</p>
2012	<p>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</p>
2013	<p>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</p>

	<p>Parrot chosen by McLaren for its new connected infotainment system</p> <p>19.5% of the interest in Da Fact sold to its managers</p> <p>Parrot FLOWER POWER's commercial launch</p> <p>Parrot ends the year with five new key account automotive contracts in the infotainment sector</p>
2014	<p>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)</p> <p>Progress made with commercial and civil drones: three new minority interests acquired</p> <p>Parrot's share eligible for SME share-based savings schemes</p> <p>New consumer drone presented: Parrot Bebop</p> <p>Parrot becomes a member of the AVNU</p> <p>Collaboration between Parrot and Renault Design</p> <p>Small UAV Coalition launched</p> <p>New commercial drone presented: senseFly albris (initially called eXom)</p>
2015	<p>2015 CES: Parrot unveils a new infotainment system (RNB 6), two new MiniDrone models (Parrot Rolling Spider and Parrot Jumping Sumo), demonstrates the senseFly albris' capabilities (ultralight commercial quadcopter) and expands its range of connected devices (Audio: Parrot Zik Sport) and garden devices (Parrot Pot and Parrot H2O)</p> <p>Inmarsat certifies the Parrot Bebop drone for live use on its networks</p> <p>Porsche chooses Parrot for its Rear Seat Entertainment (RSE) infotainment solution</p> <p>Parrot's share eligible for SME share-based savings schemes</p> <p>Parrot Inc. sets up in San Francisco</p> <p>Parrot's Bebop Drone achieves French civil aviation authority approval for professional use</p> <p>Parrot MiniDrone: new generation of connected robots released from July 2015</p> <p>Parrot further expands its commercial drone business: majority acquisition of Airinov and EOS Innovation</p> <p>Parrot Zik 3 headset launched</p> <p>Consumer Drones: major distribution agreements signed in the US (Target and ATT)</p> <p>Commercial Drones: stakes acquired in MicaSense and Iconem</p> <p>Flight Plan application launched for the Bebop Drone</p> <p>Parrot announces the conditions for the capital increase, with preferential subscription rights maintained, for around 300 M€</p> <p>Parrot Bebop 2 consumer drone launched</p> <p>Parrot announces the success of its capital increase, with preferential subscription rights maintained, for around 300 M€</p>
2016	<p>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.</p> <p>Parrot receives the Enternext award for 2015 financial operations from Euronext</p> <p>Arrival of a new Sales & Marketing Director for consumer drones and connected devices</p> <p>Parrot presents Sequoia, a high-precision sensor for agricultural drones</p> <p>Annual confirmation of eligibility for SME share-based savings schemes</p> <p>Parrot introduces DISCO, the first fixed-wing drone for immersive flight</p> <p>Two new high-tech and playful Minidrones enrich the Parrot drone family</p> <p>Parrot Bebop 2 now with FPV</p> <p>Parrot Pot: the smart pot that automatically waters your plants</p> <p>Parrot S.L.A.M.dunk: turn a drone into a smart robot</p> <p>Growth targets revised</p> <p>Pix4D Launches Mobile + Desktop + Cloud Solutions for Drone Mapping at InterGeo 2016</p> <p>senseFly to Unveil new Mapping Drones at InterGeo 2016</p> <p>Parrot presents Pix4Dmodel, a unique solution for Real Estate</p> <p>Parrot Air Support: Drones serving real estate and building industry professionals</p> <p>Parrot launches a 'follow me' in-app feature for Bebop 2</p> <p>Parrot Air Support: two new services in partnership with Explorimmo</p> <p>Parrot Automotive: project for partnership with Faurecia</p> <p>Parrot launches Bebop2 real estate edition</p> <p>Parrot Automotive: new infotainment contract</p>
2017	<p>Preliminary results for the fourth quarter of 2016 - Reorganization of consumer drone operations</p> <p>senseFly: partnership with Agribotix</p> <p>Parrot Air Support and Bureau Veritas offer a turnkey drone-based inspection service for professionals</p> <p>Airinov: findings from the Ocealia study on drone efficiency in precision farming</p> <p>Pix4D: new supported devices and features for Pix4Dcapture</p> <p>senseFly and AirMap Partner to advance safety for commercial drones</p> <p>Parrot Air Support: new thermographic inspection tool</p> <p>Parrot Automotive: partnership wrapped up with Faurecia</p>

5.2. Investments

5.2.1. Investments carried out

In 2016, the Group made the following investments:

- Intangible investments: 6,613 K€, with 4,873 K€ for capitalized R&D (IFRS) (see 20.2.11 “Note 11 – Intangible assets”).
- Investments in property, plant and equipment: 7,231 K€ (see 20.2.13 “Note 13 – Property, plant and equipment”).

5.2.2. Investments underway

The investments underway at March 31, 2017 are presented below:

- Intangible assets for 155 K€, excluding the capitalization of development efforts (IFRS);
- Property, plant and equipment for 308 K€;
- Long-term financial investments for 845 K€, primarily with the acquisition of a further 11.5% (900 K\$) of Planck Aerosystems Inc, a US company that is developing drone-based surveillance solutions for the fishing industry, taking the Parrot Group’s total interest in the company up to 37%.

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). In addition, the exercising of the reciprocal put and call options, as planned since 2014, between Parrot and the minority shareholders in Pix4D SA, enabling Parrot to buy out the remaining 44.33% of the capital, will be carried out during the first half of the year (see 22.1 ci-dessous “Contract to acquire the company Pix4D”).

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 positioning as a pioneer and its success on the consumer drone market, the Group has been developing its drone offering for commercial markets since 2012, combining a range of solutions around hardware (drones and sensors), software and services.

As a result of these gradual changes, Consumer Drones and Commercial Drones represented around 49% of the Group's proforma revenues in 2016.

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



6.1.1. Group's development in 2016

On December 6, 2016, Parrot entered into exclusive talks for a partnership between its subsidiary Parrot Automotive SAS and Faurecia SA. Parrot Automotive SAS, which covers the OEM Automotive products and particularly Infotainment solutions, generated 66.8 M€ of revenues in 2016 and employed almost 200 people at December 31, 2016. The partnership was finalized during the first quarter of 2017. However, on the date when these exclusive talks were entered into, the setting up of a strategic and capital partnership, with a loss of Parrot's exclusive control over the business, was considered highly likely. From this date, the assets and liabilities concerned by this operation have been treated as discontinued operations.

In accordance with IFRS 5, the assets and liabilities held for sale, as well as the net income from operations held for sale, have been isolated in a separate section on the balance sheet and income statement respectively at December 31, 2016. However, to facilitate comparisons with the previous year and the guidance announced for FY 2016, the following comments concerning the business and results have been prepared based on the financial position of the entire Group before the reclassification of operations held for sale in profit or loss. The following table presents the reconciliation between the Group's consolidated accounts (before and after application of IFRS 5):

€'000	2015	2016 before IFRS 5	IFRS 5 impact	2016
Revenues	326 273	233 197	66 751	166 446
EBIT	2 068	-130 344	6 205	-136 550
Net income (Group share)	462	-137 907	0	-137 907

The following table presents recent changes in the Group's revenues from each activity before the application of IFRS 5:

€M and % of Group revenues	2015	2016	Change		
Drones	253.7	78%	165.1	71%	-35%
Consumer Drones and Products	223.3	68%	131.4	56%	-41%
- Drones	155.2	48%	83.6	36%	-46%
- Automotive*	52.8	16%	35.3	15%	-33%
- Connected devices**	15.4	5%	12.5	5%	-19%
Commercial Drones and Solutions	28.3	9%	30.6	13%	8%
- Commercial equipment	22.0	7%	14.9	6%	-32%
- Software and services	6.3	2%	15.7	7%	149%
Other	2.1	1%	3.1	1%	49%
OEM Automotive	72.6	22%	68.1	29%	-6%
Group total	326.3	100%	233.2	100%	-29%

* Grouping together Retail Automotive and Plug&Play

** Connected devices: audio and gardening

The following table presents an analysis of the Group's consolidated revenues for each region after applying IFRS 5 (the comparative data have not been restated):

€'000	2015	2016	Change
EMEA	124 779	84 585	-32%
AMERICAS	71 745	34 076	-53%
ASIA	26 811	12 697	-53%
Consumer products	223 335	131 358	-41%
Key Account products (1)	102 939	35 088	-66%
Total revenues	326 273	166 446	-49%

(1) Key Account products primarily concern OEM products (in 2015), Varioptic and Commercial Drone products.

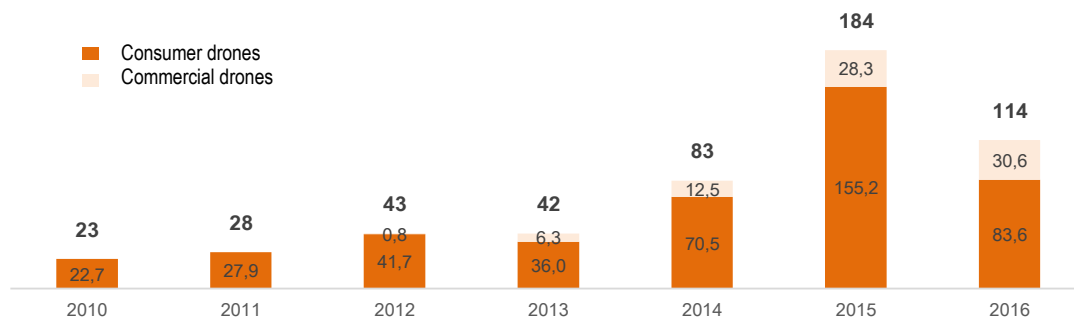
6.1.2. Consumer Drones

■ 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.

Since 2010, the Group has capitalized on its technological expertise to support the development of a comprehensive range of consumer drones. Then, since 2012, 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.

The following chart presents the change in Consumer Drone revenues since this activity was launched, with an average annual growth rate (AAGR) of over 20% for 2010-2016.



6.1.2.1. Consumer drone market

The consumer drone market is organized around a segmented offering, made up of Connected Toys, represented by MiniDrones at Parrot, and Flying Cameras, like the Bebop.

According to Technavio, the consumer drone market is estimated at over 300 M\$ in 2015 and is expected to see average annual growth (AAGR) of around 23% for 2016-2020 (source: Global Consumer Drone Market 2016-2020, May 2016¹). Recreational drones are currently used primarily for photography and video. This segment of the consumer market is estimated at 300 M\$ in 2015 with an expected AAGR of 22% for 2015-2020.

Goldman Sachs research², which includes prosumer drones (professional use of drones acquired through consumer distribution channels) in its analysis, estimates that the market will represent 3.3 billion dollars and 7.8 million drones by 2020, compared with 700 million dollars and 450,000 units by 2014.

The consumer drone market leaders in 2016 were AirDog, Cheerson Hobby, DJI, Hobbico, Hexo+, Parrot and Yuneec. DJI is ranked number one, with a global market share of around 60% in 2016, while Parrot has around 25% and the rest of the market is split between the other firms³. The market was very disrupted in 2016, particularly with the highly aggressive pricing policy applied by the Chinese market leader, cutting prices for some of its mid-end products by around 75%. Another key development was the failure of the launch of Go Pro's drone, which was recalled due to technical issues in November 2016 before being relaunched in February 2017⁴. This price war has affected the accounts of Parrot and more generally all the firms on the market, which, like Parrot, announced cost reductions at the end of 2016 and start of 2017⁵.

6.1.2.2. 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 and enable Parrot's products to stand out. 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. 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.

6.1.2.3. 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 (see strong interest in "selfie sticks"). 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.

¹ <http://www.marketwatch.com/story/consumer-drone-market-to-grow-at-234-cagr-to-2020-2016-11-10-7203312>

² Goldman Sachs Research infographic, October 2016: <http://www.goldmansachs.com/our-thinking/technology-driving-innovation/drones/>

³ Internal data from GFK & NPD reports at December 31, 2016 in terms of volumes for Europe, the US, Australia and Japan.

⁴ Source: <http://www.theverge.com/2017/2/1/14458974/gopro-karma-sale-relaunch-recall-crash>

⁵ Source: <https://www.suasnews.com/2017/03/yuneec-usa-inc-lay-off-staff/>, <http://www.wetalkuav.com/drone-companies-cut-jobs/>.

Following the A.R. Drone, the first drone truly for the consumer market, the Group has capitalized on its success to expand its range, as described below for 2016: readers will be able to find the most up-to-date product information online at www.parrot.com.

■ Parrot Minidrones

Parrot launched its first minidrones in 2014. Ultralight, very easy-to-use and very affordably priced (99 to 200 euros), the Parrot Minidrones are aimed primarily at children and teenagers.

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. This positioning is also supporting the brand strategy for a young target audience that is set to grow in a world where drones are going to become an increasingly important part of day-to-day life.

Alongside this, the high volumes generated on this market (over 1 million Minidrones sold) are helping bring down cost prices for all the products from the range.

In 2016, Parrot released two new Minidrones (Parrot Swing and Parrot Mambo) and continued moving forward with its release and marketing of the extensive range launched in 2015 (13 minidrones across four offers: Airborne, Rolling Spider, Jumping Sumo and Jumping Evo).

■ Parrot Bebop 2

The Parrot Bebop 2 was launched at the end of 2015. It is one of the lightest mid-end consumer drones available on the market. It illustrates Parrot's strategic development approach, focused on lightweight (500 gr), very high-tech designs, while continuing to offer affordable prices (500 to 700 euros). 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 2 also has additional options with packs including FPV glasses (First Person View virtual reality headset) and the Parrot SkyController, a control unit offering more accurate piloting over longer ranges.

■ Parrot Disco

The Parrot Disco has been released since summer 2016, with a public retail price of 1,000 euros, including FPV glasses and the Parrot Skycontroller. 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.

■ Parrot drone apps

Parrot also offers a range of in-app purchases with its free piloting application (Parrot FreeFlight Pro).

The Parrot Follow Me app (20 euros), launched in 2016, adds visual recognition and/or GPS tracking features. This technology makes it possible to accurately adapt the drone's position in real time to always keep the subject in the frame, thanks to precise framing with visual recognition, GPS-enabled horizontal positioning and altimeter vertical tracking.

6.1.3. Commercial drones

6.1.3.1. Verticalization strategy based on a diverse offering

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. Directly or through subsidiaries, Parrot offers a range of dedicated solutions for commercial drone use, including drones, sensors, software and services.

The Group has capitalized on its brand image and technological expertise to effectively position itself at the heart of the ecosystem for this stronger value-added commercial market. Currently dominated by professional video and photography, numerous applications are currently at a more or less advanced stage of development. Parrot has chosen to focus on data acquisition and has identified three market segments with advanced technologies, diverse commercial targets and complementary growth cycles: mapping, precision farming and inspection / surveillance.

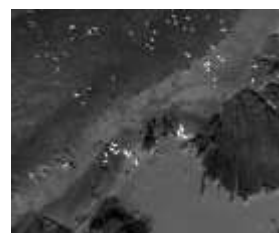
■ Initial use cases for commercial drones



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

N.B. All the missions above were carried out with the help of the Group's solutions.

6.1.3.1.1. Commercial drone market

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 (professional uses of drones acquired through consumer distribution channels).

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%. 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.

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

\$M	2015	2016	2017	2018	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 Americas 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:

Market share	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

■ Main operators on the commercial drone markets

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 biggest market for commercial drones. On the other hand, DJI's position is not as strong as the Group's on certain commercial markets such as precision farming and professional mapping. In addition, 3DR experienced various difficulties in 2015 and has since realigned its business around software for drones, while maintaining its high visibility within the industry.

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 Agribotix. 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)).

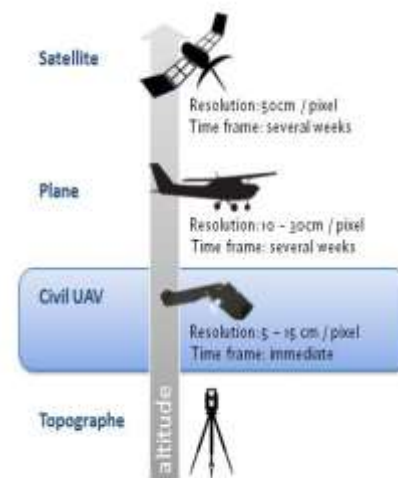
The relevance of the Group's positioning, covering the entire ecosystem - drones, data sensors, software and professional services - is recognized by certain industry analysts, which consider Parrot to be the market leader for commercial drones.

6.1.3.2. Strategy focused on precision data acquisition

When it was launched in 2010, the first consumer drone, 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, 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) to offer access to high-precision data.

Building on its industrial and commercial know-how (access to components, outstanding partnership with EMS, network of international subsidiaries, the Group has 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.



6.1.3.3. The Group's specialist commercial drone entities and products

The Group now has two subsidiaries and three investments in associates with a range of solutions and services to serve three target markets in priority and a wide variety of professionals. Each entity has a mission to maximize its long-term development, capitalizing on the organization and expert capabilities available within the Group. The quality of the equipment, software and services offered enable them to meet the needs of many different players within the drone ecosystem (manufacturers, distributors), while also developing integrated offers adapted for key accounts. Depending on the products or services concerned, sales prices may range from a few hundred euros to tens of thousands of euros.

■ senseFly

To date, Parrot Drones holds 100% of the capital of senseFly (acquired gradually since 2012). SenseFly has been fully consolidated since 2012. In 2016, senseFly recorded revenues of 15.2 M€ (including intragroup).

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.

Today, senseFly is the leading producer of fixed-wing mapping drones in terms of the volumes distributed internationally, supported by a range of fixed-wing drones and adapted sensors tailored to its markets. Its range was renewed in 2016 to deliver new flight and data precision performance levels. The aim is to maintain this position thanks to the quality of its products, its level of service geared to professionals' needs and its access to the Group's strong capabilities, whether in terms of technologies, offers, sales networks or industrial processes.

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 hundreds of 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.

■ Pix4D

To date, Parrot Drones holds 55.67% of the capital of Pix4D (acquired in 2012 for a 3.9 M€ investment). Pix4D has been fully consolidated since 2014. 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. In 2016, Pix4D recorded revenues of 12.9 M€ (including intragroup).

Created following more than 10 years of research carried out within the Ecole Polytechnique Fédérale de Lausanne (EPFL) by Dr. Christoph Strecha, a world-renowned pioneer for computer vision 3D modelling and photogrammetry, Pix4D was founded in 2011. Today, this company is the 3D digital mapping specialist for low-altitude aerial image processing. Pix4D has developed software 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.

Pix4D is the market leader for photogrammetry solutions in terms of the volume of data processed. The company offers a growing range of software (rental, sale, cloud, SaaS) which make it possible to analyze and retranscribe data captured by drones to address three priority segments: mapping, precision farming and inspection.

■ Airinov

At December 31, 2016, Parrot held 73.5% of the capital, 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 2016, Airinov recorded revenues of 2.6 M€ (including intragroup).

Founded in 2010 by two engineers and a farmer's son, Airinov is developing dedicated solutions for precision farming, one of Parrot's three target markets. The company has developed a sensor, a set of data processing algorithms and a range of services to provide groundbreaking agronomic indicators that enable farmers to simply, reliably and efficiently access strong value-added data on their crops' needs and health, improving their harvests' quality and yields.

Airinov is the French market leader for drone-based precision farming and has gradually been developing its international presence since 2016. The range of services capitalizes on the Parrot Group's drones and sensors, while developing a network of independent agri-drone pilots (certified drone pilots specialized in agriculture) who are able to benefit (i) upstream from Airinov's expertise to easily complete the preliminary steps before making flights over farms, and (ii) downstream from its proprietary SaaS platform for analyzing the data collected.

■ MicaSense, Inc.

To date, Parrot Drones holds 56.33% of the capital of MicaSense (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 has been fully consolidated since October 1, 2015.

In 2016, MicaSense recorded revenues of 2.6 M€ (including intragroup).

MicaSense 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 in the US.

To provide fast and accurate crop health information, MicaSense 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.

■ Parrot Air Support

Parrot Air Support, a fully-owned subsidiary of Parrot Drones SAS, launched its business at the end of 2016. Parrot Air Support offers a range of turnkey drone-based aerial imaging services for real estate and building industry professionals, capitalizing on a digital platform (www.parrotairsupport.com) that makes it possible to order drone-based services in just a few clicks. Parrot Air Support has a catalogue of solutions covering all the phases in a building's lifecycle: monitoring building projects, mapping existing facilities in 3D, conducting visual and thermographic inspections, and creating promotional videos for existing or off-plan properties.

Parrot Air Support has been developed by Parrot's in-house teams and is today supported by some outstanding initial partnerships (Explorimmo, BNP Paribas Real Estate, Bureau Veritas) to develop its services first in France then internationally.

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

■ Iconem

To date, Parrot Drones holds 45% 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.

In 2016, Iconem notably attracted a lot of media attention through the missions carried out for the digital preservation of Syria's threatened cultural heritage.

■ Planck Aerosystems

At December 31, 2016, Parrot Drones, through its subsidiary Parrot Inc., held 25.5% of the capital of Planck Aerosystems (acquired for a \$1m investment).

This startup, based in San Diego (California, USA), has developed a fully autonomous (no pilot) flight system (drone + software) for the maritime industry, making it possible to detect and track objects (fish, reefs, sandbanks, etc.).

■ BioCarbon Engineering

To date, Parrot Drones holds 13.57% of the capital of BioCarbon Engineering (acquired for a 1 M€ investment).

This startup, based in Oxford (UK), is focused on restoring and safeguarding forest ecosystems with a drone-based solution for analyzing, planting and monitoring trees.

■ Nanoracing

To date, Parrot Drones holds 20.0% of Nanoracing's capital (acquired for a 1 M€ investment).

This startup, created in Paris in 2016, sells the Nanoracer, a miniature version of professional racing drones.

■ Changes in minority interests

The interest acquired in Delair-Tech (10%) in 2013 was sold in 2016 for 2 M€.

The interest acquired in Netatmo (1.6%) in 2013 was sold in 2016 for 1 M€.

The Group holds 49.05% of the capital of EOS Innovation, which has been subject to compulsory liquidation proceedings since March 6, 2017.

6.1.3.5. Connected Devices

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

In 2016, revenues from Connected Devices came to 12.5 M€, with 10.4 M€ (-26%) for audio products and 2.1 M€ (+ 65%) for connected plant products. The Parrot Zik did not undergo any changes in 2016, while the Parrot POT, a connected plant pot that tracks the health needs of your plants, was launched at the end of the third quarter. Parrot has gradually scaled back the resources allocated for the development of this product range in order to focus its efforts on developing its consumer and commercial drone activities. The objective for the medium term is to ensure the profitability of this business, which is contracting.

In addition to these products, the Connected Devices business includes the Group's Innovation Lab. In this laboratory, 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.

6.1.4. Automotive business

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

- Sales of installed handsfree kits (Parrot CK and Parrot MKi ranges), infotainment products (Parrot ASTEROID range) and Plug&Play products (Parrot Minikit range), sold through indirect distribution networks and online (direct and indirect sales) to consumers (Retail Automotive business). In 2016, revenues totaled 35.1 M€, down 33%.
- Sales of Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM suppliers (OEM Automotive business, held for sale / IFRS 5). In 2016, revenues totaled 66.8 M€, down 16%.

Following several years of success, and its global leadership for automotive Bluetooth solutions, the Group has made significant investments since 2009 in the next innovation cycle, focusing on on-board infotainment technologies, developing one of the most advanced range of high-end solutions and making it possible to address the global in-car connectivity market, with major stakes for vehicles of the future.

In 2015, when Consumer and Commercial Drones were becoming the Group's core business, Parrot embarked on a strategic review aimed at identifying the best conditions for ensuring the development of its product and customer portfolio in the Automotive sector. The Group identified a scale-related issue, restricting Parrot's capacity to win significant contracts, even though the Group's solutions are greatly appreciated by leading manufacturers for their high-end vehicle models.

In line with these actions, the Group announced a proposed strategic and capital partnership on December 6, 2016 between Faurecia and Parrot Automotive, its dedicated subsidiary covering the OEM Automotive business (see 6.3.3 "Strategic and capital partnership between Faurecia and Parrot Automotive").

With regard to Retail Automotive products, Parrot is continuing to manage this business' voluntary contraction, while focusing on its profitability.

6.2. Core markets and breakdown of revenues

This section of the plan taken from the French financial markets authority (AMF) "Guide for preparing reference documents for midcaps" (Position - Recommendation DOC-2014-14) is covered here:

- 6.1.1 Group's development in 2016
- 6.1.2.1 Consumer drone market
- 6.1.3.1.1 Commercial drone market

In addition, the Group believes that its main competitive advantages are as follows:

- 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 section XI "Research and Development"), 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 at least 35%,
- Availability of the main components,
- Presence of the features that are the Group's hallmark, i.e. originality and easy-to-use designs.

- 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 consumer and commercial drones, the Group has built up a very strong reputation for innovation and reliability. In particular, Parrot 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 capacity for innovation have enabled the Group to successfully attract and engage large numbers of consumers around new high tech markets.

- 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 ranges or the Bebop 2 and Disco.

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 rapidly developing commercial uses, such as mapping and precision farming.

■ 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 is capitalizing on synergies between its Consumer and Commercial offers to benefit from their respective assets:

- Technological synergies: consumer drones are benefiting from the technological expertise developed for commercial drones, and commercial drones are capitalizing on the return on experience from millions of users;
- Industrial synergies: combining the volumes of core components for both activities, making it possible to benefit from better procurement conditions and production processes that are gradually becoming aligned;
- Future commercial synergies: in the same way that the personal computer is the leading tool for businesses today, the increasingly widespread adoption of drone use is being built around the growing capabilities offered by sensors, software and services to meet a wide range of needs, from the most simple (personal video / photography) to the most advanced (3D modelling, precision data acquisition, etc.)

Moreover, on the commercial drone market, the Group is positioned across the entire value chain, from drones to sensors, software and services. Thanks to this unique positioning within the ecosystem, it benefits from a global vision, further strengthening its capacity to plan ahead for the long term and illustrating its pragmatic approach for a young, rapidly growing market.

■ 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.

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 in particular to the successful investments in senseFly 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.

■ Track record of development combining innovation and profitable growth

Since the Company was floated on the stock market, the Group has proven its ability to deal with changes in the markets and develop its business on new markets, while maintaining its financial balances (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;
- Fables model;
- Careful selection of partners and distributors.

■ 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 "fables" model, with production and logistics both outsourced. This structure 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, 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.

6.3. Exceptional events in 2016

Following on from a very positive year in 2015, Parrot made major investments and recruitments during the first half of 2016, but initially had to contend with sales being revised down for consumer drones to end customers for the last quarter of 2015, then a high level of instability on the market from September, linked in particular to the price cuts rolled out by its competitors.

6.3.1. First half of the year affected by the redeployment of sales and marketing

At the start of 2016, Parrot realized that the level of sales to end consumers during the key Christmas period was significantly lower than estimated by its retailer customers, resulting in overstocking at points of sale, with the entire market facing this same situation. It was attributable to the unexpected regulatory changes for consumer drones in the US (largest market) and the fact that the market is very young, which led all retail professionals to overestimate consumers' capacity to acquire drones.

In response, to meet its objectives for the full year and consolidate its relationships with its customers in an increasingly competitive environment, the Group:

- Carried out exceptional (non-contractual) product returns (17.8 M€ impact on half-year revenues);
- Launched an exceptional campaign to reduce prices (retailers and end customers, 6.7 M€ impact on first-half earnings) in Europe, the US and Asia;
- Recorded 14.4 M€ of writedowns on its inventories.

These corrective actions were rolled out in response to a very specific issue and with a view to ensuring a rapid return to growth. Alongside this, the investments planned and explained when the capital increase was carried out in 2015 continued to move forward.

6.3.2. Second half of the year with product launches in an aggressive competitive environment

From the end of August 2016, the products (Parrot Disco, Parrot Bebop 2 FPV and two new minidrones) were launched globally. The following weeks were devoted to securing orders with retailers and estimating the sales to be achieved during the key fourth-quarter period.

In this context, the end of summer 2016 saw an acceleration in price reductions on the mid-end segment of the consumer drone market (press release from September 23, 2016, 7:30 pm).

Faced with production cycles that were already advanced in a period with strong seasonal trends, the decision was taken to initially defer sales to retailers in order to prevent distribution channels from becoming saturated again. In a second phase, Parrot carried out effectively managed promotional operations targeting each segment and region to support the competitiveness of its products.

6.3.2.1. First measures adopted to address the negative trends from 2016

From summer 2016, Parrot rolled out a first series of structural measures:

- Reducing external staffing levels,
- Initially scaling back R&D projects, defined during the second half of the year;
- Applying a freeze on hires, with a particular effort in terms of internal mobility;
- Not replacing staff following departures;
- Divesting activities and interests in companies not offering prospects for synergies with the Drone business (Varioptic, Delair Tech and Netatmo) for a combined total of around 10 M€.

6.3.2.1.1. Reorganization and redeployment

The dynamic commercial performance for consumer drones in the fourth quarter was only able to be achieved based on margins that would be insufficient to deliver profitable growth for this business over the medium and long term. The Group has set itself a priority to rapidly meet this challenge, with a strategy to reestablish its financial balances.

The action plan mapped out aims to adapt the level of resources deployed in line with the level of business achieved in 2016, based around four key areas:

- Focusing the capacity for innovation on a reduced number of new products with a view to making a significant technological leap forward;
- Redeploying the product offering, capitalizing in particular on the expertise built up in commercial drones;
- Realigning sales and marketing resources around the most profitable distribution channels and most promising markets;
- Adjusting support functions in line with the level of business.

Consulting with its employee representatives, and following the legal framework applicable, Parrot therefore envisaged a plan that could reduce its workforce by around 290 people out of a total of 840 staff currently working in the Group's Drone activities. These reductions concern employees both in France and internationally. In France, this proposal has seen around 150 positions cut, notably considering possible redeployments in the Group's other activities.

To date, this plan is being rolled out in line with the Group's expectations. The detailed outlook for 2017 is also presented in section XIII "Financial outlook".

6.3.3. Strategic and capital partnership established between Faurecia and Parrot Automotive

Following the exclusive talks announced by Parrot on December 6, 2016 for a proposed partnership between its subsidiary Parrot Automotive SAS and Faurecia, and after approval by the works council of the economic and social unit Parrot and approval from the regulators concerning the concentration of economic interests, the definitive documentation, setting out the conditions for Faurecia's investment and relations between the parties, was signed on March 24, 2017.

This partnership, built up around Parrot Automotive SAS (and its subsidiaries Parrot Automotive Asia Pacific and Parrot Automotive Shenzhen), will further strengthen the development potential of this longstanding business for Parrot. It will help drive the commercial deployment of connectivity and infotainment solutions for automotive applications worldwide by bringing together Parrot's automotive connectivity expertise, particularly its technologies, software and patents, with Faurecia's strong commercial positions and its foundations working alongside global auto manufacturers.

Under this partnership, Faurecia will initially acquire a 20% interest in Parrot Automotive SAS through a reserved capital increase for 27.3 M€. The price for the new shares has been set based on an enterprise value of 100 M€ for Parrot Automotive. The funds from the capital increase will be deployed for Parrot Automotive's business, notably focusing on further strengthening its R&D and its commercial operations through joint strategic projects.

Alongside this, Faurecia will subscribe for 41.0 M€ of bonds issued by Parrot SA that will be able to be converted into existing Parrot Automotive SAS shares. These bonds, accruing interest with a margin of 200 basis points over the 3-month Euribor rate, will mature on December 31, 2021 and will be convertible from January 1, 2019. If these bonds are converted, Faurecia could hold 50.01% of the capital of Parrot Automotive SAS. The funds from the bond issue will be available for Parrot's general needs.

In addition, Faurecia and Parrot SA are covered by call and put options which, if they were exercised, would allow Faurecia to acquire or Parrot to sell the remaining Parrot Automotive SAS shares still held by Parrot SA in 2022. The exercise price for these options would be set using an enterprise value determined based on consistent parameters with those applied for the acquisition of this first interest.

Further detailed financial information is provided in the notes to the consolidated financial statements: section 20.2.33 “Note 33 – Assets and liabilities held for sale and discontinued operations”.

6.4. Issuer’s dependence 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:

- 4.1.1 The Group depends on subcontractors for the manufacturing and assembly of its products
- 4.1.2 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.
- 4.1.6 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
- 4.2.10 Any significant disruption of its information systems may affect the Group
- 4.2.13 The Group's target markets are subject to rapid technological change and frequent launches of new products
- 4.2.14 The Group's activities are dependent on regulations governing cellphone use while driving
- 4.2.5 The Group's business depends on the electronic components market
- 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

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 2016 Gaia Index report is available online at:

http://www.gaia-index.com/files/pdf/Presentation_Gaia_soiree_13-10-2016.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 Parrot S.A. 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, on the Géodis platform, for senseFly (Swiss subsidiary) and for Parrot Shenzhen, as well as for 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.

■ 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.

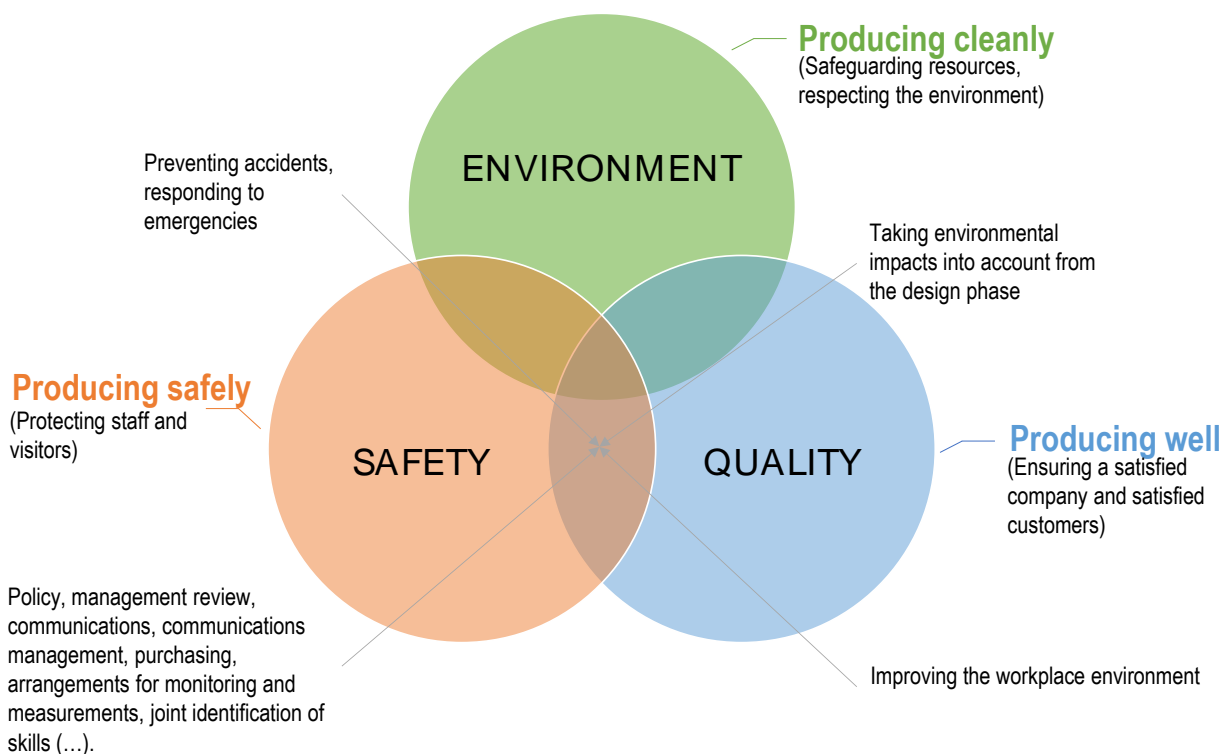
The data concerning the human resources indicators are consolidated based on various monthly reports.

6.5.3. Continued commitment to sustainable development

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, illustrated below. 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. Societal commitments supporting sustainable development

6.5.4.1. Human resources data: employment

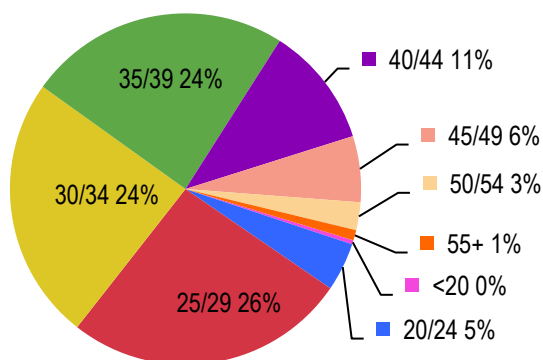
■ Breakdown of the workforce by country (Parrot Group) at December 31

Europe	2015	2016	Asia-Pacific	2015	2016	Americas	2015	2016
France	628	659	China	87	86	USA	36	47
Switzerland	119	174	Hong Kong	22	23			
UK	14	13	Japan	5	3			
Spain	12	12	Korea	1	2			
Sweden	6	2	Australia	3	5			
Italy	8	8	Total	118	119			
Poland	1	0						
Russia	1	0						
Germany	13	14						
Total	802	882						

■ Breakdown of the workforce by gender (Group) at December 31, 2016

- Women: 23.31%
- Men: 6.68%

■ Breakdown of the workforce by age range at December 31, 2016



■ Monitoring of staff movements (Group)

	2015	2016
Arrivals	172	336
Departures	187	234
Dismissals	44	49
As % of reasons for contracts ending	24%	21%

■ Remuneration figures and changes (Group)

	2015	2016
France	32.9 M€	37.1 M€
Europe excluding France	12.3 M€	11.5 M€
Asia-Pacific	4.4 M€	4.9 M€
USA	2.9 M€	2.8 M€

■ 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 RTT 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:

- 6.72% for Parrot S.A.
- 2.95% for Parrot Automotive SAS
- 2.40% for Parrot Drones SAS

■ 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.

The economic and social unit Parrot is subject to the national collective agreement governing the metalworking sector. In addition to the framework of agreements covering its professional branch, Parrot is committed to promoting constructive internal dialogue between

management and employees, which has led to a certain number of company-level agreements being signed in response to internal social and economic issues.

Review of collective agreements within the economic and social unit, with the following agreements in force to date:

- Company-wide agreement on working time
- Company-wide mandatory profit-sharing agreement
- Company-wide agreement relating to incentive bonuses
- Company-wide agreement on means of communication for staff representatives
- Agreement to set up electronic voting
- Company-wide agreement on career and skills management planning
- Company-wide agreement relating to welfare benefits
- Company-wide agreement relating to the generational contract
- Company-wide agreement relating to the company savings scheme
- Agreement for a mandatory and collective healthcare plan
- Collective pension savings plan agreement
- Agreement relating to gender equality in the workplace

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) in France

- Occupational accidents: two accidents in 2016
- Accidents travelling to and from work: nine accidents in 2016
- Frequency rate = (number of accidents resulting in at least 24 hours off work / hours worked) x 1,000 000= 1.98
- Severity rate = (days lost as a result of temporary incapacity / hours worked) x 1,000= 0.04

■ Training within the Parrot economic and social unit

The priority in 2016 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, 2016 was marked by the signing of a new career and skills management planning agreement, making it possible to promote and coordinate the various areas for training (development and transfer of knowledge, validation of prior experience, mobility support, etc.).

Number of hours of training

In 2016, 5,339 hours of training were provided (3,701 hours in 2015).

■ Workplace equality

In connection with the measures adopted to promote gender equality, Parrot is covered by a company-wide agreement relating to professional equality. The Works Council members are 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, then renewed in October 2016. An environmental analysis, supported by targets, is carried out each year 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.

Food waste: not applicable.

Measures to prevent, recycle and eliminate waste: Parrot makes commitments with accredited providers such as Paprec Recydis to eliminate, process and reclaim its waste - WEEE, batteries, paper, cardboard and plastics. We then collect our waste monitoring forms and update our waste register. Environmental awareness messages, particularly for sorting waste, are regularly sent out to all employees and posters are displayed.

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%

* Does not include the missing waste monitoring forms for December.

2016	Paris headquarters (provider: Paprec)			Paris headquarters (provider: Géodis)			senseFly subsidiary		
	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	% reclaimed for energy	Tonnage	% recycled	100% reclaimed
WEEE (peripherals and screens)	4.292	100%	0%	32.909	0%	0%	490 liters (barrels)	100%	0%
Common industrial waste: paper / cardboard, plastics, etc.	10.6	0.44%	13.80%	26.62	8%	0%	Paper, cardboard: 6.373	100%	0%
Common industrial: other							PET: 6,270x 110L bags Wood: 1.465	100%	100%
Batteries	0.227	100%	0%	0	0%	0%	-	-	-
Industrial waste	-	-	-	-	-	-	8.830	0%	100%
Waste to be sorted	-	-	-	-	-	-	3.8	100%	-

Parrot Shenzhen gets its waste processed directly by the structure responsible for managing its premises with all the other companies present.

■ 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 wheellie 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: 2016).

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)

	2014	2015	2016
Paris (cbm per person)	8.7	9.0	8.5
Shenzhen (total drinking water consumed in cbm per person)	-	-	0.19
senseFly (total water consumed in cbm per person)	-	-	6.19

This consumption indicator corresponds to water consumption at the Paris headquarters. Headcount at end-December 2016: 646 people. In 2016, the monitoring of water consumption for Parrot Shenzhen (2016 headcount: 86) and senseFly (2016 headcount: 126) was added.

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

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

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

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

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

Change in electricity consumption (electricity consumption indicator: sum of monthly bills for 2013 based on EDF meters):

	2012	2013	2014	2015	2016
Site	Paris	Paris	Paris	Paris	Lyon
kWh per person	1,886	1,956	1,707	1,679*	10,530
					Paris
					Shenzhen
					senseFly
					470*

* Part of senseFly's electricity consumption is based on estimates.

Paris headcount at end-December 2016: 667 people.

Shenzhen headcount at end-December 2016: 86 people.

senseFly headcount at end-December 2016: 126 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 2016, CO2 emissions relating to electricity consumption at the Paris head office represented 134 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 fables 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 ethics policy presented in 6.5.3 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 COFRAC⁶ 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 the reference document (the "CSR Data") for the year ended December 31, 2016, 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 reference document 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 (the "Reporting Standards"), as summarized in the reference document and available on request from the company's registered office.

Independence and quality control

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

Independent third party's responsibility

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

- Certify that the required CSR Data are present in the reference document 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 four people over a period of approximately five weeks between February and April 2017.

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 3000⁷ 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 reference document 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.

⁶ Accreditation scope available on www.cofrac.fr

⁷ ISAE 3000 – Assurance engagements other than audits or reviews of historical information

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 the reference document, notably that the environmental data are determined exclusively for the Group's registered office in Paris, the entity senseFly and the Shenzhen site, and that the HR data (staffing levels, changes, compensation) are determined exclusively for the economic and social unit Parrot, i.e. Parrot, Parrot Drones and Parrot Automotive.

Conclusion

On the basis of this work, and within the aforementioned limits, we certify that the reference document 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 various departments in charge of the data collection processes, and, as relevant, the people responsible for the internal control and risk management procedures, with a view to:

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

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

For the CSR Data that we considered most important⁸:

- 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 reference document;
- For a representative sample of entities we selected⁹ 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 59% of the workforce and 100% of the quantitative environmental data presented, considered to be representative levels for the social and environmental sections.

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.

⁸ **Human resources data:** employment (total headcount and breakdowns, recruitments and dismissals, remuneration and changes), training policies, number of hours of training, absenteeism and occupational accidents, particularly their frequency and severity.

Environmental and societal data: energy consumption and measures to prevent, recycle and eliminate waste (tonnage and percentage reclaimed).

⁹ Parrot economic and social unit (Parrot SA, Parrot Automotive and Parrot Drones) and the Shenzhen site (China).

Paris-La Défense, April 28, 2017

The Independent Third Party
ERNST & YOUNG et Associés

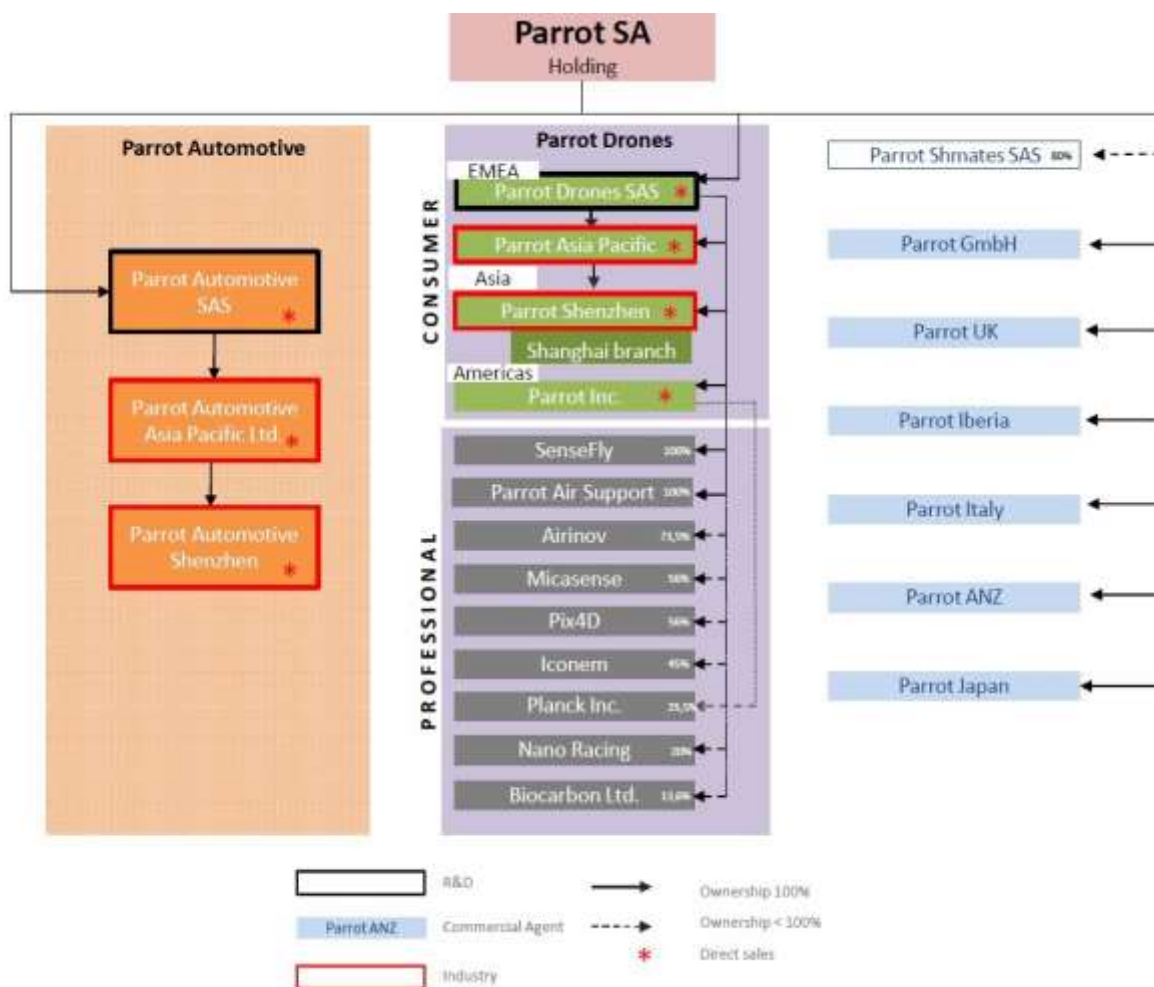
Eric Mugnier
Sustainable Development Partner

Bruno Perrin
Partner

VII. Structure

7.1. Simplified Group structure

- Structure of the Company's subsidiaries at December 31, 2016



At December 31, 2016, the Company at the head of the Group directly owned all of the following companies:

Consolidated subsidiaries	Country	Parent company	Parent company interest at Dec 31, 2016
Parrot GmbH	Germany	Parrot SA	100%
Parrot UK Ltd	UK	Parrot SA	100%
Parrot Iberia SL	Spain	Parrot SA	100%
Parrot Italia Srl	Italy	Parrot SA	100%
Parrot Anz Ltd Limited	Australia	Parrot SA	100%
Parrot Japan KK	Japan	Parrot SA	100%
Chez Parrot Sarl	France	Parrot SA	100%
Parrot Shmates SAS	France	Parrot SA	80%
Parrot Automotive SAS	France	Parrot SA	100%
Parrot Automotive Asia Pacific Ltd	Hong Kong	Parrot Automotive SAS	100%
Parrot Automotive Shenzhen	China	Parrot Automotive Asia Pacific Ltd	100%
Parrot Drones SAS	France	Parrot SA	100%
Parrot Asia Pacific Ltd	Hong Kong	Parrot Drones SAS	100%

Parrot Shenzhen	China	Parrot Asia Pacific Ltd / Parrot SA	100%
Parrot Air Support	France	Parrot Drones SAS	100%
Parrot Inc	USA	Parrot Drones SAS	100%
MicaSense Inc	USA	Parrot Drones SAS	56%
Airinov SAS	France	Parrot Drones SAS	73.5%
Airinov NL	Netherlands	Airinov SAS	100%
Airinov DK	Denmark	Airinov SAS	100%
senseFly SA	Switzerland	Parrot Drones SAS	100%
senseFly Inc	USA	senseFly SA	100%
Pix4D SA	Switzerland	Parrot Drones SAS	56%
Pix4D Inc	USA	Pix4D SA	100%

The following minority interests are consolidated on an equity basis at December 31, 2016:

- Iconem, French company (45% interest)
- EOS innovation, French company (49% interest).

7.2. Presentation of the Group's companies

In 2016, each subsidiary recorded the following amounts of corporate sales (including invoicing within the Group):

- Parrot, Inc.: 38.1 M€ in 2016, compared with 76.9 M€ in 2015
- Parrot Italia S.r.l.: 1.5 M€ in 2016, compared with 1.9 M€ in 2015
- Parrot GmbH: 2.9 M€ in 2016, compared with 3.8 M€ in 2015
- Parrot UK Ltd: 2.4 M€ in 2016, compared with 3.1 M€ in 2015
- Parrot Asia Pacific Ltd: 109 M€ in 2016, compared with 235.2 M€ in 2015
- Parrot Automotive Asia Pacific: 45.5 M€ in 2016, compared with 22.6 M€ in 2015
- Parrot Trading (Shenzhen) Ltd: 6.9 M€ in 2016, compared with 8.2 M€ in 2015
- Parrot Automotive Shenzhen: 2.2 M€ in 2016, compared with 0.7 M€ in 2015
- Parrot Iberia: 1.6 M€ in 2016, compared with 2.4 M€ in 2015
- Parrot S.A.: 15.7 M€ in 2016, compared with 12.9 M€ in 2015
- Parrot Automotive S.A.S.: 30.7 M€ in 2016, compared with 28 M€ in 2015
- Parrot Drones S.A.S.: 92.9 M€ in 2016, compared with 129.6 M€ in 2015
- Parrot Japan KK: 0.6 M€ in 2016, compared with 0.9 M€ in 2015
- Parrot ANZ Ltd: 2.4 M€ in 2016, compared with 1.8 M€ in 2015
- Chez Parrot S.A.R.L.: 1.0 M€ in 2016, compared with 1.3 M€ in 2015
- senseFly: 15.2 M€ in 2016, compared with 22.8 M€ in 2015
- senseFly Inc: 5.8 M€ in 2016
- Pix4D: 12.9 M€ in 2016, compared with 6.9 M€ in 2015
- Pix4D INC: 0.8 M€ in 2016, compared with 0.1 M€ in 2015
- Airinov: 2.6 M€ in 2016, compared with 0.8 M€ in 2015
- Airinov NL: 41 K€ in 2016
- MicaSense: 2.7 M€ in 2016, compared with 0.5 M€ in 2015
- Parrot Air Support: 29.1 K€ in 2016 (year created)

■ 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. 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, 2016, Parrot Automotive employed 179 people. At December 31, 2015, Parrot Automotive had 198 employees.

■ 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. 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, 2016, Parrot Drones employed 344 people (compared with 361 at December 31, 2015).

■ 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, 2016, Parrot, Inc. employed 43 people (compared with 35 at December 31, 2015).

■ 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 Giuseppe Revere 16, 20123 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, 2016, Parrot Italia S.r.l. employed 9 people (unchanged from December 31, 2015).

■ 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, 2016, Parrot UK Ltd employed 12 people (compared with 14 at December 31, 2015).

■ 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 Maximilianstasse 27, 80539 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, 2016, Parrot GmbH employed 14 people (compared with 13 at December 31, 2015).

■ 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 707-9, 7/F., Wharf T&T Centre, 7 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, 2016, Parrot Asia Pacific Ltd employed 95 people, with 75 in Shenzhen and 20 in Hong Kong (versus 88, with 70 in Shenzhen and 18 in Hong Kong at December 31, 2015).

■ 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 707-9, 7/F., Wharf T&T Centre, 7 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, 2016, Parrot Automotive Asia Pacific Ltd employed 4 people (unchanged from December 31, 2015).

■ 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, 2016, Parrot Automotive (Shenzhen) Ltd employed 11 people (compared with 15 at December 31, 2015).

■ 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 Tecnología) was the Company's exclusive distributor in Spain (mutually exclusive rights). Its registered office is located at Calle Ulises, 108, 1^ªA, 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, 2016, Parrot Iberia, S.L. employed 12 people (compared with 13 at December 31, 2015).

■ 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, 2016, Parrot Japan KK employed 3 people (compared with 5 at December 31, 2015).

■ 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, 2016, Parrot ANZ Ltd employed 5 people (compared with 3 at December 31, 2015).

■ 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, 2016, Chez Parrot employed 4 people (unchanged from December 31, 2015).

■ 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, 2016, Parrot Shmates employed 1 person.

■ 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.

At December 31, 2016, senseFly employed 112 people (compared with 77 at December 31, 2015).

■ 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.

At December 31, 2016, Pix4D employed 76 people (compared with 44 at December 31, 2015).

■ Airinov

Airinov is a French-law simplified joint-stock company (SAS) with a capital of 117,731.00 euros. It was incorporated in Paris on December 2, 2010. Its registered office is located at 159, boulevard Macdonald, 75019 Paris, France.

Airinov's corporate purpose covers the design, manufacturing, sale, maintenance and renting of unmanned aerial vehicles, as well as their associated or constituent systems, their accessories and payloads, services resulting from the acquisition or analysis of this data, and training.

At December 31, 2016, Airinov employed 40 people.

■ MicaSense

MicaSense Inc. is a Californian-law American company. It was incorporated in Washington on November 21, 2014. Its registered office is located at 1300 N Northlake Way, Suite 100, Seattle, WA 98103, USA.

MicaSense's corporate purpose covers the design and sale of agricultural sensors, as well as software making it possible to analyze and process data collected by these sensors.

At December 31, 2016, MicaSense employed 26 people.

■ Parrot Air Support (previously Parrot Invest 3)

Parrot Invest 3 is a French-law simplified joint-stock company (SAS) with a capital of 1,000.00 euros. Its registered office is located at 174-178, quai de Jemmapes, 75010 Paris, France. The company changed its corporate name on July 28, 2016 to Parrot Air Support S.A.S. The company carried out a capital increase based on 99,000 ordinary shares with a par value of 1 euro on November 14, 2016. At December 31, 2016, Parrot Air Support S.A.S. had a share capital of 100,000.00 euros.

Parrot Air Support's corporate purpose covers the development and sale of services for the collection and IT processing of technical data, taking of photos and images for the building, construction, real estate, mapping, property and personal surveillance sectors.

7.2.1. Majority investments

The subsidiary Pix4D, in which Parrot Drones held a 56% interest at December 31, 2016, is fully consolidated. Parrot has awarded Pix4D's minority shareholders options to sell their 34% minority interest in this subsidiary.

The subsidiary Airinov, in which Parrot Drones held a 73.5% interest at December 31, 2016, is fully consolidated. Parrot has awarded Airinov's minority shareholders options to sell their 26.5% minority interest in this subsidiary.

The subsidiary MicaSense, in which Parrot Drones held a 56% interest at December 31, 2016, is fully consolidated. Parrot has awarded MicaSense Inc.'s minority shareholders options to sell their 44% minority interest in this subsidiary.

7.2.2. Minority investments

On the date when this reference document was published, Parrot Drones held the following interests:

- 49% of the company EOS INNOVATION (compulsory liquidation proceedings underway since March 6, 2017);
- 45% of the company Iconem (investment carried out in 2015);
- 13.6% of the company BioCarbon Engineering Ltd (investment carried out in 2015);
- 37% of the company Planck Aerosystems (investment carried out in March 2016, through its subsidiary Parrot Inc.);
- 20% of the company Nano Racing (investment carried out in March 2016).

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 accordance with the accounting standard IFRS 5, the assets and liabilities held for sale, as well as the net income from operations held for sale, have been isolated in a separate section on the balance sheet and income statement respectively at December 31, 2016.

However, to facilitate comparisons with the previous year and the monitoring of the objectives announced for 2016, the following comments concerning the business and results have been prepared based on the financial position of the entire Group before the reclassification of operations held for sale in profit or loss.

The following table presents the reconciliation between the Group's consolidated accounts and the figures reviewed below before and after the application of IFRS 5.

€'000	2015	2016 before IFRS 5	IFRS 5 impact	2016
Revenues	326 273	233 197	66 751	166 446
EBIT	2 068	-130 344	6 205	-136 550
Net income (Group share)	462	-137 907	0	-137 907

For 2016, Parrot recorded revenues of 233.2 M€ (166.4 M€ after restatement for IFRS 5), down 28% from 2015. In 2016, the still emerging consumer drone market was affected by some sharp changes, which had a significant adverse impact on the Group's performances. Details are provided in 6.3 "Exceptional events in 2016".

9.1.1. Change in revenues

To reflect the changes in its legal and operational organization, Parrot has adopted a new reporting structure:

The **OEM Automotive business** includes revenues from Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM suppliers (previously monitored within the Key Account Automotive business);

The **Drone business** includes:

- Revenues from sales of Consumer Drones (Minidrones, AR.Drone, Bebop, Disco) to consumers through the Group's distribution networks and online;
- Revenues from sales of Commercial Drones (senseFly, Airinov and MicaSense) through specialized distribution networks, and revenues from software licensed for use with drones (Pix4D);
- Revenues from installed handsfree kits (Parrot CK and Parrot MKi range), Plug & Play solutions (Minikit range) and infotainment products (Parrot ASTEROID range) sold to consumers through the Group's distribution networks (previously monitored within the Retail Automotive business);
- The Connected Devices business includes revenues from the audio products (Parrot ZIK) and other connected devices (Flower Power, Pot) sold to consumers through the distribution networks and online.

■ Breakdown of revenues by business

€M and % of Group revenues	2015		2016		Change
Drones	183.4	56%	114.2	49%	-38%
Consumer	155.2	47%	83.6	36%	-46%
Commercial	28.3	9%	30.6	13%	8%
Connected devices	15.3	5%	12.5	5%	-18%
Audio	14.1	4%	10.4	4%	-26%
Other Connected Devices	1.2	1%	2.1	1%	75%
Automotive	125.4	38%	103.4	44%	-18%
Consumer	52.8	16%	35.3	15%	-33%
OEM	72.6	22%	68.1	29%	-6%
Other	2.1	1%	3.1	1%	49%
Group total	326.3	100%	233.2	100%	-29%

9.2. Change in consolidated earnings

All the comments below are proforma, i.e. before IFRS 5.

€'000	Dec 31, 2015	Dec 31, 2016 (pro forma)
Revenues	326 273	233 197
Cost of sales	-173 595	-169 162
Gross margin	152 678	64 035
Gross margin as % of revenues	46.8%	27.5%
Research and development costs	-57 679	-71 475
<i>% of revenues</i>	17.7%	30.7%
Sales and marketing costs	-59 344	-74 828
<i>% of revenues</i>	18.2%	32.1%
Overheads	-19 505	-23 259
<i>% of revenues</i>	6.0%	10.0%
Production & quality	-16 576	-19 395
<i>% of revenues</i>	5.1%	8.3%
Income from ordinary operations	-426	-124 922
<i>% of revenues</i>	-0.1%	-53.6%
Other operating income and expenses	2 494	-5 423
EBIT	2 068	-130 344
<i>% of revenues</i>	0.6%	-55.9%
Income from cash and cash equivalents	522	1
Gross finance costs	-448	-612
Net finance costs	74	-611
Other financial income and expenses	879	-294
Financial income / expense	953	-905
Share in income from associates	-1 158	62
Tax	-307	-10 185
Net income	1 557	-141 372
Group share	462	-137 907
<i>Net income (Group share) as % of revenues</i>	0.1%	-59.1%
Non-controlling interests	1 095	-3 466

9.2.1. Revenues

The consolidated accounts show 233,197 K€ in consolidated revenues, down 29% from the previous year (326,273 K€). The contraction in the Group's revenues primarily reflects the lower level of business recorded for the Consumer Drones and Products business (see 6.3 "Exceptional events in 2016").

9.2.2. Cost of sales and gross margin

The gross margin represents 27.5% of revenues, significantly lower than the previous year (46.1%). The contraction in the gross margin as a percentage of revenues is primarily attributable to the exceptional management of sales in 2016 and the more intense competitive landscape, particularly with the exceptional consumer product returns recorded during the first quarter of 2016 and the adapted pricing policy rolled out in line with this new competitive environment.

9.2.3. Operating expenditure

Current operating expenditure totaled 188,957 K€, up 23.4% year-on-year (153,104 K€), with a detailed breakdown of the changes presented below:

■ Research and development costs

In 2016, the Group's research and development costs came to 71,475 K€, representing 30.7% of revenues, compared with 57,679 K€ (17.7% of revenues) in 2015, up 13,796 K€ (+23.9%). This increase is primarily due to the higher headcount levels recorded for the Consumer Drone and Commercial Drone research teams.

■ Sales and marketing costs

In 2016, the Group's sales and marketing costs totaled 74,828 K€, representing 32.1% of revenues, compared with 59,344 K€ (18.2% of revenues) in 2015, up 15,484 K€ (+26.1%). This increase reflects the sales and marketing efforts made within the Consumer Drone business during the year, as well as the development of the Commercial Drone sales teams.

■ Production and quality

In 2016, the Group's production and quality costs came to 19,395 K€, representing 8.3% of revenues, compared with 16,576 K€ (5.1% of revenues) in 2015, up 2,819 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 2016, the Group's general and administration costs came to 23,259 K€, equivalent to 10.0% of revenues, compared with 19,505 K€ (6% of revenues) in 2015, representing an increase of 3,754 K€ (+19.2%). 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 (124,922) K€.

€'000	Drones	OEM Automotive	Dec 31, 2016
Revenues	166 446	66 751	233 197
<i>% of Group revenues</i>	<i>71%</i>	<i>29%</i>	<i>100%</i>
Income from ordinary operations	(131 191)	6 269	(124 922)

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 (905) K€ for 2016, compared with 953 K€ in 2015, linked primarily to foreign exchange effects, income from the portfolio of financial investments and interest on borrowings.

9.2.6. Earnings for the period

In 2016, net income (Group share) totaled 137,907 K€, representing 59.1% of revenues, compared with 462 K€ and 0.3% respectively in 2015.

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

A certain number of factors had a significant impact on the Group's earnings in 2016 and could do so in the future. For further information, refer to 4.2 "Risks relating to the Group's business sectors" and 6.3 "Exceptional events in 2016".

9.3. Change in Parrot S.A. earnings

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

- Net revenues came to 15,738 K€, compared with 12,894 K€ for the previous year.
- Operating income came to 18,906 K€, compared with 25,989 K€ the previous year.
- Operating expenses came to 23,886 K€, compared with 32,430 K€ the previous year.
- EBIT came to -4,980 K€, compared with -6,441 K€ the previous year.
- Financial income and expenses came to -70,651 K€, compared with 3,223 K€ in income the previous year.
- Non-recurring items show 774 K€ of income, compared with 119 K€ of income the previous year.
- A net accounting loss of -74,033 K€ was recorded in 2016, compared with a net accounting loss of -1,954 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 30,174,671 shares, an increase of 44,619 shares as a result of the stock options exercised by the Group's staff. At December 31, 2016, the Company had 344,009 K€ in shareholders' equity, down 73,482 K€ from the previous year (2015: 417,491 K€).

■ Debt

At December 31, 2016, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 41.2 M€ under one year (early repayment on February 20, 2017)
- Fair value of swaps: -0.81 M€

Medium-term financing

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

Trade payables

At December 31, 2016, the Company's aged creditors balance (excluding accrued expenses) shows a total of 649 K€, compared with 5,404 K€ in 2015.

Year	Balance	Future maturity	0 - 10 days	11 - 20 days	21 - 30 days	31 - 60 days	> 61 days
2015	5 404	4 442	596	78	59	97	132
2016	649	559	-1	71	-13	44	-9

9.4. Five-year financial summary

Breakdown (€, except I-b and IV-a)	2016	2015	2014	2013	2012
I. Capital at year-end					
a) Share capital	4 598 362	4 592 458	1 944 296	1 929 304	1 952 766
b) Number of existing ordinary shares	30 174 671	30 130 052	12 753 663	12 655 293	12 809 264
c) Number of priority dividend shares (without voting rights)	-	-	-	-	-
d) Maximum number of future shares to be created:					
- by converting bonds	-	-	-	-	-
- by exercising subscription rights	474 925	474 925	507 915	784 371	942 134
II. Operations and earnings for the year					
a) Revenues (net of tax)	15 737 681	12 893 727	124 703 069	109 639 970	129 378 455
b) Earnings before tax, employee profit- sharing, depreciation and provisions	5 919 550	-14 354 854	-3 977 466	-11 795 072	31 363 838
c) Corporate income tax	- 823 259	- 1 144 034	-4 158 584	-4 034 566	-6 913 729
d) Employee profit-sharing due for the year	-	-	-	-	-
e) Earnings after tax, employee profit- sharing, depreciation and provisions	-74 032 905	-1 954 319	3 426 803	-12 130 495	22 963 227
f) Distributed earnings	-	-	-	-	-
III. Earnings per share					
a) Earnings after tax and employee profit- sharing, but before depreciation and provisions	- 2.40	-0.51	-0.64	-0.61	2.99
b) Earnings after tax, employee profit- sharing, depreciation and provisions	- 2.45	-0.06	0.27	-0.96	1.79
c) Dividend per share	-	-	-	-	-
IV. Workforce					
a) Average headcount	59	481	615	589	542
b) Payroll	5 056 326	3 776 447	35 613 551	33 519 692	31 817 947
c) Amount of sums paid for employee benefits (social security, benefits, etc.)	1 197 439	2 214 117	16 963 440	16 131 645	19 289 107

(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.

9.5. Non-deductible expenses

NA.

X. Cash and capital

10.1. Parrot Group cash and capital

At December 31, 2016, the Group's cash position, including other financial assets, represented 228.0 M€, with 28 M€ of other current financial assets. Cash equivalents primarily comprise risk-free investments, such as interest-bearing current accounts and guaranteed term deposits with a maturity of less than three months.

Other current financial assets (with guaranteed capital) consist of progressive term accounts / deposits, with 15.0 M€ maturing in December 2017, 3.0 M€ in March 2018 and 10.0 M€ in December 2018. Net cash after liabilities came to 201.2 M€ at December 31, 2016.

■ Group consolidated cash flow

N.B. The comparative data for 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

€'000	Dec 31, 2016	Dec 31, 2015
Operating cash flow		
Net income from continued operations	(146 617)	1 557
Share in income from associates	(62)	1 158
Depreciation and amortization	27 522	19 154
Capital gains and losses on disposals	(10 843)	72
Capital gain linked to remeasurement of securities of companies previously recorded as long-term financial investments	-	(7 177)
Tax charges	8 144	307
Cost of share-based payments	5 557	4 058
Cost of net financial debt	604	(74)
Cash flow from operations before cost of net financial debt and tax	(115 695)	19 053
Change in working capital	18 323	(32 173)
Tax paid	(1 404)	(4 500)
CASH FROM OPERATING ACTIVITIES (A)	(98 776)	(17 619)
Investing cash flow	-	-
Acquisition of tangible and intangible assets	(13 345)	(13 348)
Acquisition of subsidiaries, net of cash acquired ⁽²⁾	(29 059)	(4 688)
Acquisition of financial assets	(3 232)	(3 253)
Disposal of tangible and intangible assets	9 891	34
Disposal of subsidiaries, net of cash divested	-	-
Disposal of long-term financial investments	3 502	109
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	(32 244)	(21 146)
Financing cash flow		
Equity contributions ⁽¹⁾	551	290 279
Dividends received	8 766	-
Receipts linked to new loans	25 343	17 808
Other financing	-	-
Cash invested for over 3 months *	130 000	(138 620)
Cost of net financial debt	(604)	74
Exchange hedging instruments	-	-
Repayment of short-term financial debt (net)	(3 322)	(10 984)
Repayment of other debt	-	-
Acquisition / Disposal of treasury stock	(5 757)	(274)
CASH FLOW FROM FINANCING ACTIVITIES (C)	154 977	158 283
NET CHANGE IN CASH FROM CONTINUED OPERATIONS (D = A+B+C)	24 457	119 519
Impact of change in exchange rates	712	3 286
CASH AND CASH EQUIVALENTS AT YEAR-START - CONTINUED OPERATIONS ⁽³⁾	174 874	70 338
CASH AND CASH EQUIVALENTS AT YEAR-END - CONTINUED OPERATIONS	200 043	193 143

*Detailed cash flow information is presented in 20.2.33 "Note 33 – Assets and liabilities held for sale and discontinued operations".

(1) The equity contributions in 2016 primarily reflect options exercised for 551 K€. See 20.2.21.1 "Share capital and issue premiums".

.../...

(2) Exercising of the cross put and call options and the incentive plan between Parrot Drones and the minority shareholders in senseFly, in addition to the acquisition of shares from a minority shareholder in Airinov. See 20.2.12 "Note 12 – Business combination".

€'000	Dec 31, 2016
Cost of senseFly securities paid out over the period, including stock option plan	(28 527)
Cost of Airinov securities paid out over the period	(562)
Other	30
Acquisition of subsidiaries, net of cash acquired	(29 059)

(3) The difference between cash and cash equivalents at year-end 2015 and the start of 2016 corresponds to the cash on this date concerning the scope for discontinued operations, i.e. 18.3 M€.

€'000	Dec 31, 2016
Cash at year-start - Activity held for sale	18 269
Change in cash - Activity held for sale*	(1 964)
Cash at year-end - Activity held for sale	16 305

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 (93.1) M€ in 2016, down 75.5 M€ compared with the previous year.

On February 20, 2017, Parrot S.A. made an early repayment covering all the outstanding sums due under the external growth credit agreement set up on July 24, 2015 for a total of 41.3 M€.

As a result, Parrot S.A. secured the release of the agreement pledging financial securities as collateral for 35.5 M€, signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth.

10.2.2. Cash from investments activities

Cash from investment activities came to 33.1 M€ in 2016, compared with 21.1 M€ in 2015. This change primarily reflects the operation to buy out senseFly's minority shareholders and the sale of Varioptic's business.

10.2.3. Net cash from financing activities

The Group's debts represented 43.2 M€, compared with 19.4 M€ at December 31, 2015: 41.1 M€ of borrowings and debt with credit institutions, and 1.2 M€ for the FELIN subsidy.

10.3. Borrowing conditions and financing structure

Since the start of 2016, 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 2016, 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, 2016, the Company had not used any of these financing lines.

10.3.1. Credit agreement

10.3.1.1. Information concerning the use of financial instruments

On February 20, 2017, Parrot S.A. made an early repayment covering all the outstanding sums due under the external growth credit agreement set up on July 24, 2015 for a total of 41.3 M€. As a result, Parrot S.A. secured the release of the agreement pledging financial securities as collateral for 35.5 M€, signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth.

On the date of this reference document, the Parrot Group does not have any significant rate risk exposure..

10.3.1.2. Use of credit agreements in 2016

At December 31, 2016, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 41,202 K€ due in under one year;
- Swap fair value: -814 K€;
- Short-term credit lines: NA (debt repaid in Q1 2017).

10.4. Contractual obligations

Please see chapter XXII "Significant contracts" in this reference document 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 in 2012 and 2013, 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 (Parrot Drones SAS, entity covering R&D for Consumer Drone products)
- Commercial Drones (senseFly, Pix4D)
- Retail Automotive (Parrot Drones SAS)
- OEM Automotive (Parrot Automotive SAS, presented as held for sale)
- Connected Devices (Parrot Drones SAS)

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	Group	Drones	Automotive	Connected Devices	Other
2016 revenues in €M	233.2	114.2	103.4	12.5	3.1
% of R&D spending in 2016	31%	43%	17%	30%	35%
2015 revenues in €M	326.3	183.4	125.4	15.4	2.1
% of R&D spending in 2015	18%	16%	17%	31%	97%

11.2. Group technologies

11.2.1. Longstanding 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. Strong automatic and control expertise

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. Specific technological choices for 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. Ramping up 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. New uses for 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.

11.2.6. Particular focus on 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. Furthermore, the mechanical unit works 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. Strong electronics expertise

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 at the heart of the Group's expertise

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:

11.2.8.1. 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.

11.2.8.2. 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.

11.2.8.3. 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.

11.2.8.4. 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.

11.2.8.5. 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 and mobile radio and television for the automotive industry

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 Company holds word and figurative marks for "Parrot" and its logo and/or has filed requests for registration in most countries in which the Group distributes its products.

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 100 patent requests in France, and most of them 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, electronic and mechanical equipment. Since 2010, large numbers of patents have been filed for drones, particularly computer vision, transmission, piloting and control processes.

In 2016, the Group filed 40 new patent requests and a dozen additional patents are in progress, primarily for commercial and consumer drones.

11.3.2. Models

The Group has registered several models with a view to protecting the appearance of its new products, including the Parrot Bebop 2, Parrot Disco, Parrot Swing, Parrot Mambo, Parrot Pot and certain accessories (Parrot Cockpitglasses, Parrot Skycontroller 2). These models have been registered in the European Union and have sometimes been extended to cover the US, China and Japan in particular.

11.3.3. Brands

The Group has registered several brands, including the Parrot Disco, Parrot Mambo, Parrot Swing, Parrot Skycontroller and Parrot Pot brands. These requests have been registered in the European Union and extended to cover other countries, including 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**

Following a year marked by sudden changes on the consumer drone market in 2016, affecting stocks, sales and sales prices, Parrot has adapted its strategy for consumer drones, reduced its stock levels and rolled out its processes for monitoring retailers' sales to end customers (see 6.3 "Exceptional events in 2016").

In 2017, to date, Parrot has not identified any new trends affecting its production, its sales and its stocks, its costs and its sales prices, but it is continuing to monitor changes in the competitive environment very closely.

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**

The civil drone market is still young, characterized by strong potential for growth and innovation, a regulatory environment that is still evolving and gradual growth in the popularity of drone use with consumers and professionals, with a rate of development that is difficult to forecast.

The changes and developments seen in 2016 have contributed significantly to transforming the competitive environment, with operators weakened by a contraction in their margins (see 6.1.2.1 "Consumer drone market"), which Parrot is working to offset, while maintaining its capacity for investment in commercial drones.

Considering its current maturity and its potential for development, the civil drone market is marked by a certain instability, which represents a source of both risks and opportunities for Parrot. Readers are invited to refer to the risk factors presented in this reference document and particularly:

4.1.6 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.

4.1.13 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.

4.2.5 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.

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

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

4.2.9 The Group may face faults in its products that are difficult to forecast.

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

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

XIII. Financial outlook

13.1. Outlook for 2017

To date, and in connection with the announcement of its full-year earnings for 2016, published on March 1, 2017, Parrot has indicated the following:

Parrot is targeting global revenue growth and a significant improvement in profitability, before taking into consideration the potential capital gain with the revaluation of Parrot Automotive SAS in the Group's accounts.

Consumer Drones will be able to resume their growth in 2017, capitalizing on the current range and its upcoming developments, as well as a further acceleration for direct online sales, the conquering of new customer segments and geographical markets, and the improvement in marketing efficiency, building on the lessons learned from the 2016 campaigns. Consumer Drone growth will be particularly strong in the first half of the year, offsetting the negative growth over the year for Connected Devices and Retail Automotive products (car kits and plug & play), two activities that are now marginal. These two product lines will be managed focusing in priority on the margins achieved.

The Group expects growth to accelerate for Commercial Drones, thanks in particular to a new development phase for equipment. This is based on an order book with positive trends for next-generation drones and continued progress with sales of software and services, driven by market growth and the wider range of solutions introduced by the Group. Parrot will continue moving forward with its strategy to acquire interests in firms and establish technological and commercial partnerships, while ramping up its own resources to support its technological lead and commercial expansion.

Growth in the Commercial Drone business, the changes in the range of Consumer Drones to ensure effective control over margins, and the industrial optimizations rolled out in 2016 are expected to pave the way for a strong improvement in the gross margin.

The new organization, the drive for operational efficiency, strict control over costs and improvements in the product mix will also lead to a significant reduction in the main sources of operational losses. Following the reorganization, the Group's operational cost base is expected to be reduced by nearly 30% compared with 2016. At this stage in the year, the speed of execution is still an important factor in terms of the annual net savings that will be able to be achieved.

The Group expects to see a very significant reduction in its cash requirements, despite its payment for the remaining Pix4D shares, scheduled for the second quarter, and the financing of its transition in 2017.

Globally, the growth achieved and the turnaround in the gross margin, combined with cost reductions, will make it possible to significantly reduce operating losses and net losses, before factoring in the potential capital gain with the revaluation of Parrot Automotive SAS in the Group's accounts.

Parrot is becoming a pure player for consumer and commercial civil drones, and confirming its business development plan, which is targeting a return to profitability by 2018. Driven by an outstanding range of solutions covering consumer and commercial drones, sensors, software and services, and with a reconfigured organization, solid financial resources, industry-leading technological expertise and a repositioning of its research to support a new breakthrough phase, Parrot is confirming its plans to continue to be one of the leaders in the rapidly expanding civil drone market.

13.2. Additional information

The reader can also refer to the 2016 earnings presentation including the 2017 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 16.4.1 “Details and application of recommendations from the MiddleNext Governance Code (September 2016 version)”.

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 (until June 16, 2016)
- Mr Olivier Legrain, Independent Director
- Mr Geoffroy Roux de Bézieux, Independent Director
- Mr Jean-Yves Helmer, Director
- Mr Stéphane Marie, Independent Director
- Mrs Natalie Rastoin, Independent Director
- Mrs Marie Ekeland, Independent Director
- BPIFRANCE PARTICIPATIONS S.A., Director (from June 16, 2016)

The term of office of Mr Edward Planchon expired during the General Meeting held in 2016 to approve the financial statements for the year ended December 31, 2015. His term of office was not renewed.

The company BPIFRANCE Participations S.A., a director, has appointed Mr Paul-François Fournier as its permanent representative.

Mr Olivier Legrain, Mr Geoffroy Roux de Bézieux, Mr Stéphane Marie, 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 2016, the Board met four times to review the quarterly, half-year and annual financial statements.

It also held a further two sessions, on June 16, 2016 and September 23, 2016, particularly to review various restructuring operations.

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 2016, 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. Within this framework, it will be proposing the appointment of two new female directors at the General Meeting on June 21, 2017:

Anne Samak de la Cerda

After graduating from ESCP-EAP, Anne Samak de la Cerda began her career with PricewaterhouseCoopers in London, where she spent three years. She then held several positions within the Vivendi Universal group. With over 10 years' experience in strategy, business planning and mergers-acquisitions in the new technology and media sectors, Anne Samak de la Cerda joined LeGuide.com S.A. as Chief Financial Officer, a position created after the company floated on the stock market in July 2006. In September 2013, Anne Samak de la Cerda joined the teams at Withings as Chief Financial Officer. When Withings became part of the Nokia group in 2016, Anne was appointed Director of Finance for all of Nokia Technologies' Digital Health activities, based in San Francisco.

Agnès Bureau-Mirat

An IEP Paris graduate, with a masters in human resources management from Université Paris IX Dauphine, Agnès Bureau-Mirat began her career in 1986 as an Internal Communications and Human Resources Development Manager for La Samaritaine. In 1990, she joined the Ciments Français-Italcementi group, where she held various international human resources management positions, in Paris and Bergamo. In 1999, she moved to the Vivendi Universal group as Director of HR Development for VU Publishing, before being appointed VP Human Resources for VU Santé. From 2003, she served as VP Human Resources for the Valeo group's aftermarket activities. In 2006, she became the Arjowiggins group's SVP Human Resources and a member of its executive committee. She joined Elixor in 2009 as SVP Human Resources and CSR, as well as a member of the group's executive committee. She also sat on the board of Grupo Areas in Barcelona from 2011 to 2015, a market leader for concession catering and stores serving airports, stations and highways in Spain and the US. Since 2017, she has been a Senior Business Advisor with the Paris-based consultancy X-PM, specialized in transition management and part of the international Wil Group network. As a company director, Agnès Bureau-Mirat has been a chartered member of the French Institute of Directors in Paris and the Institute of Directors in London since 2016.

14.1.1. Offices held by directors and executives in 2016

Director's first name, surname, age and professional address	Office and term	Other offices	Company name
Henri Seydoux 56 174-178 quai de Jemmapes 75010 Paris, France	Chairman of Board of Directors and Chief Executive Officer	Chairman and CEO	Horizon S.A.S.
		Director (until Sep 2016)	Trimaran
		Director	Schlumberger NV
	Term of office: six years from June 2015	Director (until Sep 2016)	Christian Louboutin
		Director (until Sep 2016)	Seychemanlou
		Director	Sigfox
	Date first appointed: Jan 31, 1994	Chairman and Director	Parrot, Inc
		Chairman and Director	Parrot UK Ltd
		Chairman and Director	Parrot Asia Pacific Ltd
		Chairman and Director	Parrot Iberia, S.L.
		Chairman and Director	Parrot Italia S.r.l.
		Chairman and Director	senseFly S.A.
		Chairman	Parrot Automotive S.A.S.
		Chairman	Parrot Drones S.A.S.
		Chairman	Parrot Shmates S.A.S.
		Chairman	Parrot ANZ Ltd
		Chairman	Parrot Air Support S.A.S.
Manager	Parrot GmbH		
Manager	Chez Parrot S.A.R.L.		
Manager	Parrot Invest 4 S.A.R.L.		
Manager	Parrot Invest 5 S.A.R.L.		
Manager	Parrot Japan K.K.		
Director	Pix4D		
Director			
Director			
Director			
		Director	Airinov S.A.S.
		Director	Parrot Automotive Asia Pacific
Jean-Marie Painvin 65 201 West 17th St PHE New York, NY 10011, USA	Director	Founder and CEO	JMC Investment
		Director	Neufize Monde Selection
	Term of office: six years from June 2015	Director	Golf du Médoc
		Director	JTI
		Director	Ode à la Rose
	Date first appointed: Jan 31, 1994	Director	Keosys
		Director	SiO2
		Director	IH Hospitality
		Director	

Director's first name, surname, age and professional address	Office and term	Other offices	Company name
Edward K. Planchon 83 38 rue de Berri 75008 Paris, France	Director Term of office: six years from June 2010 Term of office expired on June 16, 2016 Date first appointed: May 4, 2004	Director Director Director, Vice-Chairm, Secr. Director Director Chairman & CEO	Electricfil Corp (USA) Vignal Lighting Group S.A. Parrot, Inc., senseFly Inc. Parrot UK Ltd Parrot Iberia, S.L. EKP Consult LLC
Jean-Yves Helmer 71 121 boulevard Haussmann 75008 Paris, France	Director Term of office: six years from June 2013 Date first appointed: Jun 4, 2007		
Olivier Legrain 64 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 54 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 53 RSM Paris 26 rue Cambacérès 75008 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 57 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 41	Director Term of office: six years from June 2014 Date first appointed: Jun 11, 2014	Director Director	Criteo Showroomprivé (SRP Group) Daphni Bibicheri

BPIFRANCE PARTICIPATIONS S.A.	Director Term of office: six years from June 2016	Director Chairman of Supervisory Board	Sigfox Cornovum
Permanent representative: Paul-François Fournier	Date first appointed: Jun 16, 2016		

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 Traylor 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-Poclair 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 Vignal Group.

Mr Edward Planchon's term of office expired during the General Meeting on June 16, 2016 and was not renewed.

■ 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 Mines 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, Numéricâble 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.

■ 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 Citroën 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 Citroën, 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 Paris. 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 globalization issues for global brands (Cisco, Yahoo!, IBM, AOL, Google), as well as startups, particularly in collaboration with NUMA, which she advises. She is also a director of Pégase (Carel, Carvil 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.

■ Bpifrance Participations S.A. (permanent representative: Paul-François Fournier)

On June 16, 2016, Paul-François Fournier was appointed as the permanent representative of BPIFRANCE PARTICIPATIONS S.A., a Company director. 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. He has promoted more regional and decentralized organization methods, illustrated by the creation of the Technocentres in Amman and Abidjan. Since April 2013, Paul-François Fournier has been Executive Director of Bpifrance's Innovation Division.

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 offices held in any company over the past five years and not held on the filing date of this reference document
Henri Seydoux, Chairman of the Board of Directors and Chief Executive Officer	Director of Mobinear (until 2014) Director of Trimaran (until Sep 2016) Director of Christian Louboutin (until Sep 2016) Director of Seychelmanlou (until Sep 2016)
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. Member of the Supervisory Board of Electricfil S.A. Member of the Supervisory Board of SolSaCon AG
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 Feb 2015)
Geoffroy Roux de Bézieux	Chief Operating Officer of Carphone Warehouse Director of Budget Telecom Director of Micromania Director of Sporever Director of Nocibé Director of IMS
Jean-Yves Helmer	Managing Partner at Lazard Frères (until Apr 2013)
Stéphane Marie	NA
Natalie Rastoin	NA
Marie Ekeland	Partner at Elaia Partners (until 2014)
Paul François Fournier	Director of Soft@Home Director of Dailymotion

- 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 has adhered to since 2012.

The MiddleNext Code was revised in September 2016. As the bylaws governing the Board of Directors were only amended in February 2017, the Board has assessed each director's situation based on the conditions applicable at the start of 2016.

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 "close 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.

On October 26, 2016, the directors were invited to complete an individual questionnaire concerning their independence, based on the criteria defined by the MiddleNext Code. The Board then reviewed each director's situation during its meeting on November 10, 2016. Following this review, five directors meet the conditions required to be classed as Independent Directors in accordance with the bylaws: Mr Olivier Legrain, Mr Geoffroy Roux de Bézieux, Mr Stéphane Marie, Mrs Natalie Rastoin and Mrs Marie Ekeland.

XV. Compensation and benefits

The following information incorporates the elements from the "report on executive pay and benefits" prepared in accordance with Article L.225-37-2 of the French commercial code, which, supplemented with the information available in 16.3.1 "Appointments and Compensation Committee", is being presented for the General Meeting on June 21, 2017.

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 Board of Directors determines the compensation for the Company's executive officers in accordance with the guidelines set by the MiddleNext Governance Code¹⁰:

- Exhaustive: items of compensation for executive officers are determined on an exhaustive basis, taking into account the fixed component, the variable component (bonus), potential items of medium-term compensation (stock options, bonus shares), attendance fees, retirement conditions and specific benefits;
- Balanced: a good balance is ensured between the various items of compensation for executive officers. Each item of compensation must be justified and aligned with the Company's general interests;
- Benchmarked: the positioning of compensation for the Company's executive officers and Management Committee members is regularly reviewed in relation to companies operating on a comparable market, based on research by specialist external consultancies;
- Consistent: compensation for executive officers is determined in line with that of the Company's other managers and employees;
- Clear guidelines: performance criteria are determined based on performance objectives that are demanding, explainable and, where possible, sustainable;
- Transparent: the annual information for shareholders concerning all the compensation and benefits received by executives is provided in accordance with the regulations applicable.

15.1.2. Criteria for determining, distributing and awarding fixed, variable and exceptional elements for corporate officers

■ Short-term compensation

Short-term compensation (annual basis) comprises a fixed component and a variable component.

Fixed compensation is determined primarily based on the following criteria:

- Type of office and level of responsibility;
- Executive's interest in the Company's capital;
- General experience;
- Experience in executive positions;
- Experience in the business sector concerned;
- Market practices in France and other countries.

The variable compensation components must be sources of motivation, aiming to reflect the core aspects of Parrot's strategy and ensure alignment with the rapid changes on the markets covered by Parrot. When objectives are achieved, they represent a significant portion of the overall compensation package.

■ Medium and long-term compensation

Bonus shares and stock options may be awarded to eligible executive officers individually or collectively based on the objectives set in connection with the long-term incentive plan, as applicable.

More specifically, this type of compensation aims to motivate and reward the loyalty of the Company's key players.

¹⁰ The MiddleNext corporate governance code for small and mid caps is available on the MiddleNext site (www.middlenext.com).

■ Exceptional compensation

Exceptional compensation may be awarded when required by specific circumstances.

■ Performance criteria

Variable compensation is paid annually and includes a scale combining various criteria in line with the budget strategy for the year, such as the level of revenues achieved in relation to the budget, the gross margin, certain types of expenditure or the change in the Group's cash position.

These criteria are weighted to effectively reflect the strategy and ambitions set for a given year.

■ Objectives

The objectives set for executive officers may be quantitative for a significant portion, but may also be qualitative; in the latter case, they must be simple and understandable (e.g. completion of a specific operation).

15.1.3. Executive officer compensation

Mr Henri Seydoux was reappointed as Chairman of the Board of Directors and Chief Executive Officer on June 30, 2015. To date, he is the Company's only executive corporate officer.

The items of compensation for Mr Henri Seydoux, as approved by the Board of Directors during its meeting on February 28, 2017, after consulting with the Appointments and Compensation Committee which met on the same day, are detailed below.

Note that the payment of items of variable and exceptional compensation is dependent on the Ordinary General Meeting in 2018 approving the items of compensation for the person concerned in accordance with Article L. 225-100.

In his capacity as a member of the Board of Directors:

- Attendance fees (per year): **25,000 €**

In his capacity as an executive corporate officer:

- Fixed annual compensation: **240,000 €**
- Target variable annual compensation: **320,000 €**. For 2017, variable compensation will be determined based on a progressive scale combining a criteria for achieving revenues (25% weighting) and a financial performance criteria (75% weighting)
- Multi-year variable compensation: **NA**
- Exceptional compensation: **NA**
- Long-term variable compensation (including stock options and bonus shares): **NA**
- Compensation, allowances or benefits due or likely to be due for commencing duties: **NA**
- Severance benefits or benefits for changing positions (severance pay, non-compete benefits, supplementary pension) covered by the Company itself or one of its controlled or controlling companies: **NA**
- Collective retirement and pension plans: **Yes**
- Compensation for other offices held within the Group: **NA**
- Benefits in kind: **NA**

■ 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	2015	2016
Compensation due for the year (detailed in Table 2)	550 000	560 000
Value of options awarded during the year (detailed in Table 4)	NA	NA
Value of options awarded during the year (detailed in Table 6)	NA	NA
Total	550 000	560 000

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

Executive Officer, in euros	2015	2015	2016	2016
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	230 000	230 000	230240 000	230240 000
Variable compensation	320 000	* 233 715	320 000	192 640
Exceptional compensation	NA	NA	NA	NA
Attendance fees	25 000	25 000	25 000	25 000
Benefits in kind	NA	NA	NA	NA
Total	575 000	488 715	575585 000	447457 640

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

For 2016, variable compensation was determined with a target of 100% based on a progressive scale combining (i) a criteria for achieving revenues (25% weighting), (ii) an enterprise value criteria (25% weighting), and (iii) a Group performance criteria (50% weighting).

- 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 all expired in 2011 and were not exercised
- In connection with its 298,779,726 euro capital increase in December 2015, Parrot notably issued 17,575,278 Class 1 warrants and 17,575,278 Class 2 warrants (see 15.4.2 below "Securities entitling holders to access the capital").

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

Name	Office	Compensation and benefits in 2016
Jean-Marie Painvin	Company director	Attendance fees: 25 K€ Benefits in kind: NA Reimbursement of costs: NA
Edward Planchon	Company director (until June 16, 2016) and Chairman of the Audit Committee (until June 16, 2016)	Attendance fees: 12.5 K€ for participating in the Board 7.5 K€ for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: (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€

	and Chairman of the Audit Committee (since June 16, 2016)	7.5 K€ for chairing a specialized committee 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 K€ Benefits in kind: NA Reimbursement of costs: NA
Bpifrance holding	Company director	Attendance fees: 12.5 K€

It is also important to note that during 2016 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	Number of shares held at Feb 29, 2016	% of capital and voting rights	Number of shares on a diluted basis	% of capital and voting rights
<i>Number of Parrot SA shares taken into account for the calculation</i>	30 174 671		33 952 649	
Henri Seydoux (1) through the company Horizon (1)	10 593 751	35.11%	13 191 454	38.85%
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) Horizon has made a commitment to sell the Managers up to 20% of the Class 1 and Class 2 warrants that it holds. .

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

In 2016, 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.

During the liquidity period for the warrants, from December 16, 2015 to January 4, 2016 (inclusive), 2,287,036 Class 1 and 2,287,036 Class 2 warrants were sold to Horizon (see press release from January 6, 2016 "Results of the liquidity period on the warrants" at <https://corporate.parrot.com/fr/documentation/bsa1bsa2>).

15.4.2. Securities entitling holders to access the capital

Officer	Class 1 warrants	Equivalent shares	Class 2 warrants	Equivalent shares
Henri Seydoux through the company Horizon ⁽¹⁾	13 637 943	1 136 495	13 637 943	1 461 208
Bpifrance Participations	798 964	66 580	798 964	85 603
Jean Marie Painvin	0		0	
Edward Planchon	0		0	
Geoffroy Roux de Bézieux	0		0	
Olivier Legrain	0		0	
Jean-Yves Helmer	5 040	420	5 040	540
Stéphane Marie	0		0	
Natalie Rastoin	3 122	260	3 122	335
Marie Ekeland	0		0	

(1) Horizon has made a commitment to sell the Managers up to 20% of the Class 1 and Class 2 warrants that it holds.

15.4.2.1. Information concerning the Class 1 and Class 2 warrants issued for the capital increase in December 2015

The warrants will be non-transferrable and therefore non-tradable until December 15, 2020 inclusive, subject to certain exceptions indicated in the Prospectus for the capital increase (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 following the publication by the Company of a reference value for the Class 1 warrants and Class 2 warrants within 10 calendar days of the Company's publication of its press release relating to its annual or half-year financial results, as the case may be. Such sales may occur, under certain conditions, within 60 calendar days following the publication of these reference values, and in any event no later than December 15, 2020 (the warrants become transferable and exercisable from December 16, 2020).

From December 16, 2020 to December 15, 2022 (inclusive):

- Holders of the warrants will be entitled to receive new Company shares by exercising their warrants; 24 Class 1 warrants carry the right to subscribe for two new shares, at a unit price of 32.66 euros, and 28 Class 2 warrants carry the right to subscribe for three new shares at a price of 42.34 euros; 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 existing 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 exercising of the warrants (which represent a total potential dilution of 11.1% of the capital following the capital increase) will be ordinary shares of the same class as the Company's existing shares. They will carry the same rights, including, with effect from their issue, to all distributions decided by the Company 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 Company's existing shares and under the same ISIN code FR0004038263.

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 16.4.1 "Details and application of recommendations from the MiddleNext Governance Code (September 2016 version)".

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 2016, 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 2,117 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 three permanent committees:

- The Audit Committee
- The Appointments and Compensation Committee
- The Strategic Committee (converted to a permanent committee during the Board meeting on November 10, 2016)

For biographical information on the members of these committees, please refer to Section 14.1.2. "Director biographies" in the present reference document.

16.3.1. Appointments and Compensation Committee

The executive pay policy is determined by the Board of Directors and reviewed each year by the Appointments and Compensation Committee ("the Committee").

The Committee is one of the three permanent committees within the Board of Directors. It provides proposals, recommendations or opinions for the Board of Directors in its area of expertise and in accordance with the missions assigned by law to the general management team and the Board.

The Committee's missions include:

- Submitting proposals to the Board concerning all the components of compensation packages for the Chief Executive Officer and, if applicable, any Deputy Chief Executive Officers;
- In accordance with the principle of good governance, giving an opinion on the composition of and changes to the Company's Management Committee, in addition to the setting of and changes to all the components of compensation packages for its members other than executive officers.

In 2016, the Committee had the following members:

- Mr Geoffroy Roux de Bézieux (independent director)
- Mr Olivier Legrain (independent director)
- Mr Jean-Yves Helmer (director)
- Mr Henri Seydoux (director, Chairman of the Board and Chief Executive Officer).

The Committee is chaired by Mr Roux de Bézieux.

The Chairman of the Board does not participate in or attend sessions when the Committee deliberates his compensation package.

16.3.2. Audit Committee

The Audit Committee is chaired by Mr Stéphane Marie (appointed at the Board meeting on May 12, 2016). Mrs Marie Ekeland 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.

16.3.3. Strategic Committee

Considering the rapidly evolving markets and competitive landscape in which the Company operates, and its need to effectively anticipate and adapt for its markets and their changes, the Board wanted to reactivate the Strategic Committee, which it had decided to set up during its meeting on June 16, 2014, by making it a permanent committee, in the same way as the Audit Committee and the Appointments and Compensation Committee.

The Strategic Committee is chaired by Mr Paul-François Fournier. Mrs Marie Ekeland, Mr Stéphane Marie and Mr Henri Seydoux are also members of the Strategic Committee.

16.4. Corporate governance

The Company refers to the recommendations from the MiddleNext governance code. The MiddleNext corporate governance code for small and mid-caps is available on the MiddleNext site (www.middlenext.com).

The code was revised in September 2016. To comply with the new provisions, the Board's bylaws were amended at the start of 2017.

16.4.1. Details and application of recommendations from the MiddleNext Governance Code (September 2016 version)

Recommendation 1: Directors' ethics

(Summarized outline of the recommendation) Each director should observe ethical guidelines (see MiddleNext Code) and, when they have an "executive" office, they should not accept more than two other appointments as directors in listed companies, even when they are located in countries other than France, that are outside of their group.

The Company is compliant with this recommendation.

Recommendation 2: Conflicts of interests

(Summarized outline of the recommendation) The Board of Directors should ensure that all necessary procedures are in place to identify and manage conflicts of interests.

The Company is compliant with this recommendation.

Recommendation 3: Presence of independent members

(Summarized outline of the recommendation) The Board should have at least two independent directors.

The Company is compliant with this recommendation.

Recommendation 4: Board member information

(Summarized outline of the recommendation) The company should provide the directors, within a sufficient timeframe, with all necessary information between Board meetings when justified by the Company's latest developments and events.

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 5: Organization of Board and Committee meetings

(Summarized outline of the recommendation) The frequency and duration of meetings should allow in-depth examination of the themes that are addressed. A minimum of four Board meetings per year is recommended. Minutes are drawn up of each Board meeting summarizing the discussions.

The Company is compliant with this recommendation.

Recommendation 6: Creation of committees

(Summarized outline of the recommendation) Each Board should decide, depending on its size, its requirements and its latest developments and events, to organize itself with or without specialized ad hoc committees (compensation, appointments, strategic, CSR, etc.). It is important that some of these specialized committees, particularly the audit committee, should be chaired by independent directors.

The Company is compliant with this recommendation.

Recommendation 7: Introduction of Board rules of procedure

(Summarized outline of the recommendation) Rules of procedure should be defined for the Board with the following eight sections as a minimum: Board's role and, if applicable, operations subject to prior authorization from the Board; composition of the Board / criteria for the independence of its members; definition of the roles of any specialized committees set up; duties of members; functioning of the Board and committees; conditions for protecting executives: executive liability insurance; rules for determining compensation for directors; succession planning for the executive manager and key people.

The Company is compliant with this recommendation.

Recommendation 8: Selection of each director

(Summarized outline of the recommendation) Sufficient information concerning the biography, particularly the list of offices, experience and skills provided by each director, should be published online on the company's website prior to the general meeting ruling on their appointment or the renewal of their terms of office.

The Company is compliant with this recommendation.

Recommendation 9: Directors' term of office

(Summarized outline of the recommendation) The Board should ensure that the statutory term of office is adapted to the specific features of the company, within the limits set by the law. The renewal of directors' terms of office should also be staggered. The duration of offices should be clearly indicated in the chairman's report.

The Company is compliant with this recommendation.

Recommendation 10: Directors' compensation

(Summarized outline of the recommendation) A minimum level of attendance fees should be awarded, particularly to independent directors. The breakdown of attendance fees is determined by the Board and notably takes into account the actual level of attendance by directors and the time they devote to their role, including their potential participation in committees.

The Company is compliant with this recommendation.

Recommendation 11: Introduction of Board evaluation

(Summarized outline of the recommendation) Once a year, the chairman of the Board should call upon the directors to express themselves on the working of the Board, any committees and the preparation of its work. These discussions are recorded in the minutes of the session. In his report, the chairman confirms that this procedure has effectively taken place.

This evaluation is carried out informally on a regular basis.

Recommendation 12: Relations with shareholders

Outside of the general meeting, opportunities for exchanges with significant shareholders should be organized to establish the conditions needed for productive dialogue. Prior to the general meeting, the executive manager should endeavor to meet with any significant shareholders that would like to do so.

16.5. The Company is compliant with this recommendation. 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.

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 are 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:

- Head of Accounting, Cash and Credit Management for the procedures concerning customers, back margin controls, the procedure for travel, mission and entertainment costs, as well as the procedures for allocating banking authorities, interest rate and exchange rate hedging;
- Head of Management Control for procedures concerning inventory management, supplier commitments, R&D spending and the pricing model, as well as activities that have been acquired to ensure the escalation of financial information and consistency with the Group reporting format;
- Heads of Administration and Finance to cover the main operational activities (particularly for the commercial drone subsidiaries);
- Head of Tax Management and European Subsidiaries.

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 Head of Management Control, who reports to the Chief Administrative and Financial Officer.

The Consolidation function 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.

The function relating to tax risks is overseen by the Chief Administrative and Financial Officer.

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 Egho
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, May 5, 2017

The statutory auditors

KPMG Audit IS
Eric Lefebvre
Partner

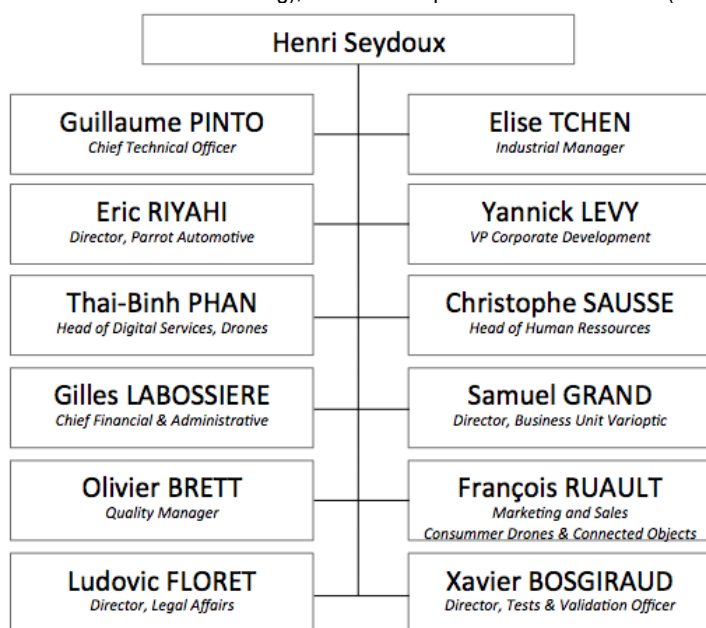
ERNST & YOUNG et Autres
Pierre Jouanne
Partner

XVII. Employees

17.1. Human resources

17.1.1. Structure of the group in 2016

At end-2016, the main executives reporting to the Chairman and CEO were as follows: Xavier Bosgiraud (Testing & Validation) Olivier Brett (Quality), Ludovic Floret (Legal), Samuel Grand (Varioptic BU), Gilles Labossière (Finance), Yannick Levy (Drone Business Development), Thai-Binh Phan (Drone Digital Services), Guillaume Pinto (Drone R&D), Eric Riyahi (OEM Automotive), Chris Roberts (Sales & Marketing), Christophe Sausse (HR) and Elise Tchen (Industrialization).



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.

The organization is likely to evolve in line with the reorganization of Parrot SA and Parrot Drones SAS announced on January 9, 2017 (see 6.3.2.1.1 "Reorganization and redeployment"). Furthermore, Yannick Lévy, Parrot's Chief Development Officer and former co-founder of DiBcom, part of the Parrot Group since 2011, passed away in an accident on December 31, 2016. His succession will also be covered as part of the reorganization that is underway.

17.1.2. Workforce

At December 31, 2016, the Group employed 1,048 people (permanent contracts and fixed-term contracts).

The majority of the Group's employees (58%) are based in France. With the exception of the commercial drone subsidiaries in Switzerland (senseFly and Pix4D, with 174 employees) and the subsidiary monitoring production with suppliers in Asia (119 employees), the subsidiaries are primarily sales centers covering the regional distribution networks.

■ Additional information

Further information concerning the workforce is available in 6.5.4.1 "Human resources data: employment" and 20.4.3.7.4 "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 14.1.2 "Director biographies".

■ 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 Supélec 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.

■ Chris Roberts

Chris Roberts was Sales and Marketing Director for Parrot UK in 2006 before being appointed Country Manager in 2007, with responsibility for developing the market in the UK, then sales in Australia / New Zealand from 2009. Mid-2016, he was appointed Chief Sales & Marketing Officer for the Group. Chris has an MBA from the University of Adelaide (Australia). In 1992, he founded his own company ICE UK, in London, specialized in selling mobile electronics. In 1996, he moved to Australia, where he spent several years developing new markets in the telecoms sector.

- 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.

Christophe Sausse left Parrot at the end of 2016 and has been replaced by Jacques Bouchet.

- 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 options

Refer to 20.2.21.2 "Plan to award stock options and bonus shares".

- Stock options awarded to the Group's 10 staff who received the highest number in 2016:

Not applicable.

17.2.3. Bonus shares

Refer to 20.2.21.2 "Plan to award stock options and bonus shares".

- Bonus shares awarded

In 2016, 29,500 bonus shares were awarded to the Group's employees, focused primarily on employees with the Drone and Automotive subsidiaries. No bonus shares were awarded to corporate officers.

- Bonus shares awarded to the Group's 10 staff who received the highest number

Nine employees were awarded 1,000 bonus shares in 2016 and 41 employees were awarded 500 bonus shares in 2016.

17.3. Mandatory profit-sharing agreements

The Company is required to put in place a mandatory profit-sharing agreement since 2005.

In this way, a mandatory profit-sharing agreement was signed on May 2, 2006 between the Company's management and the sole staff representative office, notably looking to introduce a special profit-sharing reserve calculated based on the legal formula for Company staff and defining the conditions for managing employees' entitlements, the procedure for resolving any disputes between the parties, and the conditions for informing staff on an individual and a collective basis.

For 2016, the amount of the special profit-sharing reserve to be paid out represented zero, as in 2015.

17.4. Voluntary performance-related bonus agreement

The current 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.

The performance-related bonus to be paid out for 2016 represented 1.2 M€ (zero in 2015)..

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 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, 2017: 30,174,671 shares; on a diluted basis, incorporating the equity warrants (see 15.4.2 "Securities entitling holders to access the capital") 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 33,931,349.

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").

18.1.2. Breakdown of the share capital and 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
Number of shares	30 174 671	100.0%	Outstanding at Dec 31, 2016	33 931 349	100.0%	
Horizon (Henri Seydoux's holding company)	10 593 751	35.1%	Date when this reference document was published	13 191 454	38.8%	Results of the liquidity period for the warrants at Jan 4, 2016
Amiral Gestion	2 058 018	6.8%	Threshold crossing notification of Nov 28, 2016	Unknown	-	-
Moneta AM	1 630 000	5.4%	Threshold crossing notification of Feb 9, 2016	Unknown	-	-
Bpifrance Participations SA	1 552 188	5.1%	Threshold crossing notification of Dec 17, 2015	1 704 272	5.02%	Results of the liquidity period for the warrants at Jan 4, 2016
Treasury stock	800 632	2.6%	Date when this reference document was published	NA	-	-
Public	13 540 082	44.9%		NA	-	-

⁽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 and stock options (see 4.1.12 "The company issues dilutive instruments which could have an impact on its capital").

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 sections 4.1.12 "The company issues dilutive instruments which could have an impact on its capital", 15.4 "Corporate officer interests in the Company's capital" and 21.1.4 "Potential capital".

■ Breakdown of the share capital for previous years

	Number of shares held at Apr 30, 2016	% of the capital	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	30 174 671	100.0%	12 553 774	100.0%	12 709 068	100.0%
Henri Seydoux (Horizon) ⁽²⁾	10 593 751	35.1%	4 546 204	36.2%	4 546 204	35.8%
Other declared investors						
Covéa Finance ⁽³⁾	ND	-	365 107	2.9%	635 738	5.0%
OJEJ ⁽⁴⁾	-	-	561 906	4.5%	561 906	4.4%
HG Vora Capital ⁽⁵⁾	3 287 384	10.9%	1 307 000	10.4%	-	-
CDC	ND	-	-	-	-	-
Moneta AM	1 630 000	5.4%	-	-	-	-
Parrot S.A. treasury stock	370 967	1.2%	382 342	3.0%	575 870	4.5%

⁽¹⁾ Date when the 2014 reference document was updated

⁽²⁾ Henri Seydoux controls the company Horizon. He is also the Chairman and Chief Executive Officer of the Company.

⁽³⁾ On June 30, 2015, the company Covéa Finance declared that it held 365,107 Parrot shares, representing the same number of voting rights (AMF declaration no. 215C0952 dated July 2, 2015).

⁽⁴⁾ Company fully owned by Mr Jérôme Seydoux.

⁽⁵⁾ On September 24, 2015, the company HG Vora Capital Management declared that it held 1,255,000 Parrot shares, representing the same number of voting rights (AMF declaration no. 215C1334 dated September 25, 2015).

18.1.3. Changes in the Company's capital

At December 31, 2016, the capital comprised 30,174,671 fully paid-up ordinary shares, representing 4,599 K€, with 331,678 K€ of issue and contribution premiums. Changes in the number of shares outstanding can be broken down as follows:

	Dec 31, 2015	Issues	Reductions	Dec 31, 2016
Number of securities	30 130 052	44 619	-	30 174 671
Rounded off par value (€)	€0.15	-	-	€0.15
Share capital (€)	4 592 458	-	-	4 599 258

The changes in the share capital and issue premiums primarily reflect a 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 44,619 new shares issued in connection with a capital increase, representing a total issue of 551 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 6.8 K€. The issue premium represents 544 K€.

For reference, the 2015 capital increase led to 17,696,389 new shares being issued (combined with warrants (Class 1 warrants and Class 2 warrants, collectively the "warrants") at a unit price of 17 euros. For further information concerning this operation, readers are invited to refer to the 2015 reference document filed with the French financial markets authority (AMF) on May 10, 2016 under number D.16-0472, and the documentation concerning the prospectus for the capital increase, available on www.parrot.com and www.amf-france.org.

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 Company does not apply double voting rights.

18.3. Issuer's control

At December 31, 2016, the Company's main shareholder was Mr Henri Seydoux, holding 35.1% 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 10.5 "Corporate governance" and 10.6 "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 recommendations from the MiddleNext code, more specifically setting up an Audit Committee and an Appointments and Compensation Committee, which report on their work directly to the Board of Directors. Furthermore, five of the eight directors are independent, which makes it possible to ensure that decisions are taken in line with the corporate interests of the Company and the Group in general.

18.4. Agreements whose implementation could result in a change of control

To the best of the Company's knowledge, there are:

- No other shareholders holding directly, indirectly or in concert 5.00% or more of Parrot's capital or voting rights,
- No shareholder agreements and no other agreements whose implementation could result in a change of control over Parrot,
- No direct or indirect interests in the Company's capital as defined by Articles L. 233-7 and L. 233-12 of the French commercial code,
- No agreements which have been entered into by the Company that would be amended or terminated in the event of a change of control over the Company.

18.5. Information on the change

18.5.1. Parrot share characteristics

ICB classification

- Industry: 9000 "Technology"
- Sector: 9570 "Technology Hardware & Equipment"
- Subsector: 9578 "Telecommunications Equipment"

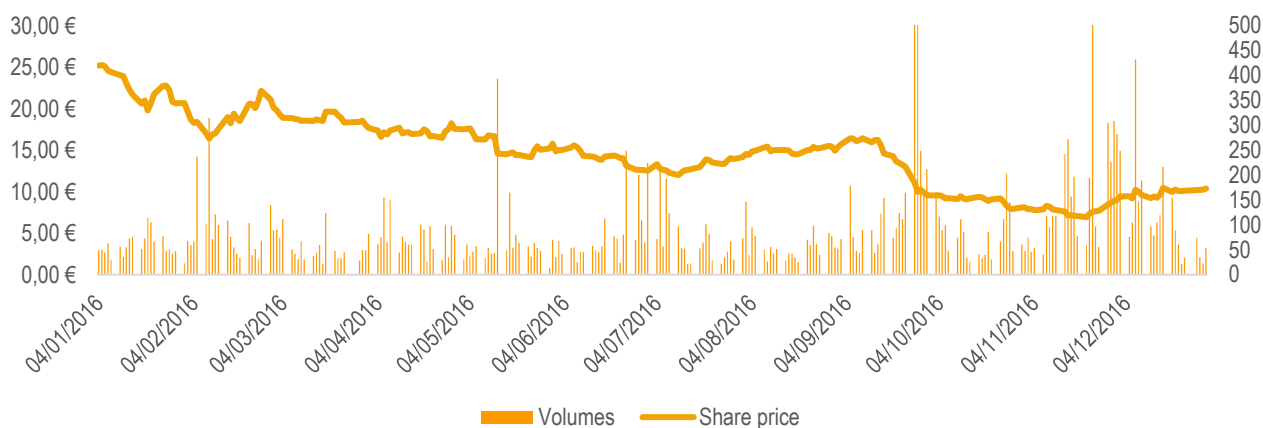
Market characteristics:

- 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 in 2016



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

Closing share price in euros	2015⁽²⁾	2016
Volume⁽¹⁾ in number of shares traded		
Highest closing price	€36.78	€25.26
Highest daily volume	325 117	595 303
Lowest closing price	€13.37	€6.93
Lowest daily volume	6 023	13 409
Average closing price for the year	€23.18	€14.63
Average daily volume for the year	53 417	86 639

(1) The volumes presented here are extracted from Euronext reports and therefore do not include the volumes traded on other platforms (e.g. CHI, Turquoise or BATS), which generally add 20% to 30% to the daily volumes;

(2) The data are adjusted for the capital increase from December 2015.

XIX. Operations with related parties

19.1. Information on regulated agreements and commitments

For 2016, EKP Consult, LLC, the American-law company controlled by Mr Edward Planchon, a Company director until June 16, 2016, did not bill for any services provided to any Group companies. EKP Consult was paid 2,117 US dollars by Parrot S.A. for the reimbursement of costs in 2016.

No agreements were applied during 2016.

XX. Financial information concerning the assets, liabilities, financial position and earnings

20.1. Consolidated financial statements

N.B. The comparative data for 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

	€'000	Note	Dec 31, 2016	Dec 31, 2015
Revenues			166 446	326 273
Cost of sales			(139 608)	(173 595)
Gross margin			26 837	152 678
<i>% of revenues</i>			16.1%	46.8%
Research and development costs			(52 718)	(57 679)
<i>% of revenues</i>			31.7%	17.7%
Sales and marketing costs			(68 433)	(59 344)
<i>% of revenues</i>			41.1%	18.2%
Overheads			(20 370)	(19 505)
<i>% of revenues</i>			12.2%	6.0%
Production and quality			(16 507)	(16 576)
<i>% of revenues</i>			9.9%	5.1%
Income from ordinary operations			(131 191)	(426)
<i>% of revenues</i>			-78.8%	-0.1%
Other operating income and expenses		7	(5 359)	2 494
EBIT			(136 550)	2 068
<i>% of revenues</i>			-82.0%	0.6%
Net finance costs		8	(604)	74
Other financial income and expenses		8	(1 382)	879
Financial income (expense)			(1 986)	953
Share in income from associates			62	(1 158)
Tax		9	(8 144)	(307)
Net income from continued operations			(146 617)	1 557
Net income from discontinued operations		34	5 245	-
Net income			(141 372)	1 557
Net income (Group share)			(137 907)	462
<i>% of revenues</i>			-82.9%	0.1%
Non-controlling interests			(3 466)	1 095

	Note	Dec 31, 2016	Dec 31, 2015
Weighted average number of ordinary shares		30 165 361	13 638 129
Basic net income per share (in euros)	23	-4.57	0.03
Weighted average number of ordinary shares (diluted)		30 165 361	13 840 405
Diluted net income per share (in euros)	23	-4.57	0.03

20.1.1. Comprehensive income statement

N.B. The comparative data for 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

€'000	Dec 31, 2016	Dec 31, 2015
Net income for the period	(141 372)	1 557
Exchange gains or losses	259	2 582
Group exchange gains or losses	239	2 185
Non-Group exchange gains or losses	20	397
Change in value of derivative hedging instruments	-	(459)
Change in actuarial gains or losses concerning employee benefits	141	636
Taxes	(49)	(61)
Other comprehensive income items	(1 492)	2 698
- Subsequently non-recyclable to net income	141	636
- Subsequently recyclable to net income	210	2 062
Comprehensive income for the period	(141 021)	4 255
Attributable to owners of the parent	(137 576)	2 763
Attributable to non-controlling interests	(3 445)	14 92

20.1.2. Consolidated balance sheet

N.B. The comparative data for 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

Assets (€'000)	Note	Dec 31, 2016	Dec 31, 2015
Non-current assets		61 206	124 585
Goodwill	10	43 652	58 149
Other intangible assets	11	3 872	40 976
Property, plant and equipment	13	8 067	9 792
Investments in associates	15	1 243	1 181
Financial assets	14	3 652	5 430
Deferred tax assets	16	720	9 057
Current assets		362 587	529 020
Inventories	17	46 368	68 373
Trade receivables	18	59 815	85 038
Other receivables	19	28 362	24 467
Other current financial assets	20	28 000	158 000
Cash and cash equivalents	20	200 043	193 143
Assets held for sale	34	82 848	-
Total assets		506 642	653 606

Shareholders' equity and liabilities (€'000)	Note	Dec 31, 2016	Dec 31, 2015
Shareholders' equity			
Share capital		4 599	4 592
Additional paid-in capital		331 678	331 134
Reserves excluding earnings for the period		86 738	83 833
Earnings for the period - Group share		(137 907)	462
Exchange gains or losses		5 195	4 956
Equity attributable to Parrot SA shareholders		290 303	424 978
Non-controlling interests		(2 166)	613
Non-current liabilities		31 311	75 447
Non-current financial liabilities	22	1 161	17 039
Provisions for pensions and other employee benefits		1 748	2 342
Deferred tax liabilities	16	465	1 049
Other non-current provisions		15	-
Other non-current liabilities	27	27 922	55 018
Current liabilities		173 432	152 568
Current financial liabilities	22	42 032	2 345
Current provisions	26	15 637	11 823
Trade payables	27	52 099	84 526
Current tax liabilities	27	2 450	5 106
Other current liabilities	27	61 214	48 768

Liabilities held for sale	34	13 761	-
Total shareholders' equity and liabilities		506 642	653 606

20.1.3. Consolidated cash-flow statement

N.B. The comparative data for 2015 have not been restated following the reclassification of the OEM Automotive business under discontinued operations in 2016.

€'000	Dec 31, 2016	Dec 31, 2015
Operating cash flow		
Net income from continued operations	(146 617)	1 557
Share in income from associates	(62)	1 158
Depreciation and amortization	27 522	19 154
Capital gains and losses on disposals	(10 843)	72
Capital gains linked to remeasurement of securities of companies previously recognized as long-term financial investments	-	(7 177)
Tax charges	8 144	307
Cost of share-based payments	5 557	4 058
Net finance costs	604	(74)
Cash flow from operations before net finance costs and tax	(115 695)	19 053
Change in working capital requirements	18 823	(32 173)
Tax paid	(1 404)	(4 500)
Cash from operating activities (A)	(98 276)	(17 619)
Investing cash flow		
Acquisition of property, plant and equipment and intangible assets	(13 345)	(13 348)
Acquisition of subsidiaries, net of cash acquired(2)	(29 059)	(4 688)
Acquisition of financial assets	(3 232)	(3 253)
Disposal of property, plant and equipment and intangible assets	9 891	34
Disposal of subsidiaries, net of cash divested	-	-
Disposal of long-term financial investments	3 502	109
Cash flow from investment activities (B)	(32 244)	(21 146)
Financing cash flow		
Equity contributions (1)	551	290 279
Dividends received	8 766	-
Receipts linked to new loans	25 343	17 808
Other financing	-	-
Cash invested for over 3 months	130 000	(138 620)
Net finance costs	(604)	74
Exchange hedging instruments	-	-
Repayment of short-term financial debt (net)	(3 322)	(10 984)
Repayment of other debt	-	-
Disposal / (Acquisition) of treasury stock	(5 757)	(274)
Cash flow from financing activities (C)	154 977	158 283
NET CHANGE IN CASH FROM CONTINUED OPERATIONS (D = A+B+C)	24 457	119 519
Impact of change in exchange rates	712	3 286
CASH AND CASH EQUIVALENTS AT YEAR-START - CONTINUED OPERATIONS(3)	174 874	70 338
CASH AND CASH EQUIVALENTS AT YEAR-END - CONTINUED OPERATIONS	200 043	193 143

(1) The equity contributions in 2016 primarily reflect options exercised for 551 K€. See 20.2.21.1 "Share capital and issue premiums".

(2) Exercising of cross put and call options and the incentive plan between Parrot Drones and senseFly's minority shareholders, and acquisition of shares from a minority shareholder in Airinov. See 20.2.12 "Note 12 – Business combination".

€'000	Dec 31, 2016
Cost of senseFly securities paid out over the period, including stock option plan	(28 527)
Cost of Airinov securities paid out over the period	(562)
Other	30
Acquisition of subsidiaries, net of cash acquired	(29 059)

(3) The difference between cash and cash equivalents at year-end 2015 and the opening position at year-start 2016 corresponds to the cash on this date for the scope for discontinued operations, i.e. 18.3 M€.

€'000	Dec 31, 2016
Opening cash position - Operations held for sale	18 269
Change in the cash position - Operations held for sale*	(1 964)
Closing cash position - Operations held for sale	16 305

* Details of the flows are presented in 20.2.33 "Note 33 – Assets and liabilities held for sale and discontinued operations".

20.1.4. Change in consolidated shareholders' equity

€'000	Capital	Additional paid-in capital	Exchange gains or losses	Treasury stock	Group consolidated reserves	Total shareholders' equity	Minority interests	Total
Position at end Dec. 2014	1 945	50 750	2 771	(12 424)	140 769	183 811	(880)	182 931
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	2 648	280 384	-	6 171	-	289 203	-	289 203
Share-based payments	-	-	-	-	1 521	1 521	-	1 521
Securities buyback options	-	-	-	-	(52 319)	(52 319)	(5 250)	(57 569)
Acquisitions of non-controlling interests	-	-	-	-	-	-	5 250	5 250
Position at end Dec. 2015	4 593	331 134	4 956	(6 253)	90 549	424 978	613	425 591
Net income for the period	-	-	-	-	(137 907)	(137 907)	(3 466)	(141 372)
Other comprehensive income	-	-	239	-	92	331	22	353
Comprehensive income	-	-	239	-	(137 814)	(137 576)	(3 444)	(141 019)
Changes in capital (1)	7	544	-	(5 143)	-	(4 592)	-	(4 592)
Share-based payments	-	-	-	-	2 276	2 276	43	2 319
Securities buyback options (2)	-	-	-	-	5 838	5 838	-	5 838
senseFly securities buyback options (3)	-	-	-	-	26 258	26 258	-	26 258
Transactions between shareholders (3)	-	-	-	-	(26 798)	(26 798)	622	(26 176)
Other	-	-	-	-	-	-	(82)	(82)
Position at end Dec. 2016	4 600	331 678	5 195	(11 396)	(39 773)	290 303	(2 166)	288 137

(1) The change in capital during 2016 reflects a capital increase through the exercising of options for 7 K€, with an issue premium of 544 K€. See 20.2.21.1 "Share capital and issue premiums" and 20.2.21.3 "Treasury stock".

(2) The change in call options in 2016 factors in the revaluation of the buyout commitments granted to the minority shareholders in Pix4D, Airinov and MicaSense Inc. See 20.2.27 "Note 27 – Trade payables, current tax liabilities and other current and non-current liabilities".

(3) The transactions between shareholders during the first half of 2016 are linked to the unwinding of the put on senseFly minority interests and the early buyout of the interests of a minority shareholder in the subsidiary Airinov. See 20.2.12. "Note 12 – Business combination".

20.2. Notes

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, 2016 were approved by the Board of Directors on February 28, 2017. They will be submitted for approval at the General Meeting on June 21, 2017. 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 – Significant events for the period

On December 6, 2016, Parrot entered into exclusive talks for a partnership between its subsidiary Parrot Automotive SAS and Faurecia SA. The business concerned, which covers the OEM Automotive products and particularly Infotainment solutions, generated 66.8 M€ of revenues in 2016 and employed almost 200 people at December 31, 2016. This initiative has been subject to the necessary procedures to inform and consult with the employee representatives. It has also been submitted to the relevant competition authorities.

All the conditions have been met for the business to be classed as discontinued under IFRS, including the creation of a partnership, with Parrot losing exclusive control over the business, the material nature of the business concerned and the highly probable nature of the operation. See 20.2.3 "Note 3 – Accounting methods and rules".

In accordance with IFRS 5, the corresponding assets and liabilities have been isolated on dedicated lines, in the same way as income from the corresponding activities.

These assets are presented separately from the other assets or groups of assets under "assets held for sale" on the consolidated balance sheet and are measured at the lower of their book value or their estimated sales price, net of costs relating to their sale. The liabilities from the group of assets held for sale are presented under "liabilities relating to assets held for sale" on the consolidated balance sheet. Items from the income statement, other comprehensive income and the cash flow statement relating to these discontinued operations are isolated in the financial statements for the year ended December 31, 2016, without any restatement for the comparative year. The items from the income statement and cash flow statement for 2015 relating to these discontinued operations

have not been able to be provided because it has not been possible in practice to reconstitute this information and carry out reclassifications based on the data available within the Group for this period.

The sales value will be significantly higher than the book value of the net assets held for sale.

20.2.3. Note 3 - Accounting methods and rules

The consolidated financial statements for 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and as adopted by the European Union at December 31, 2016. These standards are available on the European Union website at:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The new standards that must be applied from January 1, 2016 and concern the Group are as follows:

- Annual improvements for 2010-2012;
- Annual improvements for 2012-2014;
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 1 Disclosure Initiative - Presentation of Financial Statements;
- Amendments to IFRS 11 Acquisitions of Interests in Joint Operations.

Following the implementation of the amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization, applicable on a prospective basis from January 1, 2016 (EU Regulation 2015/2231 of December 2, 2015), the Group has carried out a qualitative and quantitative analysis of the impacts of the amendments to the standards on its accounts. The IASB has clarified that the use of a method for amortization based on revenues is not appropriate, because the revenues generated by an activity that includes the use of an asset reflect various factors other than the consumption of the economic benefits relating to this asset. With the application of these amendments, the Group has reviewed the amortization method for development costs, which were amortized based on the production unit consumption method until December 31, 2015, with a view to applying a linear depreciation method based on the net book values for these assets at January 1, 2016.

The standards, amendments to standards and interpretations adopted by the IASB or IFRIC, but not yet adopted by the European Union at December 31, 2016, have not been applied early. This concerns:

- IFRS 9 Financial Instruments;
- IFRS 14 Regulatory Deferral Accounts;
- IFRS 16 Leases;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses;
- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions.

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, 2015 and 2016 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.

IFRS 5 Discontinued Operations

Following the exclusive talks opened with Faurecia to set up an industrial partnership for Parrot's OEM Automotive business, all the conditions have been met for the business to be classed as discontinued under IFRS, including the material nature of the business concerned and the highly probable nature of the operation. In accordance with IFRS 5, the corresponding assets and liabilities have been isolated on dedicated lines, in the same way as income from the corresponding activities for the full year in 2016.

These assets are presented separately from the other assets or groups of assets under "assets held for sale" on the consolidated balance sheet and are measured at the lower of their book value or their estimated sales price, net of costs relating to their sale.

The liabilities from the group of assets held for sale are presented under "liabilities relating to assets held for sale" on the consolidated balance sheet. Items from the income statement, other comprehensive income and the cash flow statement relating to these

discontinued operations are isolated in the financial statements at December 31, 2016 and for the 2016 financial year, without any restatement for the comparative year. The items from the income statement and cash flow statement for 2015 relating to these discontinued operations have not been able to be provided because it has not been possible in practice to reconstitute this information and carry out reclassifications based on the data available within the Group for this period.

These principles have been applied at December 31, 2016 for the scope concerning discontinued operations, i.e.:

Company name	Address	Country	% interest	Consolidation method
Parrot Automotive S.A.S.	174, Quai de Jemmapes 75010 Paris	France	100.0%	Fully consolidated
Parrot Automotive Asia Pacific Ltd. (subsidiary of Parrot Automotive S.A.S.)	Parrot Asia Pacific Ltd. Suite 707-9, 7/F., Wharf T&T Centre, 7 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100.0%	Fully consolidated
Parrot Automotive Shenzhen (subsidiary of Parrot Automotive Asia Pacific Ltd.)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100.0%	Fully consolidated

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, provisions for returns, 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 2016 and 2015 were as follows:

Closing rate	Dec. 31, 2016	Dec. 31, 2015	Average rate	Dec. 31, 2016	Dec. 31, 2015
Australian Dollar	0.685	0.671	Australian Dollar	0.672	0.677
Swiss Franc	0.931	0.923	Swiss Franc	0.917	0.937
Yuan	0.137	0.142	Yuan	0.136	0.143
Euro	1.000	1.000	Euro	1.000	1.000
Danish krone	0.135	0.134	Danish krone	0.134	0.134
Pound sterling	1.168	1.363	Pound sterling	1.220	1.363
HK Dollar	0.122	0.119	HK Dollar	0.116	0.116
Yen	0.008	0.008	Yen	0.008	0.007
US Dollar	0.949	0.919	US Dollar	0.903	0.901

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 and European 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 IFRS 8, 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 changes in segment reporting at December 31, 2016 reflect the changes in the Group's internal reporting system, which has logically followed the Parrot Group's organizational and legal restructuring.

The key indicators reviewed and used internally for each operating segment are revenues and income from ordinary operations.

There are two operating segments: OEM Automotive and Drones.

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 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 two to eight years. From January 1, 2016, following the amendment of IAS 38, development costs that were previously depreciated using the production unit consumption method are depreciated on a straight-line basis over an appropriate lifespan, based on their net book value from this date.

▶ **Financed R&D**

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 to 10 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 two CGUs identified are as follows:

- OEM Automotive
- Drones

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 interest rate curve is calculated based on the risk free euro-swap rates with corresponding maturities (five years) on each allocation date (source: Bloomberg).

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.

20.2.4. Note 3 – Basis for consolidation

The Parrot Group's basis for consolidation comprises 26 companies, with 24 fully consolidated and two consolidated on an equity basis. These companies, the parent company's interest in them and their consolidation methods are presented below:

Company name	Address	Country	Dec 31, 2016		Dec 31, 2015	
			% interest	Consolidation method	% interest	Consolidation method
PARENT COMPANY						
Parrot S.A.	174 quai de Jemmapes 75010 Paris	France				
FULLY CONSOLIDATED COMPANIES						
Parrot Gmbh.	Maximilianstraße 27 80539 München	Germany	100.0%	FC	100.0%	FC
Parrot Anz Ltd Limited	68 72 York street South Melbourne Victoria 3205	Australia	100.0%	FC	100.0%	FC
Parrot Shenzhen (subsidiary of Parrot Asia Pacific Ltd.)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100.0%	FC	100.0%	FC
Parrot Automotive Shenzhen (subsidiary of Parrot Automotive Asia Pacific Ltd.)	Room 1501-1503, Centres Commerce Building, 88 Fuhua Yi Road, Futian Centers District, Shenzhen	China	100.0%	FC	100.0%	FC
Parrot Iberia SL.	Calle Ulises, 108, 28043 Madrid	Spain	100.0%	FC	100.0%	FC
Parrot Inc.	3000 Town Center Street 2340 Southfield, MI 48075	USA	100.0%	FC	100.0%	FC
MicaSense Inc.	1055 N 38th Street Seattle, WA 98103	USA	56.0%	FC	56.0%	FC
Pix4D Inc.	150 Post street, Suite 650 San Francisco, CA 94108	USA	56.0%	FC	56.0%	FC
senseFly Inc.	1209 Orange Street Wilmington, DE 19801	USA	100.0%	FC	-	-
Airinov S.A.S.	48, rue René Clair 75899 Paris 18	France	73.5%	FC	59.1%	FC
Chez Parrot SARL	30-34 rue du Quatre Septembre 75002 Paris	France	100.0%	FC	100.0%	FC
Parrot Automotive S.A.S.	174 quai de Jemmapes 75010 Paris	France	100.0%	FC	100.0%	FC
Parrot Drones S.A.S.	174 quai de Jemmapes 75010 Paris	France	100.0%	FC	100.0%	FC
Parrot Shmates S.A.S.	174 quai de Jemmapes 75010 Paris	France	80.0%	FC	80.0%	FC
Parrot Air Support	174 quai de Jemmapes 75010 Paris	France	100.0%	FC	-	-
Parrot Asia Pacific Ltd.	Parrot Asia Pacific Ltd. Suite 707-9, 7/F., Wharf T&T Centre, 7 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100.0%	FC	100.0%	FC
Parrot Automotive Asia Pacific Ltd (subsidiary of Parrot Automotive S.A.S.)	Parrot Asia Pacific Ltd. Suite 707-9, 7/F., Wharf T&T Centre, 7 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100.0%	FC	100.0%	FC
Parrot Italia Srl.	Via Giuseppe Revere 16 20123 Milano	Italy	100.0%	FC	100.0%	FC
Parrot Japan KK	PMC Building 1-23-5 Higashi-Azabu, Minato-ku, Tokyo	Japan	100.0%	FC	100.0%	FC
Airinov NL	Agrobusiness Park 696708 PV Wageningen	Netherlands	73.5%	FC	-	-
Parrot UK Ltd	Unit 1, 20 Avenue Road, Aston, Birmingham B6 4DY	UK	100.0%	FC	100.0%	FC
senseFly SA	Route de Genève 38 1033 Cheseaux-sur-Lausanne	Switzerland	100.0%	FC	62.0%	FC
Pix4D SA	EPFL Innovation Park Building D, 1015 Lausanne	Switzerland	56.0%	FC	56.0%	FC
COMPANIES CONSOLIDATED ON AN EQUITY BASIS						
EOS Innovation	7, rue Montespan 91000 Evry	France	49.1%	EM	49.1%	EM
Iconem	16, rue Lacordaire 75015 Paris	France	45.0%	EM	45.0%	EM

FC: full consolidation / EM: equity method

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.

20.2.5. Note 5 - Segment reporting

Since January 1, 2016, Parrot's business has been organized around two segments: OEM Automotive and Drones.

- The **OEM Automotive** segment represents the Key Account Automotive business;
- The **Drones** segment represents the Consumer Drones and Connected Devices business and the Commercial Drones business.

The following tables present the information on these two segments that is used by the Chief Operating Decision Maker to assess segment performance 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.

The comparative segment information has been restated in line with the new reporting system for activities adopted from January 1, 2016.

■ Income statement

€'000	OEM Automotive	Drones	IFRS 5 reclass.	Dec 31, 2016
Revenues	66 751	166 446	(66 751)	166 446
<i>% of Group revenues</i>	0%	100%	0%	100%
Income from ordinary operations	6 269	(131 191)	(6 269)	(131 191)

€'000	OEM Automotive	Drones		Dec 31, 2015
Revenues	79 226	247 047		326 273
<i>% of Group revenues</i>	24%	76%		100%
Income from ordinary operations	12 286	(12 712)		(426)

The top 10 customers represented around 34.4% of the Group's consolidated revenues in 2016, compared with 29.9% in 2015.

Statement of financial position

€'000	OEM Automotive	Drones	Dec 31, 2016
Non-current assets		61 206	61 206
Goodwill	-	43 652	43 652
Other intangible assets		3 872	3 872
Property, plant and equipment		8 066	8 066
Investments in associates	-	1 243	1 243
Financial assets	-	3 652	3 652
Deferred tax assets	-	720	720
Current assets	-	355 306	355 306
Inventories	-	46 368	46 368
Trade receivables	-	52 533	52 533
Other receivables	-	28 362	28 362
Other current financial assets	-	28 000	28 000
Cash and cash equivalents	-	200 043	200 043
Assets held for sale	82 848	-	82 848
Non-current liabilities	-	31 311	31 311
Non-current financial liabilities	-	1 161	1 161
Provisions for pensions and other employee benefits	-	1 748	1 748
Deferred tax liabilities	-	465	465
Other non-current provisions	-	15	15
Other non-current liabilities	-	27 922	27 922
Current liabilities	-	166 150	166 150
Current financial liabilities	-	42 032	42 032
Current provisions	-	15 637	15 637
Trade payables	-	52 099	52 099
Current tax liabilities	-	2 450	2 450
Other current liabilities	-	53 932	53 932
Liabilities held for sale	13 761	-	13 761

€'000	OEM Automotive	Drones	Dec 31, 2015
Non-current assets	46 631	77 954	124 585
Goodwill	14 996	43 152	58 148
Other intangible assets	30 620	10 357	40 977
Property, plant and equipment	909	8 884	9 793
Investments in associates	-	1 181	1 181
Financial assets	106	5 331	5 437
Deferred tax assets	-	9 057	9 057
Current assets	18 524	510 496	529 020
Inventories	5 753	62 620	68 372
Trade receivables	9 214	75 824	85 038
Other receivables	3 558	20 909	24 467
Other current financial assets	-	158 000	158 000
Cash and cash equivalents	-	193 143	193 143
Non-current liabilities	678	74 769	75 447
Non-current financial liabilities	-	17 039	17 039
Provisions for pensions and other employee benefits	678	1 664	2 342
Deferred tax liabilities	-	1 049	1 049
Other non-current provisions	-	-	-
Other non-current liabilities	-	55 018	55 018
Current liabilities	10 558	142 010	152 568
Current financial liabilities	-	2 345	2 345
Current provisions	1 089	10 734	11 823
Trade payables	7 623	76 905	84 528
Current tax liabilities	1 846	3 260	5 106
Other current liabilities	-	48 655	48 655

Breakdown of Group sales by region

Breakdown by region (€'000)		Dec 31, 2016	Dec 31, 2015
EMEA		84 585	124 779
AMERICAS		34 076	71 745
ASIA		12 697	26 811
Total Consumer products		131 358	223 335
Key Account products ⁽¹⁾		35 088	102 939
Total revenues		166 446	326 273

(1) Key Account products include OEM products (in 2015), Varioptic and Commercial Drone products.

Workforce at year-end

	Employees	OEM Automotive	Drones
2016 Group headcount		194	854
2015 Group headcount		225	726

These headcounts include apprenticeship contracts.

20.2.6. Note 6 – Operating expenses breakdown

– Expenses by kind

€'000	Dec. 31, 2016	Dec. 31, 2015
Consumption of raw materials and goods, and outsourcing purchases	(120 680)	(167 731)
Other external expenses	(80 401)	(82 155)
Staff costs	(70 372)	(67 400)
Tax	(4 015)	(4 350)
Depreciation and amortization	(25 174)	(19 607)
Stored production	2 373	14 544
Other operating income and expenses	632	-
Total operating expenses	(297 637)	(326 698)

The non-capitalized portion of the Research Tax Credit (CIR) of 5.4 M€ (6.5 M€ in 2015) and the 0.5 M€ French tax credit to promote competitiveness and employment (CICE) are deducted from operating expenses.

– Staff costs

€'000	Dec. 31, 2016	Dec. 31, 2015
Salaries and wages	(48 064)	(44 686)
Payroll taxes	(15 533)	(18 509)
Employee profit sharing	(1 218)	(135)
Share warrant expenses	(5 667)	(4 070)
Total staff costs	(70 372)	(67 400)

20.2.7. Note 7 – Other operating income and expenses

€'000	Dec 31, 2016	Dec 31, 2015
Income from sale of Varioptic	8 153	-
Impairment of Drone assets	(12 053)	-
Remeasurement of Micasense securities	-	6 286
Remeasurement of Airinov securities	-	994
Remeasurement of EOS securities	-	(102)
Other	(1 459)	(4 684)
Other operating income and expenses	(5 359)	2 494

The impairment of Drone assets corresponds primarily to the impairment of development costs, property, plant and equipment, and provisions for supplier commitments on projects that have been discontinued. The Other line at December 31, 2016 primarily includes costs relating to the proposed partnership with Faurecia for (1,649) K€. The costs relating to the reorganization exclusively concern external fees.

The “Other” line at December 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€.

20.2.8. Note 8 – Financial income

€'000	Dec. 31, 2016	Dec. 31, 2015
Cost of gross financial debt	(605)	(448)
Income from cash and cash equivalents	1	522
Cost of net financial debt	(604)	74
Exchange gains	3 749	6 270
Exchange losses	(3 763)	(5 334)
Other financial income and expenses	(1 368)	(57)
Total other financial income / expenses	(1 382)	879
Total	(1 986)	953

20.2.9. Note 9 – Tax

– Tax expense

€'000	Dec. 31, 2016	Dec. 31, 2015
Current tax	(171)	(6 397)
Deferred tax	(7 973)	6 090
Total	(8 144)	(307)

The current tax expense for 2016 primarily includes the 15% royalties tax, the withholding tax and other tax in Hong Kong, and the French CVAE business value added tax, as well as tax consolidation income relating to Parrot Automotive SAS, presented under operations held for sale.

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. The deferred taxes on Parrot Inc. loss carryforwards recognized in 2015 were depreciated in 2016.

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

€'000	Dec. 31, 2016	Dec. 31, 2015
Earnings for the period	(141 372)	1 557
Net income from associates	62	1 158
Income from discontinued operations, net of tax	(5 245)	
Tax charges	8 144	307
- of which CVAE	195	1 144
Pre-tax earnings	(138 535)	3 021
Actual tax rate	-5.88%	10.15%
Theoretical tax rate of 34.40%	(47 398)	1 040
<i>Reconciliation:</i>		
Permanent differences	2 630	186
Reduced tax operations	-	(4 624)
Tax rate difference	(119)	(3 189)
Capitalized /Non-capitalized tax losses	46 167	9 327
Impairment of losses and timing differences capitalized previously	8 734	
Capitalization of previous loss carryforwards		
Research tax credit	(2 559)	(5 769)
Withholding tax that cannot be allocated	-	2 316
Other	990	1 020
Actual tax expense	8 144	307

20.2.10. Note 10 – Goodwill

€'000	Dec 31, 2015	Acquisitions	Changes in scope ⁽¹⁾	Exchange gains or losses and reclass. ⁽²⁾	IFRS 5 reclass.	Dec 31, 2016
Gross values						
OEM Automotive CGU	36 648	-	-	(21 652)	(14 997)	-
Drones CGU	21 501	-	-	22 151	-	43 652
Other CGU	3 434	-	(3 434)	-	-	-
Total	61 583	-	(3 434)	500	(14 997)	43 652
Depreciation						
OEM Automotive CGU	-	-	-	-	-	-

Drones CGU	-	-	-	-	-	-
Other CGU	(3 434)	-	3 434	-	-	-
Total	(3 434)	-	3 434	-	-	-
Net book values						
OEM Automotive CGU	36 648	-	-	(21 652)	(14 997)	-
Drones CGU	21 501	-	-	22 151	-	43 652
Other CGU	-	-	-	-	-	-
Total	58 149	-	-	500	(14 997)	43 652

(1) Sale of Varioptic's business.

(2) The main reclassification concerns the reallocation of the residual Automotive goodwill (Car Kits), following the reclassification of the OEM Automotive business under IFRS 5, to the Drones CGU.

The Group organizes its activities and reporting structure around two operating segments: OEM Automotive and Drones. Each business line represents a CGU. 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:

- OEM Automotive
- Drones

The Other CGU, which included Varioptic's business, is no longer applicable following the sale of this activity in December 2016. The Connected Devices CGU is also no longer applicable as this activity is not significant.

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, in line with the rate used in 2015. The tax rate used is 20%. The assumptions retained in 2016 for the perpetuity growth rate and the tax rate are identical to those used in 2015.

If the rate of income from ordinary operations for 2019 was 1% lower than the cash flow estimates retained or if the revenues retained for 2019 were 10% lower than the estimates retained, these variations would not have any impact on the value of the goodwill for the Drones CGU.

At December 31, 2015, the breakdown of goodwill was as follows:

€'000	Dec 31, 2014	Increase	Decrease	Change in scope	Exchange gains or losses and reclass.	Dec 31, 2015
Gross values						
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
Depreciation						
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

20.2.11. Note 11 - Intangible assets

€'000	Dec 31, 2015	Increase	Decrease	Change in scope	Exchange gains or losses and reclass.	IFRS 5 reclass.	Dec 31, 2016
Gross values							
Development costs	63 851	4 873	-	-	(1 518)	(51 118)	16 087
Patents and brands	22 028	924	(910)	(544)	680	(2 561)	19 616
Software	3 667	135	-	-	136	(1 026)	2 911
Fixed assets under construction	168	681	-	-	(783)	-	67
Other intangible assets	8	-	(0)	-	0	-	8
Total	89 722	6 613	(910)	(544)	(1 485)	(54 706)	38 690
Depreciation and amortization							
Development costs	(29 970)	(14 307)	-	-	(45)	29 962	(14 360)
Patents and brands	(15 312)	(2 919)	910	490	(81)	(909)	(17 821)
Software	(3 374)	(160)	(0)	-	(1)	898	(2 637)
Fixed assets under construction	(90)	-	-	-	90	-	-
Other intangible assets	-	-	-	-	-	-	-
Total	(48 746)	(17 386)	910	490	(37)	29 951	(34 818)
Net values							
Development costs	33 881	(9 435)	-	-	(1 563)	(21 156)	1 728
Patents and brands	6 716	(1 995)	-	(55)	599	(3 470)	1 795
Software	293	(25)	(0)	-	135	(129)	274
Fixed assets under construction	79	681	-	-	(693)	-	67
Other intangible assets	8	-	(0)	-	0	-	8
Total	40 976	(10 773)	(1)	(55)	(1 522)	(24 754)	3 872

Depreciation charges are recorded under operating expenses.

At December 31, 2015, intangible assets can be broken down as follows:

€'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

20.2.12. Note 12 – Business combination

On June 29, 2016, Parrot Drones acquired Airinov S.A.S shares for 522 K€, taking Parrot Drones S.A.S.' interest in Airinov S.A.S. to 73.5%.

senseFly

On May 13, 2016, Parrot Drones and senseFly exercised the cross put and call options to buy out the minority shareholders in senseFly for 26.2 M€. Following this transaction, Parrot Drones owns 100% of senseFly SA and its subsidiary senseFly Inc.

20.2.13. Note 13 – Property, plant and equipment

€'000	Dec 31, 2015	Increase	Decrease	Change in scope	Exchange gains or losses and reclass.	IFRS 5 reclass.	Dec 31, 2016
Gross values							
Buildings	-	332	-	-	9	-	341
Plant and equipment	26 216	4 566	(172)	(3 654)	808	(7 725)	20 040
Other property, plant and equipment	11 713	2 332	(206)	(513)	(500)	186	13 012
Total	37 930	7 231	(378)	(4 167)	317	(7 539)	33 393
Depreciation and amortization							
Buildings	-	(20)	-	-	(1)	-	(21)
Plant and equipment	(20 602)	(6 759)	110	3 157	(262)	8 915	(15 440)
Other property, plant and equipment	(7 535)	(969)	104	498	27	(1 990)	(9 866)
Total	(28 137)	(7 748)	214	3 655	(236)	6 925	(25 326)
Net values							
Buildings	-	312	-	-	9	-	321
Plant and equipment	5 614	(2 192)	(61)	(497)	546	1 191	4 600
Other property, plant and equipment	4 178	1 362	(102)	(15)	(474)	(1 805)	3 146
Total	9 792	(518)	(163)	(512)	81	(614)	8 067

At December 31, 2015, the breakdown of property, plant and equipment was as follows:

€'000	Dec 31, 2014	Increase	Decrease	Change in scope	Exchange gains or 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 property, plant and equipment	10 796	892	(182)	99	109	11 713
Total	30 239	6 406	(253)	444	1 093	37 930
Depreciation and amortization						
Buildings	(1)	(0)	1	0	(0)	0
Plant and equipment	(14 869)	(5 089)	35	(80)	(600)	(20 602)
Other property, plant and equipment	(6 405)	(1 207)	177	(34)	(66)	(7 535)
Total	(21 274)	(6 296)	213	(114)	(666)	(28 137)
Net values						
Buildings	1	(0)	(1)	0	0	0
Plant and equipment	4 573	426	(34)	265	384	5 614
Other property, plant and equipment	4 391	(315)	(5)	65	43	4 178
Total	8 965	110	(40)	330	427	9 792

20.2.14. Note 14 - Financial assets

€'000	Dec 31, 2015	Increase	Decrease	Change in scope	Exchange gains or losses and reclass.	Dec 31, 2016
Gross values						
Other receivables attached to equity interests	-	500	-	-	-	500
Security deposits	1 145	615	(95)	-	(87)	1 577
Other long-term financial investments	4 308	2 007	(1 284)	-	48	5 080
Total	5 453	3 122	(1 379)	-	(39)	7 157
Depreciation						
Other receivables attached to equity interests	-	(500)	-	-	-	(500)
Security deposits	-	-	-	-	-	-
Other long-term financial investments	(22)	(3 005)	22	-	-	(3 005)
Total	(22)	(3 505)	22	-	-	(3 505)
Net book values						
Other receivables attached to equity interests	-	-	-	-	-	-
Security deposits	1 145	615	(95)	-	(87)	1 577
Other long-term financial investments	4 286	(998)	(1 261)	-	48	2 075
Total	5 430	(383)	(1 357)	-	(39)	3 652

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.

Parrot Drones S.A.S. acquired a 20% (1.0 M€) interest in the French company Nanoracing S.A.S., which is developing a racing drone. Nanoracing's securities were written down in full at December 31, 2016.

On November 29, 2016, Parrot Drones S.A.S. sold its interest in Delair-Tech, with a capital gain of 1.1 M€.

On December 1, 2016, Parrot SA sold its interest in Netatmo, with a capital gain of 1.0 M€.

The EOS Innovation bonds acquired for 2.0 M€ have been written down in full, in the same way as the loan granted to the subsidiary in July 2016 (0.5 M€).

20.2.15. Note 15 – Associates

Iconem

In 2016, Iconem recorded revenues of 430 K€, versus 173 K€ in 2015, with earnings of (200) K€ (Group share: (90) K€).

EOS Innovation

EOS innovation is currently being liquidated. All the balance sheet positions relating to EOS Innovation had zero value at December 31, 2016.

20.2.16. Note 16 – Deferred tax

Change in deferred tax assets

€'000	Dec 31, 2016	Dec 31, 2015
At January 1	9 057	2 093
Income (expense) for the year	(8 734)	6 501
Impact on reserves	397	479
Other changes ⁽¹⁾	-	(17)
At December 31	720	9 057

(1) Corresponds to the offsetting of deferred tax assets by tax entity.

The 8.7 M€ expense for 2016 is linked primarily to the depreciation of deferred tax assets for the American subsidiary Parrot Inc.

Change in deferred tax liabilities

€'000	Dec 31, 2016	Dec 31, 2015
At January 1	1 049	60
Income (expense) for the year	(761)	411
Impact on reserves	431	595
Other changes ⁽¹⁾	-	(17)
At December 31	465	1 049

(1) Corresponds to the offsetting of deferred tax liabilities by tax entity.

Detailed breakdown of deferred tax assets and liabilities by kind

€'000	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Intangible assets	-	-	249	1 463	(249)	(1 463)
Property, plant and equipment	65	-	-	-	65	-
Depreciation of treasury stock	-	-	-	-	-	-
Inventories	8 119	8 882	-	-	8 119	8 882
Capitalization of development costs	-	-	465	10 599	(465)	(10 599)
Capitalization of loss carryforwards	-	11 938	-	-	-	11 938
Restriction of deferred tax assets	(4 985)	-	-	-	(4 985)	-
Investment subsidies	-	-	-	-	-	-
Other assets	647	573	-	1 074	647	(501)
Provisions:	498	753	-	-	498	753
Of which pensions	498	753	-	-	498	753
Of which other social provisions	-	-	-	-	-	-
Of which depreciation of subsidiary receivables	-	-	-	-	-	-
Of which other provisions	-	-	-	-	-	-
Other liabilities	-	-	3 376	1 002	(3 376)	(1 002)
Tax loss carryforwards	-	-	-	-	-	-
Net deferred tax assets (liabilities)	4 344	22 146	4 089	14 138	255	8 008

Non-capitalized losses represent 116 M€ for the tax consolidation group, with 38.8 M€ for Parrot Drones, with its request for approval received from the French tax authorities on August 17, 2016, and 24.3 M\$ for Parrot Inc.

The capitalized losses of the Parrot Inc subsidiary have been written down.

20.2.17. Note 17 - Inventories

€'000	Dec 31, 2015	Change	Exchange gains / losses and reclass.	IFRS 5 reclass.	Dec 31, 2016
Gross values	76 933	(3 979)	(710)	(9 090)	63 155
Depreciation	(8 560)	(8 993)	(362)	1 128	(16 788)
Net value of inventories	68 373	(12 971)	(1 072)	(7 962)	46 368

20.2.18. Note 18 – Trade receivables

€'000	Dec. 31, 2016	Dec. 31, 2015
Trade receivables	63 275	88 301
Depreciation	(3 460)	(3 263)
Total	59 815	85 038

The lower level of trade receivables at December 31, 2016 compared with the previous year reflects the contraction in the Group's revenues.

Receivables do not bear interest and are in general due to be paid within 30 to 90 days.

20.2.19. Note 19 – Other receivables

€'000	Dec. 31, 2016	Dec. 31, 2015
VAT receivables	12 808	7 841
Tax receivables	11 352	10 875
Prepaid expenses	1 936	2 150
Sundry debtors	1 884	2 246
Advances and deposits paid	219	1 161
Social security receivables	164	196
Total	28 362	24 467

The majority of other receivables are due within 12 months, with 1 M€ due in one year or over. VAT receivables correspond to VAT that can be deducted on purchases, primarily in France.

Tax receivables correspond to the research tax credit. Parrot S.A. has transferred out and derecognized its receivables from the French State relating to the 2015 research tax credit for a total of 7.5 M€ (95% of the total receivable). The cash received represents 7.3 M€. The cost of these transfers, recognized in net finance costs, represents 0.2 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.

20.2.20. Note 20 – Net cash

At December 31, 2016, cash, cash equivalents and other current financial assets came to 228,043 K€, with 28,000 K€ of other current financial assets, down 123,100 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 three months.

Other current financial assets (with guaranteed capital) consist of progressive term accounts maturing in:

- December 2017 for 15.0 M€
- March 2018 for 3.0 M€
- December 2018 for 10.0 M€

20.2.21. Note 21 – Shareholders' equity

20.2.21.1. Share capital and issue premium

At December 31, 2016, the capital comprised 30,174,671 fully paid-up ordinary shares, representing 4,599 K€, with an issue and contribution premium of 331,678 K€. Changes in the number of shares outstanding can be broken down as follows:

	Dec 31, 2015	Issues	Reductions	Dec 31, 2016
Number of securities	30 130 052	44 619	-	30 174 671
Rounded off par value (€)	€0.15	-	-	€0.15
Share capital (€)	4 592 458	-	-	4 599 258

The changes in the share capital and issue premiums primarily reflect a 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 44,619 new shares issued in connection with a capital increase, representing a total issue of 551 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 6.8 K€. The issue premium represents 544 K€.

20.2.21.2. Stock option warrant and bonus share scheme

Stock options (SO)

Date of Board meeting and type of plan	Duration	Adjusted number of SO at Dec 31, 2015	SO awarded during period	SO exercised during period	SO cancelled or lapsed	Number of SO at Dec 31, 2016
Feb 10, 2011: SO	4 years	12 233			-12 233	0
May 12, 2011: SO	4 years	9 067			-9 067	0
Jul 28, 2011: SO	7 years	4 318				4 318
Nov 10, 2011: SO	7 years	94 982		-26 890		68 092
Feb 15, 2012: SO	7 years	267 399		-17 729		249 670
May 12, 2012: SO	7 years	24 178				24 178

Nov 10, 2012: SO	7 years	31 086				31 086
Feb 20, 2013: SO	7 years	8 635				8 635
May 15, 2013: SO	7 years	23 027				23 027
Total		474 925	0	-44 619	-21 300	409 006

For all the plans, the changes in the number of options are presented below:

Number of SO	2016	2015
Number of options at Jan 1	474 925	507 915
SO awarded during the period	-	-
SO exercised during the period	-44 619	-122 611
SO maturing during the period	-21 300	-55 304
Post-capital increase adjustments	0	144 925
Number of SO at year-end	409 006	474 925

All the stock options schemes have the following characteristics (conditions for presence within the company):

- Beneficiaries may subscribe for 50% of the options 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 options awarded over the following three-year period

Bonus shares (BS)

Date of Board meeting and type of plan	Duration	Adjusted BS at Dec 31, 2015	BS awarded during period	SO delivered during period	BS cancelled or lapsed	Number of BS at Dec 31, 2016
Aug 1, 2013: BS	3 years	3 598		-3 598		0
Nov 15, 2013: BS	3 years	15 111		-11 513	-3 598	0
Jan 15, 2014: BS	3 years	110 238			-44 796	65 442
Mar 1, 2014: BS	3 years	30 367			0	30 367
Oct 1, 2014: BS	3 years	5 757				5 757
Mar 1, 2015: BS	3 years	36 702				36 702
Mar 1, 2015: BS	3 years	2 303		-2 303		0
Nov 20, 2015: BS	3 years	133 976				133 976
May 1, 2016: BS	3 years		29 500			29 500
Total		338 052	29 500	-17 414	-48 394	301 744

For all the plans, the changes in the number of bonus shares are presented below:

Number of bonus shares	2016	2015
Number of BS at Jan 1	338 052	180 600
BS awarded during the period	29 500	190 700
BS exercised during the period	-17 414	-32 300
BS cancelled at maturity during the period	-48 394	-105 300
Post-capital increase adjustments	0	102 456
Number of BS at year-end	301 744	338 052

Characteristics of bonus share schemes in 2016

Board meeting date	Date awarded	Initial number	Start of vesting	Vesting period	Vesting date
May 1, 2016	May 1, 2016	29 500	May 1, 2016	3 years	May 1, 2019

Conditions for awarding bonus shares

Bonus shares are only definitively vested after the end of a three-year period and provided that beneficiaries are still employed by the Parrot Group on this date. 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.

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 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 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%: 80% of the shares will be awarded,
- If this change is higher than 40%: 100% of the shares will be awarded.

The share prices is 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 performance condition for the plan awarded by the Board on July 29, 2013 has not been achieved.

Impact on the financial statements

The expense recognized for awards of stock options and bonus shares represents 2,223 K€ for 2016 (versus 1,511 K€ in 2015).

20.2.21.3. Treasury shares

	Dec. 31, 2015	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec. 31, 2016
Number of securities ⁽¹⁾	377 673	919 627	(479 453)	16 285		(33 700)	800 432
Value (€)	6 253 746	-	-				11 396

(1) Number of securities at Dec 31, 2015 comprises:

Breakdown of number of shares	Dec. 31, 2015	Acquisition	Disposal	Reclassification	Cancellation	Awarded on registered basis	Dec. 31, 2016
Unallocated treasury stock	117 668	436 510	-	(120 755)	-	-	(120 755)
Bonus shares awarded and not delivered to staff	209 002	-	-	126 442	-	(33 700)	126 442
Shares to be cancelled	46 600	-	-	10 598	-	-	10 598
Subtotal	373 270	436 510	-	16 285	-	(33 700)	16 285
Liquidity agreement	4 403	483 117	(479 453)	-	-	-	-
Total	377 673	919 627	(479 453)	16 285	-	(33 700)	16 285

The general shareholders' meeting on June 16, 2016 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, 2016	4 403	106 975
Purchases in 2016	483 117	6 956 558
Sales in 2016	(479 453)	(6 981 528)
Number of securities at Dec. 31, 2016	8 067	82 005

- 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, 2016.

Share buyback program	Remaining shares at Dec. 31, 15	Cancelled in 2016	Awarded and served in 2016	Buybacks	Awarded and not served	Remaining shares at Dec. 31, 2016
No. 6	2 200	-		-	-	2 200
No. 10	146 100	-	-17 415	-	-	128 685
No. 11	75 270	-		-	-	75 270
No. 12	149 700	-		-	-	149 700
No. 13	-	-		436 510	-	436 510
Total	373 270	-	-17 415	436 510	-	792 365

20.2.21.4. Dividends

There are no plans to pay out any dividends relative to 2016.

20.2.22. Note 21 – Financial liabilities

€'000	Dec 31, 2016	Dec 31, 2015
Borrowings and debt with credit institutions	-	15 645
Sundry borrowings and financial debt	1 161	1 393
Non-current financial liabilities (long-term)	1 161	17 039
Borrowings and debt with credit institutions	42 016	2 205
Sundry borrowings and financial debt	-	134
Accrued interest on borrowings	17	6
Current financial liabilities (short-term)	42 032	2 345

- Sundry borrowings and financial debt

Parrot Drones 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, for a total of 1,162 K€. This advance will be repayable in four installments from June 2018 to June 2021.

- Bank loans and debts

On July 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.

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€.

On June 24, 2016, the Company made a third drawdown for 25.0 M€, partially covering the increase in the capital interest in senseFly to 100%: this drawdown is fully covered with the abovementioned swap.

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

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

The above ratios defined with the banks were not respected at December 31, 2016. As a result, the debt has been fully reclassified as short-term.

At December 31, 2016, the breakdown of borrowings and debt with credit institutions was as follows:

- Borrowings: 41,202 K€ under one year;
- Swap fair value: (814) K€;
- Use of short-term credit lines: NA.

- Fair value of derivative instruments at year-end

€'000	Dec. 31, 2016	Dec. 31, 2015
Current liabilities	814	(12)
Non-current liabilities		489

20.2.23. Note 23 – 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, 2016	Dec. 31, 2015
Net income (Group share, €)	(137 906 849)	461 815
Weighted average number of shares outstanding	30 165 351	13 600 004
Basic net earnings per share (€)	€4.57	-€0.03

- Diluted earnings per share

Diluted earnings per share factor in any diluting instruments outstanding at the end of the period.

In €	Dec 31, 2016	Dec 31, 2015
Net income (Group share) used to determine diluted earnings per share	(137 907 849)	461 815
Weighted average number of shares outstanding retained to determine diluted net earnings per share	30 165 351	13 846 128
Diluted net earnings per share (€)	-€4.57	€0.03

20.2.24. Note 24 – Non controlling interest

Parrot has awarded put options to the minority shareholders in Pix4D (44.33% minority interest), Airinov (26.50% minority interest) and MicaSense Inc. (43.67% minority interest) for their interests in the respective companies (see Note 27.2 Other non-current liabilities).

20.2.25. Note 25 – Provisions for pensions and related commitments

20.2.25.1. Introduction

Employee benefits primarily comprise pension benefits concerning Parrot Drones and 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.

20.2.25.2. Financial information

Supplementary employee benefits primarily concern provisions for retirement benefits (PRB).

At December 31, 2016, the provisions primarily included:

- 1,280 K€ of provisions for retirement benefits for Parrot Drones (1,253 K€ at December 31, 2015);
- 287 K€ of provisions for retirement benefits for Parrot S.A. (295 K€ at December 31, 2015).

(Expenses) / income for the year - €'000	Total 2015	Total 2014
Net cost of services	(233)	(338)
Net interest on the liability / asset	(39)	(43)
Plan change during the year	-	-
Reduction / liquidation effects	-	-
(Expenses) / Income for the year	(272)	(380)

Experience gains and losses show a gain of around 5.4% of the commitment expected at December 31, 2016. This gain reflects a higher level of outflows than forecast with the assumptions. The actuarial gains and losses relating to changes in the demographic assumptions are linked primarily to the change in the turnover table. The financial actuarial losses are attributable to the lower discount rate (2.00% versus 2.50% in 2015).

The following tables have been restated for 2016 concerning the reclassification of the OEM Automotive business under operations held for sale.

Change in provisions	2016	2015
(Provision) / amount paid in advance at start of period	(1 573)	(2 503)
Income (expense) for the year	(272)	(380)
Amount recognized in OCI for the year	70	637
Contributions paid by employer	94	-
Benefits paid by employer	72	15
(Acquisition) / sales	-	(19)
(Provision) / amount paid in advance	(1 609)	(2 251)

*Restatement of the OEM Automotive business under operations held for sale

Change in actuarial liability over the year	2016	2015
Actuarial liability (DBO) at start of period*	(1 573)	(2 503)
Net cost of services	(233)	(338)
Net interest on the liability / asset	(39)	(43)
Employee contributions	-	-
Plan change	-	-
Reduction / liquidation effects	-	-
Experience gains (losses) generated over the period	95	413
Gains (losses) relating to changes in demographic assumptions	171	(62)
Gains (losses) relating to changes in financial assumptions	(171)	286
Benefits paid	-	15
(Acquisition) / sale	70	(19)
Transfers	73	-
Actuarial liability (DBO) at end of period	(1 608)	(2 251)

*Restatement of the OEM Automotive business under operations held for sale at the start of FY 2016.

Change in provisions	2016	2015
(Provision) / amount paid in advance at start of period*	(1 573)	(2 503)
Income (expense) for the year	(272)	(380)
Amount recognized in OCI for the year	94	637
Contributions paid by employer	73	-
Benefits paid by employer	-	15
(Acquisition) / sale	70	(19)
(Provision) / amount paid in advance	(1 608)	(2 251)

* Restatement of the OEM Automotive business under operations held for sale at the start of FY 2016.

Main assumptions	2016	2015
Discount rate	2.00%	2.50%
Inflation rate	2.00%	2.00%
Rate for increase in pay	3.00%	3.00%

20.2.26. Note 26 – Current provisions

The change in current provisions over the year can be broken down as follows:

€'000	Dec. 31, 2015	Allowance	Reversals	Changes in scope	Translation difference	Dec. 31, 2016
Provisions for customer warranties	6 050	5 107	(2 758)	-	180	(31)
Other prov. for contingencies and liabilities	5 773	4 594	(2 889)	-	42	(433)
Total current provisions	11 823	9 702	(5 647)	-	223	(464)

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. However, in September 2016, the Federal Court of Appeals fully rejected this ruling and the parties have now been referred back to the initial jurisdiction for new proceedings. 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 (the proceedings are still underway). 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, 2016, with the exception of the legal fees and guarantee still to be covered through to the end of the litigation proceedings for 1.3 M€. Other provisions for disputes represent 0.6 M€.
- Provisions for supplier commitments: 3.3 M€;
- Provisions for various commercial and employee disputes: 1.1 M€;
- Other provisions: 0.8 M€.

20.2.27. Note 27 - Liabilities and other current and non-current liabilities

20.2.27.1. Trade payables, current tax liabilities and other current liabilities

Trade payables represented 52.1 M€ at December 31, 2016, compared with 84.5 M€ at December 31, 2015, with this reduction taking into account the contraction in business and the OEM Automotive activity's transfer to discontinued operations.

The change in other current liabilities primarily reflects the acquisition of the interests held by the minority shareholders in senseFly, and the reclassification of non-current liabilities as current liabilities for the call option on securities for the subsidiary Pix4D.

The 2016 business value added tax (CVAE), totaling 679 K€ (versus 1,020 K€ in 2015), is presented under current tax liabilities.

€'000	Dec. 31, 2016	Dec. 31, 2015
Trade payables	52 099	84 526
Current tax liability	2 450	5 097
Advances and deposits paid on orders	1 580	1 416
Tax and social security liabilities	13 715	14 710
Liabilities relating to acquisitions of fixed assets	26 373	29 452
Other liabilities	19 545	3 189
Other current liabilities	61 214	48 768

20.2.27.2. Other non-current liabilities

€'000	Dec. 31, 2016	Dec. 31, 2015
Liabilities relating to acquisitions of fixed assets	27 922	55 018
Other non-current liabilities	27 922	55 018

– Detailed breakdown of liabilities on acquisitions of fixed assets

– €'000	Dec 31, 2015	Change through equity	Change through P&L	Exchange gains or losses	Reclassification as current liabilities	Dec 31, 2016
Put options: Pix4D, MicaSense, Airinov	54 564	(5 838)	-	831	(23 249)	26 308
Other	454	-	4 176	109	(3 124)	1 614
Total	55 018	(5 838)	4 176	940	(26 373)	27 922

Parrot's obligations to buy back 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, i.e. the discounted value of the estimated exercise price, in line with the levels of margins and revenues. The discount rate reflects the marginal cost of debt for Parrot.

Other current and non-current liabilities include 50.1 M€ relating to these call options. The liabilities relating to the call options for Pix4D are classed as current liabilities at December 31, 2016.

The reduction in these two items of liabilities is primarily due to the operation to buy out the interests held by senseFly's minority shareholders in the second quarter of 2016.

20.2.28. Note 28 – Financial instruments

Category and fair value of financial assets and liabilities

At December 31, 2016 (€'000)	Fair value through P&L	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost	Derivatives	Balance sheet value	Fair value
Financial assets	-	-	3 652	-	-	-	-	-
Trade receivables	-	-	-	52 533	-	-	52 533	52 533
Other current receivables	-	-	-	28 362	-	-	28 362	28 362
Other current fin. assets	28 000	-	-	-	-	-	28 000	28 000
Cash and cash equivalents	200 043	-	-	-	-	-	200 043	200 043
Total financial assets	228 043	-	3 652	80 895	-	-	308 938	308 938
Other financial liabilities	-	-	-	-	42 379	814	43 194	43 194
Other non-current liabilities	-	26 716	-	-	606	-	27 922	27 922
Trade payables	-	-	-	-	52 099	-	52 099	52 099
Other current liabilities	-	26 953	-	-	26 979	-	53 932	53 932
Total financial liabilities	-	53 669	-	-	122 663	814	177 147	177 147

At December 31, 2015 (€'000)	Fair value through P&L	Fair value through equity	Assets available for sale	Loans and 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

- 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 2015 and 2016.

At Dec. 31, 2016 - €'000	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:				
Other current financial assets	28 000	28 000	-	-
Cash and cash equivalents	200 043	200 043	-	-
Total assets	228 043	228 043	-	-
Financial liabilities measured at fair value, of which:				
Other financial liabilities	43 194	42 379	814	-
Other current liabilities	61 214	34 261	-	26 953
Other non-current liabilities	27 922	606	-	27 316
Total liabilities	132 330	77 246	814	54 269

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, 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

20.2.28.1. Schedule for financial liabilities

Financial liabilities are detailed in Note 21 "Financial liabilities".

Analysis of trade receivables and their seniority

At December 31, 2016 (€'000)	Trade receivables for which the payment due date has passed					Total
	Current	0-3 months	3-6 months	6-12 months	>1 year	
Trade receivables	51 760	5 478	1 886	1	4 150	63 275
Total financial assets	51 760	5 478	1 886	1	4 150	55 993
Of which, COFACE cover	28 239	3 043	1 226	-	-	32 508
Trade receivables not covered	23 521	2 435	659	1	4 150	30 766
Provisions for trade receivables and related	-	-	-	-	3 460	3 460
Total trade receivables	51 760	5 478	1 886	1	689	59 815

At December 31, 2015 (€'000)	Trade receivables for which the payment due date has passed					Total
	Current	0-3 months	3-6 months	6-12 months	>1 year	
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

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 3,460 K€, including an increase of 1,197 K€ for 2016.

The Group's policy for trade receivables is based on managing cover under the existing COFACE policy and regularly monitoring trade receivables.

20.2.28.2. 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 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€ and the second drawdown for 6.5 M€ have been hedged in full at a fixed rate of 0.64% through to their maturity in June 2022; the same conditions are in place for the third drawdown, from June 2016, for 25 M€ to increase the interest held in senseFly's capital to 100%.

The Company also decided to apply hedge accounting at December 31, 2016 in order to limit volatility on the income statement.

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

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

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

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

20.2.29. Note 29 – Market risks

20.2.29.1. 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 2016, for the Group, around one third of revenues, almost all of its sales costs and around 20% of operating expenditure were denominated in US dollars or associated currencies, such that the Group is exposed to fluctuations in this currency 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 2016, 19.1% of the Group's cash and other financial asset position was in US dollars or related currencies.

– Foreign exchange risk exposure:

	Dec. 31, 2016				
	'000	USD	HKD	GBP	CNY
Trade receivables		676	3 138	-	200
Trade payables		(13 748)	(572)	(384)	(51)
Other equity interest-related receivables		43 206	-	-	-
Current account		25 000	-	-	-
Financial derivatives		-	-	-	-

	Dec. 31, 2015				
	'000	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		-	-	-	-

	Dec. 31, 2016		Dec. 31, 2015	
	€'000		€'000	
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	117	-	(96)	-
Other equity interest-related receivables	-	4 554	-	(3 726)
Trade payables	-	2 635	-	(2 156)
Financial derivatives	(1 507)	-	1 233	-

	Dec. 31, 2015		Dec. 31, 2015	
	€'000		€'000	
	P&L impact	Impact of FV adjustment on reserves	P&L impact	Impact of FV adjustment on reserves
	10% appreciation for currencies against euro		10% appreciation for euro against the currencies	
Trade receivables	4 586	-	(3 752)	-
Other equity interest-related receivables	-	755	-	(618)
Trade payables	(2 649)	-	2 167	-
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.

20.2.29.2. Rate risk

Cash is invested during the year in risk-free vehicles with underlying rates of mostly up to three months.

The impact of a 1% variation in the average rate of return would represent a 2,162 K€ loss on the level of consolidated financial income.

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

Lastly, the Parrot Group's rate risk management policy involves limiting the risks of changes in rates for drawdowns on the variable-rate external growth 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.

20.2.29.3. 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 11,396 K€ for 800,432 shares.

20.2.29.4. Liquidity and counterparty risk

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

The Company has carried out a specific review of its liquidity risk and considers that it is in a position to cover its upcoming maturities. Parrot's financing policy aims to ensure that the Group has the liquidity needed to finance its assets, its short-term cash requirements and its development at all times, in terms of both the duration and the amounts, at the lowest possible cost.

– Financial assets at December 31

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:	€52.5 m
– Other receivables:	€28.4 m
– Other financial assets:	€128.0 m
– Cash and cash equivalents:	€200.0 m

During 2016, 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 December 31

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, 2016 €'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	42 016	-	42 016	-	-	-
Sundry borrowings and financial debt	1 177	-	16	290	871	-
Bank borrowings	-	-	-	-	-	-
Trade payables	52 099	-	52 099	-	-	-
Other liabilities	81 854	-	55 138	-	26 716	-
Current tax liability	2 450	-	2 450	-	-	-
Total	179 596	-	151 719	290	27 587	-
Derivative financial liabilities						
Rate instruments	814	-	-	-	-	-
Currency instruments	-	-	-	-	-	-
Total	814	-	-	-	-	-

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					

20.2.30. Note 30 – Executive compensation

The total amount of compensation paid to members of the management committee can be broken down as follows:

€'000	Dec. 31, 2016	Dec. 31, 2015
Fixed pay	2 110	1 869
Variable pay	746	961
Short-term benefits	2 856	2 830
Post-employment benefits	-	-
Payments in shares	386	745
Total	3 242	3 576

The management committee is made up of 11 people who perform the following functions: Chairman and Chief Executive Officer, Chief Technical Officer, VP Business Development, VP Business Units (2), VP Production, VP Administration and Finance, VP Human Resources, VP Marketing, VP Commercial and VP Digital Services.

20.2.31. Note 31 – Related parties

No significant operations were carried out over 2016 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 Entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

20.2.32. Note 32 – Commitments given or received

- Commitments given

Commitments relating to operating leases that cannot be terminated represented 3.1 M€.

At December 31, the amount of firm orders placed with our main suppliers came to a total of 51.9 M€.

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€ (see Note 33 – Post-balance sheet events).

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).

A parent company guarantee for a maximum of USD 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.

20.2.33. Note 33 – Assets and liabilities held for sale and discontinued operations

A fixed asset is held for sale when its book value will be recovered primarily through a sale, rather than continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly likely.

These assets are presented separately from other assets under “assets held for sale” on the consolidated balance sheet when they are significant. These assets are measured at the lower of their book value or their estimated sales price, net of costs relating to their sale. Liabilities relating to assets held for sale are presented under “liabilities held for sale” on the consolidated balance sheet.

The breakdown of the contribution for discontinued operations is presented below:

	Parrot Automotive (€'000)	Dec 31, 2016
Revenues		66 751
Cost of sales		(29 554)
Gross margin		37 198
% of revenues		55.7%
Research and development costs		(18 758)
% of revenues		-28.1%
Sales and marketing costs		(6 395)
% of revenues		-9.6%
Overheads		(2 888)
% of revenues		-4.3%
Production and quality		(2 888)
% of revenues		-4.3%
Income from ordinary operations		6 269
% of revenues		9.4%
Other operating income and expenses		(64)
EBIT		6 205
% of revenues		9.3%
Income from cash and cash equivalents		1
Gross finance costs		(7)
Net finance costs		(7)
Other financial income and expenses		1 088
Financial income / expense		1 081
Share in income from associates		-
Tax		(2 042)
Net income		5 245
Group share		5 245
% of revenues		7.9%
Non-controlling interests		-

The following table presents a breakdown of “assets held for sale” and “liabilities relating to assets held for sale” on the consolidated balance sheet:

Parrot Automotive (€'000)	Dec 31, 2016
Non-current assets held for sale	42 036
Goodwill	14 997
Other intangible assets	26 319
Property, plant and equipment	614
Investments in associates	-
Financial assets	106
Deferred tax assets	0
Current assets held for sale	40 812
Inventories	9 143
Trade receivables	13 560
Other receivables	1 803
Other current financial assets	-
Cash and cash equivalents	16 305
Total assets held for sale	82 848
Non-current liabilities relating to assets held for sale	1081
Non-current financial liabilities	-
Provisions for pensions and other employee benefits	823
Deferred tax liabilities	254
Other non-current provisions	-
Other non-current liabilities	-
Current liabilities relating to assets held for sale	12 680
Current financial liabilities	0
Current provisions	464
Trade payables	6 912
Current tax liabilities	1 283
Other current liabilities	4 022
Total liabilities relating to assets held for sale	13 761

Lastly, "operating cash flow relating to discontinued operations", "investing cash flow relating to discontinued operations" and "financing cash flow relating to discontinued operations" can be broken down as follows:

€'000	Dec 31, 2016
Operating cash flow	
Earnings for the period	5 245
Depreciation and amortization	5 532
Capital gains and losses on disposals	10
Tax charges	2 042
Cost of share-based payments(1)	685
Net finance costs	7
Cash flow from operations before net finance costs and tax	13 520
Change in working capital requirements	(6 716)
Tax paid	(1 124)
Cash flow from operations held for sale	5 680
Investing cash flow	
Acquisition of property, plant and equipment and intangible assets	(498)
Acquisition of financial assets	(1)
Cash flow from operations held for sale	(499)
Financing cash flow	
Equity contributions (3)	-
Dividends paid	(8 766)
Net finance costs	(7)
Repayment of short-term financial debt (net)	1 487
Cash flow from operations held for sale	(7 285)

20.2.34. Note 34 - Statutory auditing fees

Amounts excluding VAT (€'000)	KPMG AUDIT IS	Network members	2016 total	2015 total	EY et Autres	Network members	2016 total	2015 total
Account certification	233	55	288	469	254	20	274	442
Services other than account certification	30	67	97	249	181	0	181	206
TOTAL	263	122	385	718	435	20	455	648

20.2.35. Note 35 – Post-balance sheet events

The significant developments presented below have occurred since the 2016 financial year-end.

On January 27, 2017, EOS Innovation went into court-ordered receivership. The company Parrot Drones has submitted claims to the official receiver for a total of 2.5 M€ outstanding, fully provisioned in the accounts at December 31, 2016.

On January 23, 2017, Parrot Inc. acquired a further 11.5% interest (0.9 M\$) in Planck Aerosystems Inc., the American company developing UAV surveillance solutions for the marine industry, taking its total stake up to 37%.

On February 20, 2017, Parrot S.A. made an early repayment covering all the outstanding sums due under the external growth credit agreement set up on July 24, 2015 for a total of 41.3 M€. As a result, Parrot S.A. secured the release of the agreement pledging financial securities as collateral for 35.5 M€, signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth.

Reorganization of the Drone business

Parrot is taking on board the changes in the consumer drone market and considers that the management of its development in this segment will involve adapting its range against a backdrop of cost reductions.

The action plan mapped out aims to adapt the level of resources deployed in line with the level of business achieved in 2016, focusing on four key areas:

- Focusing the capacity for innovation on a reduced number of new products with a view to making a significant technological leap forward;
- Redeploying the product offering, capitalizing in particular on the expertise built up in commercial drones;
- Realigning sales and marketing resources around the most profitable distribution channels and most promising markets;
- Adjusting support functions in line with the level of business.

Consulting with its employee representatives, and following the legal framework applicable, Parrot therefore proposed a plan on January 9, 2017 that could reduce its workforce by around 290 people out of a total of 840 staff currently working in the Group's Drone activities. These reductions would concern employees both in France and internationally. In France, this proposal would see around 150 positions cut, notably considering possible redeployments in the Group's other activities.

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 SA'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 3F "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 3M "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 10 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 3K, 3M and 11 to the consolidated financial statements provide appropriate information.

The group records impairments on inventories under the conditions set out in Note 3O. We have assessed the approach adopted by your group, as described in Note 3O, 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 3V. 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 relating to the group, presented in the management 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, May 10, 2017

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

HEADINGS	GROSS	Depreciation and provisions	Net Dec 31, 2016	Net Dec 31, 2015
INTANGIBLE ASSETS				
Research and development costs	-	-	-	-
Concessions, patents and related rights	3 061 655	2 828 595	233 060	26 685
Goodwill	7 622	-	7 622	7 622
Other intangible assets	1 265 574	1 181 246	84 328	122 951
Total intangible assets	4 334 851	4 009 841	325 010	157 258
PROPERTY, PLANT AND EQUIPMENT				
Technical facilities, plant and equipment	-	-	-	-
Other property, plant and equipment	8 591 203	6 725 746	1 865 457	1 945 098
Fixed assets under construction	43 276	-	43 276	-
Total property, plant and equipment	8 634 479	6 725 746	1 908 733	1 945 098
LONG-TERM FINANCIAL INVESTMENTS				
Other equity interests	118 174 226	20 510 000	97 664 226	97 919 026
Equity interest-related receivables	78 289 279	78 289 279	-	-
Other long-term financial investments	1 562 849	-	1 562 849	1 213 575
Total long-term financial investments	198 026 355	98 799 279	99 227 076	99 132 601
FIXED ASSETS	210 995 685	109 534 866	101 460 819	101 234 958
INVENTORIES AND WORK-IN-PROGRESS				
Inventories of raw materials	-	-	-	-
Inventories of intermediate and finished products	-	-	-	-
Total inventories and work-in-progress	-	-	-	-
RECEIVABLES				
Advances and deposits paid on orders	31 942	-	31 942	46 092
Trade receivables and related	2 422 703	-	2 422 703	11 325 935
Other receivables	131 715 686	345 000	131 370 686	50 028 798
Total receivables	134 170 330	345 000	133 825 330	61 400 825
CASH AND CASH EQUIVALENTS				
Marketable securities	164 222 105	1 178 708,00	163 043 397	283 081 530
Cash at bank and in hand	11 970 008	-	11 970 008	12 436 240
Prepaid expenses	410 982	-	410 982	739 023
Total cash and cash equivalents	176 603 095	1 178 708,00	175 424 387	296 256 793
CURRENT ASSETS	310 773 425	1 523 708	309 249 717	357 657 618
Deferred expenses over several years	0	-	0	
Bond redemption premiums	0	-	0	
Translation gains	3 350	-	3 350	935
GENERAL TOTAL	521 772 460	111 058 574	410 713 885	458 893 510

BALANCE SHEET - LIABILITIES

HEADINGS	Net Dec 31, 2016	Net Dec 31, 2015
NET POSITION		
Share or individual capital, of which 4 599 258 paid	4 599 258	4 592 458
Issue, merger, contribution premiums	331 677 756	331 133 522
Revaluation differences	-	-
Legal reserve	203 512	203 512
Statutory or contractual reserves	-	-
Regulated reserves	-	-
Other reserves	-	-
Retained earnings	81 561 783	83 516 102
Earnings for the year	-74 032 905	-1 954 319
Investment subsidies	-	-
SHAREHOLDERS' EQUITY	344 009 404	417 491 276
Income from issues of equity securities		
Conditional advances		
OTHER EQUITY	-	-
Provisions for contingencies	2 750 320	2 451 721
Provisions for liabilities	556 000	564 000
PROVISIONS FOR CONTINGENCIES AND LIABILITIES	3 306 320	3 015 721
FINANCIAL LIABILITIES		
Convertible bonds	-	-
Other bonds	-	-
Bank borrowings and debt	41 216 634	17 701 351
Sundry borrowings and financial debt	3 550 506	10 477 877
TOTAL FINANCIAL LIABILITIES	44 767 140	28 179 229
ADVANCES AND DEPOSITS RECEIVED ON CURRENT ORDERS		
SUNDRY LIABILITIES		
Trade payables and related	3 283 173	6 692 979
Tax and social security liabilities	4 198 570	3 252 312
Fixed asset payables and related	-	-
Other liabilities	11 149 265	31 412
TOTAL SUNDRY LIABILITIES	18 631 007	9 976 703
PREPAID INCOME	-	-
LIABILITIES	63 398 147	38 155 931
Translation losses	13	230 582
GENERAL TOTAL	410 713 885	458 893 510

20.4.2. Income statement

INCOME STATEMENT - Section 1

HEADINGS	France	Export	Dec 31, 2016	Dec 31, 2015
Sales of goods				
Production sold: goods			-	-
Production sold: services	15 603 470	134 211	15 737 681	12 893 727
NET REVENUES	15 603 470	134 211	15 737 681	12 893 727
Stored production			-	-
Capitalized production			-	-
Operating subsidies			-	-
Reversal of depreciation and provisions, transferred expenses			79 000	10 534 363
Other income			3 089 512	2 561 177
OPERATING INCOME			18 906 193	25 989 267
EXTERNAL EXPENSES				
Purchases of goods			-	-
Change in inventories of goods			-	-
Purchases of raw materials and other supplies			-	-
Change in inventories (raw materials and supplies)			-	-
Other purchases and external expenses			13 834 697	22 135 490
TOTAL EXTERNAL EXPENSES			13 834 697	22 135 490
TAX AND RELATED			1 183 161	1 225 759
STAFF COSTS				
Salaries and wages			5 670 436	5 134 389
Payroll taxes			1 197 439	2 202 417
TOTAL STAFF COSTS			6 867 875	7 336 806
OPERATING PROVISIONS				
Provisions for depreciation on fixed assets			1 473 887	1 408 033
Provisions on fixed assets			-	-
Provisions on current assets			-	-
Provisions for contingencies and liabilities			225 000	58 000
TOTAL OPERATING PROVISIONS			1 698 887	1 466 033
OTHER OPERATING EXPENSES			301 539	265 825
OPERATING EXPENSES			23 886 159	32 429 912
EBIT			-4 979 966	-6 440 645

INCOME STATEMENT - Section 2

HEADINGS	Dec 31, 2016	Dec 31, 2015	
	EBIT	-4 979 966	-6 440 645
Profit allocated or loss transferred			
Loss incurred or profit transferred			
Financial income from equity interests	8 766 023	-	
Income from other marketable securities and fixed asset receivables	0	-	
Other interest and related income	376 517	1 120 056	
Reversal of provisions and transferred financial expenses	1 256 212	2 758 985	
Foreign exchange gains	786 849	850 775	
Net income from disposal of marketable securities	1 129 085	552 300	
FINANCIAL INCOME	12 314 686	5 282 117	
Financial depreciation and provisions	80 726 614	1 324 018	
Interest and related expenses	1 205 338	307 203	
Foreign exchange losses	593 656	141 579	
Net expenses on sale of marketable securities	439 660	285 943	
FINANCIAL EXPENSES	82 965 268	2 058 742	
	FINANCIAL INCOME / EXPENSE	-70 650 582	3 223 374
	INCOME FROM ORDINARY OPERATIONS BEFORE TAX	-75 630 548	-3 217 270
Non-recurring income on management transactions	5 956	-	
Non-recurring income from previous year	0	-	
Non-recurring income on capital transactions	1 272 326	1 733 384	
Reversal of provisions and transferred non-recurring expenses	314 575	753 203	
NON-RECURRING INCOME	1 592 857	2 486 587	
Non-recurring expenses on management transactions	563 672	38 888	
Non-recurring expenses on capital transactions	254 800	2 328 782	
Non-recurring depreciation and provisions	0	-	
NON-RECURRING EXPENSES	818 472	2 367 670	
	NON-RECURRING INCOME	774 385	118 917
Employee profit-sharing	-	-	
Corporate income tax	-823 259	-1 144 034	
	TOTAL INCOME	32 813 735	33 757 971
	TOTAL EXPENSES	106 846 640	35 712 290
	PROFIT OR LOSS	-74 032 905	-1 954 319

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, 2016 were approved by the Board of Directors on April 24, 2017. The financial statements are presented in euros.

20.4.3.1. Main events over the year

In 2016, Parrot SA carried out a capital increase based on 44,619 new shares with equity warrants, following the exercising of options for a nominal total of 7 K€ and an issue premium of 544 k€.

On December 6, 2016, Parrot entered into exclusive talks for a partnership between its subsidiary Parrot Automotive SAS and Faurecia SA. The business concerned, which covers the OEM Automotive products and particularly Infotainment solutions, had 180 employees at December 31, 2016.

This initiative has been subject to the necessary procedures to inform and consult with the employee representatives. It has also been submitted to the relevant competition authorities.

The partnership was finalized on March 30, 2017.

In connection with the syndicated credit facility, the following covenants applied:

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

The above ratios defined with the banks were not respected at December 31, 2016. As a result, the debt was payable at December 31, 2016.

20.4.3.2. Post-balance sheet events

On February 20, 2017, Parrot S.A. made an early repayment covering all the outstanding sums due under the external growth credit agreement set up on July 24, 2015 for a total of 41.3 M€.

As a result, Parrot S.A. secured the release of the agreement pledging financial securities as collateral for 35.5 M€, signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth.

Consulting with its employee representatives, and following the legal framework applicable, Parrot is envisaging a plan that could reduce its workforce by around 290 people out of a total of 840 staff currently working in the Group's Drone activities. These reductions would concern employees both in France and internationally. In France, this proposal would see around 150 positions cut, notably considering possible redeployments in the Group's other activities.

20.4.3.3. Accounting methods and rules

The financial statements for the year ended December 31, 2016 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 réglementations comptable) new accounting rules.

They are presented in accordance with the French general chart of accounts (Plan comptable général), approved by French accounting standards board (ANC) Regulation 2014-03, in addition to the subsequent regulations (2015-06 and 2016-07) amending certain articles.

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 recognized 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 value of equity securities and receivables relating to equity interests is lower than their book value, a provision for impairment is recorded.

The inventory value corresponds to the going concern value of securities. The going concern value is based on the portion of shareholders' equity held and the future outlook.

20.4.3.3.4. 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.

20.4.3.3.5. 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.

20.4.3.3.6. 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.

20.4.3.3.7. 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 for executive status staff: 65
- Retirement age for non-executives: 63
- Rate of wage growth: 3%
- Discount rate: 2%
- Payroll tax rate: 45%

This provision came to 287 K€ at December 31, 2016, compared with 295 K€ in 2015.

20.4.3.3.8. Revenues

Management fee income comes from billing for the Group's shared expenses, common to Parrot SA and its French subsidiaries, covered by Parrot S.A.:

- IT services
- Multi-service support
- Rent – exclusively for the subsidiaries sharing their premises with Parrot SA
- Other expenses

The transfer pricing agreement is based on a “cost plus 5%” approach, except for the transfer costing of rent, facilities management services and bonus shares. Other income primarily concerns transfer costing for brand royalties for 3,044K€.

20.4.3.3.9. Breakdown of corporate income tax

The tax expense concerns the tax consolidation income.

20.4.3.3.10. Related-party transactions

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.

20.4.3.3.11. 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. Assets

20.4.3.4.1. Fixed assets

	Gross value at year-start	Acquisitions, mergers, creations, transfers	Reduction through disposals and retirements	Transfers	Gross value at year-end
HEADINGS					
INTANGIBLE ASSETS					
Patents and related rights	2 721 022	331 133		9 500	3 061 655
Goodwill	7 622				7 622
Other intangible assets	1 231 222	64 080		-29 728	1 265 574
Total intangible assets	3 959 866	395 213	-	-20 228	4 334 852
PROPERTY, PLANT AND EQUIPMENT					
Technical facilities, plant and equipment	-				0
Other property, plant and equipment	5 565 220	377 405			5 942 625
Transport equipment	-				0
Office equipment and furniture	1 838 971	809 607			2 648 578
Fixed assets under construction		43 276			43 276
Total property, plant and equipment	7 404 190	1 230 289	-		8 634 479
LONG-TERM FINANCIAL INVESTMENTS					
Other equity interests	118 429 026		-254 800		118 174 226
Receivables and other long-term financial investments	1 213 575	78 638 553			79 852 128
Total long-term financial investments	119 642 601	78 638 553	-254 800	-	198 026 355
General total	131 006 658	80 264 055	-254 800	-20 228	210 995 685

HEADINGS	Value at year-start	Provisions	Reversals	Value at year-end	Straight-line
INTANGIBLE ASSETS					
Concessions, patents and related rights	2 694 337	134 258	-	2 828 595	134 258
Goodwill	-	-	-	-	-
Other intangible assets	1 108 271	72 975	-	1 181 246	72 975
Total intangible assets	3 802 608	207 233	-	4 009 841	207 233
PROPERTY, PLANT AND EQUIPMENT					
Technical facilities, plant and equipment	-	-	-	-	-
Other property, plant and equipment	4 180 974	845 141	-	5 026 115	845 141
Transport equipment	-	-	-	-	-
Office equipment and furniture	1 278 118	421 513	-	1 699 631	421 513
Fixed assets under construction	-	-	-	-	-
Total property, plant and equipment	5 459 092	1 266 654	-	6 725 746	1 266 654
LONG-TERM FINANCIAL INVESTMENTS					
Other equity interests	20 510 000	-	-	20 510 000	
Receivables and other long-term financial investments		78 289 279	-	78 289 279	
Total long-term financial investments	20 510 000	78 289 279	-	98 799 279	
General total	29 771 700	79 763 166	-	109 534 866	1 473 887

The receivable relating to equity interests covered by 78 M€ of provisions corresponds to the Parrot Drones receivable to be capitalized in the first half of 2017.

20.4.3.4.3.

Subsidiaries and equity interests

Subsidiaries and equity interests	SIREN code	Capital	Shareholders' equity excl. earnings for year	Capital stake (%)	Net book value of securities			Loans and advances			Revenues	Earnings	Dividends received	
Detailed information concerning subsidiaries and equity interests in euros.														
					Gross	Provisions	Net	Gross	Provisions	Net				
CHEZ PARROT	751 758 848	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 (UK)		128	838 966	100	145			145			-	3 101 640	491 758	
PARROT IBERIA (Inpro)		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	8 766 023
PARROT AUTOMOTIVE	808 381 156	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	808 408 074	59 537 824	59 537 824	100	59 537 824			59 537 824	191 419 797,17	78 289 279	113 130 518	129 596 086	-126 092 335	
PARROT INVEST 4	815 201 587	1 000		100	1 000			1 000			-	-	-	
total					118 174 228		20 510 000	97 664 228	190 530 525	78 634 279	111 896 246	172 558 472	-114 759 669	8 766 023

The receivable held on Parrot Drones has been subject to provisions based on the amount of the negative net position of Parrot Drones.

The Netatmo securities were sold on December 1, 2016, generating a capital gain of 1,018K€.

During 2016, Parrot SA received 8,766K€ in dividends from its subsidiary Parrot Automotive.

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.

20.4.3.4.4. Change in marketable securities

Heading	Number	Unit price	Unrealized gain/loss	Total
SG Monétaires	7	5 310	-	37 168
CIC Tempo 3 mois à préavis	2	25 000 000	1 042	50 000 000
LCL CAT Trésorerie Libre	1	1 023 269	64	1 023 269
LCL CAT progressif 24 mois 17/12/2017	1	5 000 000	1 776	5 000 000
BNP Potentiels 1.2.3. 04/12/2017	2	5 000 000	18 411	10 000 000
BNP Potentiels 1.2.3. 17/12/2018	1	10 000 000	2 055	10 000 000
Crédit Agricole DAT Prof Revenus 5 ans 18/03/2018	1	3 000 000	2 173	3 000 000
LCL Ressources Plus Privilèges 18/12/2016	1	70 000 000	556	70 000 000
Sub-total: Investments			26 077	149 060 437

Heading	Number	Buyback value	Depreciation	Net value
Treasury shares allocated	301 744	4 870 149	-	4 870 149
Treasury shares to be allocated	433 423	5 443 590	-1 178 708	4 264 882
Sub-total: Treasury shares		735 167	10 313 739	-1 178 708
				9 135 031

Transaction date	Quantity	Capital gains	Acquisition/sale price
Number of securities at Dec 31, 2015	4 403		106 975
Purchases in Year N	483 117		6 956 558
Sales in Year N	479 453		6 981 528
Sub-total: Liquidity agreement		8 067	11 863
			82 005
Total marketable securities			158 277 472

20.4.3.4.5.

Share buyback programs

	Remain ing shares at Dec 31, 2015	Value (€)	Shares cancell ed in 2016	Value (€)	Shares award ed serv ed in 2015	Value (€)	Shares bought back	Value (€)	Shares award ed unserv ed	Shares remainin g	Share s to be cance lled in 2016	Value (€)
Share buyback program no. 4												
Share buyback program no. 5												
Share buyback program no. 6											2 200	40 098
Share buyback mandate no. 9												
Share buyback program no. 10					-						- 41 998	758 629
Share buyback program no. 11											- 6 500	103 637
Share buyback program no. 12	26 413	400 074							26 413		- 6 500	98 455
Share buyback program no. 13							436 510	5 482 361	3 087	433 423		
TOTAL	26 413	400 074	-	-	-	-	436 510	5 482 361	29 500	433 423	57 198	1 000 819

20.4.3.4.6.

Liquidity agreement

Transaction date	Quantity	Acquisition/sale price
Number of securities at Dec 31, 2015	4 403	106 975
Purchases in Year N	483 117	6 956 558
Sales in Year N	479 453	6 981 528
Number of securities at Dec 31, 2016	8 067	82 005

20.4.3.4.7.

Accounts receivable

Breakdown of accounts receivable on the balance sheet		In euros
Long-term financial investments		-
Equity interest-related receivables		
Other long-term financial investments		
Receivables		3 358 070
Trade receivables and related		
Staff & social organizations		
State		2 212 966
Sundry receivables & other receivables		1 145 104
Marketable securities		-
Cash and cash equivalents		-
Accrued interest receivable		
TOTAL		3 358 070

20.4.3.4.8.

Prepaid expenses and income

	Expenses	Income
Operating income or expenses	410 982	0
Financial income or expenses		
Non-recurring income or expenses		
TOTAL	410 982	-

20.4.3.5. Liabilities

20.4.3.5.1.

Change in shareholders' equity

	2015	Change	2016
Capital	4 592 458	6 800	4 599 258
Issue premium	331 133 522	544 234	331 677 756
Legal reserves	203 512		203 512
Unavailable reserves			
Retained earnings	83 516 102	-1 954 319	81 561 783
2015 earnings	-1 954 319		
2016 earnings			-74 032 905
TOTAL	417 491 276	-1 403 285	344 009 404

The changes in shareholders' equity during 2016 primarily reflect the allocation of the loss for the year ended December 31, 2015 to retained earnings.

20.4.3.5.2.

Share capital

	Number of shares	Per value in euros
1-Shares or rights comprising the capital at year-start	30 130 052	0,1524
2-Shares or rights issued during the year	44 619	0,1524
3-Shares or rights cancelled during the year		0,1524
4-Shares or rights comprising the capital at year-end	30 174 671	0,1524

20.4.3.5.3.

Stock options and bonus shares

– Stock options

Decision date	Situation at end 2015	Quantity exercised in 2016	Quantity expired in 2016	New scheme in 2016	Situation at end 2016	Exercise limit date
10 Feb. 11	12 233	-	12 233		-	9 Feb. 16
12 May 11	9 067	-	9 067		-	11 May 16
28 July 11	4 318				4 318	27 July 18
10 Nov. 11	94 982	-	26 890		68 092	9 Nov. 18
15 Feb. 12	267 399	-	17 729		249 670	14 Feb. 17
10 May 12	24 178				24 178	9 May 17
16 Nov. 12	31 086				31 086	15 Nov. 17
20 Feb. 13	8 635				8 635	19 Feb. 18
15 May 13	23 027				23 027	14 May 18
	474 925	-	44 619	-	21 300	-
					409 006	

– Bonus shares

Decision date	Situation at end 2015	Quantity exercised in 2016	Quantity expired in 2016	New scheme in 2016	Situation at end 2016	Exercise limit date
1 Aug. 13	3 599	-	3 599		-	31 July 16
15 Nov. 13	22 111	-	11 513	-	10 598	14 Nov. 16
15 Jan. 14	127 131	-	2 303	-	59 400	14 Jan. 17
1 March 14	34 981			-	4 600	28 Feb. 17
1 Oct. 14	6 157			-	400	30 Sept. 17
1 March 15	43 202			-	6 500	28 Feb. 18
20 Nov. 15	133 976				133 976	19 Nov. 18
12 May 16	-			29 500	29 500	30 Apr. 19
	371 157	-	17 415	-	81 498	29 500
					301 744	

Provisions	At year-start	Increase	Reversals of provisions used	Reversals of provisions unused	At year-end
For supplier commitments	-	-	-	-	-
For customer warranties	-	-	-	-	-
For commercial disputes	-	210 000	-	-	210 000
For exchange rate loss	935	3 350	-	935	3 350
For depreciation schedule on shares distributed	-	-	-	-	-
For depreciation schedule on shares distributed (unqualified)	2 276 065	1 205 128	-	1 724 760	1 756 433
For depreciation schedule on Macron Act shares	103 721	661 816	-	-	765 537
For employment disputes	71 000	15 000	67 000	4 000	15 000
For retirement benefits	295 000	-	-	8 000	287 000
For tax	269 000	-	-	-	269 000
For contingencies and liabilities	3 015 721	2 095 294	67 000	1 737 695	3 306 319
For intangible assets	-	-	-	-	-
For property, plant and equipment	-	-	-	-	-
For fixed assets: equity-consolidated securities	-	-	-	-	-
For other long-term financial investments	20 510 000	-	-	-	20 510 000
For current accounts	-	78 289 279	-	-	78 289 279
For inventories and work-in-progress	345 000	-	-	-	345 000
For accounts receivable	-	-	-	-	-
For impairment of marketable securities	-	-	-	-	-
For impairment of Varioptic goodwill	-	1 178 708	-	-	1 178 708
For intangible assets	-	-	-	-	-
For depreciation	20 855 000	79 467 987	0	0	100 322 987
TOTAL	23 870 721	81 563 281	67 000	1 737 695	103 629 306

In euros	2016	2015
Borrowings and debt with credit institutions	41 213 200	17 687 128
Accrued interest payable	20 127	14 224
Cash pooling: Group advance / borrowings	3 533 813	10 477 877
TOTAL GENERAL	44 767 140	28 179 229

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 June 30, 2016, the Company made a drawdown from this credit line for 25 M€.

Cash pooling: Group advance / borrowings

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

In connection with the syndicated credit facility, the following covenants applied:

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

The above ratios defined with the banks were not respected at December 31, 2016. As a result, the debt was payable at December 31, 2016.

20.4.3.5.6. Accrued expenses

Accrued expenses included in balance sheet items	Montant
Convertible bonds	
Other bonds	
Borrowings and debt with credit institutions	
Sundry borrowings and financial debt	16 693
Trade payables and related	2 633 884
Tax and social security liabilities	1 362 585
Liabilities on fixed assets and related	
Cash, cash equivalents and accrued expenses	3 434
Other liabilities	653 964
TOTAL	4 670 559

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	122,45		122	122
On financial debt				
On operating debt	3 227		3 227	3 214
On fixed asset-related debt				
TOTAL	3 350	-	3 349	3 336

20.4.3.6. Information on the income statement

20.4.3.6.1. Revenues

Revenues exclusively comprise management fees invoiced to the subsidiaries.

Breakdown by region	In euros
Europe excluding France	42 729
France	15 603 470
Other countries	91 483
Total	15 737 681

20.4.3.6.2. Other income

	In euros
Royalties billed to Parrot Drones	3 044 531
Other	44 981
Total	3 089 512

20.4.3.6.3.

Financial income and expenses

In euros	Financial income
1 129 085	Income from marketable securities
1 114 028	Reversal of provisions
142 184	Transferred non-recurring expenses
786 849	Foreign exchange gain
376 517	Other interest and related income
8 766 023	Financial income from equity interests
TOTAL	12 314 686

In euros	Financial expenses
3 350	Provisions for exchange gains or losses
593 461	Depreciation of shares distributed
661 816	Depreciation of shares distributed (unqualified)
1 178 708	Depreciation of shares distributed under Macron Act
78 289 279	Depreciation of long-term financial investments
1 205 338	Interest
593 656	Foreign exchange loss
439 660	Capital loss on treasury stock
TOTAL	82 965 268

Financial income and expenses reflect a 70,651 K€ loss, linked primarily to the writedown of the Parrot Drones receivable for 78,289 K€ and the dividends received from Parrot Automotive for 8,766K€.

20.4.3.6.4.

Non recurring income and expenses

Non recurring income	In euros	Imputé au compte
	1 272 326	Income from disposal of asset items
	-	Non-recurring income from previous years
	5 956	Misc. non-recurring income
	-	Reversal of provisions for non-recurring expenses
	314 575	Transferred non-recurring expenses
TOTAL	1 592 857	

Non recurring expenses	In euros	
	4 746	Penalties
	244 351	Non-recurring expenses
	254 800	Book values of assets divested
	314 575	Merger loss from the acquisition of shares issued by the Company
		Non-recurring depreciation and provisions
TOTAL	818 472	

20.4.3.6.5. Corporate income tax

	Pre-tax earnings	Tax
Income from ordinary operations	-75 630 548	
Common law tax		17 160
Discount rate tax		806 099
Withholding tax		
Tax credit		
Provisions for tax		
Non-recurring income	774 385	
Pre-tax earnings	-74 856 164	
Tax		823 259
Net income		-74 032 905

20.4.3.6.6. Unrealized taxes

	Base	Tax
Temporarily taxable transactions, in euros		
Losses carried forward	12 650 282	
Loss for the year	6 980 020	
Organic		
Unrealized capital gains on UCITS		
Forex gain		
Retirement benefits		
Total	19 630 302	
Future tax savings (based on a 33.33% rate)		6 542 780
Total	19 630 302	6 542 780

* 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

Payables in euros	Gross amount	Under 1 year	Over 1 year
Fixed assets			
Equity interest-related receivables	78 289 279		78 289 279
Loans	-		
Other long-term financial investments	1 562 849	-	1 562 849
TOTAL	79 852 128	-	79 852 128
Bad or disputed receivables			
Other trade receivables	-		
Advances and deposits paid	2 422 703	2 422 703	
Receivables representative of loaned securities	31 942	31 942	
Staff and related			
Social security and related	32 165	32 165	
State - corporate income tax	14 498	14 498	
State - value-added tax	10 630 738	10 630 738	
State - other tax and payments	4 257 617	4 257 617	
Bad or disputed receivables			
Group and related	115 232 505	931	115 231 575
Sundry receivables	1 548 162	1 548 162	
TOTAL	134 170 330	18 938 756	115 231 575
Prepaid expenses	410 982	410 982	
TOTAL GENERAL	214 433 441	19 349 738	195 083 703

Tax receivables primarily concern the research tax credit for the year for 9,601 K€, as well as the section of the research tax credits not funded from previous years: 300 K€ for 2013, 335 K€ for 2014 and 395 K€ for 2015.

Payables in euros	Gross value	Under a year	1 to 5 years	Over 5 years
Non-convertible bonds				
Borrowings from credit institutions	41 216 634	41 216 634,22		
Sundry borrowings and financial debt	3 550 506	3 550 505,72		
Trade payables and related	3 283 173	3 283 173		
Staff and related	911 588	911 588		
Social security and related	763 358	763 358		
Corporate income tax	2 394 512	2 394 512		
Surety bonds				
Other taxes and related	129 112	129 112		
Fixed asset payables and related				
Group and related	10 459 384	10 459 384		
Other payables	689 882	689 882		
Debt representative of borrowed securities				
Prepaid income				
TOTAL	63 398 148	63 398 148	-	-

20.4.3.7.2. Off-balance sheet commitments

The main off-balance sheet commitments at December 31, 2016 are as follows:

- Future payment commitments relating to operating lease agreements, staggered from 2015 to 2021, for a total of 3.8 M€.
- Parrot SA has given financial support to its subsidiary Parrot Drones and the cash received when the capital increase was carried out in 2015 is intended for the Drones business.

- On July 20, 2012, Parrot SA 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).
- The parent company guarantee given to Jabil Circuit Inc. and Jabil Circuit Ltd. on September 3, 2010 for a maximum of 27 M\$.
- On February 20, 2017, Parrot S.A. made an early repayment covering all the outstanding sums due under the external growth credit agreement set up on July 24, 2015 for a total of 41.3 M€.

As a result, Parrot S.A. secured the release of the agreement pledging financial securities as collateral for 35.5 M€, signed on July 24, 2015 between Parrot S.A. and the banks involved in the syndicated credit facility for external growth.

20.4.3.7.3. Retirement benefits

Main assumptions	2016	
Discount rate	2.00%	
Inflation rate	2.00%	
Rate of wage growth	3.00%	
Mortality tables	INSEE TH/TF 2010-12	
Retirement approach	Voluntary	
Retirement age	Executive grade staff	Non-executives
	65 ans	63 ans
Turnover		
25 years old and less	27.00%	14.00%
25 - 29	18.00%	10.00%
30 - 34	11.75%	6.75%
35 - 39	6.50%	4.25%
40 - 44	3.00%	1.90%
45 - 49	1.50%	0.80%
50 years old and over	0.00%	0.00%
Employer payroll taxes rate	45.00%	45.00%
Valuation method	Projected unit credits with prorated entitlements at term	
Change in provisions at year end		
(Provision) / amount paid in advance year-start	295,000	
Income / expenses for 201	-8,000	
Benefits paid by employer		
(Provision)/amount paid in advance at year-end	287,000	

20.4.3.7.4. Headcount

At year end in people	2016	2015
Actual headcount	60	57
Average headcount	59	481

20.4.3.7.5. Executive compensation

The global compensation for administrative and management bodies totaled 457,640 euros, including 25,000 euros in attendance allowance.

20.4.3.7.6. Statutory auditors' fees

	2016	
	KPMG SA	EY
Accounts certification	163 320	146 000
Services other than certification of accounts		183 210
TOTAL	163 320	329 210

20.5. Statutory auditors' report on the annual financial statements for 2016

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, 2016 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 3.3.3 "Long-term financial investments" presents the accounting methods and rules relating to the value in use and depreciation of investment securities and equity interest-related receivables.

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 identity of shareholders and voting rights.

Paris-La Défense, May 10, 2017

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 SA and its subsidiaries Parrot Drones S.A.S. and Parrot Inc. are currently subject to several patent infringement proceedings in the United States concerning the Drone business. To date, the risk has not been able to be accurately evaluated.

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

20.9. **Significant changes in the commercial or financial position**

The Group has not seen any significant change in its commercial or financial position since December 31, 2016.

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.

21.1.1. Amount of the share capital

At December 31, 2016, the share capital was split into 30,174,671 fully paid-up ordinary shares, all of the same category, with a par value of 0.1524 euros, representing a total of 4,598,362 euros.

21.1.2. Non-capital securities

On the filing date for this reference document, the Company had not issued any securities that are not representative of its capital.

21.1.3. Shares bought back over the year

21.1.3.1. Share buyback policy and objectives

The general meeting on June 16, 2016 renewed the authorization to implement a share buyback program, for an 18-month period ending December 16, 2017. 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 16, 2016 renewed the authorization for the Board of Directors to implement a share purchase program, the Board acknowledged during its meeting on June 16, 2016 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 2016.

As authorized by the general meeting on June 16, 2016, the maximum purchase price for shares has been set at 80 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.

21.1.3.2. Liquidity agreement in connection with the share buyback programs

The means made available to Natixis Securities so that it can perform its market making activity have been set at a maximum of 650 K€, paid up in full, with the maximum unit price for purchases not to exceed 80.00 euros.

As decided by the Board of Directors on June 16, 2016, the Company acknowledged the automatic renewal of the liquidity agreement set up with Natixis for a one-year period from July 31, 2016 to July 31, 2017.

In 2016, in connection with the liquidity agreement:

- Number of shares bought and sold:
 - 483,117 shares bought;
 - 479,453 shares sold.
- Average price for purchases and sales:
 - Average purchase price: 14.40 euros;
 - Average sales price: 14.56 euros.
- Number and value of shares registered in the Company's name at year-end:
 - 8,067 shares registered;

- Value based on the purchase price: 116,164.80 euros;
 - Average purchase price: 14.40 euros;
 - Reasons for acquisitions made: market making or liquidity of the Company's share;
 - Percentage of the capital they represent: not significant.
- Resources available for the liquidity account at December 31, 2016:
 - 446,385.85 euros.
 - Amount of trading fees with Natixis:
 - Annual flat rate: 30,000 euros.

21.1.3.3. Treasury share buybacks in connection with the share buyback programs

■ Share buyback program implemented under the mandate from June 16, 2016

As authorized by the Extraordinary General Meeting on June 16, 2016 (7th resolution), the Company entrusted Natixis Securities on June 16, 2016, with effect from July 1, 2016, for a period expiring by the latest on the day of Parrot's general meeting held in 2017 to deliberate on the accounts for the year ended December 31, 2016, with a mandate to buy back a maximum of 48 M€, representing up to 10% of the share capital. The maximum purchase price must not exceed 80.00 euros.

This mandate aims to award stock options and/or bonus shares to employees or corporate officers or to reduce the capital. Under this program at December 31, 2016, the Company had acquired 300,000 shares at an average price of 11.61 euros and 33,700 units were awarded to the Company's key staff by the Board of Directors on May 12, 2016, in accordance with the regulations for a loyalty and incentive plan set up within the Company. These units are likely to give rise to a payment in Parrot shares in 2019, based on one unit per share, subject to compliance with a presence and performance condition for certain key executives.

21.1.4. Potential capital

The breakdown of the Company's capital and voting rights on the filing 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" in this reference document.

21.1.5. Authorized capital not issued

Detailed information on the potential capital is provided in 4.1.12 "The Company issues dilutive instruments which could have an impact on its capital" and 18.1.2 "Changes in the Company's capital", while noting that no dilutive instruments have been awarded outside of the Group's employees.

The following table summarizes the valid delegations granted by general shareholders' meetings, as well as the uses made of them during previous financial years and 2016.

■ Extraordinary General Meeting on June 30, 2015

Delegation given to Board of Directors	Term of delegation	Maximum nominal amount of capital increase	Use made in 2016
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)	Capital reduction decided by the Board on Feb 26, 2016
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 delegation	Maximum nominal amount of capital increase	Use made in 2016
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 ended 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 ended Dec 31, 2016	2% of the capital	Awarding of 33,700 Company shares decided by the Board on May 12, 2016
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€	NA
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€.

■ Extraordinary General Meeting on June 16, 2016

Delegation given to Board of Directors	Term of delegation	Maximum nominal amount of capital increase	Use made in 2016
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 16, 2016, i.e. through to Dec 15, 2017	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 16, 2016 to the General Meeting to approve the financial statements for the year ended Dec 31, 2016	1% of the capital	NA
3 – Authorization for the Board to freely award shares to employees and/or certain corporate officers of the Company or related companies	From Jun 16, 2016 to the General Meeting to approve the financial statements for the year ended Dec 31, 2016	2% of the capital	NA

21.1.6. Information on conditions governing the capital

NA.

21.1.7. Changes to the share capital

At December 31, 2016, the Company's share capital comprised 30,174,671 shares, following the 44,619 stock options exercised by the Group's staff.

■ Details of changes to the shares during the last two fiscal years

Date	Operation	Volume	Par value (€)	Nominal amount of change in capital (€)	Issue, contribution or merger premium (€)	Aggregate amount of share capital (€)	Aggregate number of shares
26/02/2015	Capital reduction	320,000	0.1524	48,768	-7,200,276	1,895,527	12,433,663
January 2015	Exercising of stock options	13,175	0.1524	2,008	171,967	1,897,535	12,446,838
February 2015	Exercising of stock options	4,293	0.1524	654	49,767	1,898,189	12,451,131
March 2015	Exercising of stock options	2,700	0.1524	411	33,287	1,898,601	12,453,831
April 2015	Exercising of stock options	8,380	0.1524	1,277	103,314	1,899,878	12,462,211
May 2015	Exercising of stock options	24,950	0.1524	3,802	337,447	1,903,680	12,487,161
June 2015	Exercising of stock options	38,500	0.1524	5,867	635,337	1,909,547	12,525,661
July 2015	Exercising of stock options	13,200	0.1524	2,012	235,716	1,911,559	12,538,861
Sept. 2015	Exercising of stock options	14,913	0.1524	2,273	368,296	1,913,832	12,553,774
17/12/2015	Issuing of new shares	17,575,278	0.1524	2,678,472	296,101,254	4,592,304	30,129,052
Dec. 2015	Exercising of stock options	1,000	0.1524	152	10,606	4,592,457	30,130,052
January 2016	Exercising of stock options	23,890	0.1524	3,641	253,368	4,596,098	30,153,942
March 2016	Exercising of stock options	6,217	0.1524	947	90,830	4,597,045	30,160,159
April 2016	Exercising of stock options	2,878	0.1524	439	42,052	4,597,484	30,163,037
July 2016	Exercising of stock options	5,756	0.1524	877	84,104	4,598,361	30,168,793
Sept. 2016	Exercising of stock options	5,878	0.1524	896	73,869	4,599,257	30,174,671

21.2. Updated bylaws from July 29, 2016

The bylaw provisions that have been adopted by the general shareholders' meeting and are in force following their latest update from July 29, 2016 are presented hereafter in full.

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 4,598,361.73 euros, split into 30,168,793 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 remit 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 Ordinary 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 21.2 "Bylaws".

21.2.2. Administrative, management and supervisory bodies

See **Articles 14, 15, 16, 17 et 18** presented in Section 21.2 "Bylaws".

21.2.3. Rights and obligations associated with the shares

See **Articles 11 et 12** of the Company's bylaws, presented in Section 21. "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 four years, the Group has entered into the significant contracts detailed below:

22.1. Contract to acquire the company senseFly

In 2012, Parrot granted senseFly's minority shareholders a put option on their 39.6% stake 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. These options were exercised in 2016 and paid in Swiss francs for a total of 26.2 M€.

22.1. Contract to acquire the company Pix4D

In 2014, Parrot awarded Pix4D's minority shareholders put options for their 39.9% stake 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 exercised during the first half of 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.

22.2. 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 their 40.97% interest in Airinov. These options will be able to be exercised in 2019, with a price based on the revenues and earnings 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.

22.3. 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.

22.4. 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 32.04% 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 earnings achieved in 2018. However, EOS Innovation has been in compulsory liquidation following the ruling by Evry Commercial Court on March 6, 2017. As a result, the options will no longer be able to be exercised.

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:

- 4.1.5 "The Group may encounter difficulties in integrating the acquired companies and in implementing its external growth strategy in the Commercial Drones market"
- 6.1.3.3 "Group's specialized commercial drone entities and products"
- 6.1.3.4 "Group's minority interests in specialized commercial drone companies"
- 20.2.4 "Note 4 – Basis for consolidation"
- 20.4.3.4.3 "Subsidiaries and equity interests"

XXVI. Information published

26.1. Regular and one-off disclosures

In connection with its financial communications, the following information was released in 2016 and until the date when this reference document was published.

Date	Title
Jan 4, 2016	2016 CES
Jan 21, 2016	Parrot receives the Euronext award for 2015 financial operation of the year from Euronext
Feb 9, 2016	Parrot presents Sequoia, a high-precision sensor for agricultural drones
Feb 11, 2016	New head of sales and marketing
Feb 20, 2016	2015 fourth-quarter earnings
Mar 10, 2016	Opening of the first window of transferability for the warrants
Apr 20, 2016	Parrot confirms its PEA-PME eligibility
May 10, 2016	Publication of the 2015 reference document
Aug 23, 2016	Parrot introduces DISCO, the first fixed-wing drone for immersive flight
Aug 30, 2016	Two new high-tech and playful Minidrones enrich the Parrot drone family
Sep 2, 2016	Parrot Bebop 2 now with FPV
Sep 2, 2016	Parrot Pot: the smart pot that automatically waters your plants
Sep 8, 2016	Parrot S.L.A.M.dunk: turn a drone into a smart robot
Sep 23, 2016	Growth targets revised
Nov 11, 2016	Pix4D launches Mobile + Desktop + Cloud Solutions for Drone Mapping at InterGeo 2016
Oct 6, 2016	senseFly to Unveil new RTK/PPK-Ready, Large Coverage Mapping Drone at INTERGEO 2016
Oct 12, 2016	Parrot presents Pix4Dmodel, a unique solution for Real Estate
Oct 14, 2016	Parrot Air Support: Drones serving real estate and building industry professionals
Nov 3, 2016	Parrot launches a 'follow me' in-app feature for Bebop 2
Nov 8, 2016	Parrot Air Support: two new services in partnership with Explorimmo
Dec 6, 2016	Proposed partnership with Faurecia
Dec 13, 2016	Parrot Bebop 2: real estate edition
Dec 14, 2016	New infotainment contract
Jan 9, 2017	Preliminary results for the fourth quarter of 2016 - Reorganization of consumer drone operations
Jan 11, 2017	Agribotix™ partners with senseFly to offer agricultural clients a professional-grade, end-to-end drone & data processing solution
Jan 16, 2017	Parrot Air Support and Bureau Veritas offer a turnkey drone-based inspection service for professionals
Feb 3, 2017	Airinov: drone efficiency in Precision Farming with the results of a large scale economic study with Ocealia
Feb 3, 2017	Pix4D: New supported devices, flight features for Pix4Dcapture iOS the flight planning app
Feb 24, 2017	senseFly and AirMap Partner to advance safety for commercial drones
Mar 10, 2017	Parrot Air Support: new thermographic inspection tool
Mar 27, 2017	Partnership finalized between Faurecia and Parrot Automotive
Apr 25, 2017	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/relationinvestisseurs.

26.2. Information released to the trade and specialized press

For its product communications, Parrot primarily uses new media. 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
May 9, 2016	NOTICE TO ATTEND > Shareholders' meeting	1602002
May 30, 2016	NOTICE TO ATTEND > Shareholders' meeting	1602722
Jul 22, 2016	REGULAR DISCLOSURES > Commercial and industrial companies (Annual financial statements)	1604008

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 21, 2017

27.1. For the Ordinary General Meeting

■ FIRST RESOLUTION

Approval of the corporate financial statements for the year ended December 31, 2016

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, 2016, as presented, with the accounts for the year showing a (74,032,905) 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, 2016.

■ SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2016

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, 2016, approves, as presented to it, the consolidated financial statements as per Article L. 233-16 of the French commercial code, drawn up in accordance with IFRS, showing a loss of (137,906,849) euros (net income, Group share).

■ THIRD RESOLUTION

Appropriation of earnings for the year

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, 2016, totaling (74,032,905) 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

Renewal of Mrs Natalie Rastoin's term of office as a director

The general meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, after considering the Board of Directors' report, decides to renew the term of office of Mrs Natalie Rastoin, a French national, born on December 15, 1959 in Marseille, residing at 45 bis rue Beaunier, 75014 Paris, France, as a director for a six-year period expiring at the end of the general meeting convened in 2023 to approve the financial statements for the year ending December 31, 2022.

The general meeting acknowledges that Mrs Natalie Rastoin has confirmed that she would accept the renewal of her term of office as a director if it was renewed and that she does not hold any offices and is not concerned by any measures that might forbid her from taking on the office renewed in this way.

■ SIXTH RESOLUTION

Appointment of Mrs Anne Samak de la Cerda as a new director

The general meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, after considering the Board of Directors' report, approves the Board of Directors' proposal and decides to appoint Mrs Anne Samak de la Cerda, born on December 10, 1974 in La Tronche, residing at 3756 23rd Street, San Francisco, CA 94114, USA, as a Company director for a six-year period expiring at the end of the general meeting convened in 2023 to approve the financial statements for the year ending December 31, 2022.

The general meeting acknowledges that Mrs Anne Samak de la Cerda has confirmed that she would accept the directorship if she was appointed and that she does not hold any offices and is not concerned by any measures that might forbid her from taking on this office.

■ SEVENTH RESOLUTION

Appointment of Mrs Agnès Bureau-Mirat as a new director

The general meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, after considering the Board of Directors' report, approves the Board of Directors' proposal and decides to appoint Mrs Agnès Bureau-Mirat, born on September 7, 1963 in Antony, residing at 7 avenue de Bretteville, 92200 Neuilly-sur-Seine, France, as a Company director for a six-year period expiring at the end of the general meeting convened in 2023 to approve the financial statements for the year ending December 31, 2022.

The general meeting acknowledges that Mrs Agnès Bureau-Mirat has confirmed that she would accept the directorship if she was appointed and that she does not hold any offices and is not concerned by any measures that might forbid her from taking on this office.

■ EIGHTH RESOLUTION

Approval of the principles and criteria for determining, distributing and awarding compensation and benefits of any kind to the corporate officers

The general meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report provided for under Article L.225-37-2 of the French commercial code, approves the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components comprising the total compensation and benefits of any kind presented in the aforementioned report and to be awarded to the Company corporate officers concerned in connection with their duties.

■ NINTH 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 270,000 euros, to be awarded to directors for their participation in Board of Directors' meetings and meetings of the Board's specialized committees for 2017.

■ TENTH RESOLUTION

Authorization given to the Board of Directors to implement a program to acquire the Company's shares in connection with European Commission Regulation 596/2014 of April 16, 2014 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 596/2014 of April 16, 2014, 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 596/2014 of April 16, 2014, 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 40 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 1,200,000 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 596/2014 of April 16, 2014 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 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 (ii) any market practices that might be approved subsequently by the AMF or under French law;
- Purchasing 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;
- 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 eleventh 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 seventh resolution at the Ordinary General Meeting on June 16, 2016.

27.2. For the Extraordinary General Meeting

■ ELEVENTH 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 20, 2018, 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 tenth 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 eighth resolution from the Ordinary General Meeting on June 16, 2016.

■ TWELFTH 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, 2017, 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 ninth resolution from the Extraordinary General Meeting on June 16, 2016.

■ THIRTEENTH 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, 2017, 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 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.
6. 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.
7. 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 tenth resolution from the Extraordinary General Meeting on June 16, 2016.

■ FOURTEENTH RESOLUTION

Delegation of authority for the Board of Directors 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, term of the delegation, maximum nominal amount of the capital increase

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.225-129-2, L.225-132, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report, and having acknowledged that the share capital has been paid up in full,

Delegates to the Board of Directors for a 26-month period from this General Meeting, its authority to decide, under the conditions set by the present resolution, to issue, either on a free basis or subject to payment, with preferential subscription rights maintained for shareholders, (i) ordinary Company shares and/or (ii) capital securities entitling holders to access other capital securities or the awarding of debt securities and/or (iii) marketable securities entitling holders to access capital securities to be issued, with subscriptions made either in cash or by offsetting receivables.

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 decided on under the present delegation is set at 2,299.000 euros, it being understood that this amount is booked against the cap set in the twentieth resolution and does not include the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.
2. The marketable securities entitling holders to access the Company shares issued in this way may comprise debt securities or be associated with the issuing of such securities, or even allow them to be issued as intermediate securities. The debt securities

issued under the present delegation may notably comprise subordinated or unsubordinated securities, covering a set period or not, and issued in euros or foreign currencies or in any monetary units established with reference to several currencies. The nominal amount of any debt securities issued in this way may not exceed 150,000,000 euros or the equivalent of this amount on the date of the decision to issue, it being understood that (i) this amount does not include the premiums for redemption above par, if applicable, (ii) this amount is common to all of the debt securities that may be issued under the present resolution and the fifteenth, sixteenth, seventeenth and eighteenth resolutions submitted at this General Meeting, (iii) but this amount is independent and separate from the amount of any debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code. The term of borrowings other than those represented by perpetual securities may not exceed seven years. Borrowings may be based on a fixed or variable interest rate, or zero coupon, or indexed, or even, within the limits applicable under French law, on a capitalization basis, and may be subject to guarantees or sureties granted, redeemed (including through the remittance of the Company's assets), with or without a premium, or amortized, with the securities also able to be bought back on the stock market or subject to an exchange or purchase offer by the Company. The aforementioned conditions may be amended during the life of the securities in question, to the fullest extent permitted by law.

3. In addition to their preferential subscription rights for shares and marketable securities issued under the present resolution, the Board of Directors may institute a right for shareholders to subscribe on a reducible basis for the shares or marketable securities issued, which will be exercised in proportion to their subscription rights and within the limit of their requests. The General Meeting also acknowledges that if subscriptions on an irreducible basis and, as relevant, on a reducible basis have not accounted for the entire issue, the Board of Directors may, in the order it determines, (i) limit the issue to the amount of subscriptions received, provided that this represents at least three quarters of the issue decided on; (ii) freely distribute all or part of any securities not subscribed for; or (iii) conduct a public offering for all or part of any securities not subscribed for on the French market, internationally or abroad.
4. The General Meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription rights for the shares or marketable securities which the marketable securities to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under this resolution.
5. The General Meeting decides that the Company stock warrants decided on under the present delegation may be issued through a subscription offer, as well as through free allocations to holders of existing shares, and that in the event of a free allocation of stock warrants, the Board of Directors may decide that allocation rights forming fractions will not be able to be traded or transferred and the corresponding securities will be sold.
6. The Board of Directors will determine the characteristics, amount and conditions for any issue as well as any securities issued, and it may, within the lifetime of the securities concerned, amend the conditions for marketable securities issued or to be issued to the fullest extent permitted by law. More specifically, it will determine the category of securities and set their subscription price, with or without a premium, the conditions for them being fully paid-up, their dividend entitlement date, possibly backdated, the possibility to reduce or increase the par value of marketable securities, the conditions under which the marketable securities issued based on the present resolution will entitle holders to access Company shares and, for debt securities, their level of subordination. The Board of Directors may decide to book issue costs against the amount of the corresponding premiums and deduct from this amount the sums needed to take the legal reserve up to one tenth of the new capital after each increase.
7. As relevant, the Board of Directors may suspend the exercising of the rights associated with marketable securities entitling holders to access the Company's capital directly or indirectly, immediately or in the future, for a maximum period of three months and will take all relevant measures for any adjustments to be made in accordance with French law and, as relevant, the contractual stipulations in order to protect the holders of rights associated with marketable securities entitling them to access Company shares.
8. The Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.
9. 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.
10. 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, and more specifically Article L.225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the fourth resolution and with the same purpose, for any unused portion, if applicable, is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ FIFTEENTH RESOLUTION

Delegation of authority for the Board of Directors 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, term of the delegation, maximum nominal amount of the capital increase

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.225-129-2, L.225-135, L.225-136, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report, having acknowledged that the share capital was fully paid-up,

Delegates to the Board of Directors for a 26-month period from this General Meeting, its authority to decide, under the conditions set by the present resolution, to issue, with preferential subscription rights waived for shareholders in connection with a public offering, (i) ordinary Company shares and/or (ii) capital securities entitling holders to access other capital securities or the awarding of debt securities and/or (iii) marketable securities entitling holders to access capital securities to be issued, with subscriptions made either in cash or by offsetting receivables.

11. 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 decided on under the present delegation is set at 750,000 euros, it being understood that this amount is booked against the cap set in the twentieth resolution and does not include the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.
12. The marketable securities entitling holders to access the Company shares issued in this way may comprise debt securities or be associated with the issuing of such securities, or even allow them to be issued as intermediate securities. The debt securities issued under the present delegation may notably comprise subordinated or unsubordinated securities, covering a set period or not, and issued in euros or foreign currencies or in any monetary units established with reference to several currencies. The nominal amount of any debt securities issued in this way may not exceed 150,000,000 euros or the equivalent of this amount on the date of the decision to issue, it being understood that (i) this amount does not include the premiums for redemption above par, if applicable, (ii) this amount is common to all of the debt securities that may be issued under the present resolution and the fourteenth, sixteenth, seventeenth and eighteenth resolutions submitted at the present general meeting, (iii) but this amount is independent and separate from the amount of any debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code. The term of borrowings other than those represented by perpetual securities may not exceed seven years. Borrowings may be based on a fixed or variable interest rate, or zero coupon, or indexed, or even, within the limits applicable under French law, on a capitalization basis, and may be subject to guarantees or sureties granted, redeemed (including through the remittance of the Company's assets), with or without a premium, or amortized, with the securities also able to be bought back on the stock market or subject to an exchange or purchase offer by the Company. The aforementioned conditions may be amended during the life of the securities in question, to the fullest extent permitted by law.
13. The General Meeting decides to waive the preferential subscription rights for shareholders relative to shares and marketable securities to be issued under the present delegation of authority.
14. The Board of Directors may institute a non-tradable priority right for shareholders to subscribe for the shares or marketable securities issued under the present delegation, for which it will determine, within the legal conditions in force, the terms and conditions for exercising. Any securities not subscribed for under this right may be subject to a public placement in France or abroad, or on the international market.
15. If subscriptions, including, as relevant, those of shareholders, have not accounted for the entire issue, the Board of Directors may limit the amount of the operation as provided for under French law.
16. The General Meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription rights for the shares or marketable securities which the marketable securities to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under this resolution.
17. The Board of Directors will determine the characteristics, amount and conditions for any issue decided on under the present delegation, as well as any securities issued, and it may, within the lifetime of the securities concerned, amend the conditions for marketable securities issued or to be issued to the fullest extent permitted by law. More specifically, it will determine the category of securities issued and set their subscription price, with or without a premium, their dividend entitlement date, backdated if applicable, and, as relevant, the term or the conditions under which the marketable securities issued under the present resolution will entitle holders to access shares, it being understood that:
 - (i) In accordance with Article L.225-136 1, Paragraph 1 of the French commercial code, the issue price for shares issued directly will at least be equal to the minimum provided for under the regulations in force on the issue day (to date, the weighted average share price for the last three days trading on the regulated market Euronext Paris prior to the subscription price being set for the capital increase, less 5%, after correcting this average, if applicable, in the event of any differences between dividend entitlement dates);
 - (ii) The issue price for other marketable securities entitling holders to access the capital will be such that the sum immediately received by the Company, in addition to, as relevant, any sum that it may receive subsequently is, for each share issued

further to the issuing of such marketable securities, at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of dividend entitlement dates;

(iii) The conversion, redemption or generally the transformation into shares of each marketable security will be carried out based on a number of shares such that the sum received by the Company, for each share, is at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of the dividend entitlement date;

18. The Board of Directors may decide to book the costs of issues carried out under the present resolution against the corresponding amount of premiums and to deduct from this amount the sums needed to take the legal reserve up to one tenth of the new capital after each increase.
19. The Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.
20. 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.
21. The Board of Directors will 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, and more specifically Article L. 225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2016 under the fifth resolution and with the same purpose, for any unused portion, if applicable, is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ SIXTEENTH RESOLUTION

Delegation of authority for the Board of Directors to issue ordinary 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, term of the delegation, limits concerning the amounts of issues

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.225-127, L.225-128, L.225-129, L.225-129-2, L.225-135, L.225-136, L.228-91 and L.228-92 of the French commercial code and Section II of Article L.411-2 of the French monetary and financial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

22. Delegates to the Board of Directors for a 26-month period from this General Meeting, its authority to decide, under the conditions set by the present resolution, to issue, with preferential subscription rights waived for shareholders in connection with an offer covered by Section II of Article L.411-2 of the French monetary and financial code, (i) ordinary Company shares and/or (ii) capital securities entitling holders to access other capital securities or the awarding of debt securities and/or (iii) marketable securities entitling holders to access capital securities to be issued, with subscriptions made either in cash or by offsetting receivables.
23. Decides to cap the amounts of any issues that may be carried out by the Board of Directors under the present delegation as follows:
 - (i) The maximum nominal amount of any capital increases that may be carried out, immediately or in the future, under this delegation may not exceed 15% of the Company's capital per year;
 - (ii) The nominal amount of capital increases carried out under the present resolution will be booked against the amount of the cap set in the twentieth resolution for the present General Meeting, but will not include the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares;
 - (iii) The maximum nominal amount of the Company's marketable debt securities may not exceed 150,000,000 euros or the equivalent of this amount, it being understood that this amount does not include any premiums for redemption above par, if applicable, and that it is common to all the debt securities that may be issued under the present resolution and the fourteenth, fifteenth, seventeenth and eighteenth resolutions submitted at the present General Meeting, and that it is independent and separate from the amount of debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code.
24. Decides to waive the preferential subscription rights for shareholders to securities covered under the present resolution.
25. Acknowledges that under this delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription rights for the shares or marketable securities which the marketable securities

to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under the present resolution.

26. The Board of Directors will determine the characteristics, amount and conditions for any issue decided on under the present delegation, as well as any securities issued, and it may, within the lifetime of the securities concerned, amend the conditions for marketable securities issued or to be issued to the fullest extent permitted by law. More specifically, it will determine the category of securities issued and set their subscription price, with or without a premium, their dividend entitlement date, backdated if applicable, and, as relevant, the term or the conditions under which the marketable securities issued under the present resolution will entitle holders to access shares, it being understood that:
- (i) In accordance with Article L.225-136 1, Paragraph 1 of the French commercial code, the issue price for shares issued directly will at least be equal to the minimum provided for under the regulations in force on the issue day (to date, the weighted average share price for the last three days trading on the regulated market Euronext Paris prior to the subscription price being set for the capital increase, less 5%, after correcting this amount, if applicable, in the event of any differences between dividend entitlement dates);
 - (ii) The issue price for other marketable securities entitling holders to access the capital will be such that the sum immediately received by the Company, in addition to, as relevant, any sum that it may receive subsequently is, for each share issued further to the issuing of such marketable securities, at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of dividend entitlement dates;
 - (iii) The conversion, redemption or generally the transformation into shares of each marketable security will be carried out based on a number of shares such that the sum received by the Company, for each share, is at least equal to the amount indicated in (i) above, after correcting this amount, as relevant, in order to take into consideration differences in terms of the dividend entitlement date;
27. Decides that if the subscriptions have not accounted for the entire issue of marketable securities, the Board of Directors may limit the issue to the amount of subscriptions under the legal conditions in force when the present delegation is used.
28. The Board of Directors may decide to book the costs of issues carried out under the present resolution against the corresponding amount of premiums and to deduct from this amount the sums needed to take the legal reserve up to one tenth of the new capital after each increase.
29. Decides that the Board of Directors, in accordance with Article L.225-129-2 of the French commercial code, will have full powers to implement the present resolution, notably entering into any agreements required, particularly with a view to the effective completion of any issue, to carry out the aforementioned issues on one or more occasions, in the proportions and at the times it deems relevant in France or, as relevant, abroad or on the international market - in addition to deferring them if applicable - acknowledging their performance and amending the bylaws accordingly, as well as performing all formalities and filings and requesting any authorizations that may be necessary for the performance and successful completion of such issues.
30. 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.
31. 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, and more specifically Article L.225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the sixth resolution and with the same purpose, for any unused portion, if applicable, is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ SEVENTEENTH RESOLUTION

Authorization for the Board of Directors, in the event of a capital increase with preferential subscription rights waived or maintained for shareholders, to increase the number of securities to be issued, term of the authorization, limits concerning the authorization

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.225-135-1 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Authorizes, for a 26-month period from this General Meeting, the Board of Directors to decide, within 30 days of the end of the subscription period for the initial issue, for each of the issues decided on in accordance with the fourteenth, fifteenth and sixteenth resolutions as presented above, to increase the number of securities to be issued, for up to 15% of the initial issue, subject to compliance with the cap provided for under the said resolution and based on the same price as that retained for the initial issue.

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 authorization in accordance with the legal and regulatory provisions in force, and more specifically Article L. 225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the seventh resolution and with the same purpose, for any unused portion, if applicable, is, subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ EIGHTEENTH RESOLUTION

Delegation of authority for the Board of Directors 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, term of the delegation, maximum nominal amount of the capital increase

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.225-129-2, L.225-148, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Delegates to the Board of Directors, for a 26-month period from this General Meeting, its authority to decide, under the conditions set by the present resolution, to issue ordinary Company shares 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, in return for securities tendered for a public offering with an exchange component initiated in France or abroad, in accordance with local rules, by the Company on the securities of a company admitted for trading on one of the regulated markets stipulated in the aforementioned Article L.225-148, and decides, in relation to the holders of such securities, to waive the preferential subscription rights for shareholders to such shares and marketable securities, as necessary.

32. The maximum nominal amount of the increase in the Company's capital that 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 750,000 euros, it being understood that (i) this amount is booked against the cap set in the twentieth resolution and is set not taking into consideration the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares, (ii) the maximum nominal amount of the Company's marketable debt securities may not exceed 150,000,000 euros or the equivalent of this amount, it being understood that this amount does not include the premiums for redemption above par, if applicable, and is common to all of the debt securities which may be issued under the present resolution and the fourteenth, fifteenth, sixteenth and seventeenth resolutions as presented above, and that it is independent and separate from the amount of debt securities whose issue may be decided on or authorized by the Board of Directors in accordance with Article L.228-40 of the French commercial code.
33. The General Meeting acknowledges that under the present delegation, in accordance with the provisions of Article L.225-132 of the French commercial code, shareholders waive their preferential subscription rights for the shares or marketable securities which the marketable securities to be issued under the present delegation may entitle them to, relative to holders of marketable securities issued under this resolution.
34. The General Meeting decides that the Board of Directors will have full powers to implement the public offers provided for under the present resolution, and more specifically with a view to:
 - Setting the exchange ratio and, as relevant, the amount of the cash balance to be paid;
 - Acknowledging the number of securities tendered for the exchange;
 - Setting the issue dates and conditions, including the price and dividend entitlement date, possibly backdated, for new shares or, as relevant, marketable securities issued under the present resolution;
 - Recording the difference between the issue price for new shares and their par value as a liability on the balance sheet under a “contribution premium” account, which will be covered by the rights of all shareholders;
 - As relevant, booking all of the duties and fees incurred by the authorized operation against the amount of the said “contribution premium”;
 - Generally, taking any measures and entering into any agreements required for the successful performance of the authorized operation, acknowledging the resulting capital increase or increases, and amending the bylaws accordingly.
35. 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.
36. The Board of Directors will 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, and more specifically Article L. 225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the eighth resolution and with the same purpose, for any unused portion, if applicable, is subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ NINETEENTH RESOLUTION

Delegation of authority for the Board of Directors 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, term of authorization, maximum nominal amount of the capital increase

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.225-129-2, L.225-147, L.228-91 and L.228-92 of the French commercial code, having reviewed the Board of Directors' report and the statutory auditors' special report,

Delegates to the Board of Directors, for a 26-month period from this General Meeting, its authority, under the conditions set by the present resolution and based on the contribution auditors' report mentioned in Paragraphs 1 and 2 of the aforementioned Article L.225-147 of the French commercial code, to issue ordinary Company shares in return for any contributions in kind made to the Company and comprising capital securities or marketable securities entitling holders to access the capital, when the provisions of Article L.225-148 of the French commercial code do not apply, and decides, in relation to the holders of capital securities or marketable securities subject to contributions in kind to waive the preferential subscription rights for shareholders to the shares issued in this way, as necessary.

37. The maximum nominal amount of the capital increase that may be carried out, immediately or in the future, as a result of all the issues decided on under the present delegation is set at 10% of the Company's capital on the date of the present general meeting, it being understood that the maximum nominal amount resulting from the present capital increase is booked against the cap set in the twentieth resolution and is set not taking into consideration the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.
38. The Board of Directors will have full powers to implement the present resolution, and more specifically, based on the contribution auditors' report mentioned in Paragraphs 1 and 2 of the aforementioned Article L.225-147, to rule on the valuation of contributions and the granting of specific benefits, to reduce the valuation of contributions or the remuneration for specific benefits, if the contributors agree to this, to acknowledge the definitive performance of capital increases carried out under the present delegation, to amend the bylaws accordingly, to perform all formalities and filings and request any authorizations that may be required for carrying out such contributions.
39. 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.
40. The Board of Directors will 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, and more specifically Article L. 225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the ninth resolution and with the same purpose, for any unused portion, if applicable, is subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ TWENTIETH RESOLUTION

Overall cap on authorizations

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Board of Directors' report and the statutory auditors' special reports, and further to the adoption of the fourteenth to nineteenth resolutions as presented above, decides to set:

- The maximum nominal amount of capital increases that may be carried out, immediately or in the future, under the delegations granted by the fourteenth to nineteenth resolutions as presented above, at 2,299,000 euros, it being understood that this maximum nominal amount does not include the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.
- The maximum nominal amount of capital increases that may be carried out, immediately or in the future, under the delegations granted by the fifteenth to nineteenth resolutions as presented above, at 750,000 euros, it being understood that this maximum nominal amount does not include the nominal value of the Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.

■ TWENTY-FIRST RESOLUTION

Delegation of authority for the Board of Directors to increase the Company's capital through the incorporation of reserves, profits or premiums, term of the delegation, maximum nominal amount of the capital increase

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.225-129-2 and L.225-130 of the French commercial code, having reviewed the Board of Directors' report,

Delegates to the Board of Directors, for a 26-month period from this General Meeting, its authority to decide, under the conditions set by the present resolution, to increase the share capital, on one or more occasions and at the times and under the conditions it deems relevant, through the incorporation of reserves, profits or premiums into the capital, followed by the creation and free allocation of shares or an increase in the par value of existing shares, or a combination of these two approaches.

41. The maximum nominal amount of the capital increase that 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 750,000 euros, it being understood that this cap is set (i) independently and separately from the maximum limits for capital increases resulting from issues of shares or marketable securities authorized by the fourteenth to twentieth resolutions as presented above, and (ii) not taking into consideration the nominal value of Company shares to be issued, if applicable, relative to adjustments made in accordance with French law and the contractual stipulations to protect the holders of rights associated with the marketable securities or other securities entitling holders to access Company shares.
42. The General Meeting delegates the power for the Board of Directors to decide that rights forming fractions will not be able to be traded or transferred and the corresponding securities will be sold; sums arising from the sale will be allocated to the holders of rights within the regulatory timeframe.
43. The Board of Directors will have full powers to implement the present resolution, and generally to take any measures and perform any formalities required for the successful performance of each capital increase, acknowledging their performance and amending the bylaws accordingly.
44. 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.
45. The Board of Directors will 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, and more specifically Article L. 225-129-5 of the French commercial code.

The General Meeting acknowledges that the previous authorization granted to the Board of Directors through to January 5, 2018 by the Extraordinary General Meeting on November 6, 2015 under the eleventh resolution and with the same purpose, for any unused portion, if applicable, is subject to the adoption of the present resolution, cancelled and replaced as of this day, in accordance with the provisions of Article L.225-129-2 Paragraph 2 of the French commercial code.

■ TWENTY-SECOND 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 eleventh resolution from the Extraordinary General Meeting on June 16, 2016.

■ TWENTY-THIRD RESOLUTION

Delegation of authority for the Board of Directors to update the Company's bylaws in accordance with the regulations and legislation in force

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. 225-36 of the French commercial code, having reviewed the Board of Directors' report,

Delegates its authority to the Board of Directors to make any necessary amendments to the Company's bylaws in order to ensure their compliance with the regulations and legislation in force, subject to amendments being ratified at the following Extraordinary General Meeting.

■ TWENTY-FOURTH 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).

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Annual financial statements at December 31, 2016	Chapter 20, section 4
Analysis of the change in the Company's business, earnings and position	Chapter 6 section 1 Chapter 6, section 3
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Description of the main risks	Chapter 4
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