IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "document") and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document (electronically or otherwise) to any other person.**

THE SECURITIES REFERENCED IN THIS DOCUMENT MAY ONLY BE OFFERED AND SOLD IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S UNDER THE US SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR IN ANY OTHER JURISDICTION OTHER THAN FRANCE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The document and the offer, when made, are only addressed to and directed at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State of the European Economic Area) and any implementing measure in each relevant Member State of the EEA (the "Prospectus Directive")) ("Qualified Investors"). This document may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (the "FSMA") does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order (all such persons together being referred to as "Relevant Persons"). In the United Kingdom, the document is directed only at Relevant Persons. The document must not be acted on or relied on: (i) in the United Kingdom, by persons who are not Relevant Persons; and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the document relates is available only to: (i) in the United Kingdom, Relevant Persons; and (ii) in any member state of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to Natixis and BNP Paribas (the "Joint Global Coordinators"), HSBC Bank Plc and J.P. Morgan Securities plc (together with the Joint Global Coordinators, the "Joint Bookrunners") and Parrot S.A. (the "Company") that (i) you and any customers you represent are either (a) outside the United States and the electronic mail address you have provided and to which this document has been delivered is not located in the United States, or (b) in the United States and a QIB that is acquiring securities for your own account or for the account of another QIB; (ii) if you are in the United Kingdom, you are a Relevant Person; (iii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to "qualified investors" (as defined in the Prospectus Directive); and (v) if you are outside the United States, United Kingdom and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Joint Bookrunners, nor any of their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and any hard copy version. By accessing the attached document, you consent to receiving it in electronic form.

A hard copy of the document will be made available to you only upon request.

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Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Joint Bookrunners, nor any of their respective affiliates, nor any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by the Company, or on its behalf, in connection with the issuer or the offer. The Joint Bookrunners and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Joint Bookrunners or any of their respective affiliates as to the accuracy or completeness of the information set out in this document.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

(a *société anonyme* incorporated in France)

17,575,278 New Shares
each with Warrants to subscribe for additional newly issued Ordinary Shares

Parrot S.A. (the "Company" or "Parrot") is offering up to 17,575,278 ordinary registered shares of nominal value of €0.1524 each in the share capital of the Company (the "New Shares"). Each New Share will be accompanied by one tranche 1 stock warrant (the "Class 1 Warrants") and one tranche 2 stock warrant (the "Class 2 Warrants", and together with the Class 1 Warrants, the "Warrants", and the Warrants together with the New Shares, the "Offered Securities" and each New Share, together with the Class 1 Warrant and the Class 2 Warrant attached, an "Offered Security").

The Offered Securities are being initially offered to existing holders of the Company's ordinary shares (the "Ordinary Shares") who may lawfully subscribe, on a *pro rata* basis to their shareholdings. Subject to relevant securities laws and the terms set forth in this offering circular (the "Offering Circular"), holders of record of Ordinary Shares on November 20, 2015 (the "Record Date") will be granted transferable preferential subscription rights (the "Rights") that may be exercised to subscribe Offered Securities. Shareholders will receive one Right for every Ordinary Share held as at the Record Date, with 5 Rights entitling the holder to subscribe for 7 Offered Securities at the subscription price of €17.00 per New Share (including the Class 1 Warrant and Class 2 Warrant attached) (the "Subscription Price"). The distribution of Rights to subscribe Offered Securities is referred to as the "Rights Offering."

The Offered Securities may be subscribed in cash from November 23, 2015 until December 4, 2015 inclusive (the "Subscription Period"). Holders of Rights (whether holders of Ordinary Shares or transferees of Rights) that have fully and timely exercised their Rights may also subscribe for an additional number of Offered Securities that are not subscribed for in the Rights Offering (the "Oversubscription").

Any New Shares that have not been subscribed by holders of Rights and have not been allocated in the Oversubscription (the "Remaining New Shares") may be offered in private placements to "qualified investors" (as defined in article 2, paragraph 1, sub-paragraph (e) of EU Directive 2003/71/EC as amended (the "Prospectus Directive")) and to other eligible investors procured by the Joint Bookrunners (as defined below), at the Subscription Price (the "Private Placement" and, together with the Rights Offering and the Oversubscription, the "Offering"). Any Remaining New Shares that are not allocated to qualified and other eligible investors will be subscribed for by the Joint Bookrunners at the Subscription Price, subject to certain conditions.

The Ordinary Shares are listed on the regulated market of Euronext in Paris ("Euronext Paris") under the symbol "PARRO" and shall commence trading ex-rights on Euronext Paris on November 23, 2015 (the "Ex-Rights Date"). Subject to compliance with relevant securities laws, the Rights will be freely transferable and are expected to trade on the Euronext Paris from on or around November 23, 2015, until and including December 4, 2015. Any Rights unexercised at the end of the Subscription Period will expire valueless without any compensation. Application shall be made to list the New Shares on Euronext Paris on the same quotation line as the Ordinary Shares. The Company expects that the New Shares will be delivered to investors through the facilities of Euroclear Bank S.A./N.V. and of Clearstream Banking, *société anonyme* in Luxembourg, on December 15, 2015, and that trading in those New Shares on Euronext Paris will commence on December 15, 2015.

The Company shall issue one Class 1 Warrant and one Class 2 Warrant with each New Share. Holders of Class 1 Warrants can subscribe for 2 newly issued Ordinary Shares for every 24 Class 1 Warrants (the "Class 1 Warrant Exercise Ratio") at an exercise price of €32.66 per Ordinary Share (the "Class 1 Warrant Exercise Price") between December 16, 2020 and December 15, 2022, to be paid-up in cash, upon exercise of the Class 1 Warrants. Holders of Class 2 Warrants can subscribe for 3 newly issued Ordinary Shares for every 28 Class 2 Warrants (the "Class 2 Warrant Exercise Ratio" and together with the Class 1 Warrant Exercise Ratio, the "Exercise Ratio") at an exercise price of €42.34 per Ordinary Share (the "Class 2 Warrant Exercise Price") between December 16, 2020 and December 15, 2022, to be paid-up in cash, upon exercise of the Class 2 Warrants. The Exercise Ratio may be adjusted following certain transactions that the Company may complete after the Warrant issue date, in accordance with applicable laws and the terms of the Warrants, in order to maintain the rights of the Warrant holders. Each Class 1 Warrant and Class 2 Warrant will be detached from the New Share to which they are attached on December 15, 2015. Subject to certain conditions, the Warrants will not be transferrable between December 16, 2015 and December 15, 2020 (inclusive). Application shall be made to list the Warrants on Euronext Paris to ensure that the Warrants may be traded by December 16, 2020. The Class 1 Warrants and Class 2 Warrants will be listed separately from the Ordinary Shares. Settlement of the Warrants will be completed in accordance with the Euroclear France securities settlement system.

Subscription price: €17.00 per New Share
(including the Class 1 Warrant and Class 2 Warrant attached)

Investing in the Rights and the Offered Securities involves risks. See "Risk Factors" beginning on page 8.

The distribution of this Offering Circular, and the subscription of any Offered Securities, may be restricted by law, and therefore those persons into whose possession this Offering Circular comes or who wish to subscribe for Offered Securities must inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of applicable securities laws. The offering of Offered Securities to the public in France is being made pursuant to a French-language prospectus (the "French Prospectus"). No arrangements have been made to offer any Rights and/or Offered Securities to the public in any jurisdiction other than France.

Neither the Offered Securities nor the Rights, have been, or will be, registered under the U.S. Securities Act of 1933 (the "Securities Act"), or the securities laws of any state in the United States, and such securities may be offered, sold, exercised or otherwise transferred only: (i) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"); or (ii) within the United States only to "qualified institutional buyers" as defined in Rule 144A ("QIBs") under the Securities Act ("Rule 144A") in reliance on an exemption from the registration requirements of the Securities Act. For a description of restrictions on transfer and resales, see "*Selling and Transfer Restrictions.*"

This Offering Circular has been prepared on the basis that all offers of Offered Securities, other than the French public offering contemplated in the French Prospectus, (i) will not be made as offers to the public in any member state ("Member State") of the European Economic Area (the "EEA") and (ii) will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of ordinary shares. Accordingly, any person making or intending to make any offer within the EEA of New Shares which are the subject of the placement contemplated in this Offering Circular may only do so in circumstances in which (i) such offer does not constitute an offer to the public and (ii) no obligation arises for the Company, the Joint Global Coordinators or the Joint Bookrunners listed below to produce a prospectus for such offer. None of the Company, the Joint Global Coordinators or the Joint Bookrunners has authorized or do authorize the making of any offer of the New Shares through any financial intermediary.

This Offering Circular has not been submitted to the clearance procedures of the French *Autorité des marchés financiers* (the "AMF") and may not be used in connection with any offer to the public in France to purchase or sell Rights or Offered Securities.

Joint Global Coordinators and Joint Bookrunners

Natixis **BNP Paribas**

Joint Bookrunners

HSBC **J.P. Morgan**

The date of this Offering Circular is November 19, 2015.

This Offering Circular is confidential and not for general distribution in the United States. You are authorized to use this Offering Circular solely for the purpose of considering the purchase of the Offered Securities in the Offering described in this Offering Circular. The Company has furnished the information in this Offering Circular. You acknowledge and agree that none of Natixis, BNP Paribas (together, the "Joint Global Coordinators"), HSBC Bank Plc or J.P. Morgan Securities plc (together with the Joint Global Coordinators, the "Joint Bookrunners") make any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by any of the Joint Bookrunners. You may not reproduce or distribute this Offering Circular, in whole or in part, and you may not disclose any of the contents of this Offering Circular or use any information in this Offering Circular for any purpose other than considering an investment in the Offered Securities. You agree to the foregoing by accepting delivery of this Offering Circular.

No person is authorized to give information or to make any representation in connection with the offering or sale of the Offered Securities other than as contained in this Offering Circular. If any such information is given or made, it must not be relied upon as having been authorized by the Company or any of the Joint Bookrunners or any of their affiliates or advisors or selling agents. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstance imply that there has been no change in the affairs of the Company and its consolidated subsidiaries (together, the "Group") or that the information set forth in this Offering Circular is correct as at any date subsequent to the date hereof.

Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and the tax structure of this Offering and all materials of any kind (including opinions and other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of this Offering and does not include information relating to our identity.

The Company accepts responsibility for the information contained in this Offering Circular and, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

In making an investment decision, prospective investors must rely upon their own examination of the Group (as defined in "*Presentation of Financial and Other Information*") and the terms of this Offering Circular, including the risks involved.

The distribution of this Offering Circular and the offering and sale of the Offered Securities in certain jurisdictions may be restricted by law. The Company and the Joint Bookrunners require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Offered Securities in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering to occur in any jurisdiction other than France.

Notice to Prospective Investors in the United States

None of the Rights or the Offered Securities have been, or will be, registered under the Securities Act, or the securities laws of any state in the United States, and such securities may be offered, sold, exercised, pledged or otherwise transferred only: (i) outside the United States in offshore transactions in reliance on Regulation S or (ii) within the United States only to "qualified institutional buyers" (as defined in Rule 144A) in reliance on Section 4(a)(2) under the Securities Act or under Rule 144A or another exemption from the registration requirements of the Securities Act. Prospective purchasers are notified that sellers of Rights and/or New Shares may rely on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A. For a description of restrictions on transfer and resales, see "*Selling and Transfer Restrictions*." Each purchaser of New Shares in the United States in making its purchase (whether by way of exercise of Rights or purchase in the Oversubscription or Private Placement) will be required to execute a QIB representation letter in the form set forth in Annex A to this Offering Circular. None of the Offered Securities have been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

Notice to New Hampshire Residents Only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, AS AMENDED ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Prospective Investors in the United Kingdom

This Offering Circular is being distributed in the United Kingdom only to and is directed solely at persons who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This Offering Circular must not be acted on or relied on by persons within the United Kingdom who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "Relevant Implementation Date") no Rights and/or New Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus (in relation to the Rights and/or New Shares which have been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from and including the Relevant Implementation Date, offers of Rights and/or

New Shares may be made to the public in that Relevant Member State at any time). Offers of Rights and/or New Shares may be made to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Rights and/or New Shares shall result in a requirement for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires the Rights and/or New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company that it is a "qualified investor" within the meaning of the law in the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights and/or New Shares in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the Offering and any Rights and/or New Shares to be offered so as to enable an investor to decide to purchase any Rights and/or New Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

By transferring any right to acquire New Shares, you represent that you are either:

(i) not resident or physically present in any of the Relevant Member States of the EEA (other than France) having implemented the Prospectus Directive; or

(ii) both:

A. a legal entity which is a qualified investor, as defined in the Prospectus Directive; and

B. either: (a) acting for your own account; or (b) acting for the account of someone meeting the criteria described in (ii)(A) above; or (c) acting for the account of a client and the terms on which you are engaged to act for that client enable you to make decisions concerning the acceptance of offers of transferable securities on the client's behalf without reference to the client.

This EEA selling restriction is in addition to any other selling restrictions set out in this Offering Circular.

Notice to Prospective Investors in France

This Offering Circular has not been, and will not be submitted to the clearance procedures of, or approved by, the AMF, and, accordingly, may not be released, issued, or distributed, or caused to be released, issued, or distributed, directly or indirectly, to the public in France or used in connection with the offer or sale of the Rights and/or New Shares to the public in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*). For purposes of the offering in France and the admission to trading of the Rights and the New Shares to Euronext Paris, a prospectus in the French language has been approved by the AMF on November 19, 2015 under visa number 15-590, and consists of (i) the Company's *Document de référence* filed with the AMF on April 30, 2015 under number D.15-0468; (ii) the update to the *Document de référence* filed with the AMF on November 13, 2015 under number D.15-0468-A01; and (iii) the *Note d'opération* of the Company (including the summary of the French prospectus) (the *"Note d'opération"* and, together with the *Document de référence* and its update, the "French Prospectus"). The French Prospectus, as approved by the AMF, is the only document by which offers to purchase Offered Securities of the Company in the offering may be made to the public in France.

Forward-Looking Statements

This Offering Circular includes forward-looking statements. Such statements in this Offering Circular include, but are not limited to, statements made under "*Risk Factors*", "*Operating and Financial Review and Prospects*", and "*The Business of the Group*." Such statements can be generally identified by the use of terms such as "believes", "expects", "may", "will", "should", "would", "could", "plans", "anticipates" and comparable terms and the negatives of such terms. These forward-looking statements include, but are not limited to, statements relating to:

- the Group's goals and strategies;
- expected use of proceeds of the Offering, including the amounts expected to be used for specific purposes as set out under "*Use of Proceeds*";
- the Group's future results of operations;
- the Group's commercial partnerships with distributors and clients;
- the expected growth rates of certain markets, including the consumer and commercial drone market;
- the Group's ability to adapt to technological and market change;
- the expected timing of the Group's new product and model launches;
- the nature and extent of future competition in the drone market;
- the pace of adoption of the Group's products by various demographics in the markets in which the Group operates;
- the ability of the Group to integrate acquired businesses;
- the nature and extent of future competition in the markets in which the Group operates;
- the pace of technological change affecting the products the Group sells;
- expected or potential changes to regulations which may affect the Group's products, including changes to regulations affecting drones;
- expected trends affecting the demand for the products the Group sells, including drones and automotive products;
- the Group's ability to execute its strategies, including with regard to its automotive business;
- the Group's expected results for the fourth quarter and full year of 2015;
- expected trends in the countries in which the Group operates;
- the impact of foreign exchange rates on the Group's results; and
- the political and macroeconomic outlook for the countries in which the Group operates.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These risks, uncertainties and factors include those discussed in this Offering Circular in the section titled "*Risk Factors*." You should read these risk factors and the other cautionary statements made in this Offering Circular as being applicable to all related forward-looking statements wherever they appear in this Offering Circular. It is not possible for the Company to predict all risks that could affect the Group, nor can the Company assess the impact of all factors on the Group's business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements the Company may make. Moreover, new risks emerge from time to time.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Investors are cautioned not to place undue reliance on such forward-looking statements, which are based on facts known to the Company only as at the date of this Offering Circular.

Exchange Rate and Currency Information

The Group operates in many countries and generates income and incurs expenses in many different currencies. In this Offering Circular, all references to "euro", "EUR" and "€" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union in accordance with the Treaty Establishing the European Community, as amended, which was adopted by France as at January 1, 2001, and all references to "$", "US dollars" or "USD" are to the lawful currency of the United States of America.

The following table shows the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the euro, expressed in US dollars per one euro, for the periods indicated.

	US dollar/euro			
Year	**Period end**	**Average rate(1)**	**High**	**Low**
2010	1.3269	1.3295	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3779	1.3303	1.3816	1.2774
2014	1.2101	1.3210	1.3927	1.2101

	US dollar/euro	
Month	**High**	**Low**
May 2015	1.1428	1.0876
June 2015	1.1404	1.0913
July 2015	1.1150	1.0848
August 2015	1.1580	1.0868
September 2015	1.1358	1.1104
October 2015	1.1437	1.0963
November 2015 (up to November 13)	1.1026	1.0686

(1) The average rate is calculated based on the last business day of each month.

Jurisdiction and Service of Process and Enforcement of Foreign Judgments in France

The Company is organized under the laws of France with its registered office and principal place of business in France. Its directors and officers named herein are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Company's directors and officers or to enforce against these persons, or the Company, judgments of United States courts predicated upon civil liability provisions of the federal securities laws of the United States.

The Company has been advised by its counsel that if an original action is brought in France, predicated solely upon the United States federal securities laws, French courts may not have the requisite jurisdiction to grant the remedies sought and that actions for enforcement in France of a judgment by courts in the United States, rendered against any of the French persons referred to in the second sentence of the preceding paragraph, would require such French persons to waive their rights under Article 15 of the French Civil Code to be sued in France only. The Company believes that no such French person has waived such right with respect to actions predicated solely upon the United States federal securities laws. In addition, actions in the United States under United States federal securities laws could be affected under certain circumstances by the French Law of July 16, 1980 No. 80-538, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with such actions.

Documents Incorporated by Reference

The information and documents set out below are incorporated into this Offering Circular by reference. The documents of the Company below were published by the Company and submitted to the AMF, in connection with the Company's disclosure obligations as a French public company with ordinary shares listed on the Euronext Paris, prior to the date of this Offering Circular.

This Offering Circular incorporates by reference the following documents:

(a) an English language translation of the audited consolidated financial statements for the Group as of and for the year ended December 31, 2012 (the "2012 Annual Financial Statements"), including an English language translation of the related Independent Auditors' Report;

(b) an English language translation of the audited consolidated financial statements for the Group as of and for the year ended December 31, 2013 (the "2013 Annual Financial Statements"), including an English language translation of the related Independent Auditors' Report;

(c) an English language translation of the audited consolidated financial statements for the Group as of and for the year ended December 31, 2014 (the "2014 Annual Financial Statements" and, together with the 2012 Annual Financial Statements and the 2013 Annual Financial Statements, the "Annual Financial Statements"), including an English language translation of the related Independent Auditors' Report;

(d) an English language translation of the audited non-consolidated financial statements of Parrot S.A. as of and for the year ended December 31, 2014 (the "2014 Annual Non-Consolidated Financial Statements"), including an English language translation of the related Independent Auditors' Report; and

(e) an English language translation of the unaudited condensed consolidated interim financial statements for the Group as of and for the nine months ended September 30, 2015 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"), including an English language translation of the related Independent Auditors' review Report.

The Financial Statements and the 2014 Annual Non-Consolidated Financial Statements are available on the Company's website www.parrotcorp.com. The contents of the Company's website (other than the Financial Statements and the 2014 Annual Non-Consolidated Financial Statements) or any other website referenced in the Offering Circular do not form part of this Offering Circular.

The foregoing incorporated documents include statements that speak as at the respective dates as of which those documents were published. Each of those statements shall be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in this Offering Circular or any amendment or supplement hereto modifies or replaces such statement. The modifying statement may, but need not, state that it has modified a prior statement or include any other information set forth in the incorporated document which is not so modified or superseded. Any statement so modified shall not be deemed in its unmodified form to constitute part of this Offering

Circular and any statement so superseded shall not be deemed to constitute a part of this Offering Circular.

Presentation of Financial and Other Information

All references in this Offering Circular to the "Company" are to Parrot without its subsidiaries. Unless context otherwise requires, the Company and its consolidated subsidiaries, collectively, are referred to in this Offering Circular as the "Group" or "Parrot."

As required by Directives 1978/660/EEC and 1983/349/EEC, as amended (the "Accounting Directives") and Regulation 2002/1606/EC (the "IFRS Regulation"), the Company prepares financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Company presents its financial statements in euro.

The Company's principal office is located at 174-178, Quai de Jemmapes - 75010 Paris, France, telephone: (+33) 1 48 03 60 60.

Available Information

The Company is exempt from the reporting requirements of Section 12(g) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), pursuant to Rule 12g3-2(b) under the Exchange Act. Pursuant to the terms of such exemption, the Company will publish in English, on its website, certain information in accordance with Rule 12g2-3(b) under the Exchange Act.

If, at any time, the Company is not subject to Section 13 or Section 15(d) of the Exchange Act and is no longer exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish, upon request, to any owner of the New Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Rounding

Certain numerical figures included in this Offering Circular, including financial data presented in millions or thousands and certain percentages, may have been subject to rounding adjustments. Accordingly, the totals of the data in columns or rows or tables in this Offering Circular may vary slightly from the actual arithmetic totals of such information. Percentage figures included in this Offering Circular have not been calculated on the basis of rounded figures but have rather been calculated on the basis of such amounts prior to rounding.

Market, Industry and Other Information

Market data and certain industry data and forecasts used in this Offering Circular and information set forth under "*Risk Factors*", "*Operating and Financial Review and Prospects*", "*The Business of the Group*", and "*Market Price Information*" have been obtained from the Group's internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including (i) a 2015 report commissioned by the Company and prepared by Oliver Wyman, a consulting firm and (ii) Marketsandmarkets "*UAV Drones Market: Global Forecast to 2020*" (2015). Market research, publicly available information and industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company accepts responsibility for accurately extracting and reproducing the same, but accepts no further or other responsibility in respect of the accuracy or completeness of such information.

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Summary

The following summary provides selected information from this Offering Circular and may not contain all the information that may be important to you. The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Circular, including under "Glossary of Terms." *Investors should thoroughly consider this Offering Circular in its entirety, including the information set forth under* "Risk Factors"*, prior to making an investment in the Offered Securities.*

Introduction

Founded in 1994 by Henri Seydoux, Parrot is a French high tech company, with a wide international reach, structured around strong R&D and a fabless model.

As a leader in identifying future technologies, Parrot first offered handsfree communication systems and infotainment solutions for the automotive industry, developing both consumer and original equipment manufacturer (OEM) offers. Following the Company's initial public offering in 2006, the Group has gradually diversified its activities by developing and marketing consumer products in the Connected Devices segment from 2006 and then in the Drones segment from 2009. Since 2010, Parrot has been highly successful in the consumer drones business with recreational mini-drones and quadricopters.

Following its success in the consumer drone market, the Group is also expanding in the commercial drone market through a set of innovative solutions combining drones, payloads, software and services primarily focused on 3D mapping, precision farming and inspection. Parrot also leverages its technological expertise through its Innovation Lab, which is part of its Connected Devices business segment.

For the years ended December 31, 2012, 2013 and 2014, the Company had revenues of €280.5 million, €235.2 million, and €243.9 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had revenues of €163.5 million and €218.1 million, respectively. For the years ended December 31, 2012, 2013 and 2014, the Company had net income (Group share) of €24.5 million, €1.6 million, and €-2.6 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had net income (Group share) of €-5.5 million and €-3.9 million, respectively. As of September 30, 2015, the Group had 978 employees, of which approximately 470 worked in R&D.

Competitive Strengths

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

Brand renowned for its reliable and innovative products

Having successfully developed strong technological know-how, initially for telecom equipment for the automotive markets and then for drones, the Group believes it has built up a strong reputation for reliability and innovation. In particular, the Group believes its ability to combine highly technical components with ease-of-use and create user-friendly interfaces with mobile phones, then smartphones, have enabled the Group to attract a large number of consumers in new markets such as consumer drones and commercial drones, as well as audio products (e.g., Parrot ZIK headphones).

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

The Group capitalizes on its R&D team of approximately 470 people, who have significant software development and programming expertise, which has enabled the Group to build up an extensive portfolio of patents. For over 20 years, the Group has developed technologies adopted from the ecosystem for phones, and then smartphones (GPS, accelerometer, gyroscope, Microelectromechanical Systems (MEMS), Wi-Fi, etc.) to find new commercial opportunities, as shown by the changes in the scope for the Group's business since 1994. In particular, the Group believes it has significant expertise in signal processing, voice recognition and chip design capabilities.

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

- Capacity for sales on a wide scale;
- Target gross margin of at least 40%;
- Availability of the main components; and
- Presence of key product features, such as being lightweight and an easy-to-use design.

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

The Group has participated significantly during the emergence of the consumer drone market, particularly with its launch of the AR. Drone in 2010, and it has successfully grown and developed this market with new products, including its MiniDrone and Bebop Drone ranges launched in 2014.

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

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

Over the last 20 years, the Group believes it has exhibited its ability to adapt and develop its range of solutions in line with market demand, as a result of its flexible organization based on:

- *R&D*: 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 third-party assemblers with which the Group has long-standing 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; and

- *Distribution*: an extensive and growing network, enabling the Group to distribute its products worldwide, with complementary distribution channels, including: (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's distribution network comprises over 12,500 points of sale and 300 internet sites.

As the markets for consumer and commercial drones have developed, the Group has successfully deployed and adapted its organization's resources in order to benefit from the opportunities opening up with these new markets. The Group seeks to continue adapting to the rapid changes in these markets in order to help drive its development.

Unique positioning throughout the drone market's value chain

The Group believes that it is one of the only operators in the market to sell both consumer and commercial products and services, enabling both types of products and services to benefit from developments in the other. For example:

- Consumer drones are benefiting from the technological expertise developed for commercial drones; and

- Commercial drones are capitalizing on the experience of users of consumer drones, which helps the Group in terms of reliability, development times and design and production costs.

On the commercial drone market, the Group is positioned across a variety of markets, from drones to sensors, software and related services. On the precision farming market, for example, the Group's range of solutions illustrates the extensive commercial synergies supporting the Group's position:

– The Group's senseFly subsidiary sells the eBee AG, a flying wing which, unlike quadricopters, is particularly well-suited to flying over large areas of farmland and combines a long battery life with effective wind resistance;

– The Group's subsidiaries Airinov (Europe) and Micasense (USA) sell high-performance sensors and data processing and recommendation services for all the players in this sector; and

– The Group's Pix4D subsidiary sells its Pix4D mapping software to all commercial drone firms.

Track record and know-how for acquiring and integrating companies

The Group has successfully implemented an external growth policy targeting acquisitions of innovative firms positioned in the commercial drone market, and offers a wide range of products in this market segment.

The Group has sought to accelerate growth in each of the companies acquired over the last three years. In particular, the Group provided those companies with the capital required for their development, as well as the operational organization that is crucial for their successful transition to an industrial scale.

Through its investments in senseFly, Airinov and Pix4D, the Group believes it has shown its ability to identify companies with distinct technologies that can be deployed on an industrial scale. In addition, the approach adopted by the Group to increase its equity ownership in these companies by linking the founders' and managers' exit conditions to the commercial and operational performances helped to maintain the entrepreneurial approach around which the Group has built its success for more than 20 years.

Development model combining innovation and profitable growth

Since the Company was first listed on Euronext Paris, the Group has addressed changes in the markets and developed its business in new markets, while maintaining operating profitability (EBIT) and positive operating cash flow despite making significant investments, including R&D investments.

The Group's financial performance results from strategic choices made with respect to its operating model, including:

– Effective control over setting its sales prices;

– Active management of product lifecycles;

– Use of components produced on a large scale;

– Fabless model; and

– Careful selection of partners and distributors.

This model has made it possible to generate cash flows from the automotive business, which has helped finance the development of the drone business since 2009.

Strategy

Key components of the Group's strategy include the following:

Drones

Maintaining an ambitious strategy for innovation and technology

The Group intends to maintain its innovative strategy for consumer and commercial drones, which it believes have significant potential for development. The Group seeks to introduce and improve a number of products, which include the following features: (i) "follow me" (drone able to automatically follow something), (ii) FPV (first person view) and immersive flight (using glasses such as Oculus™), (iii) 4K (digital image definition of over 4,096 pixels), (iv) increased flight capabilities (distance, flying time), (v) stereo imaging (obstacle avoidance), and (vi) hand launcher and foldable device (ease-of-use). These innovations are key focus areas for current development by the Group's research office, and the Group seeks to enhance these with features aimed at ensuring conditions for use in line with both users' expectations and regulatory constraints (GPS location, unique identification of drones, no-fly zones, etc.). The Group intends to maintain the principles that its success has been built around, i.e. lightweight, reliable drones that are easy to use. The Group believes that these technological innovations, combined with the Group's general approach of adapting products to new market conditions, should enable the Group to narrow the technological gap between consumer and commercial drones.

Maintaining a position as a leader in the consumer drone market

The Group aims to maintain its position as a leader in the consumer drone market by implementing a strategy for sales growth based on:

– Regularly renewing its range with original products that continue to meet users' expectations and help drive the development of new uses such as the innovations introduced with the Bebop Drone (launched at the end of 2014), including digital image stabilization (Group's proprietary technology);

– Implementing an ambitious marketing strategy and strengthening the financial and human resources deployed in this area;

– Enhancing the Group's online presence and an ambitious plan to develop the Group's own online sales on the www.parrot.com site;

– Continuously improving the services offered to users, particularly relating to after-sales service and quality monitoring; and

– Further expanding of its traditional and online distribution network to support the market's development.

The Group plans to continue expanding its consumer drone product ranges through the introduction of (i) 4K digital cameras and 500-gram drones with "follow me" feature in the fourth quarter of 2016, (ii) 360º camera drones compatible with Oculus (first person view) in the fourth quarter of 2016, and (iii) a new generation of "prosumer" drones in the first-half of 2017.

Continuing to develop rapidly on the commercial drone market

To continue with its rapid development on the commercial drone market, the Group aims to focus on a strategy based around:

– Accelerating the development of the commercial drone ecosystem, to which the Group has successfully contributed through the acquisition and integration of senseFly, Pix4D, Airinov and MicaSense, Inc. This ecosystem is currently structured around three segments: mapping, farming and inspection / surveillance. To be able to successfully move forward with this development, the Group intends to further strengthen its commercial capabilities and regional coverage;

– In the near term, launching centralized platforms with additional high value-added services for operators and end customers in the three target segments indicated above, aiming to ensure that the Group's range of solutions can deliver productivity improvements for numerous professional applications.

The Group intends to expand its commercial drone product ranges through the introduction of (i) an agriculture and mapping fixed wing drone (800 grams) with a 55 minute flight time in the first quarter of 2016, (ii) a mapping and architecture 4K camera drone in the fourth quarter of 2016, (iii) an agriculture payload in GoPro form (RVB photography and 100 grams) in the first half of 2016, and (iv) a stereo camera for robotic usage and autonomous flight in the second half of 2016.

Continuing with an external growth strategy on the commercial drone market

The Group's ability to bring in and consolidate innovative companies in order to accelerate their development and further strengthen their technological expertise is a key part of the Group's success in the commercial drone market. The Group aims to move forward with this strategy and to acquire targets with similar profiles, focusing on:

– technological expertise;

– business expertise;

– management team's ambition and quality; and

– business model's compatibility with the Group's model.

The Group may also make acquisitions in the consumer drone sector, depending on opportunities.

Automotive

Ensuring a successful transition from a car-kit offering to an infotainment offering

In 2010, the Group decided to develop in-car infotainment technologies in line with a mid- to high-end positioning, with a view to serving manufacturers' needs over the long term.

In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge, providing 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.

In particular, this strategic review process led to the creation of a separate corporate entity to hold the Group's automotive business in 2015, called Parrot Automotive. With an independent legal structure, the Group believes that the automotive business now benefits from a clarification of its image within the Group in relation to its clients and partners, while also being better able to utilise its asset base to further its development.

The development of this business line within the Group is highly dependent on the performance of certain key contracts over the next few years. These contracts, for which the auto manufacturers do not guarantee the volumes or the effective launch dates for mass production, are gradually moving into their production phases, following a research and analysis phase. The contracts are scheduled to move into their production phases in 2017. The Group is targeting a resumption of growth in this business and is aiming to stabilize the decline in revenues by 2016. However, the achievement of this objective will depend to a great extent on the following factors: the approach for marketing infotainment solutions by manufacturers (optional or fitted as standard), the price of infotainment solutions set by automotive brands, the level of interest among drivers for infotainment solutions, and the capacity of telecoms networks to provide the quality speeds (4G) needed for such solutions. Based on the results ultimately achieved in 2017 and the prospects as of that date, the Group will assess its options on this market.

Maintaining the Group's profitability in its automotive business

The Group will continue with its strategy to maintain the profitability of its automotive business, with this activity being repositioned, despite the expected decline in automotive revenues in 2016. To achieve this, the Group will continue to adapt its organization as required. The reorganization of the Automotive business helped generate new economies of scale, which will enable the drone business to access additional commercial and R&D resources.

Connected Devices

Maintaining the Innovation Lab's freedom to innovate, with a self-financed approach

The Group's consumer drones products and the resulting expansion into commercial drones are the result of work carried out within its Innovation Lab over several years. The success of the Group's drones products, as well as the Parrot Zik audio headphones, has demonstrated the potential for growth of the Group's business through the work in its Innovation Lab. The Group aims for this business segment to gradually break even, although without restricting its freedom to explore innovative new technologies. To achieve this, the Group will continue to apply a selective approach, factoring in the commercial development potential of the various projects.

Trading Update

While remaining cautious, particularly on account of the strong seasonality of its activities during the end-of-year holiday period, the Group set the following fourth quarter and full-year targets for 2015:

– Revenue growth for the fourth quarter of at least 31% compared with the fourth quarter of 2014, with quarterly revenues of over €105 million, and revenue growth of at least 33% for the whole year, with full-year revenues of at least €324 million; and

– Income from ordinary operations approximately breaking even.

The forecasts above have been prepared on the basis of accounting methods consistent with those applied by the Group to prepare its historical information. The basis for consolidation remains unchanged compared to the period ending September 30, 2015, excluding the impact of a majority interest in MicaSense and a minority interest in Iconem. The forecasts indicated above are based on certain assumptions, data and estimates that are considered to be reasonable by the Group. These assumptions include:

– Macroeconomic assumptions, including a stable global economic environment, an exchange rate of USD $1.12 per €1.00 and 1.09 Swiss francs per €1.00, and no major events that might disrupt sales for the end-of-year period in Europe, Asia and the United States;

– Assumptions regarding revenues, including the continued launch of new ranges of minidrones, the launch of the Bebop 2 and Zik 3 and the commercial success of these products, product listings with new retailers in the US, including Target and AT&T and fourth quarter sales resulting from Black Friday and holiday shopping;

– Assumptions regarding gross margins, including changes in the gross margin ratio in line with changes in the product mix, including a higher proportion of consumer products than average for the year;

– Assumptions regarding operating costs, including the further strengthening of the Group's research office, marketing costs in line with the Group's end-of-year commercial ambitions and controlled overhead costs; and

– Other assumptions regarding operating income and expenses.

These assumptions, data and estimates are subject to change or may be modified as a result of various uncertainties relating in particular to changes in the economic, financial, competitive or regulatory environments, or other factors that the Group may not be aware of as of the date of this Offering Circular. For a discussion of certain of the factors that could affect the Group's future performance and its results of operations, see "*Forward Looking Statements,*" "*Risk Factors*" and "*Operating and Financial Review and Prospects*." The Group does not offer any commitments or any assurances that the forecasts indicated above will be achieved.

The Offering

Issuer:	Parrot S.A.
Number of Ordinary Shares outstanding before the Offering:	12,553,774 Ordinary Shares
Number of New Shares Offered in the Offering:	17,575,278 New Shares, each accompanied by one Class 1 Warrant and one Class 2 Warrant. The New Shares, together with the Warrants attached thereto, are referred to herein as the "Offered Securities."
Number of Ordinary Shares outstanding after the Offering:	30,129,052 Ordinary Shares
Cum-Rights Date:	The Ordinary Shares shall trade with Rights attached on Euronext Paris until and including November 20, 2015.
Record Date:	The Record Date for the purpose of determining entitlement to Rights is November 20, 2015. At the start of business on November 23, 2015, the Rights will be credited to the accounts of holders of Ordinary Shares on the Record Date.
Ex-Rights Date:	The Ex-Rights Date for the Ordinary Shares is November 23, 2015. The Ordinary Shares will trade on Euronext Paris without any Rights on and after that date.
Rights:	Shareholders will receive one Right for every Ordinary Share held as at the Record Date, with 5 Rights entitling the holder to subscribe 7 Offered Securities at the Subscription Price. Rights will be freely transferable, subject to applicable securities laws, and traded on Euronext Paris during the Subscription Period.
Theoretical Value of Rights	The theoretical value of the Rights is €10.07 per Right (the "DPS Theoretical Value"), based on the closing quoted price of the Company's Ordinary Shares on November 18, 2015 of €34.26.
Transfer of Rights:	Subject to compliance with relevant securities laws, the Rights will be freely transferable and are expected to trade on Euronext Paris from November 23, 2015, up to and including December 4, 2015.
Exercise of Rights:	Each holder of Rights may exercise any or all of its Rights. Each holder of Rights can subscribe for Offered Securities pursuant to the exercise of Rights (including in the Oversubscription (described below)) either directly or through an authorized financial intermediary by delivering a duly executed subscription form to CACEIS Corporate Trust, 14 rue rouget de Lisle – 92862 Issy-Les-Moulineaux Cedex 9 between November 23, 2015 and December 4, 2015. Subscription forms will be available during the Subscription Period at the Company's headquarters in France. Subscriptions must be received by December 4, 2015.
Unexercised Rights:	Rights that are not exercised prior to the end of the Subscription Period will expire valueless and without any compensation.
Use of Proceeds:	The net proceeds of the Offering are expected to be €286,781,145, after the deduction of commissions payable to the underwriters, legal fees and administrative expenses of approximately €12 million. The Company intends to use the net proceeds of the Offering to

accelerate its development and strengthen its market position in the consumer and commercial drone markets. See "*Use of Proceeds.*"

Commitments of Certain Significant Shareholders and Other Investors:	Certain of the Company's significant shareholders, Horizon S.A.S ("Horizon"), OJEJ and HG Vora Capital, and other non-shareholder investors, Bpifrance Participations and IDG Capital Partners, have made certain subscription commitments or announced their intentions to subscribe in connection with the Offering. For a description of these commitments, see "*The Offering—Commitments and Intentions of Certain Significant Shareholders of the Company"* and "*The Offering—Commitments of Certain Non-Shareholder Investors."*
Dividends:	New Shares will be entitled to the full amount of any dividend declared after their respective issue dates in respect of the financial year 2015 and onwards, provided that the relevant Record Date falls on or after the issue date. The Company does not intend to pay dividends to its shareholders in the near future. For further information on the dividend policy of the Company, see "*Dividends and Dividend Policy*."
Oversubscription:	Holders of Rights (whether holders of Ordinary Shares on the Record Date or transferees of Rights) will have the right to subscribe for an additional number of Offered Securities that are not subscribed for in the Rights Offering. Applications for Offered Securities pursuant to the Oversubscription must be made together with subscriptions for Offered Securities pursuant to the exercise of Rights. In the event that the total number of unsubscribed Offered Securities is not sufficient to fully satisfy the demand of investors who have subscribed for additional Offered Securities in the Oversubscription, these investors will be satisfied pro rata on the basis of the number of the unsubscribed Offered Securities that they have requested and in proportion to the number of existing Ordinary Shares for which Rights were used to subscribe Offered Securities on a non-reducible basis, without the possibility of an allocation of a fraction of an Offered Security resulting therefrom.
Private Placement:	Following the allocation of unsubscribed Offered Securities pursuant to the Oversubscription, any Remaining New Shares may be offered in private placements to eligible investors procured by the Joint Bookrunners at the Subscription Price.
Subscription Period:	From November 23, 2015 to and including December 4, 2015.
Subscription Price:	€17.00 for each New Share (including the Class 1 Warrant and Class 2 Warrant attached) to be fully paid-up in cash upon Subscription.
Listing and trading of New Shares:	The Ordinary Shares are listed on Euronext Paris under the symbol "PARRO." On November 18, 2015, the closing price of the Ordinary Shares on Euronext Paris was €34.26 per Ordinary Share. Application shall be made to list the New Shares on the regulated market of Euronext Paris on the same quotation line as the Ordinary Shares. The New Shares being offered are expected to be admitted for trading on Euronext Paris on or about December 15, 2015.

Delivery of New Shares:	The Company expects that New Shares will be delivered to investors through the facilities of Euroclear Bank S.A./N.V. and of Clearstream Banking, *société anonyme* in Luxembourg on or around December 15, 2015.
Ordinary Share, Rights and Warrant Security Numbers:	Ordinary Shares: ISIN: FR0004038263 Rights: ISIN: FR0013054061 Class 1 Warrants: ISIN: FR0013054269 Class 2 Warrants: ISIN: FR0013054335
Warrant Exercise Period:	The Warrants may be exercised from December 16, 2020 up to and including December 15, 2022. 24 Class 1 Warrants will entitle the holders thereof to acquire up to 2 newly issued Ordinary Shares and 28 Class 2 Warrants will entitle the holders thereof to acquire up to 3 newly issued Ordinary Shares, at an exercise price of €32.66 per Ordinary Share and €42.34 per Ordinary Share, respectively.
Listing of Warrants:	Application will be made by the Company for the listing of the Warrants on Euronext Paris. The Class 1 Warrants and Class 2 Warrants will each be listed separately from the Ordinary Shares under symbols to be announced by the Company before the listing of the Warrants on Euronext Paris. The listing of the Warrants will be requested for admission to trading on Euronext Paris before the beginning of the Warrant Exercise Period on December 16, 2020. There is currently no established public trading market for the Warrants, and the Company cannot guarantee that an adequate market for the Warrants will develop in the future.
Transfer of Warrants and the Warrant Selling Period:	The Warrants shall be issued on December 15, 2015 and shall not be transferrable from December 16, 2015 up to and including December 15, 2020, excluding permitted transfers during the Warrant Liquidity Period as defined in, and the other exceptions set forth in, the "*The Offering—Warrants—Limitations on the Transfer of Warrants."* During the Subscription Period (i.e., between November 23, 2015 and December 4, 2015) (the "Warrant Selling Period"), subscribers of Offered Securities will be entitled to elect in their subscription notices relating to the exercise of the Rights, either (i) to transfer all (but not part of) the Warrants attached to their New Shares to Horizon, whose intention is to acquire such Warrants to resell part thereof to certain eligible managers of the Company, or (ii) to not transfer the Warrants and keep them. The Warrants will be sold to Horizon at their theoretical value, which is €0.48 per Warrant. Shareholders who elect in their subscription notices to transfer their Warrants to Horizon will see the Subscription Price reduced by the purchase price for the Warrants by Horizon. The transfer of the Warrants will be completed on December 15, 2015.
Restrictions on Ability of Certain Holders of Ordinary Shares and Transferees of Rights to Participate the Rights Offering:	The Offering is only addressed to persons to whom it may lawfully be addressed. The distribution of this Offering Circular, and the exercise of any of the Rights, may be restricted by law. Persons into whose possession this Offering Circular comes or who wish to exercise any of the Rights must inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of applicable securities laws. In particular, due to the restrictions under the securities laws of certain countries, shareholders resident in such countries, including Canada, Australia and Japan, may not exercise Rights. See "*Selling and Transfer Restrictions*."

Risk Factors For the risks related to the Group's business and the Offering, see "*Risk Factors.*"

Expected Timetable:

Action	**Date**
Execution of the Contribution Agreement	November 17, 2015
AMF Approval of the French Prospectus	November 19, 2015
Entry by Horizon, Bpifrance Participations and IDG Capital Partners into subscription contracts	November 19, 2015
Execution of the Underwriting Agreement	November 19, 2015
Cum-Rights Date	November 20, 2015
Record Date	November 20, 2015
Ex-Rights Date	November 23, 2015
Delivery of the Rights	November 23, 2015
Commencement of trading of Rights, Subscription Period and Warrant Selling Period	November 23, 2015
End of trading of Rights, Subscription Period and Warrant Selling Period	December 4, 2015
Announcement in the Daily Bulletin of Euronext Paris and the web site of Euronext Paris for the rate of subscription of the capital increase and the offering of any unsubscribed Offered Securities	December 11, 2015
Delivery of the Offered Securities	December 15, 2015
Commencement of trading of New Shares on Euronext Paris	December 15, 2015
Commencement of the Warrant Liquidity Period	December 16, 2015
Commencement of the Warrant Lock-up Period	December 16, 2015
Termination of the Warrant Liquidity Period	January 4, 2016
Termination of the Warrant Lock-Up Period	December 15, 2020
Commencement of trading of Warrants on Euronext Paris	December 16, 2020
Commencement of the Warrant Exercise Period	December 16, 2020
Termination of the Warrant Exercise Period	December 15, 2022

The dates set forth above and throughout this Offering Circular are indicative only. The Company cannot assure investors that the above actions will in fact occur on the dates indicated or at all.

Summary Financial Information

The following tables present summary consolidated financial data for the Group's business. The summary financial information as of and for the years ended December 31, 2012, 2013 and 2014 has been derived from the Group's audited Annual Financial Statements, an English language translation of which is incorporated by reference into this Offering Circular. The summary financial information as of and for the nine months ended September 30, 2014 and 2015 has been derived from the Group's unaudited Interim Financial Statements, an English language translation of which is incorporated by reference into this Offering Circular.

The Group's Annual Financial Statements have been prepared in accordance with IFRS as adopted by the EU and audited by KPMG Audit IS and Ernst & Young SAS, the Group's statutory auditors. The Group's unaudited Interim Financial Statements have been prepared under IAS 34, the IFRS standard applicable to interim reporting, and have been the subject of a limited review by the Group's statutory auditors.

You should read the following summary financial information in conjunction with the Annual Financial Statements and the related notes thereto, and the unaudited Interim Financial Statements and the related notes thereto, English language translations of which are incorporated by reference herein and the information in "Operating and Financial Review and Prospects" section.

Income Statement Data

	Year ended December 31,			**Nine months ended September 30,**	
(in € millions)	**2012**	**2013**	**2014**	**2014**	**2015**
Revenues	**280.5**	**235.2**	**243.9**	**163.5**	**218.1**
Cost of sales	-137.6	-116.8	-115.3	-77.7	-115.9
Gross margin	**142.9**	**118.3**	**128.5**	**85.8**	**102.2**
% of revenues	50.9%	50.3%	52.7%	*52.5%*	*46.9%*
Research and development costs[1]	-39.4	-45.6	-50.1	-37.4	-43.8
% of revenues	*14.0%*	*19.4%*	*20.6%*	*22.9%*	*20.1%*
Sales and marketing costs	-46.6	-40.0	-45.9	-30.4	-36.5
% of revenues	*16.6%*	*17.0%*	*18.8%*	*18.6%*	*16.7%*
General costs	-14.3	-14.5	-16.7	-11.2	-14.3
% of revenues	*5.1%*	*6.2%*	*6.9%*	*6.8%*	*6.6%*
Production and Quality	-10.9	-11.9	-14.6	-10.2	-11.4
% of revenues	*3.9%*	*5.1%*	*6.0%*	6.2%	5.2%
Current income (loss) from operations	**31.8**	**6.3**	**1.1**	**-3.3**	**-3.7**
% of revenues	11.3%	2.7%	0.5%	*-2.0%*	*-1.7%*
Non-current operating income	–	–	–	–	0.7
Non-current operating expenses	-0.3	-0.2	-0.5	-0.8	–
Income (loss) from operations	**31.5**	**6.1**	**0.6**	**-4.1**	**-3.0**
% of revenues	11.2%	2.6%	0.2%	*-2.5%*	*-1.4%*
Income from cash and cash equivalents	1.5	1.3	1.2	1.0	0.4
Cost of gross financial debt	-0.9	-0.7	-0.8	-0.3	-0.5
Cost of net financial debt	0.7	0.6	0.4	0.7	-0.1
Other financial income and expenses	-1.0	-0.9	0.2	0.6	0.3
Financial income / expense	**-0.3**	**-0.3**	**0.6**	**1.2**	**0.2**
Share in income from equity affiliates	-0.4	-0.2	–	-	-0.1
Corporate income tax	-6.5	-4.4	-4.1	-2.9	-0.1
Net income attributable to Parrot S.A. shareholders	**24.3**	**1.2**	**-2.9**	**-5.8**	**-3.0**
Net income (Group share)	**24.5**	**1.6**	**-2.6**	**-5.5**	**-3.9**
% of revenues	*8.7%*	*0.7%*	*-1.1%*	*-3.4%*	*-1.8%*
Non-controlling interests	-0.2	-0.4	-0.3	-0.3	-1.8

Balance Sheet Data

(in € millions)	As of December 31, 2012	2013	2014	As of September 30, 2015
Cash and cash equivalents	73.1	55.4	70.3	45.0
Current assets	222.7	192.8	210.2	195.7
Total assets	305.1	278.6	310.7	310.8
Current liabilities	78.2	65.3	98.9	107.7
Current and non-current financial liabilities	25.0	19.4	12.5	13.0
Shareholders' equity attributable to Company shareholders	188.5	183.5	183.8	158.0

Risk Factors

You should consider all of the information set forth in this Offering Circular, including the following risk factors, before deciding whether to invest in the Group's shares. The risks below are not the only risks facing the Group. Additional risks that are not known at the date hereof, or that the Group currently considers immaterial based on the information available to it, may have a material adverse effect on the Group, its business, financial condition, results of operations and prospects. Additionally, this Offering Circular contains forward-looking statements that involve additional risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below.

Risks Related to the Group's Business

There can be no guarantee that the drone market will develop as expected, or that the Group will be successful in pursuing opportunities in this market.

The Group currently intends to devote significant effort and resources to leverage its technology to further penetrate the consumer and commercial drone market. The consumer and commercial drone market is an emerging and evolving area with many potential competitors and undefined market opportunities. The Group's efforts to capitalize on these opportunities may not be successful in the near term, or at all. In addition, the process of developing new products involves considerable risk and uncertainty, including:

- the risk of competition and new market entrants;
- the risk that the Group will not be able to develop adequate sales channels for new products and services;
- the risk that the Group's products will not perform adequately due to defect or misuse by customers;
- the risk that the Group's supply chain for components is unable to meet demand for the Group's products; and
- the risk that the Group is unable to develop new products to meet the new requirements of customers or resellers.

If the consumer and commercial drone market does not materialize as anticipated, or if the Group's product offerings are not successful, this could have a significant adverse impact on the Group's business, development, earnings or financial position.

The Group is exposed to deteriorations in the economic environment and the pace of adoption of new technologies by the different markets the Group is targeting.

The Group's business is subject to the general economic conditions in the principal markets in which it operates, particularly in Europe and the United States, where the Group generates most of its sales. The products sold to retail consumers, which represented 57% of consolidated revenues in 2014, are primarily linked to consumer spending levels, while the products sold to key accounts and professionals, and which represented 43% of consolidated revenues in 2014, are linked to the automotive industry's performance and the growing development of the market for drones for commercial and civil use.

In most countries, consumer spending on electronics equipment is linked to the general economic climate and tends to decline during periods of economic crisis, unemployment, reductions in consumer spending levels and increases in cost of living and inflation. In periods of economic downturn, consumers may decide to devote more of their spending on necessities and defer or cancel purchases of products sold by the Group. Furthermore, the level and pace of sales growth of the Group's products depends on the pace of the adoption and penetration of new technologies introduced by the Group which can be negatively affected by an adverse economic environment. A global deterioration in the economic environment in the markets in which the Group operates could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

The Group may be unable to cope with growth in the markets in which it operates.

Considering the specific features of the drone and connected devices markets and the automotive industry's demands, effective management of inventories and the whole supply chain is essential to the Group's commercial success. In addition, growth in its activities requires the Group to organize itself in order to meet demand and manage supplies, manufacturing and its 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 fourth quarter each year, and of the supply cycle of approximately 4 to 5 months, the Group faces the risk of stock shortages.

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. 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, the Group is positioned in various markets that are related to its traditional activities, in 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 the Group was sufficiently prepared and notably had advanced technologies, assembly capacities, stocks of products and distribution networks in place. If the Group is not sufficiently prepared to capitalize on growth opportunities, this could have a significant unfavorable impact on its business, development, earnings or financial position.

The Group faces competition in the markets in which it operates.

The markets in which the Group operates are competitive. If the Group is unable to effectively compete with its rivals, this could limit its ability to sell its products, reducing its market share.

Certain of the Group's competitors may have access to greater financial, technical or commercial resources. Specifically, in the market for new wireless devices for mobile phones (excluding the automotive market), the number of competitors is potentially higher than in the market covering handsfree products for vehicles; certain potential competitors have access to very significant financial, technical and commercial resources and could introduce new products, in direct competition with the Group's products. Acquisitions or other strategic operations carried out by such players could also weaken the Group's position in relation to the competition. If competition in the market for the Group's products was to increase, this could notably lead to the Group granting price cuts on its products. New products offered by rivals could offer benefits over the Group's products (particularly in terms of features, technology or cost), which could make the Group's products less appealing.

In order to maintain its competitive advantages, the Group must maintain its capacity for innovation, a sound financial position and responsiveness to competition. However, if the Group is unable to maintain a strong competitive position, this could have a material adverse effect on the Group's business, financial condition or results of operations.

The consumer and commercial drone markets are high growth markets and barriers to entry are low. If the Group is unable to compete effectively with existing or new competitors, the Group's business could significantly decline.

Consumer and commercial drone markets are not well-established and have exhibited significant growth during the last few years, and therefore, it is difficult for the Group to predict the competitive landscape in the market. The Group faces direct competition from other consumer and commercial drone manufacturers, such as Da-Jiang Innovations Science and Technology Co, or DJI. Furthermore, established companies in other markets, such as Go Pro (cameras), AeroVironment (military drones) and Trimble (topography), have also entered the consumer drone and commercial drone markets, or have announced their intention to do so. These companies may have more advanced technology than the Group or significantly more financial resources than the Group to employ in consumer and commercial drone development. If government, military, industry or other companies develop commercial drone technology, they may have a competitive advantage over the Group.

In addition, the commercial and consumer drone market has a low barrier of entry, and existing and new participants with a popular product idea can gain access to the market and become a significant source of competition for the Group's products in a very short period of time. These existing and new competitors may be able to respond more rapidly than the Group to changes in consumer preferences. Competitors' products may achieve greater market acceptance than the Group's products and potentially reduce demand for the Group's products, lowering the Group's revenues and profitability.

If the Group is unable to compete with existing or new participants in the consumer and commercial drone markets, it could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

The Group may be unable to adapt to rapid technological changes 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 must continue 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 is unable to anticipate consumer preferences and successfully develop new products, it may experience decreased revenues, 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. For example, the Group may incur higher production costs or experience delays related to frequent or last-minute design changes to its products. 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.

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

Components account for the majority of costs for the Group's finished products. The Group cannot guarantee that the price of certain basic electronic components will not increase significantly nor can it guarantee that all the components it uses will always be available under similar conditions in terms of lead-times and volumes to those seen today. Furthermore, the Group faces the risk of component shortages, particularly during the fourth quarter holiday season, whereby suppliers may be unable to satisfy the Group's demand for components. If these risks were to occur, particularly for components subject to a strong level of demand, this could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

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

The Group's success and future growth is dependent upon its sales growth and global brand recognition. The development of brand awareness is dependent 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 after-sales service, as well as its ability to develop attractive commercial operations in appropriate distribution channels. However, the Group cannot guarantee that it will be successful in maintaining positive brand awareness. If the Group is unable to maintain and further strengthen the Group's brand, it could notably result in a reduction in its market shares that could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

The Group's results are highly seasonal and dependent upon its fourth quarter results.

The Group generates a significant portion of its revenues during the fourth quarter of each fiscal year, due to the high level of sales linked to the end-of-year holiday period. For example, the Group's revenues in the fourth quarter of 2014 represented 33% of the Group's total revenues for the year. This seasonality has increased over time and has become more pronounced as the Group increasingly relies on retailers, some of whom employ sophisticated controls over inventory levels, to sell the Group's products. A decline of revenues, in the fourth quarter in particular, may have a disproportionate negative impact on the Group's results for the year and can lead to ongoing weakness in sales well into the following year. Therefore, the Group may be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events that harm purchasing patterns of the Group's customers or resellers, the demand for the Group's products or the Group's ability to serve its customers or resellers during the Group's key selling season.

The Group's automotive segment may continue to experience decreased revenues.

In recent years, the revenues of the automotive segment have experienced a progressive decline. In 2014, automotive segment revenues decreased by 22% compared to its revenues in 2013. For the nine months ended September 30, 2015, the revenues of the Group's automotive segment decreased by 11% compared to the same period in 2014.

In 2010, the Group decided to develop on-board infotainment technologies catered to medium to high-end markets and adapted to its expertise and size, in order to serve the long-term needs of manufacturers. In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge, and therefore launched a strategic review in order to identify the best conditions for ensuring the development of this business. In 2015, this strategic review led to the conversion of the automotive business into a subsidiary within Parrot Automotive. The development of this business within the Group strongly depends on the performance of certain key contracts over the coming years, given that for such contracts, car manufacturers do not guarantee the volumes ordered to the Group or the effective starting date of mass production. The Group's efforts with regard to this initiative may be ineffective, and as a result, the revenues of the automotive business may not recover or continue to decline, which could have an adverse effect on the Group's business, development, earnings or financial position.

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

The Group is organized around a "fabless" model and does not operate any manufacturing or logistics units. The manufacturing and assembly of the Group's products are performed by a limited number of subcontractors. Partnerships between the Group and its manufacturing, assembly and logistics subcontractors have been built up over several years and are subject to a contractual framework. The Group's purchases from its leading subcontractor represented approximately 63.2% of the Group's purchases in 2014, compared with 64.2% in 2013. To date, the Group has not experienced any difficulties with its subcontractors. However, the Group cannot guarantee that this will continue in the future. If contractual relations are broken off with its subcontractors, or if the Group experiences difficulties with one of its subcontractors in relation to meeting their contractual commitments, including product quality or deliveries within the agreed timeframes, or if its subcontractors are unable to meet 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.

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 risks related to 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.

The Group increasingly relies on resellers for sales of its products. Difficulties that affect these retailers or changes in their purchasing or related decisions could have a significant impact on the Group's business and operating results.

The Group is increasingly reliant on resellers, including both retailers and wholesalers, particularly in its drone business, to sell its products, rather than its direct or other specialized sales channels. The Group does not have long-term agreements with any of its resellers and resellers make all purchases by delivering one-time purchase orders. As a result, pricing, shelf space, cooperative advertising or special promotions, among other things, with each retailer are subject to periodic negotiation and alteration.

In addition, the Group increasingly relies on resellers to successfully sell the Group's products to consumers. Economic and other factors that adversely affect resellers, such as increased competition from online retailers, store closures, consolidation in the retail sector, bankruptcies and liquidity problems may adversely affect the Group. If resellers reduce their purchases from the Group, materially change the terms on which the Group conducts business with them or experience a downturn in their business for any reason, the Group's business and operating results could be significantly unfavorably impacted.

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, particularly since the Group is developing its products in new markets or significant orders from its Key Account customers can vary from quarter to quarter.

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

- the variations in the US dollar ($) in relation to the euro (€), and more specifically the Group's exposure to the US dollar;
- 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; and
- the Group's ability to reduce manufacturing costs for its products in order to maintain its margins, including higher production costs due to frequent or last-minute design changes to the Group's products.

These fluctuations can make it difficult to use quarterly earnings as indicators for possible future trends, and may have a material adverse effect on the Group's business, financial condition, results of operation or liquidity.

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

Although the Group believes it maintains good relations with most of its commercial partners, the Group cannot guarantee the long-term viability of the various agreements entered into with its current partners beyond the term of their contracts, or compliance with contractual commitments (e.g. sales targets, sales force deployment or marketing investments). Furthermore, the Group cannot guarantee that it will be able to develop the commercial partnerships needed for the development of its activities. If these risks were to occur, this could have an unfavorable impact on the Group's business, development, earnings or financial position.

The Group's top 10 clients represented 30.1% of consolidated revenues in 2014, compared with 34.0% in 2013. The terms of payment usually applied to the Group's customers vary from one country to another, but the average was around 66 days in 2014. Traditionally, the Group starts a commercial relationship with a new customer with payment on ordering, and only authorizes longer terms of payment when the commercial relationship is developing healthily and is likely to be long-term. The amount of bad debt recorded in 2014 represented 0.84% of the Group's revenues, compared with 0.37% in 2013. The deterioration of creditworthiness or overall financial condition of the Group's customers could expose the Group to an increased risk of non-payment or other default under the Group's contracts with them.

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

In 2014, 92% of the Group's revenues were generated outside of France. The Group's international activities are subject to various risks, including risks related to:

- the Group's lack of experience in certain regions where it may 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 any of these risks were to materialize, this could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

The Group's activities are dependent on technical standards.

The Group's products are based on specific technical standards and all types of connectivity, which require the Group to choose certain strategic technological platforms. The Group currently covers Bluetooth, Wi-Fi 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.

The marketability of the Group's products may be impacted by the unavailability of the required wireless systems.

The Group's success partly depends on the capacity, accessibility, reliability and frequency of the wireless data networks provided by the 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 to 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 prospects depend on the successful deployment of next generation wireless data networks provided by third parties, including networks for which the Group currently develops products. If these next generation networks were not deployed or widely accepted, or if their deployment was delayed, there would be a reduced market for the products that the Group develops to be used on these networks. This could diminish the Group's brand and harm its business, divert the attention of its technical personnel from product development efforts or cause significant customer relations problems.

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

To develop its products, the Company uses various operating systems, including the eCos operating system, the Linux system and the Android platform.

These three operating systems are all based on the use of "free" software or freeware. "Freeware" is available to users on a fee or free basis and is governed by three main types of licenses, making it possible to modify and reuse this software's source codes, provided that they comply with the requirements set out by the licenses. "Free" licenses require access to the source codes of spin-off developments or codes linked to "freeware" and their use by the entire community of developers under the same conditions as the initial "freeware." They are also characterized by their contaminant effect, which means that all the software programs - whether or not they are proprietary - linked to them pass under the "free" license system. On the other hand, "semi-free" or "public" licenses do not have any contaminant effect and therefore make it possible, under certain conditions, to develop proprietary solutions based on "freeware." The choice of "freeware" used in connection with developing products is therefore critical. "Freeware" is used without the customary 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 claims were to occur, this could have a significant unfavorable impact on the Group's business, development, earnings and financial position.

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 automotive products, including legislation forbidding the use of hand-held telephones while driving, may be subject to future changes that could be unfavorable to the Company. A rapid or major change to such legislation may occur, particularly with regard to forbidding any in-car phone use, even with a handsfree kit, and such changes could affect sales of the Company's automotive products. For example, there can be no guarantee that the trends during the last few years which have tended to encourage the use of products and solutions, notably including voice recognition features and steering wheel-mounted centralized controls, will continue in the future. If there are any unfavorable regulatory changes, including changes to the regulations regarding cell phone use while driving in the countries in which the Company operates, this could have a significant unfavorable impact on the Group's business, development, earnings or financial position.

The Group's business may be affected by changes in regulations affecting the use of drones.

Regulations applying to the use of civil drones, which includes both the consumer drones and commercial drones being commercialized by the Group, do not exist, or are in the process of being implemented, in certain countries in which the Group markets its products. In other countries, including certain ones where the Group generates a large part of its sales, such as the United States and certain Member States of the European Union, such as France, the use of civil drones is regulated. However, such regulations are currently either in their infancy or under revision. 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, most significantly, two Decrees issued by the Department of Transport on April 11, 2012. In its report entitled "*L'essor des drones aériens civils en France: enjeux et réponses possibles de l'Etat*" presented in October 2015, the General Secretariat of Defense and National Security (*Secrétariat général de la défense et de la sécurité nationale*) considered that the regulations which apply to civil drones must be subject to legislative and regulatory developments. The report emphasized informing or training drone users to clarify their obligations and increase their awareness of such obligations to avoid misuse.

At the European level, Regulation (EC) No 216/2008 of the European Parliament and of the Council of February 20, 2008 concerning "*common rules in the field of civil aviation and establishing a European Aviation Safety Agency*" limits its application to drones weighing over 150 kilograms, 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) No 216/2008, by eliminating the 150 kilogram limit so that the European Union may regulate drones. This report specifically emphasized the need to guarantee the right to the protection of privacy and personal data.

In the United States, regulations on the flying of drones are still in their infancy, and have mainly resulted from the recommendations published in February 2015 by the Federal Aviation Administration ("FAA"), the competent regulatory agency. When used for professional use, the drone user must either obtain prior approval from the FAA, or obtain an exemption on the basis of Section 333 of the FAA Modernization and Reform Act of 2012. When used for recreational purposes, drone owners are not subject, as of the date of this Offering Circular, to a reporting obligation or to the prior approval of the FAA. Nevertheless, the FAA must present on November 20, 2015 at the latest, a registration system for the owners of recreational drones to amend the regulatory framework. In addition, both in the case of drones used for professional and recreational purposes, users must comply with several obligations related to the use of drones, including regulations relating to place of use, altitude and maximum speed.

The implementation of new regulations, particularly in the markets mentioned above, may require, among others, that:

- the Group change its products, which could generate an increase in manufacturing costs or selling prices, or limit the opportunities for innovation. The Group may also be required to obtain new regulatory approvals for the launch of new products. It may be difficult to predict the authorizations that may be required in the future and the time needed and costs associated to obtain such approvals, and there is no guarantee that the Group will obtain them; and

- the users comply with new requirements, including, for example, requirements 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 on their permitted uses. Although it is currently difficult to predict future regulations, the implementation of regulations imposing changes to the characteristics of current or future products of the Group, 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, development, earnings and financial position.

The Group's insurance policies may not fully cover damages resulting from the risks to which the Group is exposed, and the Group may not be able to obtain insurance against certain risks.

The Group has put in place a policy to cover the main risks that are linked to its activity and may be insured at reasonable prices, subject to customary exclusions, cover caps and deductibles applied by insurance companies on the market. However, there can be no assurance that the scope of damage claims or liabilities would not exceed the policy limits of the Group's insurance coverage. The Group's level of insurance may not be sufficient to fully cover all losses that may arise in the course of its business or insurance covering its various risks may not continue to be available in the future. Given the uncertain regulatory context, non-aviation insurers are reluctant to insure civil drones with standard civil liability insurance policies, which limits the Group's ability to negotiate favorable terms. A specific aviation policy, with terms that tend to be less favorable than those of a non-aviation 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 such insurance coverage on comparable terms in the future. The Group may be materially and adversely affected if it incurs losses that are not fully covered by its insurance policies and such losses could have a material adverse effect on the Group's business, financial condition, results of operations or liquidity.

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. The Company's management team has vast experience in the markets in which the Group operates and the majority of the management team has been with the Company for several years. However, the Group cannot provide any guarantee that these key members of staff will continue to work within the Group.

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

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

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

Mr. Henri Seydoux holds 36.21% of the Company's Ordinary Shares and voting rights through the holding company Horizon, which he controls. After the Offering, Horizon will hold 34.26% of the Ordinary Shares and voting rights of the Company.

As such, Mr. Seydoux may have the power to adopt all of the resolutions submitted for approval by shareholders at general meetings and he may have, in the future, a decisive influence over most of the Company's corporate decisions, including over the payment of dividends, appointment of members to the Board of Directors of the Company (or the "Board"), approval of the financial statements or decision to carry out significant operations of the Company.

Future sales of Ordinary Shares could have an impact on the price of the Ordinary Shares.

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

The Group could experience difficulties with integrating acquisitions.

In connection with its development, the Group has implemented, and could continue to implement, an external growth strategy and carry out acquisitions or investments.

Since 2011, the Group acquired the following: (i) 100% of the capital of the companies Varioptic and DiBcom, specialists of digital optics and digital mobile radio/television, respectively (and which were merged within the Company); (ii) approximately 62% of the capital of senseFly, 55.67% of the capital of Pix4D, 59.03% of the capital of Airinov, 49.05% of the capital of EOS innovation, 56.30% of the capital of MicaSense, and 45% of the capital of Iconem, which are all specialized in the commercial drones industry.

The Group plans to continue to make acquisitions in the commercial drone market

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

The Group could recognize goodwill impairment charges, which could have a material impact on the Group's earnings.

As of December 2014, the Company recorded net goodwill of €40.0 million in its consolidated accounts further to the acquisitions of:

- a 100% stake in Inpro Tecnologià S.L. in 2006;
- a 100% stake in Waveblue LLC in 2007;

- Varioptic and DiBcom in 2011 accounted as business combination where the goodwill generated was €3.4 million for Varioptic and €15.0 million for DiBcom;

- an external growth operation in 2012, resulting in the recognition of €2 million of goodwill in relation to senseFly; and

- an operation to acquire a 24.67% interest on January 29, 2014, following the 31% acquired on September 18, 2012, with €1.6 million in goodwill for Pix4D;

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

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

Furthermore, in connection with the annual impairment test, the goodwill is allocated to the cash generating units identified within the Group. At December 31, 2014, four cash generating units are defined based on the Group's organization: Automotive, Connected Devices, Drones and Other. As a result of these tests, the Group recognized a €0.6 million and €2.8 million impairment in 2014 and 2013, respectively. Any subsequent changes in the Group's organization or changes to IFRS could also result in the Group recording impairments and have a material adverse effect on the Group's financial condition or results of operation.

The Group is exposed to foreign exchange risk.

The Group is exposed to two types of foreign exchange risk which may have an impact on earnings and equity: the translation exposure associated with the preparation of the Group's consolidated financial statements and operational risks on operating or financial flows not denominated in Group entities' operating currencies.

For the nine months ended September 30, 2015, over half of the Group's revenues, almost all of its costs of sales and 10% of operational expenditure are denominated in US dollars or associated currencies. Furthermore, 11.5% of cash and of other current financial assets of the Group are in US dollars or associated currencies. As such, the Group is exposed to fluctuations in the US Dollar against the euro. Unfavorable fluctuations in the exchange rate, particularly in the value of the US Dollar against the euro, could have a material adverse effect on the Group's business, financial condition, results of operation or liquidity.

The Group's products may have design, manufacturing or operating faults.

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

The Group may be subject to product liability or warranty claims that could result in significant direct or indirect costs, or the Group could experience greater returns from retailers than expected, which could harm its business and operating results.

The Group generally grants a 12 to 24-month guarantee period for its products, and, in some cases, provides a 36-month guarantee period for its automotive products. The occurrence of any material defects in the Group's products or misuse of the Group's products by its end-customers, in particular its drone products, could lead to product liability, personal injury or property damage claims, or could result in the rejection of the Group's products by retailers, damage to its reputation, lost sales, and increased customer service and support costs and warranty claims. The Group could incur significant costs to correct and resolve any defects, warranty claims or other problems, including costs related to customer support and product recalls and the logistics of such recalls.

Any negative publicity related to the perceived quality and safety of the Group's products could affect its brand image and decrease retailer, distributor and customer demand. Also, while the Group's warranty is limited to repairs and returns, warranty claims may result in litigation. For example, in the event of a defect in the Group's products, there is a risk that users, resellers or other parties that have suffered damages may challenge the restrictions of the Group's guarantee by claiming, for example, that the Group is liable for omissions or inaccuracies in the operating instructions for its products. If the Group were to experience a greater-than-expected number of product liability or warranty claims and returns, this could have a material adverse effect on the Group's business, financial condition or results of operation.

The Group may be unable to predict the number of commercial returns of consumer drones.

The Group may face commercial returns of consumer drones unrelated to quality issues in certain countries, including in certain of its main market, due to unpredictable local commercial practices. Given the emerging nature of this market, the volume and frequency of such returns remain hard to predict, particularly with the regular launch of new product ranges or the establishment of business relations with new resellers. If the Group were to incur a larger number of returns of consumer drones than expected, this could generate significant additional costs, including costs related to product redevelopment, customer support and product recalls, or an unanticipated decrease in expected sales, which could have an adverse impact on the Group's business, financial condition, results of operation or liquidity.

The Group may be unable to protect its intellectual property.

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

Furthermore, the Company, which has trademarks protecting the Company's name and the names of some of its products in many countries, a license to use the "*Bluetooth*" trademark, and licenses to use the trademarks of its trading partners, cannot be certain that the validity of these trademarks will not be disputed by third parties or that it will be in a position to register new trademarks in all the countries where it would like to sell its products. If the aforementioned risks were to occur, this could have a significant unfavorable impact on the Group's business, financial position, earnings or development.

Third parties may use technologies developed by the Company without its authorization.

Third parties, particularly competitors of the Company, could infringe the Company's patents and other intellectual and industrial property rights it has developed. To challenge any such unauthorized use, the Company may need to sue for infringement, leading to lengthy and costly proceedings.

The issuing of a patent on an invention does not guarantee either the validity of the patent or the extent of protection it may offer. Similarly, the legal effectiveness of copyright protection for software remains uncertain as long at its original nature has not been established 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 that are in a better position to cover the cost of such proceedings due 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.

The Company may be unable to maintain confidentiality for certain information relating to its technologies.

In addition to patented technologies, the Group's business is based to a large 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 appropriation of the Company's technologies by a competitor, result in the loss of a competitive advantage related to protected know-how following its disclosure, or even destroy the novelty of an invention and prevent the Company from protecting it by filing a patent.

Any material disruption of the Group's information systems could adversely affect its operating results.

The Group is increasingly dependent on information systems to operate its websites, process transactions, respond to customer inquiries, manage its supply chain and inventory, ship goods on a timely basis and maintain cost-efficient operations. Any material disruption or slowdown of the Group's systems, including a disruption or slowdown caused by its failure to successfully upgrade its systems, system failures, viruses, computer "hackers" or other causes, could cause delays in its supply chain or cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of the Group's products to customers or lost sales, especially if the disruption or slowdown occurred during the holiday season. Any of these events could reduce demand for the Group's products, impair its ability to complete sales through its e-commerce channels and cause its revenue to decline. If changes in technology cause the Group's information systems to become obsolete, or if its information systems are inadequate to handle its growth, the Group could lose customers. If the Group experiences any disruption in its information systems, particularly in the fourth quarter when the Group generates a significant part of its revenues, this could have a material adverse effect on the Group's business, financial conditions, results of operation or liquidity.

The Group may be unable to protect the personal data of the users and customers of its products.

In the course of conducting its operations, the Group collects personal data regarding the users and customers of its products, particularly by means of applications used to implement its marketed products (i.e., whenever the user has to register online to download the applications required to use a specific product). Access security, confidentiality and personal data protection may be affected by malicious activities, such as hacking, intrusion or sabotage, or the malfunctioning of the operating systems or relevant software. If the Group is unable to protect the personal data of the users and customers of its products, the Group may be exposed to claims from customers and injunctions or fines from the authorities in charge of the protection of personal data, which could have a material adverse effect on the Group's business, financial conditions, results of operation or liquidity.

Third parties may claim that the Company and its technologies infringe on their intellectual property rights.

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

In the event of a claim by a third party claiming to hold intellectual property rights on a technology used by the Company or its commercial partner, the Company may be required to sign a license with this third party and pay it compensation. Furthermore, if the Company cannot obtain a license for the use of such intellectual property, or a license cannot be obtained on commercially reasonable terms, the Company and its commercial partners could be forced to modify their products so that they no longer use the technology in question. If the Company or its commercial partners do not cease their unauthorized use of a third party's intellectual property, they may be sued for infringement.

The Company is regularly approached by third parties claiming to hold intellectual property rights on technologies and which would like to set up licenses with it. For example, in January 2014, Drone Technologies Inc. filed a lawsuit against the Company and its U.S. subsidiary, alleging patent infringement with regard to the Company's drone business unit. In June 2015, a US federal court ruled in favor of the Drone Technologies Inc., and awarded Drone Technologies Inc. approximately $8 million in damages (plus interest and attorneys' fees). The Group posted a $11 million bond to cover the full amount of the judgment (enforcement of the court's order of judgment is stayed pending appeal). The case is now pending at the US court of appeal for the federal circuit. For further information on the Company's intellectual property disputes, see "*The Business of the Group— Legal Proceedings.*"

If the Company fails to defend or incurs significant costs in defending itself in such dispute, or is forced to enter into a license for the use of intellectual property or modify or cease to use its technology and products because it is unable to obtain the necessary licenses, this could have a material adverse effect on the Group's business, financial condition or results of operation.

Risks Related to the Offering

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

The Company has not paid any dividends during the last three financial years. The Company intends to use its operating cash flow to finance its business over the short and medium term and does not intend to pay any dividends to its shareholders in the near future. Any decision with respect to the payment of dividends by the Company will depend on the facts and circumstances at that specific time.

The market price and liquidity for the Ordinary Shares are volatile and could continue to be volatile following the Offering, and the Subscription Price could exceed the market price.

In the past, the price of the Ordinary Shares has been subject to significant fluctuations due to many factors. Expectations of shareholders and analysts regarding the prospects of the Group's business, differences between these expectations and its actual business, financial position and results of operations, changes in general economic conditions and market developments could each lead to volatility in the price of the shares of the Company. Furthermore, in recent years, stock markets have experienced large fluctuations, often unrelated to the performance of the companies whose shares are traded on such markets. As such, market fluctuations and changes to the economic environment, which may be out of the Company's control, may increase the volatility and adversely affect the liquidity of the New Shares. Investors should note that the Subscription Price might exceed the current market price, and thus, if they decide to exercise their Rights, they bear the risk that they would pay a higher price for a New Share than they would pay if they purchased an Ordinary Share on the market.

The price of the Ordinary Shares during the trading period for the Rights may also not reflect the price of the Ordinary Shares on the Issue Date of the New Shares. The New Shares may be traded at prices lower than the price of the Ordinary Shares as of launch of the transaction or during the Subscription Period. The price of the New Shares could fall below the Subscription Price. If such a decrease in the price of the New Shares occurs after the exercise of the Rights, the relevant right holders will suffer a loss if they were to then sell the relevant New Shares. There can be no assurance that investors will be able to sell their New Shares at a price equal or higher to the Subscription Price for New Shares issued upon exercise of the Rights.

Sales of Ordinary Shares or Rights in the market during and/or after the Subscription Period may have an adverse effect on the share price of the New Shares or the value of the Rights.

There may be a significant number of sales of Ordinary Shares or Rights in the market, or the expectation that such sales may occur, during and/or after the Subscription Period. Such sales, or the expectation that such sales may occur, may have an adverse effect on price of the New Shares or the value of the Rights.

Shareholders who do not exercise their Rights will be diluted.

Shareholders who do not exercise their Rights will be diluted in their economic and voting rights in the Company. If shareholders choose to sell their Rights, the proceeds from such sales may be insufficient to compensate the shareholders for their dilution in the economic and voting rights of the Company. For further information on dilution, see *"Dilution.*"

There can be no assurance that a market for the Rights will develop or that the Rights will not be subject to greater price fluctuations than the Company's shares.

The Company intends for the Rights to be traded on Euronext Paris in the period from November 23, 2015 to December 4, 2015 (both inclusive). No application will be made for the Rights to be traded on any other stock exchange. It is not certain that an active and sufficiently liquid market for trading of the Rights will develop on Euronext Paris during this time period. As such, holders of Rights who choose not to exercise such Rights may be unable to sell their Rights. The market price for the Rights depends on, among other things, the development of the price of the Ordinary Shares but may also be more volatile than the price of the Ordinary Shares. If there is a decrease in the price of the Ordinary Shares, the value of the Rights may decrease.

The transfer of Ordinary Shares and Warrants is subject to restrictions under the securities laws of the United States and other jurisdictions.

The Ordinary Shares and Warrants have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of France and are not expected to be registered in the future. As such, the Ordinary Shares and Warrants may not be offered or sold except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and other applicable securities laws. In addition, there is no assurance that shareholders residing or domiciled in the United States and certain other jurisdictions will be able to participate in future capital increases or rights offerings.

It may be difficult for shareholders outside of France to protect their interests, serve process on or to enforce foreign judgments against the Company and its directors.

The Company is a public limited company (a *société anonyme*) incorporated in France. The rights of the shareholders are governed by French law and by its articles of association. Shareholders' rights and the fiduciary responsibilities of directors, officers and controlling shareholders differ under French law from the statutes and judicial precedents of other jurisdictions, including the United States. As a result, shareholders may have more difficulty in protecting their interests with regard to any acts or any failure to act by the Company's directors, officers or controlling shareholders than would shareholders of a corporation incorporated in another jurisdiction.

A majority of the Company's current directors are resident in France and the substantial majority of its assets are located outside of the United States. As a result, it may be difficult for shareholders in the United States to serve process on or enforce foreign judgments against the Company or the directors in foreign courts predicated solely upon the civil liability provisions of United States securities laws.

There is doubt that a lawsuit based upon U.S. federal or state securities laws, or the laws of any other non-French jurisdiction, could be brought in an original action in France and that a foreign judgment based upon such laws would be enforced in France. As such, investors may be unable to enforce a foreign judgment in France.

The Underwriting Agreement may be terminated at any time by the Joint Bookrunners up until and including the Settlement Date, subject to certain customary conditions.

The Underwriting Agreement may be terminated at any time by the Joint Bookrunners until, and including, the date of the actual settlement of the offer, December 15, 2015 (the "Settlement Date"), under certain circumstances. If the Underwriting Agreement is terminated in accordance with its terms and if the amount of subscriptions received is less than three-quarters of the capital increase amount, the capital increase will be cancelled and investors having acquired Rights in the market will have acquired Rights with no value, which would result in a loss equal to the acquisition price paid for such Rights. Investors would be reimbursed for the amount paid for subscription.

The Company may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences for U.S. Holders.

A non-U.S. corporation will be considered a passive foreign investment company (a "PFIC") for any taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce, or are held for the production of, passive income.

The Company must make a separate determination after the close of each year as to whether it was a PFIC for that year. Although the application of these rules is unclear and therefore determinations are not free from doubt, based on the market price of the Ordinary Shares and the composition of the Company's income and assets for the taxable year ended December 31, 2014, the Company does not believe that it was a PFIC for that year. The Company's PFIC status for the current taxable year will not be determinable until the close of the taxable year ending December 31, 2015. Based on the composition of the Company's assets and income and the market price of the Ordinary Shares to date, the Company does not expect to become a PFIC for this year. However, fluctuations in the market price of the Ordinary Shares may cause the Company to become a PFIC. In addition, the composition of the Company's income and assets will be affected by how, and how quickly, it spends the cash raised in any offering. Accordingly, because PFIC status is a fact-intensive determination made on an annual basis and because the IRS does not issue rulings with respect to PFIC status, there can be no assurance that the IRS or a court will agree with the Company's determinations.

If the Company is or has been a PFIC, U.S. Holders will be subject to certain adverse U.S. federal income tax consequences. See "*Certain Tax Considerations – Certain United States Federal Income Tax Considerations*." U.S. Holders are urged to consult their tax advisors with regard to the potential application of the tax consequences to them if the Company is a PFIC.

Risks Related to the Warrants

The Warrants will not be transferable for a period of five years starting on the day following their issue date, subject to limited exceptions. Once the Warrants have become transferable, the market for the Warrants may show little liquidity and high volatility.

Once issued, the Warrants will not be transferable for a period of five years starting on the day following their issue date, i.e., from December 16, 2015 to December 15, 2020 (inclusive), subject to limited exceptions as set forth in "*The Offering—Warrants—Limitations on the Transfer of Warrants.*" Application will be made to list the Warrants for trading on Euronext Paris, and trading on such market shall begin by December 16, 2020. There can be assurance that a market for the Warrants will develop, and the Company is under no obligation to create a market for the Warrants. If, at the end of the Warrant Lock-Up Period, a market for the Warrants develops, such a market may experience higher volatility than the Ordinary Shares.

Holders of Warrants who fail to exercise or transfer their Warrants before their maturity date may experience an investment loss and will suffer a dilution if other Warrant holders decide to exercise their Warrants.

The maturity date of the Warrants is December 15, 2022. Warrants that are not exercised before this date will be cancelled and automatically lose value. Warrant holders who fail to exercise or transfer their Warrants by December 15, 2022 will lose the value of their investment in the Warrants. Furthermore, Warrant holders who fail to exercise their Warrants will suffer a dilution if the other Warrant holders exercise their Warrants. Should a holder of a Warrant sell his Warrants, the potential consideration he receives may not be sufficient to compensate for such dilution.

Ordinary Shares may be sold in the market before or during the Warrant Liquidity Period, and Warrants may be sold during the Warrant Liquidity Period, and such sales may have an adverse impact on the price of the Ordinary Shares or on the value of the Warrants.

The Company cannot predict the effect of sales of Ordinary Shares or Warrants in the market, or the expectation that such sales may occur, before or during the Warrant Liquidity Period, with respect to Ordinary Shares, or during the Warrant Liquidity Period, with respect to Warrants, on the price of Ordinary Shares or the value of the Warrants. As such, such sales may have an adverse effect on the price of the Ordinary Shares or the value of the Warrants.

If there is a decline in the price of the Ordinary Shares, the Warrants may lose value.

The market price of the Warrants will depend significantly on the market price of the Ordinary Shares. As such, a decline in the price of the Ordinary Shares may have an adverse impact on the value of the Warrants. The Warrants may also increase in value above the price at which shareholders may elect to sell their Warrants in the Warrant Selling Period.

Warrant holders have limited anti-dilution protection.

The Exercise Ratio will only be adjusted in the circumstances, as described further in "*The Offering—Warrants—Maintenance of the Rights of the Holders of Warrants*." Hence, the Exercise Ratio will not be adjusted in all circumstances where an event relating to the Company or any other event, is likely to affect the value of the Ordinary Shares or, more generally, to have a dilutive impact, particularly in the event of an issue without preferential subscription right or of securities convertible into or exercisable for equity in the Company, in case of payment of a dividend in shares, allotment of free shares of the Company to employees (or corporate officers) or allotment of stock-options of the Company to employees (or corporate officers). In situations where no adjustment to the Exercise Ratio shall occur, this may have an adverse effect on the price of the Ordinary Shares and, therefore, on the value of the Warrants.

The terms and conditions of the Warrants may be modified.

The extraordinary shareholders' meeting or the Board, as applicable, may modify the terms and conditions of the Class 1 Warrants subject to applicable rules and to the prior authorization of a two-thirds majority of votes of the Class 1 Warrant holders, present or represented. Any amendment thus approved shall be binding on every Class 1 Warrant holder. Such legal provisions shall apply *mutatis mutandis* to the Class 2 Warrants. Such modifications to the terms and conditions of the Warrants may have an adverse effect on the value of the Warrants.

You may be subject to tax if the Company makes or fails to make certain adjustments to the Exercise Ratio even though you do not receive a corresponding cash distribution.

The Exercise Ratio of the Warrants is subject to adjustment in certain circumstances. If the Exercise Ratio is adjusted as a result of a distribution that is taxable to holders of Ordinary Shares, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the Exercise Ratio after an event that increases your proportionate interest in the Company could be treated as a taxable dividend to you. See "*Certain Tax Considerations – Certain United States Federal Income Tax Considerations*."

Use of Proceeds

The net proceeds of the Offering are expected to be €286,781,145, after the deduction of deduction of commissions payable to the underwriters, legal fees and administrative expenses of approximately €12 million.

The Company intends to use the net proceeds of the Offering to accelerate its development and strengthen its market position in the consumer and commercial drone markets.

In particular, the Company intends to use:

- 15-20% of the proceeds to maintain and advance the Group's level of innovation and technological development by hiring engineers dedicated to designing new consumer and commercial drones, with the intention to launch one new product per year and per category and dedicated to the development of new services;

- 30% of the proceeds to reinforce the Group's capacities for marketing and sales, by (i) multiplying the marketing budgets (by 2-3x), particularly with respect to advertising campaigns, for the launch of new consumer and commercial drones, (ii) reinforcing the internal marketing teams for new products, (iii) implementing an internet strategy involving internalizing the retail website and the creation of a business-to-business website reserved for professionals; and (iv) reinforcing the sales team and the customer service team to enable the development of direct relationships with distributors and reinforce the Group's positions in certain fast-growing markets, such as the Middle East, Latin America, Asia, Eastern Europe and Russia;

- 10-15% of the proceeds to create an ecosystem for commercial drones with the aim of accelerating the integration of certain companies which have been acquired by the Group, acquiring the ability to respond rapidly to the development of the commercial drone market and building a digital services platform intended for professionals;

- 30-35% of the proceeds to incubate and develop young innovative companies through targeted acquisitions, including by increasing the Group's holdings in Airinov and MicaSense through the exercise of options, and financing new acquisitions by preserving the incubation and acceleration model for the development of young innovative companies; and

- 5% of the proceeds to reinforce support functions, such as human resources, finance, accounting and internal control, in line with the Company's growth.

In the event that the Offering is only partially completed, the Company intends to still allocate the proceeds on the terms set forth above. There is no assurance that the Company will use the proceeds in accordance with the targets set out above.

The gross proceeds of the exercise of all Warrants would amount to approximately €127,562,962.

Dividends and Dividend Policy

The Company has not paid any dividends over the last three years.

As of the date of this Offering Circular, 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 dividends to its shareholders in the near future.

Capitalization of the Group

Capitalization and Indebtedness

The following tables set forth an overview of the Group's capitalization and net financial indebtedness as of September 30, 2015.

Investors should read this table in conjunction with "*Selected Financial and Other Information*" and "*Operating and Financial Review and Prospects,*" and the Financial Statements, including the notes thereto, the English language translations which are incorporated by reference in this Offering Circular.

(In thousand €) **IFRS standards**	**As of September 30, 2015**
	(unaudited)
1. Equity and debt	
Total current liabilities	**1,166**
Secured by personal guaranties	—
Secured by charges	932
Unsecured liabilities	234
Total non-current liabilities	**11,882**
Secured by personal guaranties	-
Secured by charges	10,236
Unsecured liabilities	1,646
Equity (Group share)	**158,011**
Share capital	1,914
Legal reserve	204
Other reserves	155,893
2. Net financial debt	
A. Cash	44,960
B. Cash equivalents	—
C. Marketable securities	13,000
D. Liquidities (A) + (B) + (C)	**57,960**
E. Short-term financial receivables	—
F. Short-term bank debt	33
G. Short-term portion of long-term debt Short-term debt	932
H. Other short-term financial debt	201
I. Short-term current financial liabilities (F) + (G) + (H)	**1,166**
J. Net short-term financial liabilities (I) - (E) - (D)	**(56,794)**
K. Bank loans over one year	10,236
L. Issued bonds	—
M. Other loans over one year	1,646
N. Middle and long-term net financial liabilities (K) + (L) + (M)	**11,882**
O. Net financial liabilities (J) + (N)	**(44,913)**

Working Capital

The Group believes that, before the application of the net proceeds from this Offering as set forth in this Offering Circular, it has sufficient working capital to meet all of its payment obligations for a period of at least the next 12 months. This representation is made prior to taking into account the share capital increase.

Dilution

The following table sets forth the impact of the Offering on consolidated shareholder's equity per Ordinary Share. The calculations set forth below are based on the Group's balance sheet as of September 30, 2015 and 12,553,774 Ordinary Shares, representing the Company's share capital as of the date of this Offering Circular, after deducting the Company's treasury shares.

	Equity per share (€)	
	Non-diluted basis	**Diluted basis[1]**
Before issue of 17,575,278 Offered Securities	12.98	12.99
After issue of 17,575,278 Offered Securities	14.95	14.92
After issue of 17,575,278 Offered Securities and 1,464,606 Ordinary Shares of the Company, resulting from the exercise of all Class 1 Warrants	15.78	15.73
After issue of 17,575,278 Offered Securities and 1,883,064 Ordinary Shares of the Company, resulting from the exercise of all Class 2 Warrants	16.58	16.52
After issue of 17,575,278 Offered Securities and 3,347,670 Ordinary Shares of the Company, resulting from the exercise of all Class 1 Warrants and Class 2 Warrants	17.29	17.22

(1) Assumes (i) all the 377,054 stock-options granted by the Company as of September 30, 2015 are exercised and (ii) all the 215,600 free shares granted by the Company as of September 30, 2015 vest.

The following table sets forth the impact of the Offering on a shareholder's equity interest in the Company, where such shareholder owns 1% of the share capital of the Company prior to the Offering and does not participate in the Offering. The calculations set forth below are based on 12,553,774 Ordinary Shares, representing the Company's share capital as of September 30, 2015.

	Shareholder's Equity Interest	
	Non-diluted basis	**Diluted basis[1]**
Before issue of 17,575,278 Offered Securities	1.00%	0.95%
After issue of 17,575,278 Offered Securities	0.42%	0.41%
After issue of 17,575,278 Offered Securities and 1,464,606 Ordinary Shares of the Company, resulting from the exercise of all Class 1 Warrants	0.40%	0.39%
After issue of 17,575,278 Offered Securities and 1,883,064 Ordinary Shares of the Company, resulting from the exercise of all Class 2 Warrants	0.39%	0.39%
After issue of 17,575,278 Offered Securities and 3,347,670 Ordinary Shares of the Company, resulting from the exercise of all Class 1 Warrants and Class 2 Warrants	0.38%	0.37%

(1) Assumes (i) all the 377,054 stock-options granted by the Company as of September 30, 2015 are exercised and (ii) all the 215,600 free shares granted by the Company as of September 30, 2015 vest.

Market Price Information

The annual high and low market prices of the Company's shares on Euronext Paris for the five most recent financial years ending December 31, 2014 are shown below, expressed in euro:

Year	High	Low
2010	25.00	9.81
2011	29.01	13.53
2012	29.31	17.26
2013	31.46	17.52
2014	23.40	14.80

The quarterly high and low market prices of the Company's shares on Euronext Paris for the two most recent financial years are shown below, expressed in euro:

Quarter	High	Low
Q1 2013	31.46	23.57
Q2 2013	24.45	19.07
Q3 2013	24.24	19.80
Q4 2013	23.70	17.52
Q1 2014	23.40	19.73
Q2 2014	22.74	18.21
Q3 2014	19.75	16.51
Q4 2014	21.90	14.80
Q1 2015	21.64	18.03
Q2 2015	44.47	19.26
Q3 2015	50.31	31.11
Q4 2015 (through November 18)	47.14	33.05

The monthly high and low market prices of the Company's shares on Euronext Paris for each of the last six months ending November 18, 2015 are presented in the table below:

Month	High	Low
May 2015	28.00	22.01
June 2015	44.47	27.46
July 2015	50.31	35.66
August 2015	41.49	31.11
September 2015	44.15	36.00
October 2015	47.14	38.00
Up to November 18, 2015	41.20	33.05

Selected Financial and Other Information

The following tables present selected consolidated financial data for the Group's business. The selected financial information as of and for the years ended December 31, 2012, 2013 and 2014 has been derived from the Group's audited Annual Financial Statements, English language translations of which are incorporated by reference into this Offering Circular. The selected financial information as of and for the nine months ended September 30, 2014 and 2015 has been derived from the Group's unaudited Interim Financial Statements, an English language translation of which is incorporated by reference into this Offering Circular.

The Group's Annual Financial Statements have been prepared in accordance with IFRS as adopted by the EU and audited by KPMG Audit IS and Ernst & Young SAS, the Group's statutory auditors. The Group's unaudited Interim Financial Statements have been prepared under IAS 34, the IFRS standard applicable to interim reporting, and have been the subject of a limited review by the Group's statutory auditors.

You should read the following selected financial information in conjunction with the Group's Annual Financial Statements and unaudited Interim Financial Statements and related notes, the English translations of which are incorporated by reference herein and the information in "Operating and Financial Review and Prospects" section.

Income Statement Data

	Year ended December 31,			Nine months ended September 30,	
(in € millions)	**2012**	**2013**	**2014**	**2014**	**2015**
Revenues	**280.5**	**235.2**	**243.9**	**163.5**	**218.1**
Cost of sales	-137.6	-116.8	-115.3	-77.7	-115.9
Gross margin	**142.9**	**118.3**	**128.5**	**85.8**	**102.2**
% of revenues	50.9%	50.3%	52.7%	*52.5%*	*46.9%*
Research and development costs[1]	-39.4	-45.6	-50.1	-37.4	-43.8
% of revenues	*14.0%*	*19.4%*	*20.6%*	*22.9%*	*20.1%*
Sales and marketing costs	-46.6	-40.0	-45.9	-30.4	-36.5
% of revenues	*16.6%*	*17.0%*	*18.8%*	*18.6%*	*16.7%*
General costs	-14.3	-14.5	-16.7	-11.2	-14.3
% of revenues	*5.1%*	*6.2%*	*6.9%*	*6.8%*	*6.6%*
Production and Quality	-10.9	-11.9	-14.6	-10.2	-11.4
% of revenues	*3.9%*	*5.1%*	*6.0%*	6.2%	5.2%
Current income (loss) from operations	**31.8**	**6.3**	**1.1**	**-3.3**	**-3.7**
% of revenues	11.3%	2.7%	0.5%	*-2.0%*	*-1.7%*
Non-current operating income	–	–	–	–	0.7
Non-current operating expenses	-0.3	-0.2	-0.5	-0.8	–
Income (loss) from operations	**31.5**	**6.1**	**0.6**	**-4.1**	**-3.0**
% of revenues	11.2%	2.6%	0.2%	*-2.5%*	*-1.4%*
Income from cash and cash equivalents	1.5	1.3	1.2	1.0	0.4
Cost of gross financial debt	-0.9	-0.7	-0.8	-0.3	-0.5
Cost of net financial debt	0.7	0.6	0.4	0.7	-0.1
Other financial income and expenses	-1.0	-0.9	0.2	0.6	0.3
Financial income / expense	**-0.3**	**-0.3**	**0.6**	**1.2**	**0.2**
Share in income from equity affiliates	-0.4	-0.2	–	-	-0.1
Corporate income tax	-6.5	-4.4	-4.1	-2.9	-0.1
Net income attributable to Parrot S.A. shareholders	**24.3**	**1.2**	**-2.9**	**-5.8**	**-3.0**
Net income (Group share)	**24.5**	**1.6**	**-2.6**	**-5.5**	**-3.9**
% of revenues	*8.7%*	*0.7%*	*-1.1%*	*-3.4%*	*-1.8%*
Non-controlling interests	-0.2	-0.4	-0.3	-0.3	-1.8

Balance Sheet Data

	As of December 31,			As of September 30,
(in € millions)	**2012**	**2013**	**2014**	**2015**
Cash and cash equivalents	73.1	55.4	70.3	45.0
Current assets	222.7	192.8	210.2	195.7
Total assets	305.1	278.6	310.7	310.8
Current liabilities	78.2	65.3	98.9	107.7
Current and non-current financial liabilities	25.0	19.4	12.5	13.0
Shareholders' equity attributable to Company shareholders	188.5	183.5	183.8	158.0

Operating and Financial Review and Prospects

The following discussion and analysis is based on, and should be read in conjunction with, the Company's Annual Financial Statements and unaudited Interim Financial Statements which have been prepared in accordance with IFRS as adopted by the EU and IAS 34, the IFRS standard as adopted by the EU, English language translations of which are incorporated by reference herein.

Overview

Founded in 1994 by Henri Seydoux, Parrot is a French high tech company, with a wide international reach, structured around strong R&D and a fabless model.

As a leader in identifying future technologies, Parrot first offered handsfree communication systems and infotainment solutions for the automotive industry, developing both consumer and original equipment manufacturer (OEM) offers. Following the Company's initial public offering in 2006, the Group has gradually diversified its activities by developing and marketing consumer products in the Connected Devices segment from 2006 and then in the Drones segment from 2009. Since 2010, Parrot has been highly successful in the consumer drones business with recreational mini-drones and quadricopters.

Following its success in the consumer drone market, the Group is also expanding in the commercial drone market through a set of innovative solutions combining drones, payloads, software and services primarily focused on 3D mapping, precision farming and inspection. Parrot also leverages its technological expertise through its Innovation Lab, which is part of its Connected Devices business segment.

For the years ended December 31, 2012, 2013 and 2014, the Company had revenues of €280.5 million, €235.2 million, and €243.9 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had revenues of €163.5 million and €218.1 million, respectively. For the years ended December 31, 2012, 2013 and 2014, the Company had net income (Group share) of €24.5 million, €1.6 million, and €-2.6 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had net income (Group share) of €-5.5 million and €-3.9 million, respectively. As of September 30, 2015, the Group had 978 employees, of which approximately 470 worked in R&D.

Segment Reporting

The Group's initial product focus was handsfree solutions for cars, designed to deal with the constraints related to the use of mobile phones by car drivers. The Group developed a full range of handsfree solutions sold under the Parrot brand mainly in Europe, where legislation regulating the use of a mobile phone while driving appeared in the late 1990s. The Group also targeted automotive OEMs with an offering that integrated its handsfree solutions, resulting in strong growth in this segment from 2008 to 2012. Growth in handsfree systems has slowed down in recent years, as these products have become standard features in automobiles, resulting in increased competition and declining profitability for these systems. The Group therefore shifted its focus to automotive infotainment systems, which the Group believes has the potential for further growth, while seeking to create other offerings through its Innovation Lab.

As part of its innovation strategy, Parrot expanded its offering to drones in 2009 and launched its first mass-market consumer drone in 2010, the Parrot AR.Drone, a quadricopter piloted through a smartphone application. The success of this drone encouraged the Group to create new drone products, in both consumer and commercial markets.

To reflect the changes in its activities, and particularly the increasing importance of the Group's Drone and Connected Devices products to its business, the Company has adopted the following segments (since the end of 2013):

– The **Drone** segment includes (i) revenues from sales of consumer drones (MiniDrones, AR.Drone, Bebop Drone), sold to consumers through the Group's retail distribution networks and online, as well as (ii) revenues from sales of commercial drones (senseFly, Airinov and

MicaSense), sold through specialized distribution networks, and (iii) revenues from software licensed for use in drones (Pix4D).

– The **Automotive** segment includes (i) revenues from installed handsfree kits (Parrot CK and Parrot MKi range), Plug & Plays (MiniKit range) and infotainment products (Parrot ASTEROID range), sold to consumers through the Group's retail distribution networks (Retail Automotive), as well as (ii) revenues from the Bluetooth, digital music and infotainment solutions, sold directly to manufacturers and their OEM providers (Key Account Automotive);

– The **Connected Devices** segment includes revenues from the audio products (Parrot ZIK) and connected devices (Parrot FLOWER POWER) sold to consumers through the distribution networks and online; and

– The **"Other"** segment includes revenues generated by Varioptic's sales, which is specialized in optic.

The classification of the Plug & Play business has been changed from the Connected Devices segment to the Automotive segment since January 1, 2015. For comparison purposes, the Group retroactively reclassified from the Connected Devices segment to the Automotive segment revenues of €12.2 million, €12.6 million and €9.4 million for the years ended December 31, 2012, 2013, and 2014, respectively, and €6.2 million for the nine months periods ended September 30, 2014. The reclassification has not been considered to be material at EBIT level.

The following table shows the Group's revenue per operating segment for the years ended December 31, 2012, 2013 and 2014 and for the nine months ended September 30, 2014 and 2015.

	Year ended December 31,						Nine months ended September 30,			
(in € millions and in % of Group revenues)	**2012**		**2013**		**2014**		**2014**		**2015**	
Drones	**42.4**	**15.1%**	**42.1**	**17.9%**	**83.0**	**34.0%**	**45.8**	**28.0%**	**109.4**	**50.2%**
Consumer	41.7	14.9%	35.8	15.2%	70.5	28.9%	36.7	22.4%	90.1	41.3%
Commercial	0.8	0.3%	6.3	2.7%	12.5	5.1%	9.2	5.6%	19.3	8.9%
Automotive	**224.7**	**80.1%**	**175.2**	**74.5%**	**144.4**	**59.2%**	**108.2**	**66.2%**	**96.3**	**44.2%**
Retail	79.0	28.2%	69.1	29.4%	53.9	22.1%	38.3	23.4%	43.3	19.9%
Key accounts	145.7	51.9%	106.1	45.1%	90.5	37.1%	70.0	42.8%	53.0	24.3%
Connected Devices	**11.4**	**4.1%**	**16.9**	**7.2%**	**14.6**	**6.0%**	**8.1**	**5.0%**	**10.9**	**5.0%**
Audio	-	0.0%	-	0.0%	12.4	5.1%	7.1	4.3%	9.9	4.5%
Other connected devices	11.4	4.1%	16.9	7.2%	2.1	0.9%	1.0	0.6%	1.1	0.5%
Other	**2.0**	**0.7%**	**1.0**	**0.4%**	**2.0**	**0.8%**	**1.4**	**0.8%**	**1.4**	**0.7%**
Group Total	**280.5**	**100.0%**	**235.2**	**100.0%**	**243.9**	**100.0%**	**163.5**	**100.0%**	**218.1**	**100.0%**

* As a result of the reclassification of the Plug & Play business from the Connected Devices segment to the Automotive segment on January 1, 2015, the Group has retroactively reclassified from the Connected Devices segment to the Automotive segment revenues of €12.2 million, €12.6 million and €9.4 million for the years ended December 31, 2012, 2013, and 2014, respectively, and €6.2 million for the nine months periods ended September 30, 2014.

Since 2012, the Group's product mix has significantly changed with drone sales representing a constantly increasing proportion of Group's revenues, representing 34% of 2014 revenues (€83.0 million) compared to 15% of 2012 revenues (€42.4 million), while revenues from automotive products has significantly decreased to 59.2% of 2014 revenues (€144.4 million) compared to 80.1% of 2012 revenues (€224.7 million). The first nine months of 2015 show a continuation of this trend. For the nine months ended September 30, 2015, drone revenues amounted to €109.4 million, or 50.2%, of the Group's total revenues, compared to €45.8 million, or 28.0%, of the Group's total revenues for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, the automotive revenues amounted to €96.3 million, or 44.2%, of the Group's total revenues compared to €108.2 million, or 66.2%, of the Group's total revenues for the nine months ended September 30,

2014. The drones business only recently reached the breakeven point with the consumer drones business still incurring losses due to investments in marketing and R&D.

Factors Affecting the Group's Results of Operations

The factors below have had an impact on the Group's results of operations for the periods under review:

- *Brand expansion.* The Group has made, and continues to make, significant investment across its businesses to expand its brand to drive growth. Brand awareness is particularly important for the consumer markets in which the Group operates. The Group focuses heavily on product launches, visibility of its products at various points-of-sales, and traditional and online marketing. This investment has affected the Group's costs and, therefore, its profits in the periods under review. The Group's sales and marketing expenses (as a percentage of the Group's revenues) represented 16.6% (€46.6 million), 17.0% (€40.0 million), and 18.8% (€45.9 million) for the years ended December 31, 2012, 2013 and 2014, respectively, and 18.6% (€30.4 million) and 16.7% (€36.5 million) for the nine months ended September 30, 2014 and 2015, respectively. The Group intends to continue investing significant resources in its sales, product marketing, advertising, customer support and brand expansion efforts to drive demand for its products. Such investments occur in advance of any sales benefits from these activities, and it may be difficult for the Group to determine whether it allocates its resources efficiently in these areas.

- *Automotive Sales and Margins.* The Group's automotive business experienced a significant decline in sales since 2008, and between 2012 through 2014, automotive revenues continued to decrease from €224.7 million in 2012 to €144.4 million in 2014. As the Group's handsfree products have become standard features in automobiles, resulting in increased competition and declining profitability for these systems. In 2010, the Group decided to make a strategic shift in its automotive business to focus on infotainment solutions. The Group has signed nine contracts with major car manufacturers and currently is in the development phase with respect to these contracts, working with manufacturers to create customized technology specific to manufacturers' needs. These contracts are scheduled to move into the production phase in 2017. The Group's target is to stabilize the decline in revenues in 2016 and to resume growth in this business in 2017. However, the achievement of this objective will depend to a great extent on the following factors: (i) the approach for marketing infotainment solutions by manufacturers (optional or fitted as standard), (ii) the price of infotainment solutions set by automotive brands, (iii) the level of interest among drivers for infotainment solutions, and (iv) the capacity of telecommunication networks to provide the quality speeds (4G) needed for such solutions. Depending on the results effectively achieved in 2017, and the prospects for this business at that time, the Group will assess its options in this market.

- *New usages for the Group's products.* The demand for both infotainment solutions and drones is driven by the emergence of new usages. Developing such products has required significant research & development and marketing expenditures, but the Group has only experienced limited sales of these products in the periods under review.

  - *Infotainment*: in the automotive industry, consumers demand new solutions to enhance driver and/or passenger experience, offering a convergence of an increasing number of audio, communication, entertainment and information functions in a single user-friendly connected device. The Group believes that the infotainment market remains under-developed, and the Group is working with its OEM customers to develop customized infotainment solutions. Nevertheless, revenues from the Group's infotainment products constitute only a small portion of total automotive sales, with the remainder principally driven by the Group's existing handsfree products.

  - *Commercial Drones*: while still in its infancy, the commercial drone industry offers a number of applications, ranging from 3D mapping, surveillance and monitoring to more value-added applications such as precision agriculture, inspection, and retail supply chain optimization, among others. Commercial drones represent a small but growing portion of the Group's total drone revenues (from 0.3% of total drones revenue in 2012 to 5.1% of total drones revenue in 2014). While the Group believes that these new usages will eventually create their own markets, the Group expends resources to increase awareness of these devices and their applications and to educate suppliers and consumers about the Group's products, mainly through promotional and advertising activities (mostly online content and public relations), advertising campaigns (mostly social networks and active sales teams) and trade marketing actions.

- *New product introductions.* Consumer demand for new technology and product features, and the Group's ability to anticipate these demands, is one of the main drivers for sales growth and market share expansion. During the periods under review, the Group's revenues have been impacted by a number of successful product launches, including the launch of Parrot Asteroid (2012), the Parrot Zik wireless headphones (2012), Parrot FLOWER POWER (2013), the MiniDrones range and the Bebop drone range (2014 and 2015). The Group also expends significant resources in order to successfully launch its products, including expenditures relating to product positioning and coverage in traditional and online media.

- *Regulatory developments.* In many countries, new regulation continues to be a key driver for the adoption of more integrated communication and infotainment solutions in the automotive segment, with a view to increasing driver safety. For example, the Group's success with its handsfree systems products was primarily driven by the ban on mobile phone use while driving in France and in other jurisdictions (as the Group's products do not rely on headsets). More recently, France has prohibited the use of handsfree headsets while driving, which has also helped increase the Group's sales of the Group's handsfree systems. In the Drone segment, the Group is monitoring the adoption of regulatory framework which could affect specifications of drone products as well as authorizations granted to drone pilots, and its potential impact on the Group's product offerings. The Group devotes significant resources to continuously adapt its products and anticipate changes in regulations in the countries where the Group operates. New regulations may result in the Group incurring additional costs to modify its product offering to comply with relevant regulations. New regulations may also represent an opportunity for new product development. See also "*The Business of the Group—Drone Regulation*."

- *Acquisitions.* The Group has completed six acquisitions since January 1, 2012. These acquisitions have been exclusively in the commercial drones business and associated technologies in order to expand the Group's presence in this market, which the Group believes will exhibit significant growth in the coming years. The acquisitions carried out since January 1, 2012 are the following:
    - *senseFly* — In 2012 and 2014, the Group acquired approximately 62% of senseFly, which develops and markets a range of ultralight commercial drones equipped with aerial imaging and mapping solutions.
    - *Pix4D* — In 2012, the Group acquired a 31.00% stake in Pix4D, which it increased to 55.67% in January 2014. Pix4D is a leading supplier of software for processing images (2D and 3D) from commercial drones.
    - *Airinov* — In 2013, the Group acquired a 23.26% stake in Airinov which it increased to 59.03% in July 2015. Airinov is rapidly developing its precision farming business using dedicated drones equipped with a sensor and a set of data processing algorithms, in association with an external network of drone operators.
    - *EOS Innovation* — In 2013, the Group acquired 33.40% of EOS Innovation. In July 2015, the Group increased its interest by investing in a convertible bond issued by EOS Innovation which will be convertible into shares of the company in 2019. Once converted, the Company will hold 67.96% of EOS Innovation's share capital. EOS Innovation has developed a mobile surveillance robot designed to carry out automated patrol rounds in warehouses and sensitive sites, with a view to reducing security costs and risks while optimizing surveillance.
    - *MicaSense* — In 2014, the Group acquired a 38.89% stake in MicaSense, which it increased to 56.30% in October 2015, with additional reciprocal put and call options that may be exercised in 2019 based on certain financial metrics. MicaSense designs advanced data gathering and processing systems for precision farming.
    - *Iconem* – In 2015, the Group acquired 45.00% of Iconem. Iconem is specialized in digitization and 3D mapping of archeological sites.

The acquired entities are fully consolidated in the group's consolidated financial statements (other than EOS Innovation and Iconem which are treated as an equity method investment in accordance with IFRS) from their date of acquisition. These acquisitions did not have a significant impact on sales, as commercial drone sales were limited, in the periods under review, but have impacted the Group's costs and capitalized research and development, as the Group has continued developed its commercial drone offering.

- *Capitalized Research and Development Costs and R&D Expenses.* In accordance with IFRS, the Group capitalizes research and development costs where the technical and commercial feasibility of the sale or use of the R&D asset have been established, while other R&D costs are expensed in the relevant period. During the years ended December 31, 2012, 2013 and 2014, the Group capitalized R&D costs of €9.0 million, €11.6 million and €12.1 million (including €1.6 million for the senseFly eXom, a new commercial drone product), respectively, and €8.7 million and €4.9 million in the nine months ended September 30, 2014 and 2015, respectively, relating to the Group's investment in certain chip technologies, including the P7 chip, underlying its automotive business. The Group had R&D expenses of €39.4 million, €45.6 million and €50.1 million in 2012, 2013, and 2014, respectively, and €37.4 million and €43.8 million in the nine months ended September 30, 2014 and 2015, respectively. In 2015, the Group completed its R&D investment in such chip technologies and currently only capitalizes R&D investment relating to commercial drone technology.

- *General economic conditions*. The Group produces high-tech products for use in both consumer and commercial end markets. As such, changes in consumer spending on recreational products, or a general reduction in consumer spending or commercial investment, particularly in developed countries where the Group is the most present, can significantly impact the Group's sales. As a result, a global economic slowdown or financial crisis, similar to the one that occurred beginning of late 2008, would likely have a significant impact on the Group's financial results.

- *Seasonality*. The Group's operating results have fluctuated from quarter to quarter in the past and may continue to fluctuate, depending upon numerous factors. In particular, the Group's revenues are increasingly impacted by seasonality in its businesses, primarily in its consumer drones and connected devices businesses. The Group typically experiences significantly higher sales of consumer drones and connected devices during the fourth quarter of each year, primarily as a result of purchases of consumer electronic products during the holiday season, while the first quarter typically has lower consumer drone and connected devices revenues due to the end of the holiday season.

Results of Operations

	Year ended December 31,			**Nine months ended September 30,**	
(in € millions)	**2012**	**2013**	**2014**	**2014**	**2015**
Revenues	**280.5**	**235.2**	**243.9**	**163.5**	**218.1**
Cost of sales	-137.6	-116.8	-115.3	-77.7	-115.9
Gross margin	**142.9**	**118.3**	**128.5**	**85.8**	**102.2**
% of revenues	50.9%	50.3%	52.7%	*52.5%*	*46.9%*
Research and development costs[(1)]	-39.4	-45.6	-50.1	-37.4	-43.8
% of revenues	*14.0%*	*19.4%*	*20.6%*	*22.9%*	*20.1%*
Sales and marketing costs	-46.6	-40.0	-45.9	-30.4	-36.5
% of revenues	*16.6%*	*17.0%*	*18.8%*	*18.6%*	*16.7%*
General costs	-14.3	-14.5	-16.7	-11.2	-14.3
% of revenues	*5.1%*	*6.2%*	*6.9%*	*6.8%*	*6.6%*
Production and Quality	-10.9	-11.9	-14.6	-10.2	-11.4
% of revenues	*3.9%*	*5.1%*	*6.0%*	6.2%	5.2%
Current income (loss) from operations	**31.8**	**6.3**	**1.1**	**-3.3**	**-3.7**
% of revenues	11.3%	2.7%	0.5%	*-2.0%*	*-1.7%*
Non-current operating income	–	–	–	-	0.7
Non-current operating expenses	-0.3	-0.2	-0.5	-0.8	-

(in € millions)	Year ended December 31, 2012	2013	2014	Nine months ended September 30, 2014	2015
Income (loss) from operations	**31.5**	**6.1**	**0.6**	**-4.1**	**-3.0**
% of revenues	11.2%	2.6%	0.2%	*-2.5%*	*-1.4%*
Income from cash and cash equivalents	1.5	1.3	1.2	1.0	0.4
Cost of gross financial debt	-0.9	-0.7	-0.8	-0.3	-0.5
Cost of net financial debt	0.7	0.6	0.4	0.7	-0.1
Other financial income and expenses	-1.0	-0.9	0.2	0.6	0.3
Financial income / expense	**-0.3**	**-0.3**	**0.6**	**1.2**	**0.2**
Share in income from equity affiliates	-0.4	-0.2	–	-	-0.1
Corporate income tax	-6.5	-4.4	-4.1	-2.9	-0.1
Net income attributable to Parrot S.A. shareholders	**24.3**	**1.2**	**-2.9**	**-5.8**	**-3.0**
Net income (Group share)	**24.5**	**1.6**	**-2.6**	**-5.5**	**-3.9**
% of revenues	*8.7%*	*0.7%*	*-1.1%*	*-3.4%*	*-1.8%*
Non-controlling interests	-0.2	-0.4	-0.3	-0.3	-1.8

Comparison of the nine months ended September 30, 2015 and 2014

Revenues

For the nine months ended September 30, 2015, revenues increased by 33.4% to €218.1 million compared to €163.5 million for the nine months ended September 30, 2014. The increase in revenues was driven by the 138.8% increase in the Drone segment, which accounted for 50.2% of the Group's revenues, and which offset the 11.0% decrease in revenues in the Automotive segment. Set forth below is a discussion of the Group's revenues by its principal segments.

Drones (50.2% of nine months 2015 revenues)—For the nine months ended September 30, 2015, Drone revenues increased by 138.8% to €109.4 million compared to €45.8 million for the nine months ended September 30, 2014.

- Consumer drones: revenues increased by 145.5% to €90.1 million for the nine months ended September 30, 2015, compared to €36.7 million for the nine months ended September 30, 2014, driven by sales of MiniDrones and the Parrot Bebop, which were released in the third quarter and fourth quarter of 2014, respectively.

- Commercial drones: revenues increased by 109.8% to €19.3 million for the nine months ended September 30, 2015, compared to €9.2 million for the nine months ended September 30, 2014, as a result of higher sales across all three of the Group's target end-use markets: 3D mapping, precision farming and inspection, and in particular increased sales of senseFly in the 3D mapping and precision farming markets.

The Group's Drone revenues were also supported by the launch of five new products over the first nine months of 2015 pursuant to a new strategy that involves a significant enlargement of its consumer and commercial product offering.

Automotive (44.2% of nine months 2015 revenues)—For the nine months ended September 30, 2015, Automotive revenues decreased by 11% to €96.3 million, compared to €108.2 million for the nine months ended September 30, 2014. The decline in Automotive revenues is primarily due to a decline in sales of prior-generation products and a 24% decrease in revenue in Key Account solutions while the Group's nine infotainment contracts have not yet reached mass-production phase. However, sales of infotainment solutions benefitted from the commencement of a contract announced in Q3 2015, through which the Group will provide its automotive digital TV platform for Jeep automobiles marketed in Japan. Moreover, the decline in Key Account solutions was partially offset by an increase in sales of Retail Automotive products, whose sales have been positively impacted in France following the introduction in June 2015 of a ban on the use of handsfree mobile kits that rely on headsets (as the Group's products do not rely on headsets). As a result, the decrease in revenues has been comparatively lower than the decrease in the nine months ended September 30, 2014.

Connected Devices (5.0% of nine months 2015 revenues)—For the nine months ended September 30, 2015, Connected Devices revenues increased by 34.6% to €10.9 million compared to €8.1 million for the nine months ended September 30, 2014 primarily due to an increase in Parrot Zik 2 headphones sales.

Cost of sales and gross margin

Cost of sales increased by 49.2%, from €77.7 million in the nine months ended September 30, 2014 to €115.9 million for the nine months ended September 30, 2015. The increase in cost of sales over the period was primarily due to increased sales coupled with appreciation of the US dollar, in which the Group incurs the majority of its costs.

The gross margin (cost of sales as a percentage of revenues) was 46.9% of revenues for the nine months ended September 30, 2015, compared to 52.5% of revenues for the nine months ended September 30, 2014. The decrease in gross margin percentage primarily reflects the appreciation of the US dollar and a slight decrease in the margin for plug-and-play devices in the Automotive segment. The Group's Drone segment had the highest gross margin among the Group's segments.

Current operating expenses

Current operating expenses increased by 18.7%, from €89.2 million in the nine months ended September 30, 2014 to €105.9 million for the nine months ended September 30, 2015. The increase in current operating expenses primarily resulted from an increase in marketing costs relating to the ramp-up of consumer drone products and the amortization of capitalized automotive R&D costs.

Research and development costs

For the nine months ended September 30, 2015, the Group's research and development costs increased by 17.1% to €43.8 million compared to €37.4 million for the nine months ended September 30, 2014. This increase is primarily due to higher costs resulting from the reassignment of engineers to drone development programs that were previously assigned to automotive R&D programs following the completion of the Group's automotive R&D program (which was capitalized).

Sales and marketing costs

For the nine months ended September 30, 2015, the Group's sales and marketing costs increased by 20.1% to €36.5 million compared to €30.4 million for the nine months ended September 30, 2014. The increase in sales and marketing costs reflects the ramping up of consumer drone products and the related higher marketing budgets as well as the development of the commercial drone sales teams.

General and administration costs

For the nine months ended September 30, 2015, the Group's general and administration costs increased by 27.7% to €14.3 million compared to €11.2 million for the nine months ended September 30, 2014. General and administration costs primarily reflect the development of the commercial drone business and an increase in headcount in the Group's European and U.S. subsidiaries.

Production and quality costs

For the nine months ended September 30, 2015, the Group's production and quality costs increased by 11.8% to €11.4 million compared to €10.2 million for the nine months ended September 30, 2014. The increase in production and quality costs primarily reflects the increase in sales in the Drone business with new product launches.

Current income from operations

For the nine months ended September 30, 2015, current income from operations decreased by 11.7% to a loss of €3.7 million compared to a loss of €3.3 million in the nine months ended September 30, 2014 as a result of the factors discussed above.

Financial income

Financial income decreased to €0.2 million for the nine months ended September 30, 2015, compared to €1.2 million for the nine months ended September 30, 2014.

Corporate income tax

Corporate income tax decreased to €0.1 million for the nine months ended September 30, 2015, compared to €2.9 million for the nine months ended September 30, 2014, primarily due to the recognition of deferred tax related to U.S. tax loss carryforwards.

Comparison of the years ended December 31, 2014 and 2013

Revenues

For the year ended December 31, 2014, revenues increased by 3.7% (3.7% at constant exchange rates) to €243.9 million, compared to €235.2 million in the year ended December 31, 2013. Following a significant contraction during the first half of the year, the increase in revenues was as a result of the successful product launches in the Group's Drone business during the second half of the year, in particular the new MiniDrones. Set forth below is a discussion of the Group's revenues by its principal operating segments.

Drones (34.0% of 2014 revenues)—For the year ended December 31, 2014, Drone revenues increased by 97.1% (97.1% at constant exchange rates) to €83.0 million compared to €42.1 million for the year ended December 31, 2013.

- Consumer drone revenues increased by 96.9% to €70.5 million for the year ended December 31, 2014, compared to €35.8 million for the year ended December 31, 2013, resulting primarily from the successful commercial launch of new drone products, including the MiniDrones and Parrot Bebop, which were released in the third quarter and fourth quarter of 2014, respectively.

- Commercial drone revenues increased by 98.5% to €12.5 million for the year ended December 31, 2014, compared to €6.3 million in the year ended December 31, 2013. The Group achieved increased sales across all three of the Groups target end-use markets: 3D mapping, precision farming and inspection and in particular increased sales of senseFly in the 3D mapping market.

Automotive (59.2% of 2014 revenues)—For the year ended December 31, 2014, Automotive revenues decreased by 17.6% (17.5% at constant exchange rates) to €144.4.0 million, compared to €175.2 million for the year ended December 31, 2013. The decline in Automotive revenues is primarily due to the decline in sales in the Group's previous generation products (e.g., car kits) and slow sales of the Group's infotainment products. At the end of the fourth quarter of 2014, as a result of declining sales in the Automotive segment, the Group launched a strategic review in order to identify the best conditions for ensuring the development of its product and client portfolio.

Connected Devices (6.0% of 2014 revenues)—For the year ended December 31, 2014, Connected Devices revenues declined by 12.7% (12.7% at constant exchange rates) to €14.5 million compared to €16.7 million for the year ended December 31, 2013 primarily due to the decline in sales of certain products, including Flower Power, which was partially offset by a significant boost in sales of the Parrot Zik 2 headphones.

Cost of sales and gross margin

Cost of sales decreased by 1.3% to €115.4 million in the year ended December 31, 2014, compared to €116.8 million for the year ended December 31, 2013.

The gross margin (cost of sales as a percentage of revenues) was 52.7% of revenues for the year ended December 31, 2014, compared to 50.3% of revenues for the year ended December 31, 2013. The increase in gross margin percentage primarily reflects the ramping up of the Drone business (which has a higher gross margin than the Group's other products), as well as the stable margin for other Group activities.

Current operating expenses

For the year ended December 31, 2014, current operating expenses increased by 13.7% to €127.4 million, compared to €112.1 million for the year ended December 31, 2013. In 2014, operating expenditure related primarily to finalizing and launching new products. Since January 1, 2011, the French research tax credit (CIR) has been considered to be an operating subsidy, which is directly recognized against costs in the income statement (or capitalized costs). The research tax credit came to €6.7 million in 2014, with €4.1 million booked against operating expenses and the balance against capitalized development costs.

Research and development costs

For the year ended December 31, 2014, the Group's research and development costs increased by 9.8% to €50.1 million, compared to €45.6 million for the year ended December 31, 2013. The Group's research and development spending focused primarily on the Drone business (three consumer drones and one commercial drone launched in 2014), while the amount of R&D spending for the Automotive business, and particularly the infotainment solutions under development, is partly financed by the Group's Key Account customers (totaling €6.5 million for the year ended December 31, 2014 and €1.9 million for the year ended December 31, 2013).

Sales and marketing costs

For the year ended December 31, 2014, the Group's sales and marketing costs increased by 14.8% to €45.9 million, compared to €40.0 million for the year ended December 31, 2013. The increase in sales and marketing costs is linked to the launch of five products launched during the second half of 2014 (i.e., Zik2, Rolling Spider, Jumping Sumo, Bebop, AR. Drone Power Edition), as well as growth in the percentage of consumer products within the Group's sales.

General and administration costs

For the year ended December 31, 2014, the Group's general and administration costs increased by 15.2% to €16.7 million, compared with €14.5 million for the year ended December 31, 2013. General and administration costs include non-recurring (advisory and other) fees relating to the interests acquired in the commercial drone companies.

Production and quality costs

For the year ended December 31, 2014, the Group's production and quality costs increased by 22.7% to €14.6 million, compared to €11.9 million for the year ended December 31, 2013. This increase reflects the resources put in place in connection with the new product launches in 2014.

Current income from operations

For the year ended December 31, 2014, current income from operations decreased by 82.5% to €1.1 million, compared to €6.3 million for the year ended December 31, 2013. The Group successfully managed its cost base in order to achieve an overall break-even position while accelerating its operating expenses in order to quickly expand and market its product range, especially in the Drone business.

Financial income and expense

Financial income and expenses increased to €0.6 million for the year ended December 31, 2014, compared with €-0.3 million for the year ended December 31, 2013, resulting primarily from income from the Group's investments and foreign exchange effects.

Corporate income tax

Corporate income tax decreased to €4.1 million for the year ended December 31, 2014, compared to €4.4 million for the year ended December 31, 2013, primarily due to lower income from operations.

Comparison of the years ended December 31, 2013 and 2012

Revenues

For the year ended December 31, 2013, revenues decreased by 16.2% (14.5% at constant exchange rates) to €235.2 million compared to €280.5 million in the year ended December 31, 2012, in line with the technological transition underway for the Automotive business and the Group's positioning on the infotainment market. Set forth below is a discussion of the Group's revenues by its principal operating segments.

Drones (17.9% of 2013 revenues)—For the year ended December 31, 2013, Drone revenues were €42.1 million, compared to €42.4 million for the year ended December 31, 2012. The relative stability of Drone sales reflects: (i) lower Parrot AR.Drone 2 sales two years after its release, and (ii) the development of the commercial drone business with €6.3 million in revenues for the year ended December 31, 2013, compared to €0.7 million for the year ended December 31, 2012.

Automotive (74.5% of 2013 revenues)—For the year ended December 31, 2013, Automotive revenues decreased by 22.0% to €175.2 million compared to €224.7 million for the year ended December 31, 2012. This decrease was a result of declining sales of the Group's previous generation products (e.g., car kits), as the Group continued to move forward with its transition towards infotainment, generating €16.4 million of revenues on this market, an increase of 292% compared to the year ended December 31, 2012.

Connected Devices (7.1% of 2013 revenues)—For the year ended December 31, 2013, Connected Devices revenues increased by 45.8% (47.3% at constant exchange rates) to €16.7 million compared to €11.4 million for the year ended December 31, 2012. This increase was the result of the introduction of the Parrot Zik wireless headphones in 2012 and the Parrot FLOWER POWER in 2013.

Cost of sales and gross margin

Cost of sales decreased by 15.1% to €116.8 million in the year ended December 31, 2013 compared to €137.6 million for the year ended December 31, 2012. The decrease in cost of sales over the period was primarily due to the decline in sales.

For the year ended December 31, 2013, gross margin (cost of sales as a percentage of revenues) remained relatively unchanged at 50.3% of revenues compared to 50.9% for the year ended December 31, 2012, as the decline in automotive sales was offset by the increase in drone sales.

Current operating expenses

For the year ended December 31, 2013, current operating expenses were €112.1 million, compared to €111.1 million for the year ended December 31, 2012. Since January 1, 2011, the French research tax credit (CIR) has been considered to be an operating subsidy, which is directly recognized against costs in the income statement (or capitalized costs). The research tax credit came to €6.0 million for the year ended December 31, 2013, with €2.5 million booked against operating expenses and the balance against capitalized development costs.

Research and Development Costs

For the year ended December 31, 2013, research and development costs increased by 15.7% to €45.6 million compared to €39.4 million for the year ended December 31, 2012. This increase was in line with the ramping up of resources allocated for the deployment of the new infotainment solutions. Three retail infotainment products were launched in February 2013, while two Key Account infotainment solutions were released in 2013.

Sales and Marketing Costs

For the year ended December 31, 2013, sales and marketing costs decreased by 14.2% to €40.0 million, compared to €46.6 million for the year ended December 31, 2012. The decrease in sales and marketing costs resulted from increased control over spending.

General and Administration Costs

For the year ended December 31, 2013, general and administration increased to €14.5 million, compared to €14.3 million for the year ended December 31, 2012. The increase in general and administration costs was primarily due to the consolidation of senseFly over a full year, partially offset by the effects of the Group's cost control policy.

Production and Quality

For the year ended December 31, 2013, production and quality costs increased by 9.2% to €11.9 million compared to €10.9 million for the year ended December 31, 2012. The increase in production and quality costs is primarily due to the commencement of sales for the new products: Parrot ASTEROID and Parrot FLOWER POWER.

Current income from operations

For the year ended December 31, 2013, current income from operations decreased by 80.2% to €6.3 million compared to €31.8 million for the year ended December 31, 2012.

Financing Costs

The net financial result decreased by 33.3% to €-0.2 million for the year ended December 31, 2013, compared to €-0.3 million for the year ended December 31, 2012.

Corporate income tax

Corporate income tax decreased by 32.3% to €4.4 million for the year ended December 31, 2013, compared to €6.5 million for the year ended December 31, 2012, primarily due to lower income from operations.

Liquidity and Capital Resources

At September 30, 2015, the Group's cash position, including other financial assets, was €44.9 million. The Group's operations have been financed primarily through cash flow from operating activities, and short- and long-term borrowings, which were €1.2 million and €11.9 million at September 30, 2015, respectively, mainly coming from the drawing on the new syndicated loan granted in July 24, 2015 for a total amount of €50 million.

The Group believes that its existing cash and cash equivalent balances and cash flow from operations will be sufficient to meet its working capital and capital expenditure needs for at least the next 12 months. The Group's future capital requirements may vary materially from those currently planned and will depend on many factors, including its rate of revenue growth, the timing and extent of spending on research and development efforts and other business initiatives, the expansion of sales and marketing activities, the timing of new product introductions, market acceptance of the Group's products and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund future business activities and requirements, the Group may be required to seek additional equity or debt financing. In the event additional financing is required from outside sources, the Group may not be able to raise it on terms acceptable to it or at all.

Cash flows

The table below sets forth the Group's consolidated cash flows for the years ended December 31, 2012, 2013, and 2014, and the nine months ended September 30, 2014 and 2015.

	Year ended December 31,			**Nine months ended September 30,**	
(in € millions)	**2012**	**2013**	**2014**	**2014**	**2015**
Operating cash flow					
Earnings for the period	24.3	1.2	- 2.9	-5.8	-2.9
Share in income from equity affiliates	0.4	0.2	–	0	0.1
Depreciation and amortization	6.6	9.7	11.7	10.1	12.1
Capital gains and losses on disposals	–	0.7	–	–	–

(in € millions)	Year ended December 31, 2012	2013	2014	Nine months ended September 30, 2014	2015
Fair value remeasurement of interest previously held on equity basis	–	–	-0.9	-0.7	-3.2
Tax charges	6.5	4.4	4.1	2.9	0.1
Cost of share-based payments[(2)]	4.1	3.1	2.6	2.0	2.6
Cost of net financial debt	-0.7	-0.6	-0.4	-0.7	0.1
Cash flow from operations before tax and cost of net financial debt	**41.2**	**18.7**	**14.2**	**7.9**	**8.8**
Working capital	-18.1	10.6	5.5	-6.9	-24.4
Tax due	-4.0	-5.7	-3.8	-0.5	-3.0
NET CASH FROM OPERATING ACTIVITIES (A)	**19.2**	**23.6**	**15.9**	**0.5**	**-18.6**
Investing cash flow					
Acquisition of tangible and intangible assets	-17.3	-15.9	-19.4	-12.5	-10
Acquisition of subsidiaries, net of cash acquired	-0.9	–	0.4	0.2	-1.6
Acquisition of long-term financial investments	-2.1	-1.5	-4.4	-2.7	-3.9
Increase in other current financial assets	–	–	–	–	–
Disposal of tangible and intangible assets	–	–	–	–	–
Disposal of long-term financial investments	–	–	0.2	0.1	0.1
CASH FROM INVESTMENT ACTIVITIES (B)	**-20.3**	**-17.4**	**-23.2**	**-14.9**	**-15.5**
Financing cash flow					
Equity contributions[(1)]	1.2	0.3	1.0	0.5	1.9
Dividends paid	–	–	–	–	–
Receipts linked to new loans	–	–	1.2	–	11.4
Other financing	–	–	–	–	–
Cash invested for over 3 months	0.8	-9.6	23.3	16.9	6.4
Cost of net financial debt	0.7	0.6	0.4	0.7	-0.1
Repayment of short-term financial debt (net)	-6.3	-6.4	-6.8	-5.1	-10.7
Repayment of other debt	–	–	–	–	–
Acquisition of treasury stock	-5.6	-8.4	–	-0.2	-2.9
CASH FROM FINANCING ACTIVITIES (C)	**-9.3**	**-23.5**	**19.1**	**12.8**	**6.0**
NET CHANGE IN CASH POSITION (D = A+B+C)	**-10.5**	**-17.2**	**11.7**	**-1.5**	**-28.0**
Net exchange rate differences	–	-1.6	4.4	2.9	2.6
CASH AND CASH EQUIVALENTS AT YEAR-START	**83.5**	**73.1**	**54.3**	**54.3**	**70.3**
CASH AND CASH EQUIVALENTS AT YEAR-END	**73.1**	**54.3**	**70.4**	**55.7**	**45.0**

(1) Capital increase through exercising of option.

(2) Of which, €1.9 million corresponding to the IFRS II expense to be paid for senseFly as of September 30, 2015.

Set forth below is a discussion of the changes in the Group's cash flows for the years ended December 31, 2012, 2013, and 2014, and the nine months ended September 30, 2014 and 2015.

Net cash from (used in) operations

Nine months ended September 30, 2015 compared to nine months ended September 30, 2014

For the nine months ended September 30, 2015, net cash used in operations amounted to €-18.6 million, compared to net cash from operations of €0.5 million for the nine months ended September 30, 2014. This decrease primarily resulted from changes in working capital, resulting primarily from an increase in inventory due to the slightly later launch of the Group's MiniDrones products in September 2015 compared to July 2014.

Year ended December 31, 2014 compared to year ended December 31, 2013

For the year ended December 31, 2014, net cash from operating activities decreased by 32.6% to €15.9 million compared to €23.6 million for the year ended December 31, 2013. The decrease reflects a decrease in cash flows from working capital, in line with lower net income in 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

For the year ended December 31, 2013, net cash from operating activities increased by 22.9% to €23.6 million compared to €19.2 million for the year ended December 31, 2012. The increase primarily reflects a significant reduction in working capital requirements, in line with the decrease in Group revenues.

Net cash from (used in) investment activities

Nine months ended September 30, 2015 compared to nine months ended September 30, 2014

For the nine months ended September 30, 2015, cash used in investment activities slightly increased to €15.5 million compared to €14.9 million for the nine months ended September 30, 2014. This increase was primarily due to an increase in long-term financial investments (including a loan to EOS Innovation of approximately €2 million and the acquisition of a minority stake in Iconem for €1.4 million).

Year ended December 31, 2014 compared to year ended December 31, 2013

For the year ended December 31, 2014, cash flow used in investment activities increased by 33.3% to €23.2 million compared to €17.4 million for the year ended December 31, 2013. This increase relates primarily to an increase in the acquisition of tangible and intangible assets (capitalized R&D and acquisitions) and an increase in long-term financial investments.

Year ended December 31, 2013 compared to year ended December 31, 2012

For the year ended December 31, 2013, cash flow used in investment activities decreased by 14.3% to €17.4 million compared to €20.3 million for the year ended December 31, 2012. This decrease relates primarily to a decrease in the acquisition of tangible and intangible assets (capitalized R&D and acquisitions).

Net cash from financing activities

Nine months ended September 30, 2015 compared to nine months ended September 30, 2014

For the nine months ended September 30, 2015, cash flow from financing activities decreased by 53.1% to €6.0 million compared to €12.8 million, primarily as a result of the share buyback program for €2.9 million and the repayment of short-term financial debt in an amount of €10.7 million in the first nine months of 2014, compared to €5.1 million in the corresponding period of 2014.

Year ended December 31, 2014 compared to year ended December 31, 2013

For the year ended December 31, 2014, cash flow from financing activities increased to €19.1 million compared to cash flow used in financing activities of €23.5 million for the year ended December 31, 2013. In 2014, cash flow from financing activities primarily relates to cash received from funds previously invested. In 2013, cash flow from financing activities primarily relates to cash invested for periods over three months, the repayment of short-term financial debt and the acquisition of treasury stock.

Year ended December 31, 2013 compared to year ended December 31, 2012

For the year ended December 31, 2013, cash flow used in financing activities increased to €23.5 million compared to €9.3 million for the year ended December 31, 2012. This increase is primarily due to an increase in cash invested for periods over three months and an increase in acquisitions of treasury stock.

Company borrowings

Short term facilities

The Company has authorized overdraft lines and an import documentary letter of credit with the banks Palatine, HSBC, BNP Paribas and Crédit Agricole Ile-de-France, representing a total availability of €14.3 million as of September 30, 2015, enabling it to cover all or part of any temporary fluctuations in its cash flow.

There are no specific repayment or default clauses on the overdraft authorizations granted by the banks Palatine, BNP Paribas, HSBC, Crédit Agricole Ile-de-France and LCL. As of September 30, 2015, the Company did not have any borrowings outstanding under these financing lines.

Credit agreements

The Company entered into a syndicated credit agreement with its partner banks on July 24, 2015 for a total amount of €50 million in order to finance its external growth. The loan matures on June 20, 2022 and is indexed to 3-month Euribor. As of September 30, 2015, the Company has drawn down €11.2 million on this credit line. Under the credit agreement, the Company must comply with the following financial covenants:

- A leverage ratio (net financial debt / consolidated EBITDA) below or equal to 1.00x at each annual closing date;
- Gross cash, as appearing on the quarterly financial statements, of a minimum amount of €20 million; and
- Consolidated EBITDA above €12 million for the year ended December 31, 2015.

In connection with the syndicated credit agreement, the Group has pledged its shares in Parrot Automotive.

The Company has unwound its former swap agreements and implemented a new swap agreement to hedge its exposure to interest rate risk and in particular to 3-month Euribor fluctuations: the drawdown is fully hedged at a fixed rate of 0.64% until its expiry in 2022. The Company has applied hedge accounting as of September 30, 2015, with respect to this instrument.

Capital Expenditures

The Group's capital expenditures primarily relate to capitalized R&D, business acquisitions and purchases of equipment. The Group currently does not have any material capital expenditure commitments.

Off-Balance Sheet Arrangements

During the periods presented, the Group did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Guarantees

On July 20, 2012, the Company granted JADE SAS a joint and several guarantee for up to €0.5 million 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 Company has granted a parent company guarantee to the supplier JABIL Circuit Ltd (China) covering the contractual commitments of its subsidiary Parrot Asia Pacific Ltd for €27 million.

Contractual obligations

The following table provides a schedule for the Group's financial liabilities as of December 31, 2014:

(in € millions)	Book value	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities..........	–	–	–	–	–
Non-convertible bonds......	–	–	–	–	–
Debt with credit institutions	10.5	7.0	3.5	–	–
Sundry borrowings and financial debt	1.8	0.3	1.5	–	–
Bank borrowings..............	–	–	–	–	–
Trade payables................	61.2	61.2	–	–	–
Other liabilities	40.8	19.8	21.0	–	–
Current tax liability	2.1	2.1	–	–	–
Total	**116.4**	**90.4**	**26.0**	–	–
Derivative financial liabilities	–	–	–	–	–
Rate instruments..............	0.2	–	–	–	–
Total	**0.2**	–	–	–	–

At December 31, 2014, the Company had commitments for future payments relating to operating leases that may not be terminated as follows:

Year	Gross value as of December 31, 2014 (in € millions)
2015	1.5
2016	0.8
2017 and later	0.2
Total	**2.5**

Option Agreements

The Company has granted to senseFly's minority shareholders put options for the approximate 38% interest such minority shareholders hold in senseFly. These options will be exercisable in 2016, with an exercise price in Swiss francs based on the revenues and operating margin achieved by senseFly in 2015. Early exercise is permitted in certain cases following the departure of minority shareholders who are members of senseFly's senior management team.

The Company has granted Pix4D's minority shareholders put options for the approximate 44% interest they hold in Pix4D. These options will be exercisable in 2017, with an exercise price in Swiss francs based on the revenues and operating margin achieved by Pix4D in 2015 and 2016. Early exercise is permitted in certain cases following the departure of minority shareholders who are members of Pix4D's senior management team.

Critical accounting estimates

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union. The preparation of these consolidated financial statements requires the Group to make estimates, assumptions and judgments that can significantly impact the amounts of it reports as assets, liabilities, revenue, costs and expenses and the related disclosures. The Group bases its estimates on historical experience and other assumptions that the Group believes are reasonable under the circumstances. The Group's actual results could differ significantly from these estimates under different assumptions and conditions. The Group believes that the accounting policies discussed below are critical to understanding its historical and future performance as these policies involve a greater degree of judgment and complexity.

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.

Corporate income tax

Corporate income tax (expense or income) comprises the tax expense (income) due and any deferred tax expense (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.

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.

Intangible assets

Goodwill

Business combinations are recorded in accordance with the acquisition method on the acquisition date, which is the date when control is transferred to the Group:

– The acquired assets and assumed liabilities of the company that has been acquired are measured at fair value.
– The acquisition price is the sum of the fair values of the assets transferred and liabilities assumed by the acquirer on the acquisition date, in addition to any equity instruments issued by the acquirer. The acquisition price includes any earnouts, measured and recognized at their fair value on the acquisition date.

The goodwill resulting from a business combination is equal to the difference between:

– The fair value of the acquisition price, plus the amount of any non-controlling minority interests in the acquired entity, and
– The fair value of the assets acquired and liabilities assumed on the acquisition date.

The initial measurement of the acquisition price and the fair values of the acquired assets and assumed liabilities is finalized within 12 months of the acquisition date and any adjustments are recognized as backdated corrections to goodwill. After this 12-month period, any adjustments are recognized directly through profit and loss.

The costs relating to the acquisition are recorded under expenses, as they are incurred.

At the time of each business combination, the Group may opt to recognize the fraction of interests not acquired either:

– at its fair value on the acquisition date, resulting in the recognition of goodwill on this non-acquired fraction ("full goodwill" method), or
– based on its share in the identifiable net assets of the acquired entity, measured at fair value, exclusively recognizing the goodwill attributable to the parent company's owners ("partial goodwill" method).

If control is established through successive acquisitions, the interest held previously by the Group is remeasured to its fair value on the date when control is acquired, with any gain or loss recognized in profit or loss.

The goodwill represents the difference between the acquisition price, plus related costs, of securities in consolidated companies and the Group share in the fair value of their net assets after deducting liabilities and contingent liabilities on the date when the interest was acquired, at the end of a measurement period for this fair value that may reach 12 months after the acquisition date. When the acquisition price, plus related costs, is lower than the fair value of the identified assets and liabilities and contingent liabilities acquired, the difference is immediately recognized through profit and loss.

Research and Development Costs

Research costs are recorded as expenses when they are incurred.

Research spending made with a view to acquiring new scientific or technical knowledge or understanding is booked as an expense when incurred.

Development costs, i.e. costs resulting from the application of research findings for a plan or model with a view to producing new or substantially improved products or techniques are recorded as fixed assets if the Group is able to demonstrate that it simultaneously fulfills the criteria for the technical and commercial feasibility of the product or technique, the availability of sufficient resources to complete the development, the commitment to complete the intangible asset, the capacity to use or sell this intangible asset, the capacity to generate future economic benefits, the capacity to reliably value the various expenses attributable to the intangible asset during its development.

The expenditure capitalized in this way notably includes direct labor costs and outsourcing costs. Other development costs are recorded as expenses when they are incurred.

Any capitalized development costs are recorded at cost less any aggregate depreciation and possible impairments in value. They are depreciated over three to five years or depending on the production unit consumption method.

The Group 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.

Impairment 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, or CGU). These CGUs correspond to activities generating cash inflows that are largely independent from cash inflows generated by other assets or groups of assets.

The four CGUs identified are as follows:

- Drones
- Automotive
- Connected Devices
- Other

The recoverable value of a cash generating unit represents the higher of its fair value less costs of sale and its value in use. The value in use of each cash generating unit is determined based on the net discounted cash flow generated by the activities that the goodwill relates to, in line with the most probable assumptions retained. The assumptions retained are based on a budget for the following year, approved by the Board 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 "*—Intangible assets—Research and Development Costs*" 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 impairment in value recorded on goodwill cannot be written back.

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.

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.

Share-based payments

Share warrants or bonus shares may be awarded to a certain number of the Group's employees. Share warrants entitle beneficiaries to subscribe for Parrot S.A. shares over a four or five-year period at a fixed exercise price, set at the time they are awarded. In accordance with IFRS 2, they represent an additional form of remuneration paid by the Group for beneficiaries.

Warrants and bonus shares are valued based on the fair value of the benefits granted to staff on the allocation date. The expense evaluated is recognized in profit or loss under staff costs, over the vesting period for entitlements to options, deducted from shareholders' equity. In connection with the function-based presentation of the income statement, the corresponding staff costs are broken down based on the functions of the employees concerned.

The fair value of options is determined in line with the "Black and Scholes" model, the parameters for which notably include the exercise price for options, their term, the reference share price on the allocation date, the implied volatility for the share price, and the risk-free interest rate. The expense recorded also factors in assumptions for the turnover of staff benefiting from the allocation of options.

The fair value of the bonus shares associated with market performance conditions includes the probability of certain conditions being met and is determined based on the optional binomial model.

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.

Provisions

A provision is recorded on the balance sheet when the Group has a current legal or implied legal obligation resulting from a past event and when it is likely that an outflow of resources representative of economic benefits will be necessary in order to fulfill the obligation.

Warranty provisions

A provision is intended to cover future expenses linked to product warranty claims concerning the aftermarket products sold by Parrot. It is calculated statistically based on real company information provided by its various departments. In this way, the following elements are calculated for each product category:

- Return rate
- Exchange rate
- Repair rate
- Repair costs

Other warranty provisions

Provision for supplier commitments: provision recorded to cover the risk of impairments in the value of products ordered from suppliers on account of sales prospects.

Employment tribunal provisions

A provision is estimated on a case-by-case basis in view of an analysis of the cases with help from the legal advisors in charge of monitoring them.

Litigation and claims

Provisions for litigation and claims are recognized when the Group has a current obligation relating to litigation cases in progress, government investigations, disputed proceedings and other claims arising from past events not yet settled, and when it is likely that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The Group obtains legal advice to assess the probability of the outcomes and to measure the provisions for litigation and claims.

Quantitative and qualitative disclosures about market risk

Foreign exchange risk

The Group is exposed to two types of foreign exchange risks 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.

For the nine months ended September 30, 2015, over half of the Group's turnover, almost all of its sales costs and 10% of operational expenditure were denominated in US dollars or other foreign currencies, making the Group exposed to currency fluctuations against the euro.

In order to limit the impact of the change in the US dollar on its profitability, the Group has been developing sales denominated in this currency since 2006.

As of September 30, 2015, 11.5% of cash and of other current financial assets of the Group is in US dollars or other foreign currencies.

The exchange risk sensitivity table below presents the impact of a 10% appreciation or depreciation in the euro in terms of the amounts of customer receivables, debts to suppliers, and financial instruments used for hedging purposes as of September 30, 2015:

	P&L impact	**Impact of FV adjustment on reserves**	**P&L impact**	**Impact of FV adjustment on reserves**
(in € millions)	**10% appreciation for currencies against euro**		**10% appreciation for euro against the currencies**	
Trade receivables....................................	2.5	–	-2.0	–
Other equity interest-related receivables .	–	0.8	–	-0.6
Trade payables	-2.8	–	2.3	–
Financial derivatives................................	–	–	–	–

Interest rate risk

The Group's interest risk rate management policy intends to limit the risks related to interest rate fluctuations on the drawdown on variable rate credit lines. The Group has adopted a policy to ensure that all or part of the exposure to fluctuations of the interest rates or the borrowings is at fixed rates. This is generally achieved by hedging the drawdowns on variable rate credit lines.

The Group also pools cash in order to optimize the management of cash flows within the group, which contributes to reducing interest rate risks by repatriating surplus cash to certain subsidiaries and by optimizing the investment of available cash.

Liquidity and counterparty risk

Liquidity risk management is centralized by the Group's finance division. Global cash management at the Group level makes it possible to offset any internal cash requirements and surpluses.

The Group'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.

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 September 30, 2015, the maximum credit risk exposure can therefore be broken down as follows:

– Trade receivables: €63.4 million, in line with the Group's normal operating cycle;
– Other receivables: €25.7 million
– Other current financial assets: €13 million
– Cash and cash equivalents: €45 million

For the nine months ended September 30, 2015, the Group's policy was to diversify its counterparty risk management by distributing investments among first-rate banking institutions and over various timeframes, in addition to regularly monitoring developments.

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

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

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

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

As of September 30, 2015, financial liabilities primarily comprised:

– €11.9 million in non-current financial liabilities (borrowings and debt with credit institutions for €10.3 million, and sundry borrowings and financial debt for €1.6 million); and
– €1.2 million in current financial liabilities (borrowings and debt with credit institutions for €1.0 million, sundry borrowings and financial debt for €0.2 million).

The Business of the Group

Founded in 1994 by Henri Seydoux, Parrot is a French high tech company, with a wide international reach, structured around strong R&D and a fabless model.

As a leader in identifying future technologies, Parrot first offered handsfree communication systems and infotainment solutions for the automotive industry, developing both consumer and original equipment manufacturer (OEM) offers. Following the Company's initial public offering in 2006, the Group has gradually diversified its activities by developing and marketing consumer products in the Connected Devices segment from 2006 and then in the Drones segment from 2009. Since 2010, Parrot has been highly successful in the consumer drones business with recreational mini-drones and quadricopters.

Following its success in the consumer drone market, the Group is also expanding in the commercial drone market through a set of innovative solutions combining drones, payloads, software and services primarily focused on 3D mapping, precision farming and inspection. Parrot also leverages its technological expertise through its Innovation Lab, which is part of its Connected Devices business segment.

For the years ended December 31, 2012, 2013 and 2014, the Company had revenues of €280.5 million, €235.2 million, and €243.9 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had revenues of €163.5 million and €218.1 million, respectively. For the years ended December 31, 2012, 2013 and 2014, the Company had net income (Group share) of €24.5 million, €1.6 million, and €-2.6 million, respectively. For the nine months ended September 30, 2014 and 2015, the Company had net income (Group share) of €-5.5 million and €-3.9 million, respectively. As of September 30, 2015, the Group had 978 employees, of which approximately 470 worked in R&D.

Competitive Strengths

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

Brand renowned for its reliable and innovative products

Having successfully developed strong technological know-how, initially for telecom equipment for the automotive markets and then for drones, the Group believes it has built up a strong reputation for reliability and innovation. In particular, the Group believes its ability to combine highly technical components with ease-of-use and create user-friendly interfaces with mobile phones, then smartphones, have enabled the Group to attract a large number of consumers in new markets such as consumer drones and commercial drones, as well as audio products (e.g., Parrot ZIK headphones).

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

The Group capitalizes on its R&D team of approximately 470 people, who have significant software development and programming expertise, which has enabled the Group to build up an extensive portfolio of patents. For over 20 years, the Group has developed technologies adopted from the ecosystem for phones, and then smartphones (GPS, accelerometer, gyroscope, Microelectromechanical Systems (MEMS), Wi-Fi, etc.) to find new commercial opportunities, as shown by the changes in the scope for the Group's business since 1994. In particular, the Group believes it has significant expertise in signal processing, voice recognition and chip design capabilities.

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

- Capacity for sales on a wide scale;
- Target gross margin of at least 40%;
- Availability of the main components; and
- Presence of key product features, such as being lightweight and an easy-to-use design.

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

The Group has participated significantly during the emergence of the consumer drone market, particularly with its launch of the AR. Drone in 2010, and it has successfully grown and developed this market with new products, including its MiniDrone and Bebop Drone ranges launched in 2014.

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

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

Over the last 20 years, the Group believes it has exhibited its ability to adapt and develop its range of solutions in line with market demand, as a result of its flexible organization based on:

- *R&D*: 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 third-party assemblers with which the Group has long-standing 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; and

- *Distribution*: an extensive and growing network, enabling the Group to distribute its products worldwide, with complementary distribution channels, including: (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's distribution network comprises over 12,500 points of sale and 300 internet sites.

As the markets for consumer and commercial drones have developed, the Group has successfully deployed and adapted its organization's resources in order to benefit from the opportunities opening up with these new markets. The Group seeks to continue adapting to the rapid changes in these markets in order to help drive its development.

Unique positioning throughout the drone market's value chain

The Group believes that it is one of the only operators in the market to sell both consumer and commercial products and services, enabling both types of products and services to benefit from developments in the other. For example:

- Consumer drones are benefiting from the technological expertise developed for commercial drones; and

- Commercial drones are capitalizing on the experience of users of consumer drones, which helps the Group in terms of reliability, development times and design and production costs.

On the commercial drone market, the Group is positioned across a variety of markets, from drones to sensors, software and related services. On the precision farming market, for example, the Group's range of solutions illustrates the extensive commercial synergies supporting the Group's position:

- The Group's senseFly subsidiary sells the eBee AG, a flying wing which, unlike quadricopters, is particularly well-suited to flying over large areas of farmland and combines a long battery life with effective wind resistance;

- The Group's subsidiaries Airinov (Europe) and Micasense (USA) sell high-performance sensors and data processing and recommendation services for all the players in this sector; and

- The Group's Pix4D subsidiary sells its Pix4D mapping software to all commercial drone firms.

Track record and know-how for acquiring and integrating companies

The Group has successfully implemented an external growth policy targeting acquisitions of innovative firms positioned in the commercial drone market, and offers a wide range of products in this market segment.

The Group has sought to accelerate growth in each of the companies acquired over the last three years. In particular, the Group provided those companies with the capital required for their development, as well as the operational organization that is crucial for their successful transition to an industrial scale.

Through its investments in senseFly, Airinov and Pix4D, the Group believes it has shown its ability to identify companies with distinct technologies that can be deployed on an industrial scale. In addition, the approach adopted by the Group to increase its equity ownership in these companies by linking the founders' and managers' exit conditions to the commercial and operational performances helped to maintain the entrepreneurial approach around which the Group has built its success for more than 20 years.

Development model combining innovation and profitable growth

Since the Company was first listed on Euronext Paris, the Group has addressed changes in the markets and developed its business in new markets, while maintaining operating profitability (EBIT) and positive operating cash flow despite making significant investments, including R&D investments.

The Group's financial performance results from strategic choices made with respect to its operating model, including:

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

This model has made it possible to generate cash flows from the automotive business, which has helped finance the development of the drone business since 2009.

Strategy

Key components of the Group's strategy include the following:

Drones

Maintaining an ambitious strategy for innovation and technology

The Group intends to maintain its innovative strategy for consumer and commercial drones, which it believes have significant potential for development. The Group seeks to introduce and improve a number of products, which include the following features: (i) "follow me" (drone able to automatically follow something), (ii) FPV (first person view) and immersive flight (using glasses such as Oculus™), (iii) 4K (digital image definition of over 4,096 pixels), (iv) increased flight capabilities (distance, flying time), (v) stereo imaging (obstacle avoidance), and (vi) hand launcher and foldable device (ease-of-use). These innovations are key focus areas for current development by the Group's research office, and the Group seeks to enhance these with features aimed at ensuring conditions for use in line with both users' expectations and regulatory constraints (GPS location, unique identification of drones, no-fly zones, etc.). The Group intends to maintain the principles that its success has been built around, i.e. lightweight, reliable drones that are easy to use. The Group believes that these technological innovations, combined with the Group's general approach of adapting products to new market conditions, should enable the Group to narrow the technological gap between consumer and commercial drones.

Maintaining a position as a leader in the consumer drone market

The Group aims to maintain its position as a leader in the consumer drone market by implementing a strategy for sales growth based on:

- Regularly renewing its range with original products that continue to meet users' expectations and help drive the development of new uses such as the innovations introduced with the Bebop Drone (launched at the end of 2014), including digital image stabilization (Group's proprietary technology);

- Implementing an ambitious marketing strategy and strengthening the financial and human resources deployed in this area;

- Enhancing the Group's online presence and an ambitious plan to develop the Group's own online sales on the www.parrot.com site;

- Continuously improving the services offered to users, particularly relating to after-sales service and quality monitoring; and

- Further expanding of its traditional and online distribution network to support the market's development.

The Group plans to continue expanding its consumer drone product ranges through the introduction of (i) 4K digital cameras and 500-gram drones with "follow me" feature in the fourth quarter of 2016, (ii) 360º camera drones compatible with Oculus (first person view) in the fourth quarter of 2016, and (iii) a new generation of "prosumer" drones in the first-half of 2017.

Continuing to develop rapidly on the commercial drone market

To continue with its rapid development on the commercial drone market, the Group aims to focus on a strategy based around:

- Accelerating the development of the commercial drone ecosystem, to which the Group has successfully contributed through the acquisition and integration of senseFly, Pix4D, Airinov and MicaSense, Inc. This ecosystem is currently structured around three segments: mapping, farming and inspection / surveillance. To be able to successfully move forward with this development, the Group intends to further strengthen its commercial capabilities and regional coverage;

- In the near term, launching centralized platforms with additional high value-added services for operators and end customers in the three target segments indicated above, aiming to ensure that the Group's range of solutions can deliver productivity improvements for numerous professional applications.

The Group intends to expand its commercial drone product ranges through the introduction of (i) an agriculture and mapping fixed wing drone (800 grams) with a 55 minute flight time in the first quarter of 2016, (ii) a mapping and architecture 4K camera drone in the fourth quarter of 2016, (iii) an agriculture payload in GoPro form (RVB photography and 100 grams) in the first half of 2016, and (iv) a stereo camera for robotic usage and autonomous flight in the second half of 2016.

Continuing with an external growth strategy on the commercial drone market

The Group's ability to bring in and consolidate innovative companies in order to accelerate their development and further strengthen their technological expertise is a key part of the Group's success in the commercial drone market. The Group aims to move forward with this strategy and to acquire targets with similar profiles, focusing on:

- technological expertise;

- business expertise;

- management team's ambition and quality; and

- business model's compatibility with the Group's model.

The Group may also make acquisitions in the consumer drone sector, depending on opportunities.

Automotive

Ensuring a successful transition from a car-kit offering to an infotainment offering

In 2010, the Group decided to develop in-car infotainment technologies in line with a mid- to high-end positioning, with a view to serving manufacturers' needs over the long term.

In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge, providing 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.

In particular, this strategic review process led to the creation of a separate corporate entity to hold the Group's automotive business in 2015, called Parrot Automotive. With an independent legal structure, the Group believes that the automotive business now benefits from a clarification of its image within the Group in relation to its clients and partners, while also being better able to utilise its asset base to further its development.

The development of this business line within the Group is highly dependent on the performance of certain key contracts over the next few years. These contracts, for which the auto manufacturers do not guarantee the volumes or the effective launch dates for mass production, are gradually moving into their production phases, following a research and analysis phase. The contracts are scheduled to move into their production phases in 2017. The Group is targeting a resumption of growth in this business and is aiming to stabilize the decline in revenues by 2016. However, the achievement of this objective will depend to a great extent on the following factors: the approach for marketing infotainment solutions by manufacturers (optional or fitted as standard), the price of infotainment solutions set by automotive brands, the level of interest among drivers for infotainment solutions, and the capacity of telecoms networks to provide the quality speeds (4G) needed for such solutions. Based on the results ultimately achieved in 2017 and the prospects as of that date, the Group will assess its options on this market.

Maintaining the Group's profitability in its automotive business

The Group will continue with its strategy to maintain the profitability of its automotive business, with this activity being repositioned, despite the expected decline in automotive revenues in 2016. To achieve this, the Group will continue to adapt its organization as required. The reorganization of the Automotive business helped generate new economies of scale, which will enable the drone business to access additional commercial and R&D resources.

Connected Devices

Maintaining the Innovation Lab's freedom to innovate, with a self-financed approach

The Group's consumer drones products and the resulting expansion into commercial drones are the result of work carried out within its Innovation Lab over several years. The success of the Group's drones products, as well as the Parrot Zik audio headphones, has demonstrated the potential for growth of the Group's business through the work in its Innovation Lab. The Group aims for this business segment to gradually break even, although without restricting its freedom to explore innovative new technologies. To achieve this, the Group will continue to apply a selective approach, factoring in the commercial development potential of the various projects.

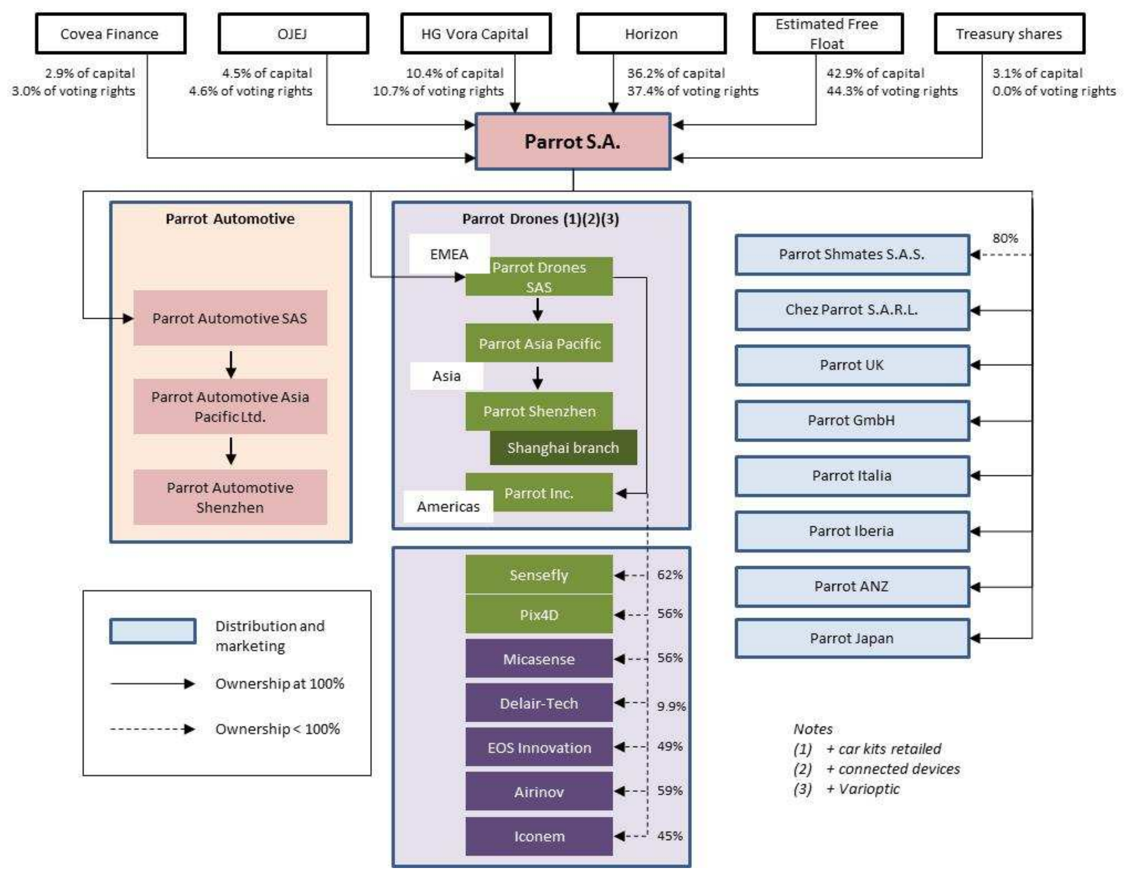
History

Year	Events
1994	Company founded by Mr. Henri Seydoux. Voice recognition technologies developed (including signal processing algorithms).
1995	First voice recognition-enabled electronic diary launched.
1997	Parrot+ launched, successor to the initial voice diary, specifically designed for the visually impaired.
1998	Acoustic-related technologies developed (noise reduction, echo cancellation).
1999	First wire-based handsfree kit launched for vehicles (Parrot CK28). 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.
2005	Parrot EASYDRIVE, Parrot CK3000 EVOLUTION, Parrot 3200 LS COLOR, Parrot 3400 LS-GPS and Parrot RHYTHM N'BLUE launched. Parrot CK5000 launched (OEM).
2006	Company listed on Euronext Paris. 100% stake acquired in the Spanish company Inpro Tecnologiá, S.L., which became Parrot Iberia, S.L. Parrot DRIVER HEADSET and Parrot MINIKIT (1st version) launched. Parrot PHOTO VIEWER and Parrot SOUND SYSTEM launched, first wireless devices designed by the Group to accompany new mobile phone uses (music, photos). Parrot MK6000 launched.
2007	Parrot CONFERENCE launched (Plug & Play range). Parrot PHOTO VIEWER 7 and Parrot BOOMBOX launched (Multimedia range). Parrot 3200LS-COLOR PLUS launched (installed handsfree kit range). Parrot MK6100, Parrot PMK5800 and Parrot SK4000 launched (Plug & Play range). Parrot RK8200 launched (handsfree kit range). Parrot DS3120, Parrot DS7220 and Parrot DF1120 launched (Multimedia range). First MMS photo frame launched in partnership with Bouygues Telecom. 100% stake acquired in the US firm Waveblue, followed by integration into Parrot Inc.
2008	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. 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. Parrot by Starck speakers launched ("Parrot By" collection).
2009	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.
2010	Launch of the Grande Specchio in the Parrot By collection: new digital photo frame designed by Martin Szekely. Minority interest (38.5%) acquired in Da Fact: French start-up specialized in digital music. Parrot 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.
2011	New digital photo frame launched, with the "Parrot By" collection: Parrot DIA, a frame developed with Jean-Louis Frechin, founder of the NoDesign agency. Parrot Minikit SMART launched (Plug & Play). Acquisition of Varioptic (Digital Lenses). Acquisition of DiBcom (Digital TV and Radio). Parrot Minikit+ launch.
2012	Parrot AR.Drone 2.0 commercial launch. Parrot Zik's commercial launch. Majority interest acquired in senseFly. Minority interest acquired in Pix4D.

Year	Events
	Parrot Zikmu's commercial launch (Multimedia).
2013	Parrot ASTEROID products' commercial launch (installed handsfree kit / infotainment). Parrot FLOWER POWER's commercial launch.
2014	Small UAV Coalition launched
2015	2015 CES: Parrot unveils a new infotainment system (RNB 6) and two new MiniDrone models (Parrot Rolling Spider and Parrot Jumping Sumo). Parrot demonstrates the Exom's capabilities (ultralight commercial quadricopter) and expands its range of connected devices (Parrot Zik Sport in audio) and garden devices (Parrot Pot and Parrot H2O). Inmarsat certifies the Parrot Bebop drone for live use on its networks. Porsche chooses Parrot for its Rear Seat Entertainment (RSE) infotainment solution. Parrot shares eligible for the Equity Savings Plan for Small and Mid-sized companies (or PEA- PME in French). Parrot Inc. sets up in San Francisco. Parrot's Bebop Drone achieves French civil aviation authority approval for professional use. A new generation of connected robots arriving late July. Parrot further expands its civil drone business: majority acquisition of Airinov and EOS Innovation. Launch of the Parrot Zik 3: Everything a headset should offer. Consumer drones: new distribution agreements in the USA (Target and AT&T). Commercial drones: new stakes in Micasense and Iconem.

Corporate Structure

The following chart reflects the Group's organizational structure[1]:



(1) The percentages of capital and voting rights (exercisable in a general meeting) indicated above are as of November 6, 2015.

(2) The ownership percentages of subsidiaries and affiliates of the Group indicated above are current as of the date of this Offering Circular.

The Company's primary subsidiaries are Parrot, Inc. (USA) and Parrot Asia Pacific Ltd. (Hong Kong). Parrot, Inc. (USA) develops, markets and sells Parrot products in the United States. Parrot Asia Pacific Ltd. (Hong Kong) develops, markets and sells Parrot products in Asia.

Products

The Group has a range of innovative products in three main areas: Drones, Automotive and Connected Devices.

Drones

The Drone business designs, develops and markets both consumer drones (Parrot AR.Drone, Parrot Jumping Sumo, Parrot Rolling Spider and Parrot Bebop), sold to consumers through distribution networks and online, and commercial drones (hardware and software), sold through specialized distribution networks and directly by the Group. For the year ended December 31, 2014, Drone revenues were €83.0 million, representing 34% of the Group's revenues. For the nine months ended September 30, 2015, Drone revenues were €109.4 million, representing 50% of the Group's revenue.

Consumer drones

The Group offers two lines of consumer drones: MiniDrones and Bebop Drones

Parrot's drones are controlled using smartphones and tablets. The control interface and piloting actions are based on standard smartphone uses, particularly video-gaming, to ensure that they can be easily adopted by users.

By sourcing its main components from the smartphone industry, the Group is able to benefit from two features: a continued drive for increasingly miniaturized, lightweight end products and a focus on economies of scale. The Group believes that this allows it to sell products with limited operatonal hazards for consumers and favorable cost levels. The Group is also able to benefit from the smartphone market's rapid growth, as components are widely available.

Following the Parrot AR. Drone, the Group has introduced the following drone products to expand its range:

<u>MiniDrones</u>

Released during the second half of 2014, the MiniDrones are aimed primarily at children and teenagers. More than 550,000 MiniDrones were sold in 2014 and, by September 30, 2015, the Group had sold a combined total of 1,037,000 MiniDrone units since their launch.

The Group believes that the MiniDrones are in line with several objectives of the Group and offer synergies with its other drones products.

The Group believes that the MiniDrones give access to drones to a broader market, as drones were previously restricted to hobbyists or audiovisual professionals. In doing so, the Group believes that it is helping drive the market's expansion. The Group believes that this specific product positioning supports its brand and loyalty strategy.

With its user base, the Group believes it is also well positioned to analyze drone use and ultimately optimize the products' performance, by improving reliability and efficiency, through data collected by the Group via the smartphone piloting application. At this stage in the technologies' development, all feedback from clients provides an opportunity to improve products, from industrial design to the software core. The Group believes these factors are helping strengthen the technological foundations around which the Group is developing its expertise.

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

As a result of the high level of MiniDrone sales, the range of MiniDrones was extended at the end of the first half of 2015.

Bebop Drones

The launch of the Parrot Bebop at the end of 2014, aimed primarily at the consumer market, illustrates Parrot's approach, focused on lightweight, high-tech designs, at an affordable price. 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 technology, which is currently exclusive to the consumer drone market, requires graphic processing in the processor core itself. The Parrot Bebop weighs in at less than 400g and is able to produce cinema-quality video, and sells for a price from €500 to €800.

Set forth below are certain consumer drone models offered by the Company:

Product	**Features**
Parrot Bebop Drone *Recommended sales price: €499* 	- Lightweight and safe - Full HD video, digitally stabilized on 3-axes - 14 megapixel "fisheye" camera - First Person View (FPV) piloting - MIMO 802.11ac Wi-Fi connection - 180° vision - "Return Home" feature and GPS navigation (in-app purchase) - Freeflight3 app on iOS and Android
Parrot Skycontroller *Recommended sales price: €499* 	-Remote control of Bebop -Strong Wi-Fi amplifier -Smartphones or tablet dock -HDMI video output to connect with FPV glasses -Can reach a range of up to 2km with the Bebop
Parrot AR.Drone 2.0 Elite Edition *Recommended sales price: €299* 	- New color ranges : matt black or 3 camouflage colors - HD 720 p Camera; - Preregistered acrobatic flight figures ("flip") ; - 2 pairs of blades included ; - Lithium-Ion rechargeable battery (12 min flight time)
Parrot Bebop Drone Skycontroller *Recommended sales price: €899* 	One version includes: - Parrot Bebop Drone - Parrot Skycontroller: a remote control for the Bebop with a powerful Wi-Fi range extender, smartphone, tablet dock, and HDMI video output for easy FPV glass pairing. Under good conditions, it makes it possible to reach the Bebop from a range of up to 2km.

Product | **Features**

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

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

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

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

Parrot Minidrones Jumping Sumo
Recommended sales price: €159

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

Parrot Minidrones Rolling Spider
Recommended sales price: €99

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

Parrot Minidrones Airborne Cargo Drone
Recommended sales price: €99

- Customizable and available in 2 models: Mars and Travis
- Sturdy and shock resistant
- Maximum distance: 20 m.
- FreeFlight 3 free app available
- Embedded vertical mini-camera can take aerial shots
- 32 MB flash memory
- 300,000 pixel snapshot VGA (480x640)

Parrot Minidrones Airborne Night
Recommended sales price: €129

- Customizable and available in 3 models: Swat, Blaze and MacClane
- Equipped with two powerful LEDs with adjustable intensity (agile, light-weight, ultra-stable and easy to

Product	**Features**
	pilot) - Very easy to fly, courtesy of Bluetooth and FreeFlight 3 - FreeFlight 3 app offers intuitive control from smartphones or tablets and connects via Bluetooth® Smart - Maximum distance: 20 m. - Embedded vertical mini-camera can take aerial shots - 1 GB flash memory - 300,000 pixel snapshot VGA (480x640) - Customizable and available in 2 models: NewZ and Orak
Parrot Minidrones Hydrofoil *Recommended sales price: €169* 	- The Hydrofoil is a hybrid drone with sophisticated propellers for moving on fresh water and in swimming pools - Embedded mini-camera - Very easy to fly, courtesy of Bluetooth and FreeFlight 3 - FreeFlight 3 app offers intuitive control from smartphones or tablets and connects via Bluetooth® Smart - Embedded vertical mini-camera can take aerial shots - 1 GB flash memory - 300,000 pixel snapshot VGA (480x640)
Parrot Minidrones Jumping Race *Recommended sales price: €199* 	- Customizable and available in 3 models: Jett, Tuk Tuk and Max - Fast, energetic and ultra-stable, sporting large tires for racing - Adapted for high speed - Wi-Fi network generated by the drone itself allows it to connect to smartphones or tablets, and be controlled via FreeFlight 3 free app (compatible with iOS and Android) - FreeFlight 3 free app available on the Apple Store and Google Play Store - Maximum range: up to 50 meters in free-field conditions - Immersive experience - Equipped with a wide-angle camera lens that live streams video on the piloting screen - VGA video / pictures (640 x 480 px) - 4GB internal memory to record videos and photos
Parrot Minidrones Jumping Race *Recommended sales price: €199* 	- In 3 models : Diesel, Buzz et Marshall - Rapid, energetic and very stable, equipped to allowing to film in lower light conditions -Can record sounds -Strong wi-fi capabilities, can be connected to smartphone or tablet, compatible with iOs and Android -Access to FreeFlight 3 app through Apple Store or Google Play Store -Camera with wide angle -High quality videos and imaging -Built in memory to record videos and photographs

Commercial Drones

The Group designs, develops and markets drone products for the agriculture, mapping and surveillance industries. Through its commercial subsidiary senseFly (and its key product "eBee"), as well as Pix4D, the main software component required for commercial drone use, the Group believes that it is well-positioned in the commercial drone market. The eBee is a fixed-wing drone (as opposed to a quadricopter), which can handle long endurance flights (50 minutes) and process large volumes of data acquired during flights. The eBee is sold with the Pix4D software, which interfaces directly with the main 3D design and with geographical information system software products.

In 2015, the Group also launched the eXom drone to be used in inspection, including civil engineering structures (e.g., bridges, buildings, dams), windfarms, solar farms, and marine/aviation.

The Group has identified several startups developing commercial drones as well as related products, including software, sensors and services. The Group has acquired several companies (e.g., senseFly, Pix4D, Airinov) to support its growth in this market. With a focus on verticalization, the Group is targeting three priority markets: mapping, precision farming, and inspection and surveillance.

The Group has invested in the company Airinov to develop drones for the precision farming market. The Group has developed a new sensor in conjunction with Airinov (the "multispec4c") to make it possible to launch an eBee adapted for the agricultural market (eBee AG).

The Group also licenses certain drone software to third parties through its subsidiary Pix4D.

Group entities specialized in commercial drones

- senseFly

The Groups holds approximately 62% of the share capital of senseFly (acquired in 2012 for €4.2 million). The investment agreements include cross put and call options that may be exercised in 2016 for the remaining capital, with a variable price based on the revenues and EBIT achieved by senseFly at December 31, 2015. senseFly is fully consolidated since 2012.

Incorporated in November 2009, senseFly is a startup from the Ecole Polytechnique Fédérale de Lausanne (EPFL). Today, the company has around 100 employees.

senseFly is managed by its cofounders. The Group believes that senseFly's main strengths are linked to (i) its network of distributors, (ii) its reputation with professionals, (iii) its easy-to-use products, (iv) its R&D team, and (iv) its production capabilities.

senseFly is the leading producer of fixed-wing mapping drones in terms of the volumes distributed internationally. With the launch of its new rotary-wing drone, senseFly aims to establish itself in the infrastructure inspection market.

- Pix4D

The Group holds a 55.67% interest in Pix4D (acquired in 2012 for €3.9 million). The investment agreements 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 at December 31, 2016. Pix4D is fully consolidated since 2014.

Created by Dr. Christoph Strecha, Pix4D was founded in 2011. Today, this company specializes in 3D digital mapping for low-altitude aerial image processing. Pix4D has developed software based on next-generation algorithms that automatically combine raw images (RAW) to produce three-dimensional orthomosaic models enabling extremely accurate views of environments, as well as distance and volume measurements.

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

Harnessing Pix4D's software solutions, drones are able to meet aerial mapping requirements. Pix4D has developed technologies based on stereoscopics, making it possible to achieve highly accurate 3D measurements using traditional cameras.

Pix4D provides software solutions for major drone manufacturers and distributors. Pix4D sales with third-party drone manufacturers represented 70% of Pix4D's total sales in 2014, compared with 25% in 2012. Its Pix4D Mapper software is available in several versions: pro, mobile, education, business, agriculture and consumer. Pix4D's range of solutions is available in various forms, including licenses, rental or software as a service, or SaaS.

- Airinov

The Group holds a 59.03% interest in Airinov (acquired for €9.1 million). The management team and founders hold the remaining 40.97%. The investment agreements 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 is fully consolidated since September 30, 2015.

Airinov, founded in 2010, has developed its business with dedicated drones for precision farming, one of the Group's three target markets for developing its range of commercial drones. The company has developed a sensor and a set of data processing algorithms enabling it to obtain agronomic indicators to provide farmers with data on their crops' needs and health, improving their harvest quality and yields.

Since it launched, Airinov products have been sold to over 5,000 farmers. Since 2014, the Airinov sensor has been incorporated into senseFly's eBee drone. Airinov has also built up a growing network of operators who, equipped with an eBee AG, are able to cover 3 hectares per minute of flight time and are paid per hectare covered. In addition, Airinov offers these customers (i) its know-how to complete the preliminary steps before making flights over farms (2,000 flights registered with the French civil aviation authority (DGAC) in December 2014) and (ii) data analysis using a SaaS platform collected from drone flight. The Airinov sensor is also being integrated into drones sold by the Group's competitors. In particular, Airinov is looking to develop its services for farmers and data processing.

Airinov generated €1.4 million of revenues in 2014, completing flights over more than 20,000 hectares during the 2013-2014 season. Airinov is based in Paris and also has a test farm in southwest France, where its future projects are assessed.

- MicaSense, Inc.

The Group holds a 56.30% interest in MicaSense, Inc. (acquired for €8.2 million). The investment agreements include cross put and call options that may be exercised in 2019 for the remaining capital, with a variable price based on the revenues and earnings achieved by MicaSense in 2017 and 2018. MicaSense, Inc. was not consolidated at September 30, 2015, since the Group held a 35% stake on this date.

MicaSense, Inc. was founded in 2014 in Seattle (Washington, USA). MicaSense, Inc. designs advanced data gathering and processing systems for precision farming: its RedEdge™ sensor, which is used by several major drone brands.

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

- EOS Innovation

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

Founded in 2010, EOS Innovation has developed "e-vigilante", a mobile surveillance robot designed to carry out automated patrol rounds in warehouses and sensitive sites. e-vigilante positions itself within its environment independently. As a result of multiple on-board sensors (day/night camera, thermal camera, long-range detection sensor, LiDAR), e-vigilante constantly analyzes its environment to provide instant reports on any incidents encountered, such as intrusions, hot spot detection or displaced objects. The “remote operator” can activate alarms, communicate with persons on site, follow up on incidents and check the site’s critical points. It was released in 2014, aimed in particular at major logistics and distribution firms. EOS Innovation intend to focus on e-vigilante’s international distribution. The Group and EOS Innovation also intend to work together to develop additional surveillance solutions. Set forth below are certain commercial drone models, sensors, and software offered by the Company:

Product	**Features**

Parrot SENSEFLY - SWINGLET CAM

- Weight: 500 grams
- Wingspan: 80 cm
- Flight time: 30 min.
- Cruising speed: 36 kmph
- Wind resistance: up to 25 kmph
- Radio range: 1 km
- Camera: 16 MP
- Mapping capacity: up to 6 km^2

Parrot SENSEFLY – eBee / eBee AG / eBee RTK

- Weight: 700 grams
- Wingspan: 96 cm
- Flight time: 45 min.
- Cruising speed: 57 kmph
- Wind resistance: up to 45 kmph
- Radio range: 3 km
- eBee camera: 16 MP
- eBee AG sensor: 16 MP + IR, 4 band multispectral option, with RedEdge and IR, Pix4D software delivered with NDVI calculation
- eBee RTK equipped with 2-band GPS, with RTK-based centimetric corrections (offered separately)
- Mapping capacity: up to 10 km^2

Parrot SENSEFLY - eXom

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

Parrot Pix4D – Mapper

PIX4D

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

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

Automotive

The Automotive business is comprised of Retail Automotive and Key Account products. In Retail Automotive, the Company designs, develops and markets installed handsfree kits (Parrot CK and Parrot MKi range), infotainment products (Parrot ASTEROID range), and Plug & Play Products (Parrot Minikit range) sold to consumers through the distribution networks. In Key Account, the Company designs Bluetooth, digital music and infotainment solutions sold directly to manufacturers and their OEM providers. For the year ended December 31, 2014, Automotive revenues were €144.4 million, representing 59.2% of the Group's revenues. For the nine months ended September 30, 2015, Automotive revenues were €96.3 million, representing 44.2% of the Group's revenues.

In 2010, the Group determined to make a strategic shift in its focus for its automotive business to infotainment solutions. In one device, the infotainment solutions developed by the Company combine traditional and digital radio, navigation, warnings about dangerous areas, mobile digital music (online or on multimedia device) and a growing portfolio of useful applications for drivers, as well as handsfree telephony (cf. www.parrotasteroid.com). All its features are internet-connected through smartphones, prioritized and adapted for in-car use, and include integrated advanced signal processing and voice recognition capabilities and technologies from the Company's traditional intellectual property portfolio.

Parrot has made significant investments to develop a complete infotainment platform, including:

- The acquisition of 100% of DiBcom in July 2011 for €29.4 million (acquisition of shares for €15.9 million and net debt buyback for around €12 million), enabling the Group to benefit from an innovative technology for mobile digital radio and television.

- The development of a seventh generation of the P7 chip, to bring automotive, connectivity and telecoms needs together.

- The development of a new Android-based software solution compatible with the high quality and reliability standards demanded by the automotive industry.

- The creation of a platform for downloading specially designed automotive applications: the ASTEROID Market.

The Group seeks to capitalize on its connectivity, signal processing and digital music expertise to position itself on the infotainment market segment that covers both driving-assistance technologies and entertainment technologies for drivers and their passengers.

The Group has signed nine contracts with major car manufacturers, with five already in the production phase and four scheduled to move into the production phase by 2017. Currently the Group is working with the manufacturers to create customized technology specific to the customers' needs. Some of the first manufacturers that have adopted its infotainment solutions include Volvo, McLaren, Chrysler, and Honda. The Group expects, subject to agreement with the manufacturers, to bring many of its infotainment products to mass production in 2017 and later. In 2014, the Group acknowledged the time required for new models of connected vehicles to emerge and launched a strategic review in order to identify the best conditions for ensuring the development of its product portfolio and client base. As a part of this review, the Group determined that its focus, going forward, would be on original equipment manufacturers in its automotive business and that it would phase out its retail automotive business. In addition, the Group intends to assess its automotive business when its infotainment business is closer to mass production in 2017.

Set forth below are the Automotive products offered by the Company:

Product	**Features**
Parrot CK3100 LCD  	- Handsfree system - Bluetooth with LCD screen - User interface: screen with 3 buttons - Displays user settings, contacts, menus, etc. - Integrated voice recognition to make calls - Directory: saves up to 1,000 contacts per phone, up to a maximum of 5,000
Parrot CK3000 EVOLUTION 	- Bluetooth handsfree system (no screen) - User interface: 3 buttons - Integrated voice recognition to make calls - Directory: saves up to 150 contacts per phone, up to a maximum of 450
Parrot MKi9200  	- Bluetooth handsfree system with 2.4'' color screen - Dual mode: connects 2 phones simultaneously (MULTIPOINT) - Automatic directory syncing - Speaker-independent voice recognition - Connectivity: iPod / iPhone, USB, SD card, Bluetooth (A2DP), line-in
Parrot MKi9100  	- Bluetooth handsfree system with OLED screen - Dual mode (Multipoint): connects 2 phones simultaneously - Automatic directory syncing - Speaker-independent voice recognition - Connectivity: iPod / iPhone, USB, Bluetooth (A2DP), line-in
Parrot MKi9000 	- Bluetooth handsfree system (no screen) - Dual mode (Multipoint): connects 2 phones simultaneously - Automatic directory syncing - Speaker-independent voice recognition - Connectivity: iPod / iPhone, USB, Bluetooth (A2DP), line-in

Product | **Features**

Parrot MINIKIT Neo 2 HD

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

Parrot ASTEROID MINI

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

Parrot ASTEROID TABLET

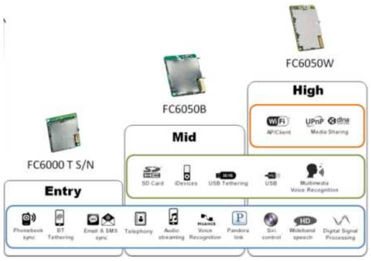
- 5.0'' multi-touch screen
- Driving assistance applications from the Parrot ASTEROID Market
- In-car music: iPod®, USB, SD card
- Handsfree calls, even with 2 phones connected
- Voice recognition: contacts, music, etc.
- Internet access using a 3G/4G dongle, sharing a connection with a compatible smartphone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

Parrot ASTEROID SMART

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

Product | **Features**

Parrot FC6000 / FC6050B / FC6050W



Connectivity solutions that enable users to enjoy transparent connections to their mobile electronic and music devices.

Parrot OCTOPUS

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

Connected Devices

The Connected Devices business designs, develops and markets audio products (ZIK) and plug & play products (Parrot MINIKIT range), as well as the connected devices and toys (FLOWER POWER) sold to consumers through the distribution networks and online. For the year ended December 31, 2014, revenues from Connected Devices were €24 million, representing 10% of the Group's revenues. For the nine months ended September 30, 2015, revenues from Connected Devices were €10.9 million, representing 5% of the Group's revenues.

The Connected Devices business also includes the Group's Innovation Lab. In this laboratory, three to five teams of two to four engineers each 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.

In 2016, Connected Devices plans to introduce new connected devices for plants (Parrot POT and Parrot H2O) as well as a sports version of the ZIK headphones.

Set forth below are Connected Devices products offered by the Company:

Product | **Features**

Parrot Zik 2.0

- 6 color options
- Bluetooth 3.0, NFC
- 270 gr
- Touch-control panel
- Handsfree communication
- Dedicated application (Parrot Audio Suite) for smartphones and tablets
- New noise control technology
- Battery life of 18 hours in travel mode and full recharge in 2.5 hours

Standby mode: up to 8 days
Passive mode: for listening to music via a cable when the battery is empty

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

Customers and Markets

The table below shows the sales revenue of the Group per geographic region for the years ended December 31, 2012, 2013, and 2014, and for the nine months ended September 30, 2015, broken down by retail and key account products.

(in € millions)	For the year ended December 31, 2012	2013	2014	Nine months ended September 30, 2015
EMEA	90.5	77.2	87.6	85.7
USA	27.1	25.3	34.8	36.2
Asia	14.5	17.5	16.5	22.5
Retail products	**132.1**	**119.9**	**138.9**	**144.4**
Key Account products(1)	**148.4**	**115.2**	**105.0**	**73.7**
Total revenues	**280.5**	**235.2**	**243.9**	**218.1**

(1) Key Account products include the Key Account automotive products and commercial drones products of the Company.

The current markets for products developed by the Company are as follows:

- *Drones*—The Group first introduced drones for retail customers with the launch of the Parrot AR.Drone in 2010, and the Group has been developing a commercial range of products since 2012.

- *Automotive*—the automotive products market is the historical focus of the Group. The Group offers a range of consumer products and a series of OEM solutions to support in-car mobile phone use. The Group started selling products in the consumer market in 2001 and expanded to offer products directly to auto manufacturers. The Group has sold over 50 million handsfree solutions and products for cars and is currently positioning itself on the next value-creating cycle: infotainment products.

- *Consumer electronics products*—the Group offers new mobility products and connectivity services. Drawing on its long-established expertise, the Group is focusing on music and connected devices. In line with this approach, the Group launched the Parrot Zik wireless headphones.

Drone market

Within the drone market, the Group offers two main types of products: consumer and commercial drones. In the consumer market (Group revenues of €70.5 million in 2014), drones are purchased for personal use. In the commercial market (Group revenues of €12.5 million in 2014), drones are purchased by businesses and other entities.

The main factors affecting the drone market are as follows:

- Technological developments, reliability and price of technologies used in the drones;

- Knowledge of the new technologies among end-users and awareness of what they can offer;

- Emergence of complementary technologies making it possible to meet specific needs (e.g. sensors for precision farming); and

- Regulations governing the use of drones.

The Group does not produce any drones for military use.

Consumer drone market

The Group has contributed to the emergence of and growth in the consumer drone market, particularly since 2014 with its offering of MiniDrones. This market is divided into two sectors: Connected Toys, which MiniDrones belongs to, and Flying Cameras, like the AR. Drones and Bebop Drone. The consumer drone market is estimated at $321 million in 2015 and is expected to see average annual growth ("AAGR") of around 37% between now and 2020, when it is expected to represent over $1.5 billion. The following table presents the estimated revenues and growth rates for the consumer drone market for 2015 to 2020:

(in U.S.$ millions)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	***AAGR***
Total....................................	**321**	**551**	**960**	**1,191**	**1,357**	**1,533**	***37%***
Flying cameras.................	170	364	640	827	949	1,092	*45%*
Connected toys	151	187	320	364	408	441	*24%*

Source: Oliver Wyman consultancy.

In the Connected Toys sector, companies such as Syma, Sphero, Ubsan and WooWee sell products increasingly similar to the consumer drones developed by the Group.

In the Flying Cameras sector, the competition is more intense. Products are currently sold by DJI (China), 3DRobotics (USA) and Yuneec (China). In addition, companies such as GoPro have announced plans to enter the market.

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

Commercial drone market

Between 2015 and 2020, the commercial drone market is expected to grow from $1.4 billion to nearly $5.6 billion, with an AAGR of 32% (source: Marketsandmarkets). Recent growth has been driven primarily by drones for audiovisual use. However, future growth is expected to be driven by uses in 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. The expansion of commercial drones is also expected to encourage the development of adapted software and sensors. The Group believes it should be able to capitalize on its unique position to profit from the market's growth. The following table presents the estimated levels of growth from 2015 to 2020 for the main segments in the commercial drone markets:

(in U.S.$ millions)	**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 currently represent nearly two thirds of the commercial drone market, particularly due to audiovisual drone use. Strong growth is expected across all regions. The following table presents the regional breakdown of the commercial drone market:

Regional breakdown	**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 the world	5.8%	5.4%	*30.4%*	*x3.8*

Source: Marketsandmarkets

The Group has major investments and a range of technologies to serve three markets, targeted for their potential for development over the medium term:

- Mapping: the segment for commercial drones with integrated geographic information systems (GIS) for the environment, mining / quarrying and city planning sectors, is estimated at $150 million in 2015 (source: Marketsandmarkets). This segment is expected to see average annual growth of 24%, with the market to reach $431 million by 2020 (source: Marketsandmarkets).

- Precision farming: this segment offers one of the highest expected rates of growth in the commercial drone market. Drone sales are estimated at $205 million for 2015 and are expected to reach $1.2 billion by 2020, with an AAGR of 42% (source: Marketsandmarkets).

- Inspection and surveillance: the commercial drone segment covering inspection (e.g., of civil engineering structures, infrastructures and facilities) and surveillance of sensitive areas (e.g., warehouses, industrial sites, large stores), protected locations (e.g., natural sites) or accident sites is estimated at $263 million in 2015 (source: Marketsandmarkets). The inspection and surveillance drone market is expected to experience average annual growth of 36% and reach $1.2 billion by 2020 (source: 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 (source: Marketsandmarkets). In addition to DJI and 3D Robotics, other participants in this market include Precision Hawk, AeroVironment and Trimble.

Automotive (infotainment) market

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

There are a number of participants in the infotainment market, including OEM manufacturers with strong electronics capabilities (such as Bosch, Continental, Delphi, Harman Becker), chip manufacturers (such as Intel, Nvidia, STMicroelectronics) and content suppliers (such as TomTom, Garmin).

Connected Devices

Within the connected devices market, the Group offers the following: audio products (Parrot ZIK) and horticultural products (Parrot FLOWER POWER) sold to consumers through the distribution networks and online. The Group is focused in particular on products connected to smartphones (or any other mobile device, such as laptop computers or tablets) and the emerging market for connected devices.

In response to increased competition from major market participants such as Sony, Samsung, and Apple, the Group is focusing on originality and added value.

Marketing and Sales

In each of its operating segments, the Group focuses its marketing efforts in four main areas:

- *Product launches*—strong position built on emphasizing technological benefits and strong coverage in traditional media and online;

- *Product placement on retailer shelves*—giving priority to sections for mobile phone accessories rather than vehicle accessories;

- *Visibility of its products at points of sale*—display stand, point-of-sale advertising, packaging, etc;

- *Brand awareness*—through press relations, social media or pop-up stores.

"Push-and-pull" sales policy

In the automotive market, the Group believes that its success has been based on its relationships with automobile specialists. The Group uses a "push" sales policy, designed to boost wholesaler margins in order to "push" its products to retailers and fitters in the countries where the Company does not have a subsidiary. The Group's "pull" sales policy runs through its sales teams, who establish regular and quality contacts with retailers, where they advise and guide on the Group's products.

Online marketing and social networks

Over the last few years, the Group has also significantly increased its online presence in order to support the brand's growing reputation and establish direct communication with its end customers. The Group actively communicates on social networks and social media to support the brand globally and showcase certain products. The online content developed by the Group promotes several objectives: helping create a "buzz" around its products, explaining features and supplementing technical support.

Distribution

The Group carries out its own development, drawing primarily on its capacity for innovation, the ongoing technological improvements in mobile phones and the new uses that have been introduced. The Group uses a number of different distribution channels, including:

- *Commercial drone specialists*—with the rapid emergence of new uses for drones by various professionals (e.g., surveying, agriculture, surveillance), large numbers of companies are being set up to distribute or operate commercial drones; the Group seeks to include the such support services (senseFly, Pix4D) with their offers.

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

- *General retail*—The Group offers products through specialized retailers (telecoms operator sales networks, telecoms stores), mass retail firms (specialized or general) and online retailers. The Group mainly sells its consumer drones and its retail automotive products on these channels, with the exception of telecoms operators (who themselves offer installed handsfree kits for professional vehicle fleets).

Customer service and after-sales service

Each division manages its own technical support. Customers generally contact the Group over the phone or email and via the Parrot forums. Extensive online documentation also makes it possible to provide users with specific and comprehensive information on how to use the Group's products, as well as on changes to its products.

The after-sales service team is made up of three people (as of December 31, 2014), based at the Group's head office in Paris. A main database of issues is centralized and analyzed at the Paris headquarters.

For the year ended December 31, 2014, the rate of product returns came to 2.62% (calculated as the percentage of the number of items returned in any given week divided by the number of items delivered in the twelve weeks prior to that week, including returns for software updates).

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

Manufacturing

The Group is organized around a "fabless" model, with production and logistics both outsourced. A "fabless" company is a company that is focused on the quality and management of subcontractors, each selected for their excellence. This strategy enables flexibility combined with speed. Most of the Group's production is outsourced to manufacturers in Southeast Asian countries, which makes it possible to keep labor costs down. The Group maintains a team that oversees production activities outsourced to third parties. Part of the team is based in Hong Kong in order to be close to the production centers and component suppliers in Asia. Hong Kong represents the Group's global point of supply in Asia.

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

The majority of the electronic sub-units (e.g., cables, keyboards, LCD screens and electronic units) are assembled in Asia, particularly by JABIL Circuit Ltd (China) and Aztech. The Group acquires the sub-units from these subcontractors, who in turn source their products, particularly the main components (Parrot ASIC and memory), from suppliers preselected by the Group. The Group enters into supply contracts with such suppliers that set out prices and other conditions.

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

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

When a new relationship is set up with a foundry for manufacturing a chip, the Group must make initial investments, particularly for important developing manufacturing masks. In this way, the Group is dependent to a certain extent on the foundries initially selected for manufacturing its chips. The Group therefore selects well-known foundries with the requisite certifications and experience. In addition, the Group regularly communicates with these foundries in order to anticipate any difficulties.

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

Quality Improvement

Quality improvement represents a constant challenge with increasingly demanding customers, particularly for Key Account products. All of the Group's main subcontractors are ISO TS 16949 certified, the benchmark quality certification in the automotive sector, and have recognized experience in the auto industry. The Group has also put its own ISO 9001 quality system (2000 version) in place and regularly monitors the quality indicators for its subcontractors and products.

Drone Regulation

The regulations for the production, sale and use of drones (consumer and commercial) in the countries where the Group designs, produces and sells its products are still relatively new and undeveloped. Many regulations are currently being drawn up and revised. The regulations for the Group's main markets are summarized below.

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

- Model aircraft activities are defined as the use of drones for recreational or competition purposes. They primarily concern drones weighing less than a maximum of 25 kg. The consumer drones sold by the Group are primarily included in this category of model aircraft activities. Under the Design Decree, model aircrafts are included in Category A or B:

  - Category A: motorized or non-motorized model aircraft with a maximum weight on takeoff of less than 25 kg, or, for inert gas aircraft, a total weight (structural weight and load carried) of less than 25 kg, including one single type of propulsion and satisfying the following limits:

    - Thermal engine: total capacity of less than or equal to 250 cc;
    - Electrical engine: total capacity of less than or equal to 15 kW;
    - Turboprop engine: total capacity of less than or equal to 15 kW;
    - Jet engine: total thrust of less than or equal to 30 decanewtons, with a thrust-weight ratio (excluding fuel) of less than or equal to 1.3;
    - Hot air: total weight of gas in bottles on board of less than or equal to 5 kg; and
    - All captive model aircraft (model aircraft connected to the ground or a mobile that cannot be raised or moved).

    Provided that they are used at altitudes of less than 150 meters, and they remain in the user's direct line of sight, the use of Category A model aircraft does not require any permission from the authorities.

  - Category B: any model aircraft that does not fulfil the characteristics for Category A and needs to receive (unlike category A) flight clearances issued by the French Civil Aviation Minister to certify the model aircraft's navigability and the capacities required for people using them.

  The consumer drones sold by the Group are primarily included in Category A.

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

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

  - S-1: operational scenario in the remote pilot's direct line of sight, taking place away from populated areas, at a maximum horizontal distance of 100 meters from the remote pilot;
  - S-2: operational scenario taking place away from populated areas, at a maximum horizontal distance of one kilometer radius from the remote pilot and a height of less

than 50 meters above the ground or artificial obstacles, without any people on the ground in the area covered by the flight;

  - S-3: operational scenario taking place in an agglomeration or close to a gathering of people or animals, in the remote pilot's direct line of sight, at a maximum horizontal distance of 100 meters from the remote pilot;
  - S-4: operational scenario covering a specific activity for aerial observation, surveillance, photography and measurements taking place away from populated areas and not meeting the criteria for scenario S-2.

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

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

  The commercial drones sold by the Group are primarily included in Category D.

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

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

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

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

At the European level, EC Regulation 216/2008 of the European Parliament and Council of February 20, 2008 concerning “common rules in the field of civil aviation and establishing a European Aviation Safety Agency” limits its application to drones over 150 kg, which does not cover the products sold by the Group. However, the report on the “*safe use of remotely piloted aircraft systems in the field of civil aviation”*, dated September 25, 2015, calls for an amendment to the aforementioned EC Regulation 216/2008, removing the 150 kg threshold so that the European Union can adopt a harmonized and appropriate approach for regulating the integration of drones into the civil aviation system. In particular, this report highlights the need to safeguard people’s right to privacy and protect their personal data.

In the United States, the regulations for Unmanned Aircraft Systems are still at their initial stages and are based, for the moment, primarily on the recommendations published in February 2015 by the FAA.

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

For recreational drones, corresponding to the Group’s consumer drones, their owners are not at the time of this Update required to declare their drones to or obtain prior approval from the FAA. Nevertheless, recreational drone owners are still subject to certain requirements set by the FAA: (i) they must not fly their drones in inhabited areas or close to aircraft, (ii) they must keep their drone in sight while it is in flight, and (iii) they must obtain certification from a model aircraft organization unless the drone weighs less than 25 kg. The FAA is expected to present, by November 20, 2015 at the latest, a registration system for recreational drone owners in order to adapt the regulatory framework before the end-of-year holidays.

Research and Development

The Group’s research and development activities are a key element, particularly for its competitive edge, flexibility, cost savings and technological independence. With a team of approximately 470 engineers, the Group believes it has vertical expertise across all the technologies required for developing its products.

Research and development is organized around each business segment:

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

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

The table set forth below provides a breakdown of R&D spending for each of the Group’s business segments for the nine months ended September 30, 2014 and 2015.

	Nine Months Ended September 30,	
	2014	**2015**

% of R&D spending: Drones	23.0%	48.5%
% of R&D spending: Automotive	60.3%	39.7%
% of R&D spending: Connected Devices	13.2%	8.2%
% of R&D spending: Other	3.5%	3.6%
Total	**100.0%**	**100.0%**

Intellectual property

The Group protects some of its inventions using patents. The Group also copyrights some of its software developed in-house. Product names are registered as trademarks. The Group also protects its know-how through measures protecting the confidentiality of its technical knowledge and commercial knowledge.

Brands and marks

The Company holds the word and figurative marks for "Parrot" and its logo, and has filed requests for registration of its name in France, European Union countries, Switzerland, Iceland, the United States, Canada and more widely in most countries in which the Group distributes its products: in Central and South America (including Mexico, Colombia, Brazil, Venezuela and Guatemala), in Asia (China, Japan, Hong Kong, Taiwan, Singapore), as well as in Israel, Turkey, Egypt, Kuwait, UAE, Australia, New Zealand, South Africa and India.

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

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

The Company is also a member of the Wi-Fi Alliance and has obtained a license to use the Wi-Fi mark, in addition to other licenses for using marks belonging to its technical and/or commercial partners.

Patents

The Group strongly encourages its R&D teams to devise technologies that are innovative, relevant, and likely to be patented for the products developed.

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

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

Between January 1, 2015 and the date of this Offering Circular, the Group filed 15 new patents and about 10 additional patents are in progress, mainly in the Drone segment.

Designs and models

The Group has registered several community models with a view to protecting the appearance of some of its products, and more specifically a handsfree telephony system (handsfree kits, earpieces and microphone for a two-wheel kit), wireless speakers, wireless screens, a car radio and a car radio front, including the Parrot ASTEROID, which has been registered since 2009 as well as the other products of the ASTEROID range.

The designs and models for the AR.Drone, the Bebop, the MiniDrones (Parrot Rolling Spider and Parrot Jumping Sumo) and their accessories (Parrot Skycontroller) and the Flower Power ranges are also registered in France, and are extended to cover the US, China and Japan.

Between January 1, 2015 and the date of this Offering Circular, 21 marks and 62 models were registered by the Group worldwide, compared to 75 brands in 42 models in 2014.

Employees

At September 30, 2015, the Group had 978 employees (permanent contracts, fixed-term contracts, professional training contracts), 74 external contractors and temporary staff. As of December 31, 2014, the Group employed 944 people (permanent and fixed-term contracts), 93 contractors, 18 temporary staff and 23 interns.

The majority of the Group's employees are based in France (Paris). With the exception of the Asia-based subsidiaries, which monitor production by local suppliers, the Group's subsidiaries are primarily sales centers covering the regional distribution networks.

Facilities

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

The Company's headquarters is located at 174-178, quai de Jemmapes, 75010 Paris, France (Tel: +33 1 48 03 60 60), and is occupied under leases entered into with the real estate company Neuilly Château SA.

Legal Proceedings

The Company and/or some of its subsidiaries are currently involved in the following legal proceedings:

Drone Technologies, Inc. (Plaintiff) – Parrot S.A. et Parrot, Inc. (Respondents)

The Company and its subsidiary, Parrot, Inc., are subject to infringement proceedings in the United States concerning two patents. These proceedings were opened on January 24, 2014 by the Taiwanese company Drone Technologies, Inc. and concern an application developed by the Company for the remote control of the Group's consumer drones. This litigation concerns claims for damages made in U.S. jurisdictions, while no injunctions claims have been submitted in connection with this dispute to prohibit the Group's products from being sold in the U.S.

In the discovery proceedings, the Company decided not to disclose the confidential source code for the application in question as it determined that the level of protection provided was insufficient. Acknowledging this decision, on November 3, 2014, the Court of the Western District of Pennsylvania ruled against the Company and Parrot, Inc. by default concerning the infringement.

The damages for Drone Technologies, Inc. were determined by a jury, who decided in the first instance that they should represent approximately $3.8 million for past damages and $4 million for future damages. The plaintiff had sought $7.5 million in past damages and $17.3 million in future damages. The Court followed the jury's decision and ordered the Company and Parrot Inc., by a ruling of June 12, 2015, to pay the aforementioned sums, and, by a ruling of July 28, 2015, to pay the plaintiff's legal fees, determined by the Court at approximately $1.7 million, which, in addition to interest payments (not determined to date), gives an estimated total of around $11 million.

The Company and Parrot, Inc. have lodged appeals against these two rulings. To ensure that the appeal suspends these proceedings, an $11 million supersedeas bond has been filed by the Company and Parrot, Inc.

Alongside this, the Company and Parrot, Inc. opened an inter partes review by the United States Patent and Trademark Office ("USPTO") in October 2014 to reexamine the validity of the plaintiff's two patents. The USPTO announced its decision on October 20, 2015, validating the first patent and partially invalidating the second patent. The Company is looking into the possibility of appealing this decision.

Based on its assessment of the legal risk, the Group has recorded provisions of €0.4 million in its consolidated accounts at September 30, 2015 for the best estimate of the costs of these proceedings.

AeroVironment, Inc. (Plaintiff) - Micasense, Inc. and its three founders (Respondents)

In March 2015, MicaSense, Inc. and its three founders received a summons from AeroVironment, Inc., the former employer of these three founders, to appear before the State of California's Superior Court.

In particular, AeroVironment, Inc. claims that the three founders set up MicaSense, Inc. while they were still employed by AeroVironment, Inc. and used inventions, ideas and designs developed by them (to create drones for precision farming) which AeroVironment, Inc. considers that it owns. In this respect, AeroVironment, Inc. notably claims that these three founders breached some of their contractual commitments to AeroVironment, Inc.

In particular, AeroVironment, Inc. is claiming damages (including punitive damages) and the return of any profits unduly received by MicaSense, Inc., in addition to salaries paid by AeroVironment, Inc. to the three founders during the period when the events are alleged to have taken place. AeroVironment, Inc. is also calling for MicaSense, Inc. and the three founders to return the inventions, ideas and designs which AeroVironment, Inc. considers that it owns and for MicaSense, Inc. and the three founders to be forbidden from using these inventions, ideas and designs in the future. At this preliminary stage in the proceedings, no claims have been made for any specific amounts of damages.

A mandatory conciliation hearing will be held on July 20, 2016 and will be followed, if necessary, by a jury hearing on August 22, 2016.

Faced with this risk, part of the acquisition price for the additional interest acquired by the Company in MicaSense, Inc. in October 2015 in an amount of $1.2 million has been placed in an escrow account allowing the Company to recover all or part of this amount in the event of a ruling against MicaSense, Inc. and its three founders.

Parrot SA (Plaintiff) - e.solutions (Respondent)

In December 2014, the Company submitted a request for arbitration concerning e.solutions GmbH, a joint-venture between the manufacturer Audi and the equipment supplier Elektrobit, to obtain the payment of license fees and damages, for a total of approximately €9.4 million. The Company claims that e.solutions GmbH has breached its commitments under the software development contract between the two companies. The arbitration will follow the rules set by the International Chamber of Commerce.

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.

Management

Directors and Senior Management

The following table sets forth information regarding the Company's directors as of the date of this Offering Circular.

Director's first name, surname, age and professional address	Office and term	Other offices held over the past five years	Company name
Henri Seydoux 55 years old 174-178 quai de Jemmapes 75010 Paris, France	Chairman of the Board of Directors and Chief Executive Officer Term of office: 6 years from 6/30/2015 Date first appointed: 1/31/1994	Director Director Director Director Director Director Chairman Chairman and Director Chairman and Director Chairman and Director Chairman and Director Manager Director Chairman Manager Director Director Manager	Trimaran Schlumberger NV Christian Louboutin Seychemanlou Mobinear Sigfox Parrot, Inc Parrot UK Ltd Parrot Asia Pacific Ltd Parrot Iberia, S.L. Parrot Italia S.r.l. Parrot GmbH Da Fact (until Dec. 2012) Parrot ANZ Ltd Chez Parrot S.A.R.L. senseFly Ltd Pix4D Horizon
Jean-Marie Painvin 64 years old 1633 Broadway, Suite 1804 New York NY 10019	Director Term of office: 6 years from 6/30/2015 Date first appointed: 1/31/1994	Founder and CEO Director Director	JMC Investment Boulogne Golf du Médoc
Edward K. Planchon 81 years old 38 rue de Berri 75008 Paris, France	Director Term of office: 6 years from 6/09/2010 Date first appointed: 5/04/2004	Director Director Shareholder committee moderator Director, Vice Chairman and treasury secretary Director Director Chairman & CEO Director Director Member of Supervisory Board	Electricfil S.A. Electricfil Corp (USA) Vignal Systems SAS Parrot, Inc. Parrot UK Ltd Parrot Iberia, S.L. EKP Consult LLC Holding Enricau SAS Alpen' Tech SAS SolSaCon AG
Jean-Yves Helmer 69 years old 121 boulevard Haussmann 75008 Paris, France	Director Term of office: 6 years from 6/04/2013 Date first appointed: 6/06/2012	-	-
Olivier Legrain 63 years old 19, place de la Résistance 92200 Issy-les-Moulineaux, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman and/or Director and/or Manager and/or CEO Chairman Chairman Member of the Board Director Director Member of Supervisory Board	Materis and its subsidiaries in France and Luxembourg Solaire SAS Trèfle SAS, Trèfle II Financière K2 (Kiloutou) SAS Mécénat Balas, CPI ARP S.A. LBO France

Director's first name, surname, age and professional address	Office and term	Other offices held over the past five years	Company name
		Member of Board of Directors	Qualium
Geoffroy Roux de Bézieux 53 years old OMEA TELECOM 12 rue Belgrand 92300 Levallois-Perret, France	Director Term of office: 6 years from 6/06/2012 Date first appointed: 9/14/2006	Chairman Director Chairman Vice-Chairman Office member, Deputy Vice President, Treasurer	OMEA TELECOM Ltd PSA FINANCOM Fédération Française des Télécoms (FFT) MEDEF
Stéphane Marie 52 years old COREVISE 3-5 rue Scheffer 75016 Paris, France	Director Term of office: 6 years from 6/30/2015 Date first appointed: 6/18/2009	Chairman Chief Executive Officer Co-manager Manager Chairman	Corevise FINDINTER SCI Lakvest Lakvest Expertise & Audit Adiunctae RSM
Natalie Rastoin 55 years old OGILVY 32-34 rue Marbeuf 75008 Paris, France	Director Term of office: 6 years from 5/31/2011 Date first appointed: 5/31/2011	Chairman Chief Executive Officer	Ogilvy PR Ogilvy S.A.
Marie Ekeland 40 years old 96, avenue du Marechal Bizot 75012 Paris, France	Director Term of office: 6 years from 11/06/2014 Date first appointed: 11/06/2014	Chairman Chief Executive Officer Partner Co-founder and Co-Chairman Director Director Director Director Director Director	Ogilvy PR Ogilvy S.A. Elaia Partners (until 2014) France Digitale Criteo Scoop.it Seven Academy Teads/eBuzzing Wyplay Ykone

The following table sets forth information regarding the Company's executive management as of the date of this Offering Circular:

Name	Age	Position
Henri Seydoux	55	Chief Executive Officer
Samuel Grand	43	Head of Varioptic Unit
Nicolas Halftermeyer	43	Head of Marketing and Communication
Gilles Labossiére	55	Chief Financial and Operations Officer
Yannick Levy	45	Head of Business Development
Guillaume Pinto	33	Deputy Chief Technical Officer
Eric Riyahi	46	Executive Director of the Key Accounts Range
Christophe Sausse	38	Head of Human Resources
Elise Tchen	47	Chief Industrial and Quality Officer

To the best of the Company's knowledge, there are no family relationships between the Company's directors, with the exception of Mr. Henri Seydoux and Mr. Jean-Marie Painvin, who are brothers-in-law.

Biographies of the Company's Directors and Senior Management

Directors

- **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. In 1982, he joined SSCI as an operating system software developer, before working for Microarchi from 1983 to 1984 in the same role. In 1985, he set up BBS, a company intended to market the Microarchi operating system. In 1986, he created BSCA, a synthetic 3D imaging company, and became its Chairman and Chief Executive Officer from 1986 to 1990. In 1991, with three other partners, he founded and became a director in the luxury goods company Christian Louboutin.

- **Jean-Marie Painvin**

Jean-Marie Painvin was appointed as a Company director on June 24, 2003. After graduating from Rice University in Texas with a Masters degree in mechanical engineering, he began his career in 1975 as a regional director for Trailor S.A., where he went on to become sales and marketing director between 1981 and 1988. In 1988, he became Chairman of Deutsch Relays, Inc. in the US, and in 1994 he joined Compagnie Deutsch, serving as 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 began his career in 1957 at Chrysler, where for 22 years he was responsible for financial management, marketing and sales worldwide. He was in charge of European distribution subsidiaries, a negotiator on the Chrysler Mitsubishi agreements, and the CEO responsible for sales and distribution network management for the Chrysler, Dodge, Simca, Rootes and Mitsubishi brands on international markets. He joined the executive management team at Tenneco-Poclain in 1980 and then Valeo in 1987, where he spent 16 years heading up Valeo's international business and commercial development worldwide. In 1997, he was appointed chairman of Valeo Inc, the Valeo group's holding company in North America, before being promoted to CEO for the Valeo group in 2000. He retired in December 2003. Today, Mr. Planchon is also a director with the Electricfil Group, Alpen'Tech and Vignal Group.

- **Olivier Legrain**

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

- **Geoffroy Roux de Bézieux**

Geoffroy Roux de Bézieux was appointed as an independent director of 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. In 2000, with a network of 100 stores, he sold The Phone House to The Carphone Warehouse and became the CEO of The Phone House for four years. In 2004, he set up the company Omer Telecom, launching Breizh Mobile, an alternative mobile operator for the west of France. In 2006, the Virgin Group invested in this project and launched Virgin Mobile. In 2008, he bought out Télé 2 mobile.

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

He is the author of “Salauds de Patrons ?” (Hachette) and “Pour sortir de la crise, le capitalisme” (Editions du Moment).

- **Jean-Yves Helmer**

Jean-Yves Helmer was appointed as a Company director on June 4, 2007. Mr. Helmer is a managing partner at Lazard Frères in Paris and Managing Director of Lazard LLC. In April 2001, he joined Lazard. He previously spent five years as the delegate general for armament at the French Ministry of Defense, where he was responsible for armament acquisitions, as well as a range of industrial activities, such as the naval construction division. Before that, he had spent 18 years with the PSA Peugeot Citröen automobile group, where he held various positions, notably as the manager in charge of after-sales services and spare parts, the head of exports, the head of the Poissy production center and, from July 1988 to March 1996, the head of the automobile division, the group’s number 2. Before joining PSA Peugeot Citröen, he began his career in the civil service, notably in the Ministry of Finance’s treasury division and as an industrial affairs adviser for Prime Minister Raymond Barre from August 1976 to May 1978.

- **Stéphane Marie**

Stéphane Marie was appointed as a Company director on June 18, 2009. Mr. Marie is a statutory auditor and certified accountant and graduated from CPA (HEC Executive MBA). He worked in international audit firms for nine years, including nearly three in the US, before joining the Paris-based firm Corévise in 1994, a member of Nexia International. He is currently a partner of Corévise, focused in particular on statutory auditing assignments for real estate, industrial and retail groups.

- **Natalie Rastoin**

Natalie Rastoin was appointed as an independent Company director on May 31, 2011. Mrs. Rastoin has been CEO of Ogilvy France since 2005 and Chairman of Ogilvy One since 2010. After starting off in strategic planning, she joined Saatchi & Saatchi in 1986 as Chief Development Officer, then, in 1991, she was appointed Vice-President in charge of European development. In 1992, she became CEO of the Paris branch of BDDP Conseil, before being appointed Chief Executive Officer of Ogilvy & Mather Paris in 1997 (1997-2005). Mrs. Rastoin has worked with many high-tech clients (Cisco, Yahoo!, IBM, AOL), particularly on brand globalization issues.

- **Marie Ekeland**

Marie Ekeland was appointed as an independent Company director on June 11, 2014. Mrs. Ekeland is the co-founder and co-chairman of France Digitale, an association that brings together digital innovation investors and entrepreneurs for the development of this ecosystem. She is also a member of the national digital council (Conseil National du Numérique) and the strategy council of Bpifrance Le Lab. She began her career in 1997 as an IT engineer with the investment bank JP Morgan, initially in New York, where she was involved in developing an application for the Fixed Income trading rooms, then in Paris, where she managed the team in charge of its global support. In 2000, she joined CPR Private Equity’s innovation investment team, before moving to the Venture Capital team at Crédit Agricole Private Equity and then, in 2005, joining Elaia Partners, a venture capital company focused on the digital economy, where she was a partner until 2014. Mrs. Ekeland also sits on the Boards of Directors of Criteo, Scoop.it,Sven Academy, teads/eBuzzing, Wyplay and Ykone. Mrs. 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.

Senior Management

- **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.

- **Nicolas Halftermeyer**

Nicolas Halftermeyer joined Parrot on April 26, 2005 as Head of Web & e-Commerce and then, with the development of digital activities, he became Head of Digital Marketing & e-Commerce. Since January 1, 2013, he has been Head of Marketing and Communication. After graduating from Amiens business school, he began his career in 1996 as a Product Manager with Netgem, before moving to Business Objects as Head of e-Business Development Europe from 1998 to 2001, then serving as Marketing Manager for high-tech start-ups from 2003 to 2005.

- **Gilles Labossière**

Gilles Labossière joined Parrot in September 2008 as the Group's Chief Financial and Operations Officer. An HEC graduate, he began his career as a Manager with the audit firm Arthur Andersen. In 1991, he was appointed to serve on the executive management committee of the logistics group Saga as Chief Internal Audit Officer then Chief Financial and Operations Officer. In 1997, he joined Techpack International as Chief Financial and Operations Officer. In 2000, he was involved in founding Republic Alley, a major incubator for innovative companies in France, where he was Chairman. In 2003, he became Chief Financial and Operations Officer at Linedata Services, before joining Rocamat as Deputy Chief Executive Officer.

- **Yannick Levy**

Yannick Levy joined Parrot in September 2011. Mr. Levy graduated from Supelec in 1991 and completed his Ph.D. at Notre Dame University in the US in 1994. He began his career as a project leader with SAT, a Sagem group subsidiary, where he oversaw the development of digital equipment for cable television networks. In 1997, he joined the Luxembourg-based firm Astra as a systems engineer. In 1998, he created a new business unit within the American company Atmel, overseeing the development and sale of integrated chipsets for cable and fiber optic-based access to digital television and the internet. In 2000, he co-founded DiBcom, a pioneering company in the mobile television field; he led the company from 2000 to 2011 before joining Parrot when DiBcom was sold to Parrot in September 2011. Mr. Levy heads 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. 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 became a European product manager. Mr. Riyahi graduated from INSEAD YMP and EUDIL in Lille.

- **Christophe Sausse**

Christophe Sausse joined Parrot in April 2006 as Head of Human Resources. After completing his post-graduate DESS in human resources at the IEP in Paris, he began his career in 1995 at Saft, where he was responsible for executive recruitment then head of personnel. Between 1998 and 2000, he was involved in setting up the HR function as Human Resources Development Manager within the Sema Group. In 2000, he joined Bouygues Télécom, serving as HR manager then head of human resources for a subsidiary.

- **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, she 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.

Board Practices

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 comprises of 9 directors.

Board Operations

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

Each director is invited to attend all Board meetings at least five days before the relevant session. 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 remained constant over 2014, with seven or eight directors out of eight directors present, and eight directors out of nine directors present following Mrs. Marie Ekeland's appointment. In addition to the directors, the following people attend Board meetings:

- The co-statutory auditors are invited to attend all Board meetings convened to review the annual or half-year financial statements;
- Two members representing the Works Council are invited to attend all of the Board meetings;
- Mr. Gilles Labossière, Chief Administrative and Financial Officer, is invited to and attends the Board sessions;
- Mr. Eric Riyahi, Executive VP Global Business Operation, is invited to and attends the Board meetings;
- Mrs. Karin Wittkötter, Chief Legal Officer, in charge of legal secretary aspects, served as the Board's secretary until her departure from the Company in February 2015, after which point Mr. Ludovic Floret, Mrs. Wittkötter's successor as Chief Legal Officer assumed such role;
- Mrs. Marie Calleux (Ein), in charge of the Group's financial communications, is also invited to and attends the sessions.

Director Independence

The Board and the committees of the Board are governed by the Company's bylaws, French law and the corporate governance rules set out in the MiddleNext corporate governance code, which the Company adheres to.

As such, at least two (2) of the directors must be independent. Directors are considered to be independent if they meet the following criteria:

- They 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;
- They 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;
- They 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;
- They may not serve as a director for the Company for more than 12 years;
- They may not have been an auditor of the Company during the five years prior to their appointment;
- They may not represent a shareholder holding, be a member of an entity holding, directly or indirectly, or directly or indirectly hold more than a 5% interest in the Company's capital or voting rights.

The concepts of "executive" and person with "close tie with an executive" are defined by Article L. 621-18-2 of the French Monetary and Financial Code.

The Board is required to check, at least on an annual basis, that the independent directors or candidates for positions as independent 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.

Six of the nine directors on the Board (Mr. Olivier Legrain, Mr. Geoffroy Roux de Bézieux, Mr. Stéphane Marie, Mr. Jean-Yves Helmer, Mrs. Natalie Rastoin and Mrs. Marie Ekeland) are considered to be independent directors under the criteria defined by the MiddleNext governance code.

Service Agreements between Members of the Board and the Company or any of its Subsidiaries

Mr. Edward Planchon 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 in the American market. Mr. 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 for services provided to the Company or Parrot, Inc. The daily rate for such services are the USD equivalent of €1,500. No fees have been invoiced since 2011.

In 2014, EKP Consult, LLC did not bill for any services provided to any Group companies. However, EKP Consult LLC was paid $4,428.08 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 Board providing for benefits to be awarded under such an agreement.

Committees of the Board

The Board is made up of two permanent committees: the Audit Committee and the Appointments and Compensation Committee. The Board may, from time to time, establish temporary committees. In June 2014, the Board established the Strategic Committee as a temporary committee.

Audit Committee

The Audit Committee is chaired by Mr. Edward Planchon. Mr. Stéphane Marie also sits on the Audit Committee. Mr. Stéphane Marie is considered to be independent directors under the criteria defined by the MiddleNext governance code.

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 of 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.

Appointments and Compensation Committee

The Appointments and Compensation Committee is chaired by Mr. Geoffroy Roux de Bézieux. The other directors serving on the Committee are Messrs Henri Seydoux, Olivier Legrain and Jean-Yves Helmer. In accordance with the bylaws, at least two of the members, Messrs Olivier Lebrain, Geoffrey Roux de Bézieux and Jean-Yves Helmer, are independent directors.

The Appointments and Compensation Committee meets twice before each of the Board's sessions is held in order to review matters relating to the policy for awarding stock options or bonus shares to Group staff, compensation for Management Committee members, as well as the Chairman's compensation. The Appointments and Compensation Committee is also consulted concerning the recruitment of strategic profiles for the Group. The Head of Human Resources takes part in the Committee's meetings and prepares its minutes.

Strategic Committee

In 2014, the Company launched a review concerning the need to reorganize, particularly with a view to enabling the Drone business to continue developing under optimum conditions. In June 2014, the Board decided to establish a Strategic Committee to carry out this review. The Board of Directors appointed Mr. Henri Seydoux, Mrs. Natalie Rastoin, Mrs. Marie Ekeland and Mr. Stéphane Marie to sit on the Strategic Committee.

Code of Ethics and Ethical Guidelines

Since February 2012, the Company has referred to and adopted the MiddleNext corporate governance code, specific to small and midcap companies. The MiddleNext corporate governance code for small and midcap companies is available on the MiddleNext site at www.middlenext.com. As of the date of this Offering Circular, the Company is in compliance with the applicable recommendations set forth in the MiddleNext corporate governance code.

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 in relation to the Company and their private interests or other duties.

Compensation

Compensation for the Chairman

The Chairman of the Board of Director's overall compensation is reviewed on a preliminary basis by the Appointments and Compensation Committee, which submits a proposal to the Board.

During the Board session approving the financial statements for the previous year, or during the following session, the Board members:

- Determine the Chairman's variable compensation for the previous year following a review of the definitive accounts and the objectives set the previous year;
- Determine the Chairman's fixed compensation for the current year;
- Define the principle for calculating his variable compensation.

Executive officer compensation

Mr. Henri Seydoux is the Chief Executive Officer. He assumed the position on June 24, 2003 and was reappointed on June 9, 2010. Mr. Seydoux is not party to a supplementary pension scheme and is not entitled to receive severance or termination benefits or benefits due to a non-compete clause.

■ **Summary of the executive officer's compensation**

Henri Seydoux, Parrot's Chairman and CEO	FY 2013	FY 2014
Compensation due for the year	€741,000	€550,000
Value of options awarded during the year	NONE	NONE
Value of options awarded during the year	NONE	NONE
Total	**€741,000**	**€550,000**

Executive Officer	FY 2013 Amounts due	FY 2013 Amounts paid	FY 2014 Amounts due	FY 2014 Amounts paid
Fixed compensation	€220,000	€220,000	€230,000	€230,000
Variable compensation	496,000	113,871*	320,000	233,715**
Exceptional compensation	NA	NA	NA	NA
Attendance fees	25,000	25,000	25,000	25,000
Benefits in kind	NA	NA	NA	NA
Total	**€741,000**	**€333,871**	**€550,000**	**€488,715**

(*) Of which, €80 thousand paid during 2013 for advance on 2013 bonus.

(**) Of which, €80 thousand paid during 2014 for advance on 2014 bonus.

For 2014, variable compensation was determined with a target of 100% based on a progressive scale combining a criterion for achieving revenues (25% weighting), an EBIT criterion (25% weighting) and a company performance criterion (50% weighting) assessed factoring in the key account Automotive contracts signed for solutions developed on Parrot's Asteroid platform with two of the world's top 10 auto manufacturers, the changes in the business plans of the companies acquired (DiBcom, senseFly, Varioptic), and the level of sales for consumer products (AR.Drone, ZIK, ASTEROID range).

Compensation and benefits in kind for Company directors

Name	Office	Compensation and benefits for 2014
Jean-Marie Painvin	Company director	Attendance fees: €25 thousand Benefits in kind: NA Reimbursement of costs: NA
Edward Planchon	Company director and Chairman of the Audit Committee	Attendance fees: €25 thousand for participating in the Board, and €15 thousand for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: $4 thousand (paid by Parrot S.A.)
	Director of Parrot UK Ltd	NA
	Director of Parrot Iberia S.L	NA
	Vice-Chairman, Secretary, and Treasurer of Parrot, Inc.	NA
Olivier Legrain	Company director	Attendance fees: €25 thousand 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 thousand for participating in the Board, and €15 thousand for chairing a specialized committee. Benefits in kind: NA Reimbursement of costs: NA
Jean-Yves Helmer	Company director	Attendance fees: €25 thousand Benefits in kind: NA Reimbursement of costs: NA
Stéphane Marie	Company director	Attendance fees: €25 thousand Benefits in kind: NA Reimbursement of costs: NA

Name	Office	Compensation and benefits for 2014
Natalie Rastoin	Company director	Attendance fees: €25 thousand Benefits in kind: NA Reimbursement of costs: NA
Marie Ekeland	Company director	Attendance fees: €18.75 thousand Benefits in kind: NA Reimbursement of costs: NA

During 2014, the directors were not awarded any benefits in kind, specific pension plans or severance benefit provisions irrespective of the reasons for departure, such as dismissal or retirement.

In 2014, the Company did not record any provisions in respect of pensions or other benefits for directors and other corporate officers.

Interests of Directors and Management in the Company's capital

For information on the interests of directors and management in the Company's capital, see "*Major Shareholders and Related Party Transactions—Major Shareholders.*"

Stock Options and Bonus Shares

Company founder equity warrants

During its meeting on November 10, 2011, the Board acknowledged that the 2006 Company founder equity warrant schemes had lapsed, covering all of the Company founder equity warrant schemes outstanding. No new Company founder equity warrant schemes have been set up since then.

Stock Options

During its general meetings, the Group invites its shareholders to vote on authorizations to be given to the Board to award stock options and/or warrants to employees and/or certain corporate officers of the Company or related companies.

The Group's employees are the main beneficiaries of stock option grants, in line with its commitment to retaining its teams and enabling them to share in the Company's performances.

- **Status of stock options**

Number of options	2013	2014	9 months ended Sept 30, 2015
Number of options at Jan 1	**942,134**	**784,371**	**688,515**
Options maturing during the previous year			
Options awarded during the period	91,500	123,600	103,000
		-	
Options exercised during the period	-226,163	144,070	-152,411
Options maturing during the period	-23,100	-75,386	-46,450
Number of options at period-end	**784,371**	**688,515**	**592,654**

In total, 98,370 stock options and 120,111 were exercised in 2014 and the nine months ended September 30, 2015.

Historical breakdown of stock options and bonus shares

The following table sets forth a breakdown of stock options and bonus shares as of December 31, 2014 and September 30, 2015.

Date of Board meeting and type of plan	Number of options in place at Dec 31, 14	Number awarded nine month period ended Sept 30, 2015	Number exercised during period	Number cancelled or lapsed	Number of options in place at Sep 30, 2015

Date of Board meeting and type of plan		Number of options in place at Dec 31, 14	Number awarded nine month period ended Sept 30, 2015	Number exercised during period	Number cancelled or lapsed	Number of options in place at Sep 30, 2015
Feb 11, 10: stock options	4 years	14,768	-	-9,768	-	5,000
May 12, 10: stock options	4 years	32,784	-	-20,230	-	12,554
Jul 29, 10: stock options	4 years	62,500	-	-62,500	-	-
Nov 10, 10: stock options	4 years	6,000	-	-1,000	-	5,000
Feb 10, 11: stock options	4 years	16,000	-	-7,500	-	8,500
May 12, 11: stock options	4 years	20,213	-	-13,913	-	6,300
Jul 28, 11: stock options	7 years	8,000	-	-5,000	-	3,000
Jul 28, 11: bonus shares	2 years	-	-	-	-	-
Nov 10, 11: stock options	7 years	67,000	-	-	-1,000	66,000
Feb 15, 12: stock options	7 years	203,750	-	-200	-8,750	194,800
Feb 15, 12: bonus shares	2 years	-	-	-	-	-
May 12, 12: stock options	7 years	20,800	-	-	-1,000	19,800
May 12, 12: bonus shares	2 years	-	-	-	-	-
Jul 28, 12: bonus shares	2 years	-	-	-	-	-
Nov 10, 12: stock options	7 years	21,600	-	-	-	21,600
Nov 10, 12: bonus shares	2 years	-	-	-	-	-
Feb 20, 13: stock options	7 years	10,500	-	-	-	10,500
Feb 20, 13: bonus shares	2 years	23,700	-	-21 500	-2,200	-
May 15, 13: stock options	7 years	24,000	-	-	-	24,000
May 15, 13: bonus shares	2 years	13,300	-	-10 800	-2,500	-
Aug 1, 13: bonus shares	3 years	2,500	-	-	-	2,500
Nov 15, 13: bonus shares	3 years	17,500	-	-	-3,500	14,000
Nov 14, 13: bonus shares	3 years	93,500	-	-	-	93,500
Mar 1, 14: bonus shares	3 years	25,700	-	-	-20,600	5,100
Oct 1, 14: bonus shares	3 years	4,400	-	-	-400	4,000
Mar 1, 15: bonus shares	3 years	-	101 500	-	-6,500	95,000
Jul 1, 15: bonus shares	3 years	-	1 500	-	-	1,500
2015 total		688,515	103,000	-152,411	-46,450	592,654

■ **Stock options awarded**

In 2014, no stock options were awarded and 34,386 stock options lapsed during the year. In the nine months ended September 30, 2015, no stock options were awarded and 10,750 stock options lapsed.

Bonus shares

During its general meetings, the Group invites its shareholders to vote on authorizations to be given to 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.

The Group's employees are the main beneficiaries of bonus share grants, in line with its commitment to retaining its teams and enabling them to share in the Company's performances. In addition, the shares used when awarding bonus shares are traditionally taken from treasury stock acquired by the Company in connection with its share buyback programs and therefore do not result in any dilution of the capital.

No bonus shares were awarded in 2014. During the nine months ended September 30, 2015, 103,500 bonus shares were awarded.

Mandatory profit-sharing agreements

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

As such, a mandatory profit-sharing agreement was signed on May 2, 2006 between the Company's management and the sole staff representative office.

As of the date of the Offering Circular, there have been no amounts of the special profit-sharing reserve paid out.

Voluntary performance-related bonus agreement

A new voluntary performance-related bonus agreement was signed on June 20, 2012 between the Company and the sole staff representative office. The agreement was entered into for a three-year period, commencing January 1, 2012.

The performance-related bonus is calculated based on elements from the Group's income from ordinary operations and revenues.

The individual amount of the performance-related bonus is determined in proportion to each employee's salary base for half, with the other half calculated in proportion to the period for which the employee was present during the year.

In 2014, the amount of the performance-related bonus to be paid out was €0.27 million (versus €0.40 million in 2013).

Securities convertible into or exercisable for equity in the Company

As of the date of this Offering Circular, the officers of the Company do not hold any securities convertible into or exercisable for equity in the Company.

Major Shareholders and Related Party Transactions

Major Shareholders

The following table presents the breakdown of the capital interests and voting rights of the Company's main shareholders at November 6, 2015 (i) before the exercise of securities convertible into or exercisable for equity in the Company (undiluted capital) and (ii) after the exercise of securities convertible into or exercisable for equity in the Company (diluted capital).

The total number of Company shares that could be issued if all the securities convertible into or exercisable for equity in the Company at November 6, 2015 were exercised is 377,054 for stock options, representing a potential dilution of around 3.00% of the Company's capital; traditionally, the Company offsets issues of stock options by cancelling treasury stock.

	Number of Company shares held at Nov. 6, 2015	% of capital	% of theoretical voting rights (1)	% of voting rights exercisable at a general meeting	Number of Company shares held at Dec. 31, 2014	% of capital	% of theoretical voting rights (1)	% of voting rights exercisable at a general meeting
Total number of shares (A)	**12,553,774**	**100.00%**	**100.00%**	**100.00%**	**12,709,068**	**100.00%**	**100.00%**	**100.00%**
Founder (B)								
Henri Seydoux (Horizon)(2)	4,546,204	36.21%	36.21%	37.35%	4,546,204	35.77%	35.77%	37.47%
Founder subtotal	**4,546,204**	**36.21%**	**36.21%**	**37.35%**	**4,546,204**	**35.77%**	**35.77%**	**37.47%**
Board members (C)								
Jean Marie Painvin	100	0.00%	0.00%	0.00%	100	0.00%	0.00%	0.00%
Edward Planchon	1	0.00%	0.00%	0.00%	1	0.00%	0.00%	0.00%
Geoffroy Roux de Bézieux	732	0.01%	0.01%	0.01%	732	0.01%	0.01%	0.01%
Olivier Legrain	20	0.00%	0.00%	0.00%	20	0.00%	0.00%	0.00%
Jean-Yves Helmer	50	0.00%	0.00%	0.00%	50	0.00%	0.00%	0.00%
Stéphane Marie	1	0.00%	0.00%	0.00%	1	0.00%	0.00%	0.00%
Natalie Rastoin	1,000	0.01%	0.01%	0.01%	1,000	0.01%	0.01%	0.01%
Marie Ekeland	27	0.00%	0.00%	0.00%	27	0.00%	0.00%	0.00%
Board members subtotal	**1,931**	**0.02%**	**0.02%**	**0.02%**	**1,931**	**0.02%**	**0.02%**	**0.02%**
Other declared investors (D)								
Covéa Finance (3)	365,107	2.91%	2.91%	3.00%	635,738	5.00%	5.00%	5.24%
OJEJ (4)	561,906	4.48%	4.48%	4.62%	561,906	4.42%	4.42%	4.63%
HG Vora Capital (5)	1,340,000	10.67%	10.67%	11.01%	—	—	—	—
Declared investors subtotal	**2,267,013**	**18.06%**	**18.06%**	**18.63%**	**1,197,644**	**9.42%**	**9.42%**	**9.87%**
Parrot S.A. treasury shares (E)	**382,342**	**3.05%**	**3.05%**	**0.00%,**	**575,870**	**4.53%**	**4.53%**	**0.00%**
Estimated free float (A-B-C-D-E)	**5,358,215**	**42.68%**	**42.68%**	**44.02%**	**6,387,419**	**50.26%**	**50.26%**	**52.64%**

(1) Percentage of voting rights calculated in accordance with the provisions of Article 223-11 of the AMF General Regulations.

(2) Henri Seydoux controls the company Horizon. He is also CEO of the Company.

(3) On June 30, 2015, Covéa Finance declared a holding of 365,107 shares representing as many 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 reported that it held 1,255,000 shares representing as PARROT voting rights (AMF Declaration No. 215C1334 dated September 25, 2015).

On November 17, 2015, OJEJ and Horizon entered into a contribution agreement (the "Contribution Agreement") providing for the contribution by OJEJ to Horizon, at the latest by November 30, 2015, of all of the Ordinary Shares that it owns, as well as all of the Rights attached thereto. OJEJ and Horizon have declared that they were not acting in concert *vis-à-vis* the Company. Upon completion of this contribution (but without giving effect to the Offering), Horizon will own 5,108,110 Ordinary Shares, representing 40.69% of the share capital and voting rights of the Company. In connection with the increase in Horizon's holdings in the Company, Horizon had to seek a temporary exemption to the obligation to launch a public takeover during a meeting of the board of the AMF on November 12, 2015.

Voting Rights

Each Company share is entitled to one voting right. As such, the shareholders listed in the table above have a number of voting rights that is equal to the number of shares they hold.

Controlling Shareholder

At October 31, 2015, the Company's main shareholder was Mr Henri Seydoux, holding 36.2% of the Company's capital and voting rights and serving as its Chairman and Chief Executive Officer. Since February 2014, all of the Ordinary Shares held by Henri Seydoux have been transferred to Horizon, a company which he controls. As such, Mr. Seydoux controls the Company.

Agreements whose Implementation Could Result in a Change of Control

To the Company's knowledge, there are no arrangements that would result in a change of control of the Company at a subsequent date.

Related Party Transactions

Since January 1, 2012, no material transactions were carried out with:

- Shareholders with significant voting rights in the Company's capital;
- Members of the executive management bodies, including directors and observers. For more information on a service agreement between the Group and Mr. Edward Planchon, a member of the Board of the Directors, see "*Management—Board Practices—Board Operations—Service Agreements between Members of the Board and the Company or any of its Subsidiaries*"; or
- Entities over which one of the main executives exercises control, joint control or a significant influence or holds a significant number of voting rights.

See also note 31 to the Annual Financial Statements and note 22 to the Interim Financial Statements.

Description of Share Capital

Parrot is a French-law limited company ("*société anonyme")* governed by the laws and regulations in force, including the provisions of the French Commercial Code applicable to publicly traded companies. As of October 31, 2015, the share capital of the Company was divided into 12,553,774 fully paid-up ordinary shares, all of the same category, with a par value of €0.1524, representing a total of €1,913,839.

Share Buybacks

Share buyback policy and objectives

The general meeting on June 30, 2015 renewed the authorization to implement a share buyback program for an 18-month period ending December 30, 2016. Under this authorization, the Company may buy back shares in connection with either a liquidity agreement or allocations of shares to Group employees.

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, which is renewable tacitly subject to the renewal of the authorization given to the Board to implement a share buyback program by the aforementioned general meeting. The ordinary general meeting on June 30, 2015 renewed the authorization for the Board to implement a share purchase program, and the Board acknowledged the automatic renewal of the agreement for a one year period expiring on July 31, 2016.

As authorized by the general meeting on June 30, 2015, the maximum purchase price for shares has been set at €82 per share. Acquisitions made by the Company under this authorization 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, submission in exchange for payment in connection with acquisitions or reducing the Company's capital.

Liquidity agreement in connection with the share buyback programs

The financial resources made available to Natixis so that it can perform its market making activity have been set at a maximum of €650,000, paid up in full, with the maximum unit price for purchases not to exceed €82.

Under the liquidity agreement, in the first 10 months of 2015, 238,098 shares and 236,561 shares were bought and sold, respectively, at average prices of €30.93 and €30.26, respectively.

There are 8,486 Ordinary Shares registered in the Company's name pursuant to this agreement, cumulatively valued at €344,630, based on an average purchase of €40.61 per Ordinary Share. Acquisitions are made under the agreement for market making and to increase the liquidity of the Ordinary Shares. The resources available for the liquidity account as of October 31, 2015 are €650,000. The annual amount of trading fees for Natixis is a flat fee of €30,000.

Treasury share buybacks in connection with the share buyback programs

During its meeting on February 26, 2015, the Board authorized the Company to implement a new program to buy back shares in addition to those needed for the liquidity agreement. The operations to buy back shares were launched on March 4, 2015. Under the program, treasury stock may be cancelled or used for stock option awards and/or bonus shares and/or any other forms of share awards, share exchanges, payment or otherwise in connection with acquisitions.

The Company did not buy back shares during 2014. In 2015, the Company has bought back 150,000 shares, excluding shares purchased under the liquidity agreement.

Authorized capital not issued

The following table summarizes the valid delegations granted by the general shareholders' meetings to the board of directors as well as the uses made of them during 2015.

- Ordinary general meeting on June 30, 2015

Delegation given to the Board	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization given to the Board to implement a program to acquire the Company's shares in connection with European Commission Regulation 2273/2003 of December 22, 2003 and Article L. 225-209 of the French commercial code, term of authorization, rationale, conditions and maximum limits.	18 months from June 30, 2015, i.e. through to Dec 31, 2016	10% per 24-month period	Liquidity agreement only

- Extraordinary general meeting on June 30, 2015

Delegation given to the Board	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization given to 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 June 30, 2015, i.e. through to Dec 31, 2016	10% per 24-month period	NA

- Extraordinary general meeting on November 6, 2015

Delegation given to the Board	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
1 - Authorization for the Board 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.	From Nov 6, 2015 to the end of the general meeting ruling on the financial statements for the year ending Dec 31, 2016	1% of the capital (at Nov 6, 2015)	NA
2 - Authorization for the Board 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.	From Nov 6, 2015 to the end of the general meeting ruling on the financial statements for the year ending Dec 31, 2016	2% of the capital (at Nov 6, 2015)	NA
3 - Delegation of authority for the Board to issue ordinary Company	26 months from Nov 6, 2015, i.e. through to	€3,810,000	NA

Delegation given to the Board	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
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.	Jan 6, 2018		
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, term of the delegation, maximum nominal amount of the capital increase.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	€750,000	NA
5 - Delegation of authority for the Board 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 (*Code monétaire et financier*), term of the delegation, limits concerning the amounts of issues.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	20% of the capital per year	NA
6 - Authorization for the Board, 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.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	15% of the initial issue (and in accordance with the maximum limit for the initial issue)	NA
7 - Delegation of authority for the Board to issue ordinary Company shares and/or capital securities	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	€750,000	NA

Delegation given to the Board	Term of the delegation	Maximum nominal amount of capital increase	Use made in 2015
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.			
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, term of authorization, maximum nominal amount of the capital increase.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	10% of the capital (at 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, term of the delegation, maximum nominal amount of the capital increase.	26 months from Nov 6, 2015, i.e. through to Jan 6, 2018	€750,000	NA

Overall cap on the authorizations presented in Points 3 to 8 above: nominal value of €3,810,000.

Changes to the share capital

The following table shows the changes to the Company's share capital since January 1, 2012.

Date	Operation	Number of shares issued	Par value of shares (€)	Nominal amount of change in capital (€)	Issue, contribution or merger premium (€)	Aggregate amount of share capital (€)	Aggregate number of shares
Feb 15, 2012	Capital reduction	200,000	0.1524	-30,480	-4,513,520	1,934,920	12,692,145
Nov 15, 2012	Exercising of stock options	46,457	0.1524	7,080	678,363	1,942,001	12,738,602
May 15, 2013	Capital reduction	200,000	0.1524	-30,480		1,911,521	12,538,602
May 15, 2013	Exercising of stock options	86,958	0.1524	13,252	655,528	1,924,773	12,625,560
Nov 14, 2013	Exercising of stock options	23,289	0.1524	3,549	162,688	1,928,322	12,648,849

Date	Operation	Number of shares issued	Par value of shares (€)	Nominal amount of change in capital (€)	Issue, contribution or merger premium (€)	Aggregate amount of share capital (€)	Aggregate number of shares
Feb. 26, 2014	Exercising of stock options	6,444	0.1524	982	37,677	1,929,304	*12,655,293
Feb 26, 2015	Capital reduction	320,000	0.1524	-48,768	7,200,276	1,895,528	12,433,663
2015	Exercising of stock options	120,111	0.1524	18,305	1,935,131	1,913,839	12,553,774

* The difference recorded for the capital at December 31, 2014 is linked to the Board meeting held on February 26, 2015 acknowledging this capital increase, so following the end of the reporting period.

The Rights Attaching to Ordinary Shares

The Ordinary Shares are subject to French law and the provisions of the Company's articles of association. The following contains a description of the Company's articles of association are summaries and are qualified by reference to the Company's articles of association, which is available on the Company's website.

Rights and obligations attached to the shares

Each share entitles its holder to a share in the profits and corporate assets in proportion to the capital it represents and to vote and be represented at general meetings of the shareholders in accordance with legal and regulatory requirements.

Shareholders are only liable for the nominal amount of the shares they hold, and no call for funds exceeding that amount is permitted. The rights and obligations attached to the shares follow such shares regardless of any changes in the ownership thereof.

Whenever it is necessary to own several shares in order to exercise any right, in the case of an exchange, reverse stock split or allotment of shares, or as a result of a capital increase or decrease, merger or any other corporate action, the owners of separate shares, or those holding fewer than the required number of shares, may only exercise such rights provided they make it their personal business to combine and, as applicable, purchase or sell the required number of shares.

Joint owners of undivided shares are required to have only one of them, who is deemed to be the sole owner of such shares, or a sole proxy represent them before the Company. In the event of disagreement, a sole proxy may be appointed by court order at the request of the most diligent joint owner. Unless the joint owners have agreed otherwise and have notified the Company thereof, the voting right belongs to the beneficial owner in ordinary shareholders' meetings and to the bare owner in extraordinary shareholders' meetings.

The rights of shareholders set forth in the Company's articles of association may only be amended at an extraordinary general meeting of the Company's shareholders.

Sale and transfer of shares and other transferable securities issued by the Company

The shares issued by the Company may be freely traded unless otherwise limited by legal or regulatory provisions. Ownership of the shares results from the registration of shares in an account in the name of the holder or holders, in the accounts kept by the Company or an agent thereof for registered shares or in the accounts kept by a duly authorized intermediary for bearer shares. Shares are sold, with respect to third parties and the Company, by account-to-account wire transfer under the applicable legal and regulatory terms.

Changes in share capital

The Company's share capital may be increased, decreased or redeemed by any means and in any manner as permitted by law.

Shareholders' identity – Disclosure thresholds

In addition to the obligations set forth in Article L. 233-7 of the French Commercial Code, any individual or legal entity, acting on their own or in concert with others, that may own, directly or indirectly, a number of shares representing 2.5% of the capital or of the voting rights, or any multiple of such percentage, is required to inform the Company of the total number and percentage of shares and voting rights that it holds by specifying their name as well as that of the persons acting in concert therewith, by email at ag@parrot.com confirmed on the same day by registered letter with acknowledgment of receipt requested sent to the registered office of the Company, within four trading days after any of the disclosure thresholds have been exceeded. This obligation applies under the same conditions as those set forth in the previous paragraph whenever the fraction of the capital or voting rights falls below one of the thresholds set forth above.

In the event of non-compliance with the obligations stipulated in the two previous paragraphs, the shares exceeding the fraction that should have been disclosed shall carry no voting rights for the entire general meeting that may be held until the expiry of a two-year period following the date on which the disclosure has been properly made. Except when any of the thresholds referred to in Article L. 233-7 of the French Commercial Code have been crossed, deprivation of the voting rights shall occur only at the request, recorded in the minutes of the general meeting, of one or more shareholders holding at least 2.5% of the capital and voting rights in the Company.

Appointment and Re-Election of Board and Chairman

The Company is managed by a Board comprising at least three but no more than twelve members, with each director's term in office being six years. Each Board member must hold at least one share while in office.

If one or more Board seats becomes vacant due to death or resignation, the Board may, between general meetings of shareholders, make provisional appointments to fill such vacancies in accordance with the terms set forth by law. Should the number of Board members in office fall below the minimum number required by law, the members still in office or, failing that, the statutory auditors, must immediately call an ordinary general meeting of the shareholders for the purpose of filling the seats on the Board.

Any interim appointments made by the Board are subject to approval by the next general meeting of the shareholders. Should the interim appointment not be approved by the general meeting of the shareholders, the decisions taken and actions carried out by the interim Board members or with their support, shall nevertheless remain valid. A Board member named to replace another director shall remain in office for the time remaining in the term of his/her predecessor.

Any outgoing member is eligible for re-election. However, as an exception to the foregoing provisions, the number of Board members that are individuals and permanent representatives of legal entities, and who are over 70 years of age, may not, at the end of each ordinary general meeting of the shareholders be called to vote on the individual company accounts, exceed one third (rounded up, as applicable, to the next full number) of the Board members in office.

The Board elects, from among its members, a chairman, for whom it sets the remuneration and the term of office. The chairman's term of office may not exceed the chairman's term of office as a Board member. The chairman is eligible for re-election. However, the age limit for exercising the office of chairman of the Board is 65 years of age.

Powers of the Board of Director

The Board determines the strategic directions of the business activities of the Company and ensures that they are implemented. Subject to the powers expressly granted to general meetings of the shareholders and within the limits of the corporate purpose, the Board reviews any matter related to the proper operation of the Company and decides on any such issues in its proceedings.

In dealings with third parties, actions of the Board that do not pertain to the corporate purpose shall also be binding on the Company, unless it can be established that the third party was aware of the fact that such actions exceeded the corporate purpose or that such third party could not have been unaware thereof considering the circumstances; sole publication of the articles of association shall not suffice to constitute such proof.

The Board may carry out any controls and audits it sees fit. Each Board member shall receive the information required to discharge his duties and may ask to receive any documents that he deems useful.

The Board may adopt internal rules specifying the methods of its operation. The Board may decide to create committees responsible for analyzing matters that the Board or its chairman has submitted for an opinion based on their review. The Board sets the composition and the powers, duties, functions and responsibilities of the committees, which perform their activities under its responsibility, and sets the remuneration, if any, for members of such committees.

Meetings of Shareholders

General Meetings of Shareholders

The ordinary annual meeting of shareholders is called every year within six months after the previous year-end, unless an extension has been granted by court order.

At the ordinary meeting of shareholders, shareholders shall be provided with the management report of the Board and the reports of the statutory auditors and shall approve the annual accounts and vote on the appropriation of earnings and the distribution of profits. They shall appoint and remove from office the Board members and set their remuneration in accordance with the terms provided by law or the articles of association, as well as appoint the statutory auditors. At the ordinary meeting of shareholders, shareholders shall grant the Board powers which the latter deems appropriate to request from it and that are not reserved to extraordinary meetings of shareholders. Generally, shareholders shall rule on anything that does not entail an amendment of the articles of association.

At the ordinary meeting of shareholders, shareholders shall vote on the appointment to the Board of the candidate named by simple majority of the employee shareholders meeting in a general meeting at the initiative of the chief executive officer, with the right to subdelegate to the Director of Human Resources, provided that at year-end, the staff of the Company and the companies associated with it hold at least 3% of the capital, under collective management.

Extraordinary general meeting of shareholders

Extraordinary general meetings are convened and held in accordance with the conditions stipulated by law, with the agenda of such meetings to be prepared by the person convening the meeting. However, shareholders or the Works Council may, under certain conditions, require that specific subject and resolution projects be recorded in the agenda of the general meeting. The general meeting may not deliberate on an item that is not listed in the agenda. It may, however, under any circumstances, remove from office one or more directors and proceed to replace them.

At the extraordinary general meeting of shareholders, shareholders may amend all the provisions of the articles of association. It may not, however, increase the commitments of the shareholders or change the nationality of the Company, unless so provided by law or international treaties.

Shareholders at the extraordinary general meeting of shareholders are the only body authorized to check and approve any contributions in kind and special benefits.

Access to general meetings

The general meeting consists of all the shareholders regardless of the number of shares they hold, provided they have been fully paid up. Any shareholder may attend the general meetings and participate in the deliberations in person or by proxy, regardless of the number of shares held, on simple proof that such person is a shareholder. A shareholder who is unable to attend the meeting in person to cast his vote remotely pursuant to certain conditions or vote through a proxy.

Quorum and voting at general meetings

At general meetings of the shareholders, each shareholder has as many votes as that shareholder has or represents without limitation.

The ordinary meeting of shareholders does not deliberate validly when convened for the first time unless the shareholders present or represented or voting by correspondence hold at least one fifth of the shares carrying voting rights. When convened for a second time no quorum shall be required. The meeting shall rule by majority of votes held by the shareholders present or represented, including shareholders who have cast a vote by correspondence.

The extraordinary general meeting of shareholders may deliberate validly only if the shareholders present or represented or who have cast a vote by correspondence hold at least, when the meeting is convened for the first time, one fourth, and when convened for the second time, one fifth of the shares carrying voting rights. In the event that there is no such quorum, the second general meeting may be postponed to a date that is no more than two months after the date for which it was previously called. It shall rule by a two-thirds majority of the votes held by the shareholders present or represented or who have cast a vote by correspondence.

In the event of a capital increase by incorporation of reserves, profits or share premiums, the general meeting of shareholders shall vote under the conditions of quorum and majority for ordinary general meetings.

Distribution of profits

After approving the accounts and recording the existence of distributable profit as defined by law, the general meeting of shareholders may decide to record such profit in one or more reserves line items, and to settle the allocation or use thereof, or to carry it forward or distribute it. At least five percent is deducted from the profit for the year (less any prior losses that might apply) to establish the legal reserve fund. This deduction is mandatory until the reserves have reached one tenth of the share capital.

The general meeting of shareholders may decide to distribute any amounts charged to reserves available to it, by expressly indicating the reserve line items to which such charges are posted. However, dividends are primarily paid out of the distributable profit for the year. An interim dividend may also be distributed before approval of the annual accounts. The shareholders' meeting resolving on the annual accounts may propose to all shareholders with respect to choose between payment in cash or in shares of the Company of all or part of a dividend or interim dividend to be distributed.

The general meeting of shareholders may grant each shareholder the option of receiving dividend payments in cash or in shares as required by law in respect of all or part of the dividend distributed or in respect of the interim dividends.

Preferential rights to subscribe securities of the same class

Ordinary Shares carry a preferential right to subscribe shares in the event of a capital increase. Shareholders hold preferential rights to subscribe shares issued for cash consideration for the purpose of carrying out a share capital increase in proportion to the amount of their Ordinary Shares. During the subscription period and whenever detached from shares which are tradable, such preferential rights are also tradeable. If not, they may be transferred subject to the same conditions as those applicable to the Ordinary Shares.

Shareholder Rights in the Event of a Liquidation

Subject to compliance with the mandatory legal provisions in effect, in the event of a liquidation, the Company shall comply with the procedures set forth in its articles of association, and Articles L. 237-14 to L. 237-31 of the French Commercial Code shall not apply.

The ordinary general meeting of shareholders shall name one or more liquidators whose duties and remuneration they shall determine. This appointment shall terminate the duties of the Board members and, unless otherwise decided by the general meeting, those of the statutory auditors. The ordinary general meeting reserves the right to remove or replace the liquidators and broaden or restrict their powers. The mandate of the liquidators shall, unless otherwise stipulated, be granted for the entire duration of the liquidation.

At the end of the liquidation, the shareholders called to an ordinary general meeting shall rule on the final liquidation account, the discharge of the liquidator's management and completion of their mandate and shall record the closure of the liquidation under the same condition. The amount of equity remaining after the nominal amount of the shares has been repaid shall be divided equally among all the shares.

During repayment of the share capital, the burden of all taxes that the Company may be required to withhold at source shall be distributed among all the shares without distinction in uniform proportion to the capital repaid to each of them, without the need to take into account the various dates of issuance or the origin of the various shares.

Change of Control

The Company's articles do not provide for any arrangements which make it possible to delay, defer or prevent a change of control.

Certain Tax Considerations

Certain French Tax Considerations for Non-French Resident Investors

The following is a general summary of certain French tax consequences of the acquisition, ownership and disposal by non-French residents of rights, Warrants and New Shares to be acquired pursuant to the Offering Circular. This summary may only be relevant to you if you are not a resident of France and you do not hold your Offered Securities in connection with a permanent establishment or a fixed base in France through which you carry on a business or perform personal services, if you have not held more than 25%, directly or indirectly, alone or together with relatives, in the Company's dividend rights (*droits aux bénéfices sociaux*) at any time during the preceding five years and if you are neither domiciled nor established or constituted in a non-cooperative State or territory ("NCST") within the meaning of Article 238-0 A of the French tax code ("FTC"). This summary is based on the tax laws and regulations of France, the practice of the French tax authorities and the applicable double taxation convention or treaties with France, all as currently in effect, and all as subject to change, possibly with retrospective effect.

This summary does not cover all aspects of French taxation that may be relevant to the acquisition, ownership and disposal of Offer Securities by prospective investors in light of their particular circumstances. In particular, this summary does not address the tax treatment of holders that are subject to special rules, such as partnerships, trusts, regulated investment companies, foreign states, international organizations, foreign public bodies, tax exempt entities including pension funds, banks or other financial institutions, broker-dealers, or entities with a fixed base of business in a country different from the country of which the entity is a tax resident, among others.

This summary is for general information only. Prospective investors are advised to consult their own tax advisers as to the particular French tax consequences to them of acquiring, owning and disposing of Offered Securities, in light of their particular facts and circumstances, as well as the applicability and effect of local, non-French tax laws.

Prospective investors that are U.S. residents should refer to the discussion below under "*Certain United States Federal Income Tax Considerations*."

Rights

Subject to the provisions of any applicable tax treaty, the receipt, exercise, expiration or sale of the rights should not be taxable in France.

Warrants

Subject to the provisions of any applicable tax treaty, the exercise, expiration or sale of Warrants should not be taxable in France.

New Shares

Dividend Distributions

Dividends distributed by the Company are, in principle, subject to a withholding tax which is withheld by the entity paying the dividend whenever the tax residence or the registered office of the beneficiary is situated outside France.

Subject to the following, the rate of such withholding tax is:

- 21% if the dividends are eligible for the 40% tax credit set out in paragraph 3.2° of article 158 of the FTC and the beneficiary is a natural person whose tax residence is situated in a Member State of the European Union or in a State party to the agreement on the European Economic Area having entered into a convention on administrative assistance (*convention d'assistance administrative*) with a view to combating tax evasion and avoidance with France;

- 15% if the beneficiary is an organization whose registered office is situated in a Member State of the European Union having entered into a convention on administrative assistance with a view to combating tax evasion and avoidance with France and which would be eligible, if its registered office were situated in France, for the special tax regime laid down by paragraph 5 of article 206 of the FTC (which refers to organizations generally referred to as "non-profit organizations") and as interpreted by the French tax administration (BOI-IS-CHAMP-10-50-10-40-20130325, n° 580 *et seq*.); and

– 30% in all other cases.

However, regardless of the location of the tax residence or registered office of the beneficiary and subject to applicable tax treaties, if they are paid outside France in an NCST, the dividends distributed by the Company will be subject to a 75% withholding tax. A list of the NCSTs is published by interministerial decree and updated each year.

The withholding tax may however be reduced or even eliminated, in particular in the following cases:

(i) pursuant to article 119 *ter* of the FTC subject to certain conditions and with respect to legal entities whose place of effective management is situated in a Member State of the European Union, as interpreted by the French tax administration (BOI-RPPM-RCM-30-30-20-10-20140725);

(ii) in the circumstances and subject to the conditions specified by the French tax administration (BOI-RPPM-RCM-30-30-20-40-20150401) regarding companies or other organizations fulfilling the conditions for being eligible to the parent-subsidiary tax regime laid down by articles 145 and 216 of the FTC, and whose place of effective management is situated in another Member State of the European Union or in a State party to the agreement on the European Economic Area having entered into a convention on administrative assistance (*convention d'assistance administrative*) with a view to combating tax evasion and avoidance with France and which cannot set off the French withholding tax in their State of residence;

(iii) pursuant to applicable international tax treaties, if any; or

(iv) pursuant to article 119 *bis* of the FTC, subject to certain conditions specified by the French tax administration (BOI-RPPM-RCM-30-30-20-70-20130812), with respect to undertakings for collective investments constituted pursuant to the laws of a Member State of the European Union or of another State or territory having entered into a convention on administrative assistance (*convention d'assistance administrative*) with a view to combating tax evasion and avoidance with France

Prospective investors are invited to consult their usual tax advisor in order to determine the tax rules applicable to their particular situation, and in particular whether the rules relating to NCSTs may apply to them or whether they may claim the benefit of a reduction or exoneration of withholding tax (and what the practical terms therefor are, particularly those provided by the French tax administration (BOI-INT-DG-20-20-20- 20-20120912) in connection with the so-called "regular" or "simplified" procedure for the reduction or exemption of withholding tax under tax treaties).

Prospective investors shall also comply with applicable tax laws in their own country of residence in connection with the dividends distributed by the Company and subject to, if any, the provisions of any tax treaty that would be entered into between France and such other country.

Sale

Subject to the provisions of any applicable tax treaty, any gain arising on the sale of New Shares should not be taxable in France.

A transfer for consideration of New Shares is, subject to limited exceptions, subject to registration requirements if evidenced by a written agreement executed in France, in which case a 0.1% transfer duty is assessed on the higher of the purchase price or market value of the New Shares.

Estate and Gift Tax

France imposes estate and gift tax on the acquisition by way of inheritance or gift of shares in a French company. The tax applies without regard to the tax residence of the transferor. However, France has entered into estate and gift tax treaties with a number of countries pursuant to which, subject to the satisfaction of certain conditions, residents of the treaty countries may be exempted from such tax or obtain a tax credit.

Wealth Tax

French wealth tax (*impôt de solidarité sur la fortune*) does not generally apply to shares in a French company held by non-French resident individual shareholders owning, directly or indirectly, less than 10% of the company's share capital and whose ownership does not enable the holder to exercise influence over such company.

Corporate investors are not subject to the wealth tax.

Financial Transaction Tax

A financial transaction tax applies, under certain conditions, to the acquisition of shares and certain other equity securities (including *bons de souscription d'actions*) of publicly traded companies whose registered seat is situated in France and whose market capitalization, as of December 1st of the year preceding that of the acquisition, exceeded €1 billion. The market capitalization of the Company was not in excess of this threshold as of December 1, 2014, and the acquisition in 2015 of securities issued by the Company will accordingly not be subject to this financial transaction tax.

Certain United States Federal Income Tax Considerations

General

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of Rights, Warrants, Warrant Ordinary Shares (as defined below), and New Shares by a U.S. Holder (as defined below). This summary is limited to U.S. Holders that acquire Rights, Warrants, Warrant Ordinary Shares, and New Shares pursuant to this Offering Circular and that will hold the Rights, Warrants, Warrant Ordinary Shares, and New Shares as capital assets (generally, property held for investment).

This summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, U.S. Treasury regulations promulgated under the Code, and administrative rulings, and judicial interpretations thereof, as well as on the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income and Capital (the "Treaty") all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis.

This summary does not purport to address all U.S. tax consequences of the ownership of Rights, Warrants, Warrant Ordinary Shares, or New Shares and does not address aspects of U.S. federal income taxation that may be relevant to investors that are subject to special tax rules, including, for example, banks, thrifts, real estate investment trusts, regulated investment companies or grantor trusts, insurance companies, dealers in securities or currencies, expatriates, tax-exempt investors, holders that own (directly, indirectly, or by attribution) 10% or more of our voting stock, holders whose functional currency is not the U.S. dollar, or holders that hold our shares as a position in a "straddle," as part of a "synthetic security" or "hedge," as part of a "conversion transaction" or other integrated investment, or as other than a capital asset. Moreover, this summary does not address the U.S. federal estate, and gift tax, alternative minimum tax or unearned income Medicare contribution tax consequences, or any U.S. state, local or non-U.S. tax consequences of the ownership and disposition of our Rights, Warrants, Warrant Ordinary Shares, and New Shares.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Rights, Warrants, Warrant Ordinary Shares, or New Shares that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;

- a corporation or other entity taxable as a corporation that is created or organized in the United States or under the laws of the United States or any political subdivision thereof;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more United States persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of Rights, Warrants, Warrant Ordinary Shares, or New Shares, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. A partnership holding Rights, Warrants, Warrant Ordinary Shares, or New Shares and the partners in such a partnership should consult their tax advisors regarding the associated tax consequences.

U.S. Holders should consult their tax advisors regarding the U.S. federal, state, and local, and non-U.S. tax consequences to them of the ownership and disposition of Rights, Warrants, Warrant Ordinary Shares, and New Shares.

Rights

Receipt, Exercise and Expiration

A U.S. Holder should not recognize any gain or loss for U.S. federal income tax purposes as a result of the receipt, exercise, or expiration of the Rights.

If the fair market value of Rights when received by a U.S. Holder is less than 15% of the fair market value of the Ordinary Shares with respect to which such Rights are received, the Rights will have no basis unless the U.S. Holder affirmatively elects to allocate its adjusted tax basis in its Ordinary Shares between its Ordinary Shares and the Rights received in proportion to their relative fair market values (as determined on the date Rights are received). A U.S. Holder must make this election in its timely filed U.S. federal income tax return for the taxable year in which the Right are received and once made, the election is irrevocable. If, at the time of receipt, the fair market value of the Rights is 15% or more of the fair market value of the Ordinary Shares with respect to which the Rights are received, a U.S. Holder’s adjusted tax basis in its Ordinary Shares must be allocated between its Ordinary Shares and the Rights received in proportion to their relative fair market values (as determined on the date Rights are received).

A U.S. Holder will generally not recognize gain or loss on the exercise of Rights. The tax basis of the Offered Securities acquired through the exercise of the Rights will equal the sum of (a) the Subscription Price determined at the spot rate of exchange on the date of exercise, and (b) the U.S. Holder's adjusted tax basis in the Rights, if any. Such basis must be allocated among the New Shares, the Class 1 Warrants, and the Class 2 Warrants in proportion to their relative fair market values on the exercise date. The holding period of the New Shares and Warrants acquired through exercise of the Rights will begin with and include the date of exercise.

If a U.S. Holder receives the Rights pursuant to this Offering Circular and such Rights expire, the U.S. Holder will generally not recognize gain or loss, and any basis allocated to the expired Rights will revert back to the Ordinary Shares owned by such U.S. Holder with respect to which such Rights were received.

Sale, Exchange or Other Disposition

Subject to the discussion below under “—*Passive Foreign Investment Company Rules*”, a U.S. Holder will recognize capital gain or loss on the sale or other taxable disposition of Rights in an amount equal to the difference between the U.S. Holder’s tax basis in the Rights, if any, and the U.S. dollar value of the amount realized from the sale or other disposition. Any such gain will generally be U.S.-source gain for U.S. foreign tax credit purposes. Any such loss will generally be allocated against U.S.-source income for U.S. foreign tax credit purposes.

A U.S. Holder’s holding period in the Rights will include its holding period in the Ordinary Shares with respect to which the Rights were distributed. If the U.S. Holder’s holding period for the Rights exceeds one year, any gain or loss will be long-term capital gain or loss. Long-term capital gain of non-corporate taxpayers is generally subject to tax at a lower rate than the tax rate applicable to ordinary income. The deductibility of capital losses may be subject to limitations.

The amount realized on a sale or other disposition of Rights for an amount in a currency other than the U.S. dollar will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize a U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rate in effect on the date of sale or other disposition and the settlement date. Alternatively, in the case of Rights traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time. Any gain or loss realized by such U.S. Holder on a subsequent conversion or other disposition of the non-U.S. dollar currency will generally be ordinary income or loss. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service.

Warrants

Receipt, Exercise and Expiration

A U.S. Holder should not recognize any gain or loss for U.S. federal income tax purposes as a result of the receipt of the Warrants. A U.S. Holder should also not recognize any gain or loss for U.S. federal income tax purposes as a result of the exercise of the Warrants. The basis of any newly issued Ordinary Shares acquired upon an exercise of the Warrants ("Warrant Ordinary Shares") will equal the sum of the exercise price of the Warrants and the U.S. Holder’s tax basis in the Warrants exercised (determined as described above). The holding period of Warrant Ordinary Shares will begin on and include the date the U.S. Holder exercises the Warrants.

A U.S. Holder will generally recognize capital loss on the expiration of the Warrants in an amount equal to its tax basis in the Warrants. Any such loss will generally be allocated against U.S.-source income for U.S.-foreign tax credit purposes. If a U.S. Holder’s holding period for the Warrants exceeds one year, any such loss will be long-term capital loss. The deductibility of capital losses may be subject to limitations.

Sale, Exchange or Other Disposition

Subject to the discussion below under “—*Passive Foreign Investment Company Rules*”, a U.S. Holder will recognize capital gain or loss on the sale or other taxable disposition of the Warrants in an amount equal to the difference between the U.S. Holder’s tax basis in the Warrants and the U.S. dollar value of the amount realized from the sale or other disposition. Any such gain will generally be U.S.-source gain for U.S. foreign tax credit purposes. Any such loss will generally be allocated against U.S.-source income for U.S. foreign tax credit purposes. If the U.S. Holder’s holding period for the Warrants exceeds one year, any such gain or loss will be long-term capital gain or loss. Long-term capital gain of non-corporate taxpayers is generally subject to tax at a lower rate than the tax rate applicable to ordinary income. The deductibility of capital losses may be subject to limitations.

The amount realized on a disposition of the Warrants in exchange for any currency other than the U.S. dollar should equal the U.S. dollar value of such currency translated at the spot exchange rate in effect on the date of disposition or, if the Warrants are traded on an established securities market, in the case of a cash method or electing accrual method U.S. Holder, the settlement date. A U.S. Holder’s tax basis in the currency received should equal such U.S. dollar amount realized, as described above. Any gain or loss realized by such U.S. Holder on a subsequent conversion or other disposition of the non-U.S. dollar currency will generally be ordinary income or loss.

A U.S. Holder that elects to transfer Warrants to Horizon during the Warrant Selling Period should be treated as acquiring the Warrants and then selling the Warrants to Horizon and will be subject to the rules relating to dispositions described above.

Adjustment of Exercise Ratio

The Exercise Ratio of the Warrants will be adjusted in certain circumstances. In the event of an adjustment in the Exercise Ratio of the Warrants, U.S. Holders may be treated as having received a constructive distribution from us for U.S. federal income tax purposes even if such holders do not receive any cash or other property in connection with the adjustment. Similarly, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases a U.S. Holder's proportionate interest in us could be treated as a constructive distribution to such holder.

Subject to the discussion below under "—Passive Foreign Investment Company Rules," any such constructive distribution will generally be taxable to such holder as a dividend. It is not clear whether any such dividend will be eligible for the reduced tax rate available to certain non-corporate U.S. Holders with respect to "qualified dividends" as discussed below under "—New Shares: Taxation of Distributions."

New Shares

Taxation of Distributions

Subject to the discussion below under "*—Passive Foreign Investment Company Rules*", the gross amount of any distribution with respect to New Shares or Warrant Ordinary Shares, as the case may be, (including any amount withheld from such distributions in respect of French withholding taxes) will generally be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Such amount (including such tax withheld) will be included in a U.S. Holder's gross income as ordinary income on the day actually or constructively received. The Company does not expect to maintain calculations of its earnings and profits under U.S. federal income tax principles; therefore, U.S. Holders should expect that any distribution (including any amount of tax withheld) will generally be treated as dividend income. Any such dividend income will not be eligible for the dividends-received deduction allowed to corporate U.S. Holders.

Subject to certain holding period requirements and other conditions, dividends paid to non-corporate U.S. Holders may be eligible for preferential rates of taxation if the dividends are "qualified dividends" for U.S. federal income tax purposes. Dividends received with respect to the New Shares or Warrant Ordinary Shares, as the case may be, will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules, and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes.

The Treaty has been approved for the purposes of the qualified dividend rules and the Company expects that it will generally be eligible for the benefits of the Treaty. In addition, the Company believes that it was not a PFIC for its 2014 taxable year. The Company does not anticipate becoming a PFIC for its current taxable year; however, such a determination depends on, among other things, how quickly the Company uses the cash from this Offering and on the share price, so no assurances can be given in this regard. See "*—Passive Foreign Investment Company Rules*" below.

The amount of any dividend paid in a foreign currency will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is, in fact, converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. However, a U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Any gain or loss realized by such U.S. Holder on a subsequent conversion or other disposition of the non-US dollar currency will generally be ordinary income or loss.

A dividend distribution will generally be treated as foreign-source "passive" income for U.S. foreign tax credit purposes. A U.S. Holder may be entitled to deduct or credit non-refundable French taxes withheld from dividend payments, taking into account treaty benefits, in determining its U.S. income tax liability, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of such U.S. Holder's foreign taxes for a particular tax year). The rules governing the calculation and timing of foreign tax credits and the deduction of foreign taxes are complex and depend upon a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances. .

Sale, Exchange, Redemption, or Other Taxable Disposition

Subject to the discussion below under "*—Passive Foreign Investment Company Rules*", a U.S. Holder will generally recognize capital gain or loss on the sale, exchange, redemption, or other taxable disposition of New Shares or Warrant Ordinary Shares, as the case may be, in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such shares. Any such capital gain or loss will be long-term if the U.S. Holder's holding period for New Shares or Warrant Ordinary Shares, as the case may be, exceeds one year. Long-term capital gain of non-corporate taxpayers is generally subject to tax at a lower rate than the tax rate applicable to ordinary income. In most circumstances, gain will be treated as U.S.-source gain for U.S. foreign tax credit limitation purposes and losses will be allocated against U.S.-source income. The deductibility of capital losses may be subject to limitations.

The amount realized on a disposition of New Shares or Warrant Ordinary Shares, as the case may be, in exchange for any currency other than the U.S. dollar should equal the U.S. dollar value of such currency translated at the spot exchange rate in effect on the date of disposition or, if such shares are traded on an established securities market, in the case of a cash method or electing accrual method U.S. Holder, the settlement date. A U.S. Holder's tax basis in the currency received should equal such U.S. dollar amount realized, as described above. Any gain or loss realized by a U.S. Holder on a subsequent conversion or other disposition of the non-U.S. dollar currency will generally be ordinary income or loss.

Passive Foreign Investment Company Rules

Notwithstanding the foregoing, certain adverse U.S. federal income tax consequences could apply to a U.S. Holder if we are treated as a "passive foreign investment company" ("PFIC") for any taxable year. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes for any taxable year in which, after applying certain look-through rules, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains.

We must make a separate determination after the close of each year as to whether we were a PFIC for that year. Although the application of these rules is unclear and therefore determinations are not free from doubt, based on the market price of our Ordinary Shares and the composition of our income and assets for the taxable year ended December 31, 2014, we do not believe that we were a PFIC for that year. Our PFIC status for the current taxable year will not be determinable until the close of the taxable year ending December 31, 2015. Based on the composition of our assets and income and the market price of our Ordinary Shares, we do not expect to become a PFIC for this year. However, fluctuations in the market price of our Ordinary Shares may cause us to become a PFIC. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in any offering. Accordingly, because PFIC status is a fact-intensive determination made on an annual basis and because the IRS does not issue rulings with respect to PFIC status, there can be no assurance that the IRS or a court will agree with our determinations. U.S.Holders are urged to consult their tax advisors with regard to the potential application of the tax consequences to them if we are PFIC.

If we are a PFIC for any year during which you hold the Rights, Warrants, Warrant Ordinary Shares, or New Shares, we will generally continue to be treated as a PFIC for all succeeding years during which you hold the Rights, Warrants, Warrant Ordinary Shares, or New Shares. If we are a PFIC for any taxable year and any of our foreign subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisers about the application of the PFIC rules to any of our subsidiaries.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any ‘‘excess distribution’’ that you receive with respect to New Shares or Warrant Ordinary Shares, as the case may be, and any gain you realize from a sale or other disposition (including a pledge) of the Rights, Warrants, Warrant Ordinary Shares, or New Shares, as the case may be, unless you make a ‘‘mark-to-market’’ election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the New Shares or the Warrant Ordniary Shares, as the case may be, will be treated as an excess distribution. In addition, if we are a PFIC for any taxable year in which you hold the Rights or Warrants, upon a sale or other disposition of such Right or Warrant, any gain recognized in such transaction will be subject to the PFIC rules as if the gain were from the sale of New Shares or Warrant Ordinary Shares, as the case may be. Furthermore, for purposes of the application of the rules described below, the holding period of a U.S. Holder in New Shares or Warrant Ordinary Shares includes the U.S. Holder's holding period in the Rights or Warrants. Under the PFIC rules:

- the gain will be allocated ratably over your holding period for the New Shares, Rights, Warrant Ordinary Shares, or Warrants;
- the excess distribution will be allocated ratably over your holding period for the New Shares or Warrant Ordinary Shares, as the case may be;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and will be increased by an additional tax equal to interest on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or ‘‘excess distribution’’ cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Rights, Warrants, New Shares, or Warrant Ordinary Shares, as the case may be, cannot be treated as capital, even if a U.S. Holder holds the Rights, Warrants, New Shares, or Warrant Ordinary Shares, as the case may be, as capital assets.

Alternatively, a U.S. Holder of ‘‘marketable stock’’ (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed in the preceding paragraphs. If a U.S. Holder makes a valid mark-to-market election for the New Shares or Warrant Ordinary Shares, as the case may be, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the New Shares or Warrant Ordinary Shares, as the case may be, as of the close of his or her taxable year over the applicable adjusted basis in such New Shares or Warrant Ordinary Shares, as the case may be. The U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of the New Shares or Warrant Ordinary Shares, as the case may be, over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the New Shares or Warrant Ordinary Shares, as the case may be, included in the U.S. Holder’s income for prior taxable years. Amounts included in the U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the New Shares or Warrant Ordinary Shares, as the case may be, as well as to any loss realized on the actual sale or disposition of the New Shares or Warrant Ordinary Shares, as the case may be, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such New Shares or Warrant Ordinary Shares. The U.S. Holder’s basis in the New Shares or Warrant Ordinary Shares will be adjusted to reflect any such income or loss amounts. If a U.S. Holder makes such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable "qualified dividends" rate would not apply).

The mark-to-market election is available only for ‘‘marketable stock’’ which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (‘‘regularly traded’’) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. We expect that the New Shares will be traded on Euronext Paris, which is a qualified exchange for these purposes, and, consequently, assuming that the New Shares are regularly traded, if you hold our New

Shares or Warrant Ordinary Shares, as the case may be, it is expected that the mark-to-market election would be available to you were we to become a PFIC.

However, a mark-to-market election generally will not be available with respect to the Rights or the Warrants. Accordingly, if we are a PFIC during any year in which you hold Rights or Warrants you generally will be subject to the special tax rules discussed above. U.S. Holders are urged to consult their tax advisors regarding the consequences of holding Rights or Warrants if the Company is a PFIC.

In addition, because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, you may continue to be subject to the PFIC rules with respect to your indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S.federal income tax purposes. U.S. Holders are urged to consult their tax advisors with regard to the application of the mark-to-market election to lower-tier PFICs.

If we are and then cease to be a PFIC, you should consult your tax advisor regarding a potential deemed sale election.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns (or is deemed to own) New Shares or Warrant Ordinary Shares during any taxable year in which we are a PFIC, that holder will generally be required to file an annual IRS Form 8621. Significant penalties are imposed for failure to file IRS Form 8621, and the failure to file such form may suspend the running of the statute of limitations on such U.S. Holder's entire tax return.

U.S. Holders should consult their tax advisers regarding the application of the PFIC rules to their investment in Offered Securities.

Certain reporting requirements with respect to payments of offer price

U.S. Holders may be required to file IRS Form 926 reporting the payment of the Subscription Price for our New Shares to us. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with such reporting requirements. Each U.S. Holder should consult its own tax advisor as to the possible obligation to file IRS Form 926.

Foreign asset reporting

Certain individual U.S. Holders (and under proposed Treasury regulations, certain entities) may be required to report to the Internal Revenue Service information with respect to their investment in Offered Securities not held through an account with a U.S. financial institution. U.S. Holders who fail to report required information could become subject to substantial penalties. U.S. Holders are encouraged to consult with their own tax advisors regarding foreign financial asset reporting requirements with respect to their investment in the Offered Securities.

The Offering

Offering of New Shares

The Company is offering 17,575,278 New Shares at the subscription price of €17.00 per New Share (the “Subscription Price”). Each New Share will be accompanied with one Class 1 Warrant and one Class 2 Warrant (together, the “Warrants”, and together with the New Shares, the “Offered Securities”). The Offered Securities are being initially offered to existing holders of the Ordinary Shares who may lawfully subscribe, on a *pro rata* basis to their shareholdings. Subject to relevant securities laws and the terms set forth in this Offering Circular, holders of Ordinary Shares registered on the register of shareholders on the Record Date will be granted Rights that may be exercised to subscribe Offered Securities. Shareholders will receive one Right for every Ordinary Share held as at the Record Date, with 5 Rights entitling the holder to subscribe for 7 Offered Securities at the Subscription Price. The Subscription Price shows a 50.38% discount compared to the closing price of the Ordinary Shares on November 18, 2015 of €34.26.

Subject to compliance with relevant securities laws, the Rights will be freely transferable and are expected to trade on Euronext Paris from or around November 23, 2015, until and including December 4, 2015. Rights not exercised at the end of the Subscription Period shall be automatically void.

Any Remaining New Shares may be offered in private placements to qualified investors and to other eligible investors in the Private Placement at the Subscription Price. Any Remaining New Shares that are not allocated to qualified and other eligible international investors will be subscribed for by the Joint Bookrunners at the Subscription Price, subject to certain other conditions. For further information, see “*Subscription*” below.

The issue date of the Offered Securities is December 15, 2015. The issue date for the New Shares and Warrants will be December 15, 2015.

Cum-Rights Date, Ex-Rights Date and Record Date

The Record Date for the purpose of determining entitlement to Rights is November 20, 2015.

The Ordinary Shares will trade with Rights on Euronext Paris until (and including) November 20, 2015 (the “Cum-Rights Date”).

The “Ex-Rights Date” for the Ordinary Shares is November 23, 2015. The Ordinary Shares will trade on Euronext Paris without any Rights on and after that date.

Amount of the Offering

The aggregate amount of the Offering is €298,779,726, assuming 17,575,278 New Shares are issued at the Subscription Price.

Subscription

The Subscription Period will be from November 23, 2015, up to and including December 4, 2015. Subscription orders shall be non-reducible.

The subscription of Offered Securities is reserved for (i) holders of existing Ordinary Shares as of the Record Date who have been allocated Rights in proportion to their shareholdings on the Record Date and (ii) the transferees of Rights.

Holders of 5 Rights shall be entitled to subscribe on a non-reducible basis for 7 Offered Securities at the Subscription Price. The Rights may be exercised only up to a number of Rights enabling their subscription to reach a whole number of Offered Securities.

The Rights forming fractional lots may be transferred on the market during the Subscription Period.

Oversubscription

Holders of Rights (whether holders of Ordinary Shares or transferees of Rights) that have fully and timely exercised their Rights will have the right to subscribe for an additional number of Offered Securities as such holder may request at the Subscription Price, in respect of any Offered Securities that were not subscribed for in the Rights Offering. Applications for Offered Securities pursuant to the Oversubscription must be made together with subscriptions for Offered Securities pursuant to the exercise of Rights.

The remaining Offered Securities will be allocated and granted to the subscribers through the Oversubscription. The Oversubscription will be allocated on the basis of the number of the remaining Offered Securities that subscribers have requested and in proportion to the number of the existing Ordinary Shares for which Rights were used to subscribe Offering Securities on a non-reducible basis, without the possibility of an allocation of a fraction of an Offered Security resulting therefrom.

A notice disseminated through Euronext Paris will disclose the allocation of the Oversubscription.

Procedure to Exercise the Rights

In order to exercise their Rights, the holders must request to exercise their respective Rights with their authorized financial intermediary at any time from November 23, 2015 up to and including December 4, 2015, and must pay the Subscription Price. The Rights must be exercisable by the holders thereof before the expiration of the Right.

The Rights will be tradeable during the Subscription Period on the same conditions as the existing Ordinary Shares. The transferor of a Right shall be divested of such Right to the benefit of the transferee, who for the purpose of exercising the acquired Right, will be substituted in all rights and obligations with the holder of the existing Ordinary Share. Rights not exercised by the end of the Subscription Period shall be deemed automatically void.

During the Subscription Period, holders of Rights subscribing New Shares will have the option to transfer all (but not part) of the Warrants attached to their subscribed New Shares to Horizon, who intends to acquire them and transfer part of them to one or more Managers (as defined below). The Warrants will be purchased by Horizon at their theoretical value of €0.48 per Warrant. The theoretical value of the Warrants was reviewed by Accuracy, acting as independent expert appointed by the Company, who confirmed that such values were reasonable pursuant to an expert report dated November 19, 2015

For further information on the theoretical value of the Warrants see "—*Warrant Theoretical Value.*"

The Subscription Price for the New Shares (including the Class 1 Warrants and the Class 2 Warrants attached) payable by the subscriber who chooses in his subscription notice to transfer all of his Warrants to Horizon will be reduced by the transfer price of the Warrants, and Horizon will pay the balance of the Subscription Price relating to the purchase of the Warrants by December 15, 2015 to CACEIS Corporate Trust. The transfer of the Warrants will be completed by December 15, 2015. The Warrants will thereafter be non-transferrable and therefore, not tradeable, for a 5-year period from (and including) December 16, 2015 to December 15, 2020 (inclusive), subject to certain exceptions as set forth in "—*Limitations on the Transfer of Warrants*."

Payment of Funds for and Delivery of the Offered Securities

Subscription orders for Offered Securities and payment of funds for the Offered Securities by subscribers, whose shares are registered in the administered registered form or in the bearer form, may be received until and including December 4, 2015. The subscriber's authorized financial intermediary will act in the subscriber's name and on his behalf.

The subscriptions and payments by subscribers whose shares are registered in the pure registered form must be received without costs until and including December 4, 2015, by CACEIS Corporate Trust.

Each subscription must be accompanied by the payment of the Subscription Price, it being specified that for the subscriber of Offered Securities who will have opted to transfer of all of the Warrants attached to his subscribed New Shares to the benefit of Horizon, the Subscription Price paid shall be reduced by the price of transfer of the Warrants.

Subscriptions for which payments have not been made will be automatically cancelled.

The funds paid in support of the subscriptions will be centralized with CACEIS Corporate Trust, who will be in charge of establishing the funds deposit certificate acknowledging the completion of the share capital increase.

The planned date of delivery of the Offered Securities is expected to be December 15, 2015.

Publication of the Rights of the Offer

At the end of the Subscription Period, the Company will publish a press release announcing the results of the subscriptions and the resale of Warrants to Horizon. The press release will be posted on the Company's website.

In addition, Euronext Paris will issue a notice relating to the admission of the New Shares which will specify the final number of Offered Securities issued and the allocation scale for the Oversubscriptions.

Rights detached from the Treasury Shares of the Company

Pursuant to the French Commercial Code, the Company may not subscribe for the New Shares. The Rights detached from the Company's treasury shares shall be transferred on the market before the end of the Subscription Period on the terms set forth in article L. 225-210 of the French Commercial Code.

Revocation/Suspension of the Offer

The issue of 17,575,278 New Shares is subject to the subscription commitments of Horizon, Bpifrance Participations and IDG Capital Partners, whose commitments to subscribe 7,151,354 New Shares constitute 40.7% of the issuance (as described in "*—Commitments and intentions of certain significant shareholders of the Company"* and "*—Commitments of certain non-shareholder investors*) as well as the underwriting commitments of the Joint Bookrunners to acquire the Remaining New Shares as set forth in "*Plan of Distribution*." The Offering may not be completed, and the subscriptions may be retroactively cancelled, should the Underwriting Agreement be terminated or the amount of subscriptions received represent less than three-quarters of the issue thus decided. For further information on the Underwriting Agreement, see "*Plan of Distribution*."

In accordance with the French Commercial Code and the authorization of the Board if the Subscriptions, including the Oversubscription, have not been fully subscribed, the Board may:

- limit the amount of the transaction to the amount of the subscriptions received, in the event that those subscriptions would represent at a minimum three-quarters of the share capital increase;
- freely allocate all or part of the New Shares; and/or
- offer the Remaining New Shares to the public.

Commitments and intentions of certain significant shareholders of the Company

OJEJ and Horizon entered into the Contribution Agreement, relating to the contribution by OJEJ to Horizon, by no later than November 30, 2015, of all its shares in the Company together with all Rights attached to said shares (the "Contribution"). OJEJ and Horizon have declared that they were not acting in concert *vis-à-vis* the Company. Following completion of the Contribution (but without giving effect to the Offering), Horizon will own 5,108,110 Ordinary Shares, representing 40.69% of the share capital and voting rights of the Company. In connection with the increase in Horizon's holdings in the Company, Horizon had to seek a temporary exemption to the obligation to launch a public takeover during a meeting of the board of the AMF on November 12, 2015.

The final completion of the Contribution is only subject to it being approved by the general meeting of the shareholders of Horizon, which will take place at the latest by November 30, 2015.

Horizon has committed to:

- subscribe to the issue by exercising on a non-reducible basis, 3,724,630 Rights (representing 72.9% of its Rights including those contributed by OJEJ under the Contribution) representing a subscription on a non-reducible basis of 5,214,482 Offered Securities for an aggregate subscription price of €88,646,194;

- transfer 1,076,035 Rights to Bpifrance Participations for a price per Right equal to 75% of the DPS Theoretical Value (€7.55 per Right transferred); Horizon also undertook to repurchase half of the Class 1 Warrants and half of the Class 2 Warrants attached to the Offered Securities subscribed by Bpifrance Participations in execution of its commitment to subscribe on a non-reducible basis as described below, to 753,224 Class 1 Warrants and 753,224 Class 2 Warrants, for a price per Warrant equal to the Warrant Theoretical Value;

- transfer 307,445 Rights to IDG Capital Partners for a price per Right equal to 100% of the DPS Theoretical Value (€10.07 per Right transferred); Horizon also undertook to repurchase at Settlement all of the Class 1 Warrants and Class 2 Warrants attached to the Offered Securities subscribed by IDG Capital Partners in execution of its commitment to subscribe on a non-reducible basis described below, to 430,423 Class 1 Warrants and 430,423 Class 2 Warrants, for a price per Warrant equal to the Warrant Theoretical Value;

- repurchase all Warrants that the subscribers to the Offered Securities will decide to transfer to Horizon during the Subscription Period and/or the Warrant Liquidity Period; the Class 1 Warrants and the Class 2 Warrants will be repurchased at the Warrant Theoretical Value at a unit price of €0.48 per Warrant, it being specified that Accuracy, acting as independent expert appointed by the Company, has confirmed that such values were to be found reasonable pursuant to an expert report dated November 19, 2015;

- to transfer to the Eligible Managers, up to 20% of the total number of Class 1 Warrants and Class 2 Warrants that it will own following Settlement, in accordance with the terms set forth in "*The Offering—Warrants—Limitations on the Transfer of Warrants*."

Lastly, HG Vora Capital, which owns 1,340,000 Ordinary Shares, representing 10.67% of the share capital and voting rights of the Company as of November 19, 2015, has informed the Company of its intention to subscribe to the issue, at the minimum, by exercising all of its Rights on a non-reducible basis.

Commitments of certain non-shareholder investors

Bpifrance Participations has committed to:

- acquire from Horizon at price per Right equal to 75% of the DPS Theoretical Value (€7.55 per Right acquired), 1,076,035 Rights, and to exercise on a non-reducible basis all of these Rights; and
- transfer to Horizon during the Warrant Liquidity Period half of the Class 1 Warrants and of the Class 2 Warrants attaching to the New Shares subscribed by Bpifrance Participations in execution of its above-mentioned commitment to subscribe on a non-reducible basis, at a price per Warrant equal to the Warrant Theoretical Value (€0.48 per Warrant).

Bpifrance Participations' subscription commitment represents a subscription on a non-reducible basis of 1,506,449 Offered Securities, representing 5% of the share capital and voting rights of the Company post-transaction.

Bpifrance Participations shall be entitled to terminate at any time its subscription commitment under the same conditions as those enabling the Joint Bookrunners to terminate the Underwriting Agreement. For further information on the Underwriting Agreement, see "Plan of Distribution."

Also, as long as Bpifrance Participations will own 50% of the New Shares subscribed to in execution of its above-mentioned commitment to subscribe on a non-reducible basis, it will be entitled to propose the appointment of a director to the Board of the Company. This proposal of a new director shall take place either in the context of a co-optation by the Board, or in the context of a decision submitted to the next general meeting of the shareholders of the Company.

IDG Capital Partners has committed to:

- subscribe at a price per Right equal to the DPS Theoretical Value (€10.07 per Right acquired), 307,445 Rights, and to exercise on a non-reducible basis these 307,445 Rights and transfer to Horizon, all of the Warrants attaching to the Offered Securities subscribed in execution of its above-mentioned commitment to subscribe on a non-reducible basis, at a price per Warrant equal to the Warrant Theoretical Value (€0.48 per Warrant); and
- transfer, at Settlement, to Horizon, all of the Warrants attaching to the Offered Securities subscribed pursuant to the above-mentioned commitment to subscribe on a non-reducible basis, at a price per Warrant equal to the Warrant Theoretical Value of €0.48 per Warrant.

IDG Capital Partners' commitment to subscribe represents a subscription on a non-reducible basis of 430,423 Offered Securities, or 1.4% of the share capital and voting rights of the Company post-transaction.

IDG Capital Partners also reserves the right to acquire and exercise Rights in addition to those which will be transferred to it by Horizon on the conditions described above.

Bpifrance Participations, IDG Capital Partners and Horizon are not acting in concert *vis-à-vis* the Company.

Bpifrance Participations, IDG Capital Partners and Horizon will all be subject to lock-up commitments. For further information, see "*Plan of Distribution.*"

In aggregate, the Subscription commitments on a non-reducible basis of Horizon, Bpifrance Participations and IDG Capital Partners 7,151,364 Offered Securities, or 40.7% of the issue.

The Company certifies that this Offering Circular reestablishes, in all respects, the equality of access to information among the various shareholders.

The Company is not aware of other shareholders' or investors' intentions in connection with their participation in this share capital increase.

The share capital and the voting rights of the Company following the Settlement will be as follows, assuming that the share capital increase is 100% completed, (ii) after taking into account the commitments to subscribe on a non-reducible basis of Horizon, Bpifrance Participations and IDG Capital Partners.

	Number of shares	% of the share capital	Number of voting rights[1]	% of the exercisable voting rights
Horizon	10,322,592	34.26%	10,322,592	34.70%
HG Vora Capital[2]	3,216,000	10.67%	3,216,000	10.81%
Bpifrance Participations	1,506,449	5.00%	1,506,449	5.06%
IDG Capital Partners	430,423	1.43%	430,423	1.45%
Public[3]	14,271,246	47.37%	14,271,246	47.98%
Treasury	382,342	1.27%	0	0.00%

shares[4]				
TOTAL	**30,129,052**	**100%**	**29,746,710**	**100%**

(i) Percentages of the voting rights calculated in accordance with the provisions of article 223-11 of the General Regulations of the AMF.
(ii) Assuming that HG Vora Capital exercises all of its Rights on a non-reducible basis.
(iii) For purposes of this chart, the ownership of interests of the Directors of the Company are included in the Ordinary Shares held by "Public." For information regarding the ownership interests of the Directors of the Company prior to completion of this Offering, see "*Major Shareholders and Related Party Transactions—Major Shareholders.*"
(iv) The Rights attaching to the treasury shares transferred will be sold on the market.

Indicative timetable of the Offering

The dates set forth above and throughout this Offering Circular are indicative only. The Company cannot assure investors that the above actions will in fact occur on the dates indicated or at all.

Expected Timetable:	**Action**	**Date**
	Execution of the Contribution Agreement	November 17, 2015
	AMF Approval of the French Prospectus	November 19, 2015
	Entry by Horizon, Bpifrance Participations and IDG Capital Partners into subscription contracts	November 19, 2015
	Execution of the Underwriting Agreement	November 19, 2015
	Cum-Rights Date	November 20, 2015
	Record Date	November 20, 2015
	Ex-Rights Date	November 23, 2015
	Delivery of the Rights	November 23, 2015
	Commencement of trading of Rights, Subscription Period and Warrant Selling Period	November 23, 2015
	End of trading of Rights, Subscription Period and Warrant Selling Period	December 4, 2015
	Announcement in the Daily Bulletin of Euronext Paris and the web site of Euronext Paris for the rate of subscription of the capital increase and the offering of any unsubscribed Offered Securities	December 11, 2015
	Delivery of the Offered Securities	December 15, 2015
	Commencement of trading of New Shares on Euronext Paris	December 15, 2015
	Commencement of the Warrant Liquidity Period	December 16, 2015
	Commencement of the Warrant Lock-up Period	December 16, 2015
	Termination of the Warrant Liquidity Period	January 4, 2016
	Termination of the Warrant Lock-Up Period	December 15, 2020
	Commencement of trading of Warrants on Euronext Paris	December 16, 2020
	Commencement of the Warrant Exercise Period	December 16, 2020

Termination of the Warrant Exercise Period .... December 15, 2022

New Shares

The Nature, Class and Rights Carried by the New Shares

The New Shares issued are Ordinary Shares of the same class as the existing Ordinary Shares making up the share capital of the Company. The New Shares will carry rights and give right, with effect from their issue, to all distributions decided by the Company as from that date and to all the rights attaching to the existing Ordinary Shares. For further information on the rights attaching to the Ordinary Shares, see "*Description of Share Capital—The Rights Attaching to Ordinary Shares*."

The New Shares will be admitted to trading on Euronext Paris on December 15, 2015 and will be immediately fully fungible with the existing Ordinary Shares, which are already admitted to trading on Euronext Paris, and transferable from that date, on the same quotation line as the existing shares and under the same ISIN code: FR0004038263. There is no clause in the articles of the association limiting the free transferability of the New Shares.

Form and Account Registration of the New Shares

The New Shares may be held in registered or in bearer form, at the subscribers' option.

The New Shares will be registered in a securities account held, as applicable, by the Company or an authorized intermediary. As a consequence, the rights of holders of New Shares will be represented by an account-entry in a securities account opened in their name in the books of:

- CACEIS Corporate Trust, appointed for that purpose by the Company, with respect to New Shares registered in pure registered form;
- the authorized intermediary of their choice and of CACEIS Corporate Trust, appointed for that purpose by the Company, with respect to New Shares registered in administered registered form; or
- the authorized intermediary of their choice with respect to New Shares registered in bearer form.

The New Shares will be transferred by an account-to-account transfer and the transfer of ownership title to the New Shares will result from an account entry in the subscriber's securities account.

The Company will request the admission of New Shares to the clearing procedures of Euroclear France which will be responsible for the clearing of New Shares between account-keepers. A request for admission to the clearing procedures of Euroclear Bank S.A./N.V. and of Clearstream Banking, *société anonyme* in Luxembourg, will also be made. The New Shares are expected to be registered in securities accounts on December 15, 2015.

Warrants

Nature, Class and Rights Carried by the Warrants

The Warrants issued by the Company are securities convertible into Ordinary Shares. One Class 1 Warrant and one Class 2 Warrant will be attached to each New Share issued pursuant to this Offering. Each Class 1 Warrant and each Class 2 Warrant will be detached from the New Share on the issue date of such New Share. The currency of the Warrants is euros.

Once issued, the Warrants will not be transferable and therefore, non-tradeable between December 16, 2015 and including December 15, 2020 (inclusive), i.e., the five-year period starting on the day following their Issue Date, subject to certain limited exceptions as set forth in "*—Limitations on the Transfer of Warrants*."

The Company will seek to have the Class 1 Warrants and the Class 2 Warrants admitted to trading on Euronext Paris prior to the beginning of the Warrant Exercise Period which shall start on December

16, 2020. The Class 1 Warrants and the Class 2 Warrants will be listed separately from the existing Ordinary Shares. The Class 1 Warrants will be listed under the ISIN code FR0013054269, and the Class 2 Warrants will be listed on a separate listing line under the ISIN code FR0013054335 on December 16, 2020, or the day following the end of the Warrant Lock-Up Period.

Holders of Class 1 Warrants can subscribe for 2 newly issued Ordinary Shares for every 24 Class 1 Warrants (the "Class 1 Warrant Exercise Ratio") at a price of €32.66 per Ordinary Share (the "Class 1 Warrant Exercise Price") between December 16, 2020 and December 15, 2022, to be paid-up in cash, upon exercise of the Class 1 Warrants. Holders of Class 2 Warrants can subscribe for 3 newly issued Ordinary Shares for every 28 Class 2 Warrants (the "Class 2 Warrant Exercise Ratio" and together with the Class 1 Warrant Exercise Ratio, the "Exercise Ratio") at a price of €42.34 per Ordinary Share (the "Class 2 Warrant Exercise Price") between December 16, 2020 and December 15, 2022, to be paid-up in cash, upon exercise of the Class 2 Warrants.

The Exercise Ratio may be adjusted after certain transactions carried out by the Company. For further information on adjustments to the Exercise Ratio, see "*—Maintenance of the Rights of the Holders of Warrants"* and *"—Temporary Adjustment in the Event of a Public Offer*."

If all the Class 1 Warrants are exercised, the total amount of the resulting share capital increase, will reach €47,834,032 based on the Class 1 Warrant Exercise Price of €32.66 per Ordinary Share. If all the Class 2 Warrants are exercised, the total amount of the resulting share capital increase, will reach €79,728,930 based on the Class 2 Warrant Exercise Price of €42.34 per Ordinary Share.

Period of Exercise of the Warrants

Subject to the exceptions set forth below in "*—Treatment of Fractional Shares*" and "*—Suspension of the Opportunity to Exercise Warrants*", the holders of the Warrants will be entitled to exercise their Warrants at any time from December 16, 2020 up to and including December 15, 2022. Warrants not exercised by the end of the Warrant Exercise Period will become void and lose all value.

In the event that the Ordinary Shares would be subject to a public offer (including a takeover bid, an exchange offer or a combined offer) by a third party, resulting in the publication, by the AMF, before December 16, 2020, of a notice of filing of the offer, the Warrants would become immediately exercisable. The Warrant Lock-Up Period would be closed early on the day of the publication of such notice, and the Warrants would the subject, on the same day or as soon as possible thereafter, to a request for admission to trading on Euronext Paris.

Terms of the Exercise of the Warrants

In order to exercise their Warrants, holders of Warrants must submit a request to their financial intermediary with whom their securities are registered, for the Warrants being maintained under the bearer or administered registered form, or with CACEIS Corporate Trust, as mandated by the Company, with respect to the Warrants maintained in the pure registered form, and pay the appropriate Exercise Price. Any request to exercise the Warrants will be deemed irrevocable upon receipt by the relevant financial intermediary.

The exercise date of the Warrants will correspond to the business day during which the last of the conditions set out below have been completed, by 4:00 p.m., Paris time, or the following business day if the final condition is completed after 4:00 p.m., Paris time (the "Date of Exercise"):

(i) the institution responsible for receiving the funds will have received the request to exercise the Warrants transmitted by the financial intermediary in the books of whom the Warrants are registered; such demand being received by the institution responsible for receiving the funds at the latest on December 19, 2022;

(ii) the Warrants will have been transferred to the institution responsible for receiving the funds via the relevant financial intermediary; and

(iii) the amount corresponding to the exercise of the Warrants will have been paid to the institution receiving the funds.

The delivery of the Warrant Ordinary Shares (as defined below) shall take place at the latest on the second trading day following the Date of Exercise.

In the event of the occurrence of one of the transactions set forth in "—*Maintenance of the Rights of the Holders of Warrants*", whereby the holders of Warrants would be entitled to an adjustment to the Exercise Ratio applicable to their Warrants, where the Warrant Record Date takes place between the Exercise Date (excluded) and the date of delivery of the Warrant Ordinary Shares issued upon the exercise of the Warrants, the holders of Warrants shall have no right to participate thereto, subject to their right to adjustment until and including the date of delivery of the Warrant Ordinary Shares (excluded).

Treatment of Fractional Shares

Any holder of Warrants exercising his rights under the Warrants will be entitled to subscribe to a number of Warrant Ordinary Shares calculated by multiplying the number of Warrants exercised by the applicable Exercise Ratio.

Where the number of Warrant Ordinary Shares calculated is not a whole number, the holder of Warrants may request to be provided with either:

- the whole number of Warrant Ordinary Shares immediately below the number of Warrant Ordinary Shares thus calculated; in such cases, the holder will receive in cash a sum equal to the fractional share multiplied by the value of the Ordinary Share, with such value being equal to the latest listed stock price of the Ordinary Share during the trading day preceding the day of the filing of the request to exercise the Warrants; or

- the whole number of Ordinary Shares immediately above, subject to paying to the Company a sum equal to the value of the additional fraction of share thus requested, valued on the basis set forth in the preceding paragraph.

If the holder of Warrants fails to specify a preferred option in such scenario, the holder of Warrants will be provided with the whole number of Warrant Ordinary Shares immediately below the number of Warrant Ordinary Shares calculated, plus an additional sum in cash as described above.

Suspension of the Opportunity to Exercise Warrants

In the event of the issue of new equity securities or new securities convertible into or exercisable for equity in the Company, a merger or spin-off of the Company or other financial transactions including a preferential subscription right or a priority subscription period to the benefit of the shareholders of the Company, the Board reserves the right to suspend the exercise of the Warrants during a period which shall not exceed three months or any other period set by the applicable regulation, it being specified that the latter option may not, in any event, result in the holders of Warrants losing their right to exercise their Warrants.

In such cases, a notice shall be published in the *Bulletin des annonces légales obligatoires* (BALO) at least seven days before the date on which the suspension becomes effective to inform the holders of Warrants of the date on which the exercise of the Warrants will be suspended and the date on which said exercise will resume. This information will be subject to a Euronext notice and a notice issued by the Company on its website.

Limitations on the Transfer of Warrants

The Warrants shall not be transferrable as from the day following the date of their issue, December 16, 2015, up until and including December 15, 2020 (inclusive), subject to the following exceptions:

- during a period of 20 calendar days from the day following the Settlement Date which shall take place between December 16, 2015 and January 4, 2016 (the "Warrant Liquidity Period"), Warrant holders will be entitled to transfer by off-market sale unit of Warrants consisting of the same number of Class 1 Warrants and Class 2 Warrants, to Horizon, which has committed to acquire such Warrants, at a price equal to the Warrant Theoretical Value, or €0.48 per Warrant;

- holders of Warrants may transfer all or part of their Class 1 Warrants and/or Class 2 Warrants to (i) any employee, manager or officer of the Company and/or of its current or future subsidiaries or (ii) any company in which any of the persons listed in paragraph (i), holds the majority of the share capital and voting rights, and of which, such person is a corporate manager and in which, such person holds actual power to manage all corporate bodies (the "Managers") in the following conditions:
  - within 10 calendar days following the publication by the Company of its press release relating to its annual results or, as the case may be, to its half-year results, the Company shall publish on its website the reference value (as of that date) of the Class 1 Warrants and the reference value of the Class 2 Warrants, such reference values to be determined according to customary valuation methods used to determine the values of such instruments, on the basis of a report from an independent expert relating notably to the reasonable character of the reference values of the Class 1 Warrants and Class 2 Warrants thus retained by the Company (respectively the "Class 1 Warrants Reference Value" and the "Class 2 Warrants Reference Value"); during this 10 calendar day-period, the Board of the Company shall also appoint those of the Managers who will actually be entitled to acquire the Warrants (the "Eligible Managers") during the relevant Window of Transferability to the Managers (as defined below);
  - within the 60 calendar days following the publication of the Class 1 Warrants Reference Value and Class 2 Warrants Reference Value (the "Window of Transferability to the Eligible Managers"), any Warrant holder shall be entitled to send a sale order relating to all or part of such holder's Class 1 Warrants and/or Class 2 Warrants to the Company, and any Eligible Manager shall also be entitled to send to the Company a purchase order relating to Class 1 Warrants and/or Class 2 Warrants; all sale or purchase orders relating to Class 1 Warrants and all sale or purchase orders relating to Class 2 Warrants shall, in order to be valid, be provided for a price per Class 1 Warrant and Class 2 Warrant equal to the Class 1 Reference Value or to the Class 2 Reference Value, as applicable. The Company will not offer to be the acquirer or the seller of the relevant Warrants. The Company will publish on its website a press release announcing the opening of the Window of Transferability to the Eligible Managers at the latest at the time of the publication of the above-mentioned Class 1 Warrant Reference Value and the Class 2 Warrant Reference Value; this press release shall also specify all the practical terms of (i) the submission and the purchase and sale orders relating to the Warrants, (ii) the payment of the relevant Warrants, and (iii) the registration in the account of the relevant Warrants, and shall include the rules of allocation of the purchase and sale orders relating to the Warrants;
  - within 7 calendar days following the end of each Window of Transferability to the Eligible Managers, the Company will proceed with the allocation of the purchase and sale orders relating to Class 1 Warrants according to the following rule: where the sale orders relating to Class 1 Warrants cover a total number of Class 1 Warrants exceeding the total number of Class 1 Warrants specified in the purchase orders relating to Class 1 Warrants, any sale order relating to Class 1 Warrants will be served in proportion to the number of Class 1 Warrants to be sold under this order, compared to the total number of Class 1 Warrants to be sold under all of the sale orders relating to Class 1 Warrants (and up to the total number of Class 1 Warrants to be acquired under the purchase orders relating to Class 1 Warrants). Conversely, where the purchase orders relating to Class 1 Warrants cover a total number of Class 1 Warrants exceeding the total number of Class 1 Warrants specified in the sale orders relating to the Class 1 Warrants, any purchase order relating to Class 1 Warrants will be served in proportion to the number of Class 1 Warrants to be acquired under this order, compared to the total number of Class 1 Warrants to be acquired under all the purchase orders relating to Class 1 Warrants (and up to the total number of Class 1 Warrants to be sold under the sale orders relating to Class 1 Warrants). The same rules will apply with respect to the allocation of the sale and purchase orders relating to Class 2 Warrants; it being understood that any sale order relating to Class 1 Warrants or Class 2 Warrants which is not served will be the subject of a transfer, by Horizon, of the relevant Class 1 Warrants or Class 2 Warrants, within the limit of a maximum undertaking to transfer Class 1 Warrants and Class 2 Warrants to the Eligible Managers, by Horizon, of (respectively) 20% of the number of Class 1 Warrants,

and 20% of the number of Class 2 Warrants owned by Horizon following the Settlement and the expiration of the Warrant Liquidity Period;

  - within 10 calendar days following the end of each Window of Transferability to the Eligible Managers, the Company will publish on its website: (i) the total number of Class 1 Warrants and Class 2 Warrants actually transferred during said Window of Transferability to the Eligible Managers, (ii) the total number of Class 1 Warrants and Class 2 Warrants transferred during all of the Windows of Transferability to the Eligible Managers which will have taken place as at the date of said publication, and (iii) the contemplated date of the next Window of Transferability to the Eligible Managers; and
  - as described in "*—Form and Registration of the Warrants*", the sales and purchases of Warrants during any Window of Transferability to the Eligible Managers will be subject to registration in the securities accounts opened in the books of:
    - CACEIS Corporate Trust, 14 rue Rouget de Lisle – 92862 Issy-Les-Moulineaux Cedex 9, as mandated by the Company, with respect to the Warrants maintained under the pure registered form; or
    - an authorized intermediary of their choice and CACEIS Corporate Trust, 14 rue Rouget de Lisle – 92862 Issy-Les-Moulineaux Cedex 9, as mandated by the Company, with respect to the Warrants maintained under the administered registered form);
- if the Company's shares are the object of a public offer (including without limitation, a takeover, exchange or combined offer) made by a third party and leading to the publication by the AMF before December 16, 2020, of a notice relating to such offer, the Warrants will vest immediately until their maturity and the Warrant lock-up period will terminate on the date on which such notice is publicized and on that date, or as soon as possible following that date, the Warrants will be the object of a request for admission to trading on Euronext Paris; and
- in case of death of a private individual holding Warrants, the Warrants held by such holder will be transferred to his/her heirs or assigns.

No provision of the articles of association otherwise limits the free transferability of the Warrants.

Form and Registration of the Warrants

Until the date of their admission to trading on Euronext Paris, the Warrants will be held in registered form.

The Warrants will be registered in a securities account to be held, as the case may be, by the Company or by an authorized intermediary. As a result, the rights of the holders of Warrants will be represented, until the date of their admission on Euronext Paris, by registration in a securities account opened in their name in the books of:

- CACEIS Corporate Trust as mandated by the Company, with respect to the Warrants maintained under the pure registered form; or
- an authorized intermediary of their choice and CACEIS Corporate Trust, as mandated by the Company, with respect to the Warrants maintained under the administered registered form.

As of their admission to trading on Euronext Paris, the Warrants may be held in the registered or bearer form, at the discretion of the holders thereof. The rights of the holders of Warrants will be represented by a registration in a securities account opened in their name in the books of:

- CACEIS Corporate Trust as mandated by the Company, with respect to the Warrants maintained under the pure registered form;
- an authorized intermediary of their choice and CACEIS Corporate Trust, as mandated by the Company, with respect to the Warrants maintained under the administered registered form; or
- an authorized intermediary of their choice with respect to the Warrants maintained in the bearer form.

The Warrants will transferred by way of a transfer from account to account and the transfer of ownership of the Warrants shall result from their registration into the securities account of the subscriber.

No document formalizing the ownership of the Warrants will be issued in respect of the Warrants.

The Class 1 Warrants and the Class 2 Warrants will each be the subject of an application for acceptance for clearance through Euroclear France, who will ensure the compensation among account holders. The Warrants will also be the subject of an application for acceptance for clearance through Bank S.A./N.V. and Clearstream Banking, *société anonyme* (Luxembourg).

It is expected that the Warrants will be registered in securities accounts on December 15, 2015.

Reduction of the Share Capital resulting from losses

In accordance with the French Commercial Code, in the event of a reduction in the share capital resulting from losses by reduction of the nominal amount of the share capital or the number of Ordinary Shares constituting the share capital, the rights of the holders of Warrants shall be decreased accordingly, as if the holders had exercised the Warrants before the date on which the reduction of the share capital shall have become effective.

Maintenance of the Rights of the Holders of Warrants

After each of the following transactions:

- financial transactions involving a listed preferential subscription right or by way of a free allocation of listed warrants;
- free allocation of Ordinary Shares to the shareholders, regrouping or division of the Ordinary Shares;
- incorporation into the share capital of reserves, profits or premium, by way of an increase of the nominal value of the Ordinary Shares;
- distribution of reserves or premium in cash or in kind;
- free allocation to the shareholders of the Company of any financial security other than the Ordinary Shares of the Company;
- absorption, merger, spin-off of the Company;
- buy-back by the Company of its Ordinary Shares at a price above the stock market price;
- depreciation of the share capital;
- modification of the allocation of its profits and/or creation of preferred shares;
- distribution of a dividend,

which the Company may carry out as from the date of issue of the Warrants, or December 15, 2015, and which Warrant Record Date (as defined below) would be before the date of delivery of the Warrant Ordinary Shares (the “Date of Delivery”), the maintenance of the rights of the holders of Warrants shall be ensured until and including the Date of Delivery, by making an adjustment to the Exercise Ratio.

The “Warrant Record Date” is the date on which the holding of the Ordinary Shares is set in order to determine which of the shareholders benefit from a transaction or are entitled to participate in a transaction, and to which shareholders a dividend, a distribution, a vesting or an allocation, as announced or voted on this date or as previously announced or voted, shall be paid, delivered or completed.

Any adjustment shall be carried out, so as to equalize, to the nearest one-hundredth of an Ordinary Share, the value of the Ordinary Shares which would have been obtained in the event of the exercise of the Warrants immediately prior to the completion of the above-mentioned transactions and the value of the Ordinary Shares which would have been obtained in the event of the exercise of the Warrants immediately after the completion of said transaction.

In the event of adjustments made in accordance with the transactions set forth above, the new Exercise Ratio shall be determined rounded up or down two decimal places to the nearest 100th (0.005 being rounded up to the 100th above, i.e.; to 0.01). The potential subsequent adjustments shall be made based on the preceding Exercise Ratio thus calculated and rounded up or down. However, the Warrants may give rise only to the delivery of a whole number of Ordinary Shares.

1. (a) In the event of a financial transaction conferring listed preferential subscription rights, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share after detachment of the preferential subscription rights + Value of the preferential subscription rights}}{\textbf{Value of the share after detachment of the preferential subscription rights}}$$

For the calculation of this ratio, the values of the share after detachment of the preferential subscription right and of the preferential subscription right will be equal to the arithmetic average of their opening prices quoted on Euronext Paris (or, in the absence of a listing on Euronext Paris, on any other regulated market or on a similar market on which the Company shares or preferential subscription rights are listed) on each trading day included in the subscription period.

(b) In the event of a financial transaction involving the free distribution of listed warrants to shareholders with the corresponding ability to place the securities resulting from the exercise of warrants that were unexercised by their holders at the end of the subscription period that applies to them, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share after detachment of the warrant + Value of the warrant}}{\textbf{Value of the share after detachment of the warrant}}$$

For the purposes of the calculation of this ratio:

- the value of the share after detachment of the warrant will be equal to the volume-weighted average of (i) the price of the shares of the Company quoted on Euronext Paris (or, in the absence of a listing on Euronext Paris, on any other regulated or similar market on which the shares are listed) on each Trading day included in the subscription period, and (ii) (a) the transfer price of the securities sold in the course of the placement, if such securities are shares fungible with the existing shares of the Company, applying the volume of shares sold in the course of the placement to the transfer price or (b) the price of the shares of the Company quoted on Euronext Paris (or, in the absence of a listing on Euronext Paris, on any other regulated or similar market on which the shares are listed) on the determination date of the sale price of the securities sold in the course of the placement if such securities are not shares fungible with the existing shares of the Company.

- the value of the warrant will be equal to the volume-weighted average of (i) the price of the warrants quoted on Euronext Paris (or, in the absence of a listing on Euronext Paris, on any other regulated or similar market on which the warrants are listed) on each Trading day included in the subscription period, and, (ii) the implicit value (*valeur implicite*) of the warrants represented by the sale price of the securities sold within the framework of the placement — which corresponds to the difference (if it is positive), adjusted by the warrants' exchange ratio, between the sale price of the securities sold within the framework of the placement and the subscription price of the securities — by applying the volume of exercised warrants to the price so determined in order to allocate the securities sold within the framework of the placement.

2. In the event of the free distribution of shares to shareholders, share split or reverse share split, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Number of shares comprising the share capital after the transaction}}{\textbf{Number of shares comprising the share capital before the transaction}}$$

3. In the event of a share capital increase by incorporation of reserves, profits or premiums carried out by increase in the nominal value of the Company's shares, the nominal value of the shares to be allocated to holders of Warrants exercising their Warrant will be increased accordingly.

4. In the event of a distribution of reserves or premiums in cash or in kind (portfolio securities, etc.), the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share before the distribution}}{\textbf{Value of the share before the distribution – Amount distributed per share or value of the securities or assets delivered per share}}$$

For the purpose of the calculation of this ratio:

- o the value of the share before distribution will be equal to the volume-weighted average price of the Company's shares quoted on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market on which the shares are listed) during the three trading days immediately preceding the trading day on which the shares of the Company are listed ex-distribution;

- o if the distribution is made in kind:

  a. in the event of a distribution of securities already listed on a regulated market or similar market, the value of the securities distributed will be determined as indicated above;

  b. in the event of the distribution of securities that are not already listed on a regulated market or similar market, the value of the securities distributed will be equal, if they are expected to be listed on a regulated market or similar market within ten trading days starting on the date on which the Company's shares are listed ex-distribution, to the volume-weighted average price on such market during the first three trading days included in such period during which such securities are listed; and

  c. in other cases (distribution of securities that are not listed on a regulated market or a similar market or are listed for fewer than three trading days within the period of ten trading days referred to above or a distribution of assets), the value of the securities or assets allocated per share will be determined by an internationally recognised independent expert chosen by the Company.

5. In the event of a free distribution to the Company's shareholders of securities other than the Company's shares, and subject to paragraph 1(b) above, the new Exercise Ratio will be determined as follows:

(a) if the right to the free allocation of securities was admitted to trading on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market), by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share ex- free allocation right} + \textbf{Value of the free allocation right}}{\textbf{Value of the share ex- free allocation right}}$$

For the purpose of the calculation of this ratio:

- o the value of the share ex-right to free allocation will be equal to the volume-weighted average share price on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market on which the Company's share ex-right to free allocation is listed) of the share ex-right to free allocation during the first three trading days on which the Company shares are listed ex-right to free allocation;

- o the value of the free allocation right will be determined as indicated in the paragraph above. If the free allocation right is not listed during each of the three trading days, then its value will be determined by an internationally-recognised independent expert chosen by the Company.

(b) if the right to free allocation of securities was not admitted to trading on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market), by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share ex-free allocation right + Value of the security or securities allocated per share}}{\textbf{Value of the share ex-free allocation right}}$$

For the purpose of the calculation of this ratio:

- o the value of the share ex-right to free allocation will be determined as indicated in paragraph (a) above;

- o if the securities allocated are listed or may become listed on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market), within ten trading days beginning on the date on which the shares are listed ex-distribution, then the value of the security or securities allocated per share will be equal to the volume-weighted average of the price of such financial securities recorded on such market during the first three trading days included within this period during which such securities are listed. If the securities allocated are not listed on each of the three trading days, then the value of the security or securities allocated per share will be determined by an internationally-recognised independent expert chosen by the Company.

6. In the event that the Company is merged into another company (*absorption*) or is merged with one or more companies forming a new company (*fusion*) or is spun-off (*scission*), the exercise of Warrants will give rise to the allocation of shares of the absorbing or new company or of the beneficiary companies of such spin-off.

The new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the Exercise Ratio of shares in the Company to the shares of the acquiring or new company or the beneficiary companies of a spin-off. These latter companies will be substituted *ipso jure* for the Company with regard to its obligations towards the holders of the Warrants.

7. In the event of a repurchase by the Company of its own shares at a price higher than the market price, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the repurchase by the following ratio:

$$\frac{\textbf{Value of the share x (1-Pc\%)}}{\textbf{Value of the share - Pc\% x repurchase price}}$$

For the purpose of the calculation of this ratio:

- o Share value means the volume-weighted average price of the Company's shares on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market on which the share is listed) during the three trading days immediately preceding such repurchase (or the option to repurchase);

- o Pc% means the percentage of repurchased capital; and
- o Repurchase price means the actual price at which shares are repurchased.

8. In the event of a redemption of share capital, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share before redemption}}{\textbf{Value of the share before redemption -– Amount of redemption per share}}$$

For the calculation of this ratio, the value of the share before redemption will be equal to the volume-weighted average price of the Company's shares on Euronext Paris (or, in the absence of listing on Euronext Paris, on another regulated market or similar market on which the shares are listed) during the three trading days immediately preceding the trading day on which the shares are listed ex-redemption.

9. (a) In the event of the modification by the Company of the distribution of its profits and/or the creation of preferred shares resulting in such a change, the new Exercise Ratio will be determined by multiplying the Exercise Ratio in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\textbf{Value of the share prior to the change}}{\textbf{Value of the share prior to the change - Reduction per share of the right to the profits}}$$

For the purpose of the calculation of this ratio:

- o the Value of the share before the change will be determined on the basis of the volume-weighted average price of the Company's shares on Euronext Paris (or if the shares are not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three trading days immediately preceding the day of such change;
- o the Reduction per share of the rights to profits will be determined by an internationally recognised independent expert chosen by the Company.

Notwithstanding the above, if such preferred shares are issued with shareholders' preferential subscription rights or by the free distribution to shareholders of warrants exercisable for such preferred shares, the new Exercise Ratio will be adjusted in accordance with paragraphs 1 or 5 above.

(b) In the event of the creation of preferred shares that do not lead to a modification of the distribution of profits, the adjustment of the Exercise Ratio, if necessary, will be determined by an internationally recognised independent expert chosen by the Company.

10. In the event of a payment of any dividend or distribution by the Company, in cash or in kind, to the shareholders (prior to any potential withholding tax and without taking into account any applicable deductions) (the "Dividend"); provided that any dividend or distribution (or fraction thereof) leading to an adjustment of the Exercise Ratio for the shares pursuant to paragraphs 1 through 9 as defined above will not be taken into account for an adjustment pursuant to this paragraph 10, the new Exercise Ratio shall be calculated as follows:

$$\mathbf{NPE = PE \times \frac{CA}{CA\text{-}MDD}}$$

where:

- o NPE means the New Exercise Ratio;
- o PE means the last Exercise Ratio in effect;
- o MDD means the amount of the Dividend distributed per share; and
- o CA means the share price, defined as being equal to the volume-weighted average share price quoted on Euronext Paris (or, if the shares are not listed on the Euronext Paris market, on another regulated or similar market on which the shares are listed) during the last three trading days preceding the date on which the shares are quoted for the first time ex-dividend for the Reference Dividend.

Should the Company carry out transactions with respect to which an adjustment would not have been made under the paragraphs 1 to 10 above and should a subsequent legislation or a regulation provide for such an adjustment, the Company shall make this adjustment in accordance with the applicable legal or regulatory provisions and with the customs in this domain on the French market.

Temporary Adjustment in the Event of a Public Offer

Under current French law and regulations, any public tender, exchange offer, combined public offer or other public offer by a third party in respect of the Company's shares also would be required to be made in respect of all securities giving access to the share capital of or voting rights in the Company, and therefore in respect of the Warrants described herein. Any such offer proposal and the information document containing the terms and conditions of such offer would be subject to prior review by the AMF, which would determine the admissibility of the offer based on the elements presented.

In the event that the Company's shares become the object of a public offer (tender, exchange, combined, etc.), which may result in a Change of Control (as defined below) or resulting from a Change of Control, where said public offer is approved by the AMF, the Exercise Ratio will be temporarily adjusted during the Adjustment Period in the event of a Public Offer (as defined below) according to the following formula (the result will be rounded in the manner provided for in "—*Maintenance of the Rights of the Holders of Warrants*"):

$$\mathbf{NPE = PE \times (1+Pr\% \times \frac{J}{JT})}$$

where :

- o NPE means the new Exercise Ratio applicable during the Adjustment Period in the event of a Public Offer (as defined below);
- o PE means the Exercise Ratio in effect prior the Date of Opening of the Offer (as defined below);
- o Pr% = 135% (for Class 1 Warrants) and 175% (for Class 2 Warrants) corresponding to the premium, expressed in percentage shown by the price of exercise of the Class 1 Warrants and Class 2 Warrants, as applicable, compared to the reference stock price of the Company retained at the time of the setting out of the final terms of the Class 1 Warrants and Class 2 Warrants, as applicable;
- o J means the exact number of days remaining between the Date of the Opening of the Offer (included) and December 15, 2022, the maturity date of the Warrants (excluded); and
- o JT means the exact number of days included between December 15, 2015, the date of issue of the Warrants (included), and December 15, 2022, the maturity date of the Warrants (excluded), i.e., 2,557 days.

The adjustment of the Exercise Ratio referred to above will benefit exclusively to the holders of Warrants who will exercise their Warrants, between (and including):

(A) the first day on which the shares of the Company may be tendered in the public offer (the “Date of Opening of the Offer”); and

(B) (i) if the offer is unconditional, the date that is 10 business days after the last day during which the Company’s shares may be tendered in the offer, or, if the offer is reopened, the date that is five business days after the last day during which the Company’s shares may be tendered in the offer;

(ii) if the offer is conditional, (x) if the AMF (or its successor) declares that the offering is successful, the date that is 10 business days after the publication by the AMF of the results of the offer, or if the offer is reopened, the date that is five business days after the last day during which the Company’s shares may be tendered in the offer, or (y) if the AMF (or its successor) declares that the offer is unsuccessful, the date of publication by the AMF of the results of the offer; or

(iii) if the initiator of the offering abandons the offer, the date on which notice of such abandonment is published.

This period shall be known as the “Adjustment Period in the event of a Public Offer.”

For the purpose of this paragraph, “Change of Control” shall mean the acquisition by one or several individual(s) or legal entity or entities, acting alone or in concert, of control of the Company, it being specified that the notion of “control” shall mean holding (directly or indirectly through the intermediary of companies themselves controlled by the individuals or legal entities concerned) (x) the majority of the voting rights attached to the Company’s shares or (y) more than 40% of such voting rights if no other shareholder of the Company, acting alone or in concert, holds (directly or indirectly through the intermediary of companies controlled by this or these shareholders) a greater percentage of such voting rights.

Notwithstanding the provisions in “*—Terms of the Exercise of the Warrants*”, if the Warrants are exercised during the Adjustment Period in the event of a Public Offer, the corresponding shares shall be delivered within a maximum period of three business days as from the Exercise Date.

Information to the Holders of Warrants in the Event of an adjustment

In the event of an adjustment as set forth in "*—Maintenance of the Rights of the Holders of Warrants,*" the holders of Warrants will be informed by way of a notice published in the *Bulletin des annonces légales obligatoires* (BALO) in accordance with the French Commercial Code, as well as by a notice published by Euronext Paris.

In addition, the Board will describe the calculations and the results of any adjustment in their annual report following such adjustment.

Changes in the form or corporate purpose of the Company and amendments to the rules relating to the allocation of profits and depreciation of the share capital

Following the issue of the Warrants and in accordance with article L. 228-98 of the French Commercial Code, the Company may change its form or corporate purpose without the consent of the Masse of the Holders of Class 1 Warrants nor of the Masse of the Holders of Class 2 Warrants.

Further, in accordance with article L. 228-98 of the French Commercial Code, the Company may carry out a reduction of share capital, modify provisions relating to profit distribution and/or issue preferred shares without the approval of the Masse of the Holders of Class 1 Warrants and the Masse of the Holders of Class 2 Warrants, provided, however, that, for as long as the Warrants are outstanding and in existence, the Company shall have taken measures necessary to preserve the rights of the Warrant holders.

Warrant Theoretical Value

The Warrant theoretical value which is set out hereafter for information purpose, is calculated based on the Black & Scholes valuation model. Binomials valuation methods such as the Cox, Ross &

Rubinstein method produce very similar results and the use of several methods to determine the Warrant theoretical value is therefore not necessary.

The Warrant Theoretical Value was determined by the Company and represents the higher end of two valuation ranges determined by the Company.

The valuation is based on a number of assumptions including (i) no transaction costs, (ii) constant risk-free interest rate and (iii) constant volatility.

Within the scope of the Offering, one (1) Class 1 Warrant with an exercise price equal to 135% of the reference price and one (1) Class 2 Warrant with an exercise price equal to 175% of the reference price will be attached to each New Share.

The reference price is defined as the Theoretical Ex-Right Price (or TERP). Based on a capital increase amount of €298,779,726 and a market price of the Ordinary Shares of €34.26 per Ordinary Share on November 18, 2015, the reference price is €24.19 (ex-right).

Based on the following assumptions and once applied to the Warrants, this model produces the theoretical valuation of the Warrants which is detailed below:

(i) Warrant Exercise Ratio:

– 24 Class 1 Warrant carry the right to subscribe for 2 newly issued Ordinary Shares

– 28 Class 2 Warrant carry the right to subscribe for 3 newly issued Ordinary Shares

(ii) Warrant Exercise Price:

– €32.66 for each Ordinary Share subscribed upon exercise of the Class 1 Warrants

– €42.34 for each Ordinary Share subscribed upon exercise of the Class 2 Warrants

(iii) Warrant maturity date: seven (7) years from Settlement Date of the issue

(iv) Exercise period: between the fifth anniversary date of the issue Settlement Date and maturity date

(v) Net dividend: no dividend throughout the term of the Warrants it being specified that the Company has not distributed dividends since its initial public offering in 2006

(vi) Risk-free interest rate: 0.495% corresponding to a Euro swap rate with a 7-year term (as quoted on Bloomberg page <EUSA7 CMPN>) on November 18, 2015

(vii) Cost of borrowing: 1.5% *per annum*

(viii) Discount for non-transferability: 20% since Warrant holders cannot transfer or exercise the Warrants they hold during the first five (5) years following the issue.

The table below shows the sensitivity of the valuation of the Warrant to the volatility assumptions (the valuation of the Warrant is expressed for the portion of Warrant necessary for the exercise of a New Share):

Volatility	**35%**	**37.5%**	**40.0%**	**42.5%**	**45.0%**
Tranche 1	€4.72	€5.23	€5.74	€6.24	€6.73
Tranche 2	€3.42	€3.92	€4.43	€4.94	€5.45

The table below shows the historical volatilities of the Company's shares:

Volatility	260 days	120 days	60 days
As of 11/18/2015	44.0%	49.5%	40.4%
Average – 3 months	42.7%	47.1%	46.8%
Average – 6 months	40.3%	43.8%	45.5%
Average – since 01/01/2015	37.9%	41.7%	42.5%

The central assumption retained is a 40% volatility, i.e. a theoretical value of the Warrant of €0.48 (the "Warrant Theoretical Value"), being specified that this is the same theoretical value applicable to any Class 1 Warrant and Class 2 Warrant.

Factors Affecting the Value of the Warrants

The value of the Warrants is mainly affected by:

- the Warrant-specific characteristics, namely their exercise price, exercise period, lock-up period; and
- characteristics of the underlying instrument as well as the market conditions, including (where all things being equal):
    - o market price of the underlying shares: the Warrants gain value if the market price of the share increases and, conversely, lose value where the market price of the share decreases;
    - o volatility of the underlying shares: the Warrants gain value if the volatility increases and, conversely, lose value where the volatility decreases;
    - o interest rate without risk: the Warrants gain value if the interest rates increase and, conversely, lose value where the interest rates decrease; and
    - o liquidity of the underlying stock: the Warrants gain value if the liquidity of the stock increases and, conversely, lose value where the liquidity of the stock decreases.

Representatives of the Committees of Holders of the Warrants

In accordance with the French Commercial Code, the holders of Class 1 Warrants and Class 2 Warrants will be grouped in a first committee (the "*Masse* of the Holders of Class 1 Warrants") and in a second committee (the "*Masse of the Holders of Class 2 Warrants*"), respectively.

Pursuant to article L. 228-47 of the French Commercial Code:

o is designated as the main representative of the *Masse* of the Holders of Class 1 Warrants (the "Representative of the *Masse* of the Holders of Class 1 Warrants"):

Ather Financial Services S.N.C.
2 square La Bruyère
75009 Paris
France

o is designated as the main representative of the *Masse* of the Holders of Class 2 Warrants (the "Representative of the *Masse* of the Holders of Class 2 Warrants"):

Ather Financial Services S.N.C.
2 square La Bruyère
75009 Paris
France

The following provisions apply *mutatis mutandis* to the *Masse* of the Holders of Class 2 Warrants.

The general meeting of the holders of Class 1 Warrants may be called to authorize any amendments to the issue agreement of the holders of Class 1 Warrants and to rule on any decision relating to the conditions of subscription or allocation of the equity securities determined at the time of the issue of the Class 1 Warrants.

The Representative of the *Masse* of the Holders of Class 1 Warrants shall have, without any limitation or reserve, the power to carry out, in the name of the *Masse* of the Holders of Class 1 Warrants all management actions for the defence of the common interests of the holders of Class 1 Warrants.

The Representative of the *Masse* of the Holders of Class 1 will carry out his functions until his resignation, dismissal by the general meeting of the holders of Class 1 Warrants or the occurrence of an incompatibility. His office shall automatically cease on the day of the closing of the Period of Exercise of the Class 1 Warrants. This term, shall be, as the case may be, automatically extended until the final resolution of the ongoing legal proceedings in which the representative may be engaged and the enforcement of the decisions or settlements having occurred.

The compensation of the Representative of the *Masse* of the Holders of Class 1 Warrants shall be €350 per year, excluding taxes, for the entire maturity period of the Class 1 Warrants; it will be payable in two installments, being specified that the first installment, amounting to €1,225, excluding taxes, will be due on December 15, 2015, and the second installment, amounting to €1,225, excluding taxes, will be due on December 15, 2022.

The Company shall bear the compensation of the Representative of the *Masse* of the Holders of Class 1 Warrants and the costs relating to the convening and holding of the general meetings of the holders of Class 1 Warrants, the publicity of the decisions of the latter, as well as the costs related to the designation, as the case may be, of the representatives of the *Masse* of the Holders of Class 1 Warrants under article L. 228-50 of the French Commercial Code, as well as, more generally, all the administration and operation costs duly incurred and documented by the *Masse* of the Holders of Class 1 Warrants.

The general meetings of the holders of Class 1 Warrants shall take place at the registered office of the Company or at any other venue set out in the convening notices. Each holder of Class 1 Warrants shall be entitled, during the period of 15 days preceding the gathering of the general meeting of the *Masse* of the Holders of Class 1 Warrants, to review or to take a copy of, himself/herself or via a representative, at the registered office of the Company, at the place of the administrative management or, as the case may be, at any other venue set out by the convening notice, the text of the decisions which will be submitted, and the reports which will be presented, to the general meeting.

In the event that subsequent issues of warrants would offer to the subscribers rights identical to that of the holders of Class 1 Warrants, and if the issue agreements so provide for, the holders of all of these Class 1 Warrants shall be regrouped into a single *masse*.

As the legislation currently stands, each Class 1 Warrant gives right to one vote. The general meeting of the holders of Class 1 Warrants may validly rule, when convened the first time, only if the holders present or represented hold at least a quarter of the Class 1 Warrants having the right of vote, and at least one fifth, when convened the second time. Said general meeting rules by a majority of two thirds of the votes of the holders present or represented (article L. 225-96 of the French Commercial Code, upon referral of article L. 228-103 of the French Commercial Code).

Governing Law and Jurisdiction

The Warrants will be issued under French law. In the event of a dispute, the courts having jurisdiction over such dispute will be the courts which would have jurisdiction over the registered office of the Company if the Company was defendant and shall be designated based on the nature of the dispute, except as otherwise provided in the French Civil Procedure Code.

Information on the Warrant Ordinary Shares

The number of newly issued Ordinary Shares which could result from the exercise of the Class 1 Warrants and Class 2 Warrants is 1,464,606 newly issued Ordinary Shares (the “Class 1 Warrant Ordinary Shares”) and 1,883,064 newly issued Ordinary Shares (the “Class 2 Warrant Ordinary Shares”, and together with the “Class 1 Warrant Ordinary Shares, the “Warrant Ordinary Shares”), respectively. The Warrant Ordinary Shares will be subject to periodical requests for admission to trading on Euronext Paris on the same listing line as the then existing Ordinary Shares of the Company and under the same ISIN code: FR0004038263.

The Warrant Ordinary Shares will be Ordinary Shares of the same class as the existing Ordinary Shares making up the share capital of the Company. The Warrant Ordinary Shares will carry rights and give right, with effect from their issue, to all distributions decided by the Company as from that date and to all the rights attaching to the existing Ordinary Shares. For further information on the rights attaching to the Warrant Ordinary Shares, see "*Description of Share Capital—Rights Attaching to the Ordinary Shares*."

Effects of the Exercise of Warrants on the Share Capital of the Company

If all Class 1 Warrants and Class 2 Warrants were exercised, the nominal amount of the share capital increase would be €223,206 and €286,979, respectively. For information on the dilutive effect of the issue of Warrant Ordinary Shares, see *"Dilution*."

Plan of Distribution

The New Shares will be issued and sold through the exercise of Rights in accordance with the procedures set forth below under "*The Offering*."

Natixis, BNP Paribas (together, the "Joint Global Coordinators"), HSBC Bank Plc and J.P. Morgan Securities plc (together with the Joint Global Coordinators, the "Joint Bookrunners") have entered into an underwriting agreement dated November 19, 2015 with respect to any New Shares not subscribed for by holders of Rights in the Rights Offering (the "Underwriting Agreement"). Subject to certain conditions, each of the Joint Bookrunners has, severally and not jointly, agreed to procure subscribers for, or failing which to subscribe for, a maximum of 10,423,924 New Shares (other than New Shares that Horizon, Bpifrance Participations and IDG Capital Partners have committed to purchase, as described in "*The Offering*"). The Underwriting Agreement does not constitute a firm, unconditional underwriting (*garantie de bonne fin*) under Article L.225-145 of the French Commercial Code.

The Underwriting Agreement does not relate to the sale of any Warrants. If the Joint Bookrunners acquire New Shares pursuant to their commitments under the Underwriting Agreement, any Warrants attached thereto would be transferred to Horizon on the issue date at for a price per Warrant equal to the Warrant Theoretical Value. For more information, see "*The Offering.*"

Each of Natixis and BNP Paribas is acting as Joint Global Coordinator and Joint Bookrunner and each of HSBC and J.P. Morgan is acting as Joint Bookrunner in connection with the Offering.

Following the allocation of New Shares pursuant to the Rights Offering and the Oversubscription, the Joint Bookrunners may enter into agreements with eligible investors in private placements whereby such investors agree to subscribe for Remaining New Shares that were not subscribed at the close of the subscription period. Any such agreements will not affect proceeds received or expenses paid by the Company in this Offering.

The Joint Bookrunners may effect any distribution of unsubscribed New Shares, if any, from time to time in one or more transactions (which may include block transactions) on Euronext Paris, or in special offerings, exchange distributions and/or secondary distributions pursuant to and in accordance with the applicable rules of such exchange, in the over-the-counter market, in negotiated transactions, through the writing of options on unsubscribed shares (whether such options are listed on an options exchange or otherwise), or a combination of such methods of sale. The price of the New Shares sold in the underwritten offering, if any, will depend on market conditions and consequently could be above or below the subscription price indicated on the cover of this Offering Circular.

The Underwriting Agreement provides that the obligation of the Joint Bookrunners to subscribe for the New Shares in the underwritten offering is subject to certain conditions. The Underwriting Agreement may be terminated at any time under certain circumstances by the Global Coordinators, on behalf of the Joint Bookrunners, under certain conditions up to and including the settlement date of the Offering. In the event that the Underwriting Agreement is terminated in accordance with its terms, any orders would be canceled retroactively. If the Underwriting Agreement is terminated, all purchase orders and all trades of New Shares executed before the settlement and delivery agreement is terminated, all purchase orders and all trades of New Shares executed before the settlement and delivery date will become null and void, which could result in investors realizing a loss equal to the acquisition price of their Rights (the subscription price would be returned).

The Company has agreed to indemnify each Joint Bookrunner against certain liabilities, including liabilities under the Securities Act and to reimburse the Joint Bookrunners for certain of their expenses in connection with the Offering.

In the Underwriting Agreement, the Company has agreed with the Joint Bookrunners, from November 19, 2015 until the 180th calendar day following settlement of the Offering, not to issue, offer, lease, pledge or transfer directly or indirectly shares or other capital securities of the Company, nor to carry out any transaction having a similar economic impact, nor to publicly announce its intention to carry out such transactions, without the prior written consent of the Joint Global Coordinators, provided, however, that the following are excluded from the restrictions of the preceding paragraph: (i) the issue of the Offered Securities, (ii) shares to be delivered pursuant to free share or performance share programs or to the exercise of stock options existing or to be granted pursuant to stock purchase or subscription option plans or pursuant to free share or performance share programs authorized by the Company's general meeting of shareholders at the date hereof; (iii) any share sold in connection with a buy-back program of the Company's shares; and (iv) the issue by the Company of shares or securities as consideration for mergers, acquisitions or contributions in-kind, provided that the recipients of such shares or securities of the Company agree to be bound by the same lock-up restrictions as those provided by the Company in respect of the shares or securities so received for the remaining Lock-Up Period.

Horizon has agreed with the Joint Bookrunners, subject to customary exceptions, including the transfers of Warrants to the Eligible Managers in accordance with "*The Offering—Warrants—Limitations on the Transfer of Warrants*," from November 19, 2015 until the 180th calendar day following settlement of the Offering, not to offer, lease, pledge or transfer, under any form whatsoever (including in the context of a market transaction, a private placement with institutional investors or a private sale), directly or indirectly (including via the use of options or other derivative instruments), the New Shares subscribed to by it, unless it has obtained the prior written consent of the Joint Bookrunners. During this 180 calendar day-period, Horizon has also agreed not to disclose its intention to carry out any of the transactions mentioned above subsequent to this period.

Bpifrance Participations has agreed with Company, Horizon and the Joint Bookrunners, subject to customary exceptions, for a 180-day period following settlement of the Offering, not to offer, lease, pledge or transfer, under any form whatsoever (including in the context of a market transaction, a private placement with institutional investors or a private sale), directly or indirectly (including via the use of options or other derivative instruments), the New Shares subscribed to by it, unless it has obtained the prior written consent of the Joint Bookrunners. During this 180 calendar day-period, Bpifrance Participations has also agreed not to disclose its intention to carry out any of the transactions mentioned above subsequent to this period.

IDG Capital Partners has agreed with the Company, Horizon and the Joint Bookrunners, subject to customary exceptions, for a 180-day period following settlement of the Offering, not to offer, lease, pledge or transfer, under any form whatsoever (including in the context of a market transaction, a private placement with institutional investors or a private sale), directly or indirectly (including via the use of options or other derivative instruments), the New Shares subscribed to by it, unless it has obtained the prior written consent of the Joint Bookrunners. During this 180 calendar day-period, IDG Capital Partners has also agreed not to disclose its intention to carry out any of the transactions mentioned above subsequent to this period.

Certain of the Joint Bookrunners have, directly or through affiliates, performed services for, and engaged in investment, financial and commercial banking transactions with, the Company and/or certain of its affiliates or shareholders and/or certain of its affiliates in the ordinary course of their business, and may do so in the future. In addition, the Company entered a liquidity agreement with Natixis July 31 2008, which was tacitly renewed on July 31 2015 for a period of one year. This agreement complies with the French Financial Markets Association (*Association française des marchés financiers* (AMAFI)) Code of Conduct.

In connection with the Offering, each of the Joint Bookrunners and any affiliate acting as an investor for its own account may take up the shares and in that capacity may retain, purchase or sell for its own account such securities and any of our securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this document to the shares being offered or placed should be read as including any offering or placement of securities to the Joint Bookrunners and any affiliate acting in such capacity. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

There will be no stabilization in connection with this Offering.

Selling and Transfer Restrictions

General

The distribution of this Offering Circular, the sale of the Offered Securities may, in certain countries, including the United States of America, be governed by specific regulations. Any person in possession of this Offering Circular must inquire as to and comply with any local restrictions. Authorized intermediaries may not accept any subscriptions for the Offered Securities or any exercise of preferential subscription rights from clients with an address in a country where such restrictions apply, and such orders will be deemed null and void.

No person receiving this Offering Circular, including trustees and nominees, may distribute it in or send it to such countries other than in accordance with applicable laws and regulations. Any person who, for whatever reason, distributes or permits the distribution of this Offering Circular to such a country must draw the attention of the recipient to the restrictions in this section.

Generally, any person exercising their Rights outside France must ensure that doing so does not contravene applicable laws. Neither the Offering Circular nor any other document relating to the capital increase may be distributed outside France other than in accordance with applicable local laws and regulations, or constitutes a subscription offer in countries where such an offer would contravene the applicable local legislation.

Selling Restrictions

United States

None of the Offered Securities referred to herein have been, or will be, registered under the Securities Act, or the securities laws of any state in the United States, and such securities may be offered, sold, exercised, pledged or otherwise transferred only: (i) outside the United States in offshore transactions in reliance on Regulation S or (ii) within the United States only to “qualified institutional buyers” (as defined in Rule 144A) in reliance on Section 4(a)(2) under the Securities Act or under Rule 144A or another exemption from the registration requirements of the Securities Act. Prospective purchasers are notified that sellers of shares may rely on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of New Shares and, upon the exercise of the Warrants, ordinary shares of the Company in the United States in making its purchase (whether by way of exercise of Rights or purchase in the Oversubscription or Private Placement) will be required to execute a QIB representation letter in the form set forth in Annex A to this Offering Circular. Purchasers or acquirers of Offered securities in the United States may not transfer them except in accordance with the terms set forth in the QIB representation letter.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offered Securities that is made within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

United Kingdom

This Offering Circular is being distributed in the United Kingdom only to and is directed solely at persons who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This Offering Circular must not be acted on or relied on by persons within the United Kingdom who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "Relevant Implementation Date") no Offered securities have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus (in relation to the Offered Securities which have been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from and including the Relevant Implementation Date, offers of Offered Securities may be made to the public in that Relevant Member State at any time). Offers of Offered Securities may be made to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offered Securities shall result in a requirement for the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires the Offered Securities or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company that it is a "qualified investor" within the meaning of the law in the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offered Securities in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offered Securities to be offered so as to enable an investor to decide to purchase any Offered Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

By transferring any right to acquire New Shares, or exercising any right or Warrant to subscribe for or acquire New Shares or ordinary shares of the Company, respectively, you represent that you are either:

(i) not resident or physically present in any of the Member States of the EEA (other than France) having implemented the Prospectus Directive; or

(ii) both:

A. a legal entity which is a qualified investor, as defined in the Prospectus Directive; and

B. either: (a) acting for your own account; or (b) acting for the account of someone meeting the criteria described in (ii)(A) above; or (c) acting for the account of a client and the terms on which you are engaged to act for that client enable you to make decisions concerning the acceptance of offers of transferable securities on the client's behalf without reference to the client.

This EEA selling restriction is in addition to any other selling restrictions set out in this Offering Circular.

France

This Offering Circular has not been, and will not be submitted to the clearance procedures of, or approved by, the AMF, and, accordingly, may not be released, issued, or distributed, or caused to be released, issued, or distributed, directly or indirectly, to the public in France or used in connection with the offer or sale of the Offered Securities to the public in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*). For purposes of the offering in France and the admission to trading of the Rights and the New Shares to Euronext Paris, a prospectus in the French language has been approved by the AMF on November 19, 2015 under visa number 15-590, and consists of (i) the Company's *Document de référence* filed with the AMF on April 30, 2015 under number D.15-0468; (ii) the update to the *Document de référence* filed with the AMF on November 13, 2015 under number D.15-0468-A01; and (iii) the *Note d'opération* of the Company (including the summary of the French prospectus) (the *"Note d'opération"* and, together with the *Document de référence* and its update, the "French Prospectus"). The French Prospectus is the only document by which offers to purchase Offered Securities of the Company in the offering may be made to the public in France.

Legal Matters

Certain legal matters in connection with the Offering will be assessed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, French and United States counsel to the Company. Certain legal matters in connection with the Offering will be passed upon for by White & Case LLP, French and United States counsel to the Joint Bookrunners.

Independent Auditors

The Group's financial statement as of and for the year ended December 31, 2012 an English language translation of which is incorporated by reference into this Offering Circular, have been audited by KPMG Audit, a department of KPMG S.A. and ERNST & YOUNG SAS, as stated in their audit report, a free English language translation of which is incorporated by reference into this Offering Circular.

The Group's financial statements as of and for the years ended December 31, 2013 and 2014, an English language translation of which is incorporated by reference into this Offering Circular, have been audited by KPMG Audit IS and ERNST & YOUNG SAS, as stated in their audit reports, free English translations of which are incorporated by reference into this Offering Circular.

Annex A: QIB Representation Letter

[Letterhead of Qualified Institutional Buyer]

To:

Parrot S.A.
174-178 Quai de Jemmapes
75010 Paris
France

[*You must also send a copy of this letter to the financial intermediary through which your Securities (as defined below) are held. Accordingly, please insert the name, address and other contact details of the relevant financial intermediary.*]

Re: the International Offering Circular of Parrot S.A. (the "*Company*") dated November 19, 2015 (the "*Offering Circular*") relating to the proposed offer of 17,575,278 ordinary shares (the "*Rights Offering*").

Ladies and Gentlemen:

This letter is delivered to you in connection with our proposed acquisition in a private placement of ordinary shares of nominal value €0.1524 per share of the Company (the "*New Shares*"). The New Shares are being offered by way of preferential subscription rights ("*Rights*") to holders of ordinary shares of the Company (the "*Ordinary Shares*") as of the applicable record date (November 20, 2015), and in private placements to eligible investors. In the United States, the New Shares underlying the Rights are not being offered to shareholders of the Company, except under limited circumstances designed to avoid an offering that would require registration under the Securities Act, as described below. The New Shares issued pursuant to the Offering will be accompanied by one tranche 1 stock warrant (the "Class 1 Warrants") and one tranche 2 stock warrant (the "Class 2 Warrants", and together with the Class 1 Warrant, the "Warrants" and together with the New Shares, the "Securities") entitling the holders thereof to acquire additional Ordinary Shares under certain conditions.

We hereby represent, warrant, undertake and agree in connection with our proposed exercise of the Rights and acquisition of New Shares as follows:

1. We, and any account for which we are exercising the Rights and/or purchasing the New Shares, are, and upon such exercise will be, a "qualified institutional buyer" ("*QIB*") (as defined in Rule 144A ("*Rule 144A*") under the U.S. Securities Act of 1933 (the "*Securities Act*")).

2. We understand and acknowledge that the Securities have not been and will not be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.

3. As a purchaser in a private placement of securities that have not been registered under the Securities Act, we have acquired the Rights and are acquiring the New Shares upon the exercise of such Rights for our own account, or for the account of one or more other QIBs for which we are acting as a duly authorized fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution (within the meaning of the U.S. securities laws) of any such Securities.

4. We understand and agree that, although offers and sales of the Securities are being made only to QIBs, and that the Rights may be exercised only by QIBs, and that if, in the future, we or any such other QIB for which we are acting, as described in paragraph 3 above, or any other fiduciary or agent representing such investor, decide to offer, sell, pledge or otherwise transfer any of the Securities, we and it will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S under the Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of any such Securities into the United States) or (iv) in accordance with Rule 144 under the Securities Act if available and, in each case, in accordance with

any applicable securities laws of any state or territory of the United States and of any other jurisdiction. We understand that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the New Shares issued upon the exercise of Rights. We also shall notify such subsequent transferee of the transfer restrictions set out in this paragraph, paragraphs 1 and 2 above and paragraph 5 below.

5. We understand that for so long as New Shares issued upon the exercise of Rights are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, no such New Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that none of the Securities will settle or trade through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system.

6. We have received a copy of the Offering Circular and have had access to such financial and other information concerning the Company and the Securities as we have deemed necessary in connection with making our own investment decision to purchase or exercise any of the Securities. We acknowledge that none of the Joint Bookrunners or any of their affiliates has made any representation to us with respect to the Company or the offering or sale or exercise of any of the Securities. We further acknowledge that neither the Company nor any person representing the Company (excluding the Joint Bookrunners) has made any representation to us with respect to the Company or the offering or sale or exercise of any of the Securities other than as set forth herein or in the Offering Circular which has been delivered to us, and upon which we are relying solely in making our investment decision with respect to any of the Securities. We have held and will hold any offering materials, including the Offering Circular, we receive directly or indirectly from the Company or the Joint Bookrunners in confidence, and we understand that any such information received by us is solely for us and not to be redistributed or duplicated by us. We acknowledge that we have read and agreed to the matters stated in the section entitled "Selling and Transfer Restrictions" in the Offering Circular.

7. We are not an affiliate (as defined in Rule 501(b) under the Securities Act) of the Company, and we are not acting on behalf of an affiliate of the Company.

8. We, and each other QIB, if any, for whose account we are acquiring any of the Securities, in the normal course of business, invest in or purchase securities similar to the Securities, have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing any of the Securities and are aware that we must bear the economic risk of an investment in each of the Securities into which it may be exercised for an indefinite period of time and are able to bear such risk for an indefinite period.

9. We acknowledge that the Company, the Joint Bookrunners and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. We understand that the Company is relying on this letter in order to comply with the Securities Act and other U.S. state securities laws. We irrevocably authorise any account operator, which includes any nominee, custodian or other financial intermediary through which we sold our Securities in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the Rights. We irrevocably authorise the addressees and the Joint Bookrunners to produce this letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.

10. We are empowered, authorized and qualified to exercise the Rights and to subscribe for the New Shares and the person signing this letter on our behalf has been duly authorized by us to do so.

11. We undertake promptly to notify the addressees if, at any time prior to December 15, 2015, any of the foregoing ceases to be true.

Terms used herein but not otherwise defined have the meanings given to them by Regulation S under the Securities Act.

[Name of Qualified Institutional Buyer]

By: ______________________________

Name:

Title:

Address:

Telephone number:

Date:

Please note that this investor letter does not represent an order to subscribe for or purchase the Securities. To exercise your Rights to subscribe for the New Shares, please contact your financial intermediary. Please also send a copy of this letter to your financial intermediary.

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